

Memorandum

February 1, 2011



From: Faye B. Feinstein
Re: Status update regarding SageCrest Fund

Three Wealth Management funds invested a total of \$11.0 million in the SageCrest Fund in the following amounts: WML Gryphon Fund LLC ("Gryphon") invested \$1 million, WML Palisades Partners, L.P. ("Palisades") invested \$1 million and WML WatchStone Partners, L.P. ("WatchStone", and together with Gryphon and Palisades, the "WM Funds") invested \$9 million.

As you may know, the SageCrest Fund is in a Chapter 11 bankruptcy case. The Receiver's representative replaced Wealth Management's counsel as a member of the equity holders' committee (the "Committee") and thereby has actively participated in the bankruptcy proceedings.

SageCrest Fund is liquidating all of its assets. It is unclear when the liquidation will conclude, although it may take 3 years or longer. Duetsche Bank has a blanket lien on all of SageCrest Fund's assets and, therefore, the proceeds of the liquidation will first be applied to the secured debt which is estimated at over \$100 million. The remaining funds will likely be shared first among the unsecured creditors and then among equity holders. It is not clear whether any court approved Plan will provide for priority treatment to equity holders who submitted redemption requests prior to the bankruptcy. The WM Funds submitted full redemption requests pre-bankruptcy, however, Palisades and WatchStone submitted their requests after SageCrest Fund sent out a letter implementing a "gating" provision to limit redemptions allowed in any quarter. It is uncertain what, if any, affect this will have on the priority of payment to the WM Funds.

In light of current revised appraisals for SageCrest Fund's assets (which include a large portfolio of life insurance policy loans), it is uncertain whether the liquidation of SageCrest Fund's assets will yield sufficient funds to make a distribution to equity. In light of this information, the Receiver has determined that it is not economically efficient to continue serving as a member of the Committee and has advised the Committee of such.

The Receiver will continue to monitor the bankruptcy proceedings and the status of the liquidation process.