

Memorandum

June 4, 2010



From: Faye B. Feinstein
Re: **Status update regarding claims of former employees of Wealth Management LLC**

The purpose of this memo is to describe the status of distributions to certain former employees of Wealth Management LLC (“WM”). My review of the proofs of claim submitted to me and of WM’s records shows that a total of twelve (12) former employees have claims for (a) unpaid retirement plan contributions and/or (b) the dollar value of time-off not used prior to the termination of employment. For convenience, I will refer these collectively as “Employee Claims”.

As described in my plan for the allocation of the assets of WM, Community First Credit Union (“CFCU”) holds a large claim against WM that is secured by a blanket security interest in all of WM’s assets, which means that, ordinarily, CFCU would be entitled to have its claim paid in full before other creditors (including employees) could be paid. However, as is also described in the plan, Wisconsin state law provides for payment of a limited amount of employee claims for wages and similar forms of compensation ahead of secured claims, up to a maximum of \$3,000 per employee.

I have informed CFCU that I intend to treat each Employee Claim as entitled to payment ahead of CFCU, in each case up to the total amount claimed or \$3,000, whichever is less (for each Employee Claim, the “Priority Amount”). By my calculation, the Priority Amounts for all

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twelve Employee Claims together total \$22,211.20. I have also informed CFCU that, under my plan, this amount must be paid out of the available assets of WM, which assets include (a) distributions that I made to WM last month on account of WM's own investments in certain of the WM funds; (b) the cash that CFCU took out of WM's bank account, as an offset against its claim, after I was appointed and after the court had entered an order freezing the assets of WM (the "CFCU Offset"), and (c) amounts to be obtained by selling certain personal property of WM, including office furniture and equipment, pursuant to offers received from the landlord of WM's office space and from a new tenant for that space. It appears that those three sources would be sufficient to pay the full aggregate Priority Amount of \$22,211.20; however, to the extent the claims of any employee exceed the Priority Amount for that employee, that excess is junior to CFCU's secured claim and will not be paid unless and until CFCU's claim is satisfied. Since CFCU is owed in excess of \$600,000, it is highly unlikely that CFCU's claim will be fully satisfied.

I have asked CFCU, through its lawyer, for CFCU's consent to my payment, from the sources described above, of the Priority Amounts ahead of CFCU's claim and for CFCU to voluntarily return the CFCU Offset. As of the date of this memo, CFCU has not agreed. If CFCU were to consent, I would be able to distribute the Priority Amounts as soon as (1) the office furniture and equipment is sold – which I anticipate happening this month – and (2) CFCU returns the CFCU Offset.

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However, if CFCU does not consent, I will file a motion next week asking the court to require CFCU to repay the CFCU Offset and to permit me to pay the Priority Amounts. CFCU may object to that motion; in addition or in the alternative, CFCU may disagree with my determinations as to the Employee Claims and ask the court to find that they are not entitled to any priority under the Wisconsin law described above. CFCU would have at least 21 days to respond, after which the court would either set a hearing date at its convenience or decide the motion without a hearing.