

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WISCONSIN  
GREEN BAY DIVISION**

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SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

Civil Action No: 09-C-506

WEALTH MANAGEMENT, LLC,  
JAMES PUTMAN, and SIMONE FEVOLA,

Defendants, and

WML GRYPHON FUND, LLC;  
WML WATCH STONE PARTNERS, L.P.; WML  
PANTERA PARTNERS, L.P.; WML PALISADE  
PARTNERS, L.P.; WML L3, LLC;  
WML QUETZAL PARTNERS, L.P., and  
EMPLOYEE SERVICES OF APPLETON, INC.,

Relief Defendants.

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**DECLARATION OF FAYE B. FEINSTEIN**

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I, Faye B. Feinstein, declare:

1. In 2009, this Court entered an order appointing me as Receiver over defendant Wealth Management LLC (“Wealth Management”), and relief defendants WML Gryphon Fund LLC, WML Watch Stone Partners LP, WML Pantera Partners LP, WML Palisade Partners LP, WML L3 LLC, and WML Quetzal Partners LP (the “WML Funds”), as well as Employee Services of Appleton, Inc.

2. As Receiver, I was charged with administering eight separate, though related, estates: Wealth Management, which was an operating business at the time of my appointment; Employee Services of Appleton, Inc., which had been established to pay Wealth Management’s

employees and had set up a 401(k) plan for those employees; and each of the six alternative investment funds that Wealth Management established (the WML Funds).

3. When the SEC filed this action, Wealth Management claimed to have 447 advisory clients with \$131 million under management, of which approximately \$102 million consisted of client funds.

4. My work as Receiver has consisted of four main categories:

- a) Winding down Wealth Management's operating business (a task made more difficult because virtually no employees remained) and dealing with administrative matters such as disposing of the assets at Wealth Management's leased location, which involved moving and preserving the massive number of investor account and WML Fund documents; preserving and taking control of the cash in the multiple WML Fund accounts; addressing payroll and benefits; retaining accounting firms to prepare K-1s for investors and file tax returns for Wealth Management and each of the WML Funds; and addressing potential insurance coverage claims arising under investment advisor and fund professional liability insurance policies issued by Houston Casualty Insurance Company, general liability policies issued by Society Insurance, a Mutual Company, and an ERISA compliance bond issued by Travelers Casualty and Surety Company of America.
- b) Investigation of (i) the status of the investments made by the WML Funds in various sub-funds; (ii) the nature of the investments made by each of those sub-funds; and (iii) the likelihood of receiving further distributions from each of the sub-funds. This involved issuing subpoenas to each of the sub-fund managers and reviewing documentation produced in response.
- c) Researching, considering, proposing and confirming a plan for the distribution of funds to investors (the "Plan"), including defending the plan confirmation order on appeal to the Seventh Circuit (which affirmed confirmation of the Receiver's plan), paying creditors under the Plan, and making periodic distributions to investors under the Plan (distributions that currently total about \$14.2 in the aggregate).
- d) Considering other mechanisms for mitigating the tens of millions of dollars in losses sustained by investors, including researching the costs and benefits of investigating and potentially pursuing actions against the former managers of the WML Funds (James Putman and Simone Fevola), actions against investors who received preferential returns, claims against one or more of the sub-funds, and claims against third parties.

5. The six WML Funds had invested their client funds in a total of 22 alternative investment sub-funds (the “Sub-Funds”).

6. Virtually none of the investments made by the Sub-Funds were liquid. Nor was there a procedural mechanism by the WML Funds could demand a cancellation, liquidation or sale of their interests in the Sub-Funds.

7. The WML Funds’ investments in two of the Sub-Funds—The Baetis Fund, L.P. (“Baetis”) and The Brown Investment Fund, L.P. (“Brown”)—together were among the largest Sub-Fund investments.

8. Investments in Baetis totaled \$32.2 million, and investments in Brown totaled \$16.2 million.

9. The general partner of both Brown and Baetis is Wood, Hat & Silver, L.L.C. (“WH&S”), which controlled the investments made by Baetis and Brown.

10. Baetis and Brown’s investments focused exclusively on non-recourse life insurance premium financing which involved loaning premiums to elderly insureds who would pledge the policies (death benefits ranged from \$1 million to \$15 million) as collateral for the loans.

11. When the non-recourse premium finance loans terminated, policy owners could pay off the loan and retain the policy or Baetis and Brown, by WH&S, could sell the policies to buyers on the secondary market for life insurance.

12. However, by 2008, WH&S was unable to sell policies, or to sell them for more than the amount of the monies loaned to the insureds to pay the initial premiums on the policies. This caused Baetis and Brown to begin to accumulate significant losses.

13. I considered mechanisms for supporting WH&S's efforts to sell policies, as well as other ways to recoup the significant dollars lost by investors.

14. After my Plan was approved, I entered into negotiations with the law firm of Melnick & Melnick, S.C. ("Melnick") to act as special litigation counsel to (a) investigate the potential liability of numerous entities, including, without limitation, insurance companies, agents, brokers and WH&S, for the losses sustained by investors in the Brown and Baetis funds; and (b) consider the pursuit of such claims.

15. Melnick's retention was approved by order of this Court, and I was authorized to execute the Melnick engagement letter.

16. In furtherance of my obligations under the Melnick engagement letter, I provided Melnick with certain documents which I had received from Wealth Management, the WML Funds, and WH&S.

17. Following Melnick's investigation and consideration of the viability of potential causes of action, and in accordance with their engagement letter, Melnick informed me in 2012 that they were prepared to pursue litigation in Wisconsin state court

18. On or around August 27, 2018, Mary Jo Potter of The Lincoln National Life Insurance Company ("Lincoln") contacted me. Ms. Potter alleged that Lincoln believed I and Quarles & Brady LLP ("Quarles") had a conflict of interest in connection with my appointment as Receiver.

19. When Ms. Potter asked me what my/Quarles' perspective was with respect to her conflict allegation, I referred her to Quarles & Brady's General Counsel, Donald K. Schott.

20. At this point following multiple settlements, four insurance company defendants, five agents, and WH&S remain defendants in the Outagamie County action.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 12<sup>th</sup> day of April, 2019.

  
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Gaye B. Feinstein