



March 11, 2011

**From:** Faye B. Feinstein  
**Re:** Update re certain litigation matters

The following is an update regarding (1) litigation to recover large pre-receivership distributions made to certain investors in WML Gryphon Fund LLC (the "Disgorgement Complaints"); (2) resolution of the litigation against holders of promissory notes issued by The Brown Fund, L.P.; and (3) efforts to obtain information from Wood, Hat & Silver, LLC, regarding investments by the WM Funds in The Baetis Fund, L.P. ("Baetis") and The Brown ("Brown") Investment Fund L.P..

(a) **Status of the Disgorgement Complaints:** On January 20, 2011, I filed three complaints, seeking (in round figures) \$4.2 million, \$1.1 million, and \$500,000, respectively, all of which was transferred from Gryphon to the defendants, at the direction of James Putman.

I am pleased to report that I have settled one of the lawsuits. The complaint sought just over \$500,000, and we have settled for a payment of just over \$400,000, or 80% of the amount demanded. We have received payment, and the Court has dismissed that lawsuit.

The defendants in the remaining lawsuits have until March 25, 2011, to answer the complaint or file a motion to dismiss.

(b) **Settlement of Litigation against Brown Fund Noteholders:** As I have reported previously, certain parties alleged that they had lent money to the Brown Fund, L.P. ("Brown"),

and that, they should receive repayment of those loans from Brown assets before investors in Brown (Watch Stone and Palisade) received any distributions from Brown.

I objected to the Noteholders' request to be paid, and, thereafter, filed a lawsuit in which I asked the Court to declare that the Noteholders should receive payment only on a par with Watch Stone and Palisade. However, the Court overruled my objection and, then, granted the Noteholders' motion to dismiss the lawsuit.

I filed an appeal of the dismissal to the Seventh Circuit Court of Appeals. After mediation ordered by the Seventh Circuit and negotiation among the parties, we recently settled the matter for a total payment to the Receivership of \$127,500 from Brown. I have received that payment, the appeal has been dismissed, and this matter is now closed.

**(c) Requests for Information regarding Baetis & Brown Fund.** In order to obtain information about the investments made in Baetis & Brown, I served a document subpoena upon Baetis & Brown's general partner, Wood, Hat, & Silver, LLC ("WHS"), and WHS's managing member, Joseph Aaron. My document request covered, in particular, information regarding (1) deposits made to Baetis & Brown, whether as investments or loans, and (2) withdrawals made from Baetis & Brown for any reason. Mr. Aaron has testified in a deposition that he, like James Putman and Simone Fevola, received payments in connection with the investments made by the WM Funds in Baetis & Brown, but that he deposited those commissions into Baetis & Brown. I served the subpoena in order; amount other reasons, to verify those statements through the books and records of WHS.

WHS refused to comply with the subpoena, and I filed a motion to compel their compliance.

Last month, the Court denied the motion to compel. Because I believe the Court came to its conclusion based on an erroneous understanding of the relevant facts and law, I am filing a motion asking the Court to reconsider that decision.