

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN
GREEN BAY DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

Case No. 09-C-506

vs.

Honorable William C. Griesbach

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, and
WML QUETZAL PARTNERS, L.P.

Relief Defendants.

**OBJECTION OF SUSAN L. D. SIPES REVOCABLE TRUST TO RECEIVER'S
PROPOSED PLAN FOR ALLOCATION OF ASSETS AND JOINDER IN CERTAIN
OTHER FILED OBJECTIONS THERETO**

The Susan L. D. Sipes Revocable Trust as Restated March 26, 2007 (the "Trust") hereby objects to the Receiver's Proposed Plan for the Allocation of the Assets of Wealth Management LLC, WML Gryphon Fund LLC, WML Watch Stone Partners, L.P., WML Pantera Partners, L.P., WML Palisade Partners, L.P., WML L3, LLC, and WML Quetzal Partners, L.P. (the "Plan") and hereby joins the Objections filed on this date by James P. and Sandra J. Verhoeven (Docket No. 77) and other similarly situated creditors, to the extent consistent herewith. In support of this Objection, the undersigned alleges on behalf of the Trust as follows:

FACTS

Dr. Susan Sipes, an investor in the WML Watch Stone Partners, WML Gryphon and WML Quetzal Partners Funds (collectively, the "Funds") through a self-directed revocable Trust, died after an extended battle with cancer on May 15, 2008, at the age of 47. Dr. Sipes, as trustee of the Trust, had submitted complete redemption requests to Wealth Management, LLC ("WML") some time prior to her death after she had been advised that in order to re-title the Trust's WML investment accounts upon her death in the name of her successor trustee, it would be necessary to redeem those investments. Dr. Sipes, a single mother of two minor daughters, also wished to redeem certain of her accounts in order to make her estate more liquid for the benefit of her heirs.

Beginning in March of 2008, Ms. Lori Coonen, Director of Financial Planning at WML, aware of Dr. Sipes terminal cancer prognosis, tried to meet with Dr. Sipes to discuss the redemption strategy described above. Dr. Sipes, however, had a lot of matters to attend to in the last months of her life and rescheduled the meeting with Ms. Coonen on more than one occasion. Only when Dr. Sipes had to be hospitalized did she find time to meet with Ms. Coonen and execute the redemption requests. On information and belief, in early May, 2008, at the time Dr. Sipes executed the redemption requests, neither Ms. Coonen nor Dr. Sipes had any knowledge of the violations of securities laws by WML, James Putman and Simone Fevola that are alleged in the Complaint.

In early May 2008 when the redemption requests were executed, the Trust had investments in the Funds valued at approximately \$1.4 million. WML notified the successor trustee in early July, 2008, that Dr. Sipes' redemption requests had been accepted as of June 30, 2008. In early July, 2008, the Funds made partial redemption payments to the Trust, totaling

approximately \$220,000. After such payments, the Funds remained indebted to the Trust in the amount of approximately \$1,181,000. The Trust has received no further payments on account of such indebtedness.

OBJECTION

In order to reduce administrative expenses, the Plan draws a bright chronological line to determine which unpaid redemption obligations of the Funds will be effectively voided and which redemption payments will be nullified (i.e. treated as prepayments of distributions otherwise to be made under the Plan).¹ The Plan's designation of May 31, 2008, as that bright line is arbitrary and reflects unfounded assumptions regarding what typical WML investors and creditors knew or had reason to know about WML and the Funds as of such date.

Indeed, the Plan's stated rationale for selection of the May 31, 2008 date (Plan, pp. 29-32), undercuts rather than supports selection of that date. The Receiver admits that "redemption activity increased markedly"² in *June* of 2008, *after* Putman disclosed to WML's board his receipt of kick-back payments (Plan, pp. 30-31). The date, then, on which it would be reasonable to assume that redemption *requests* are tainted by a "get-out-while-you-can" motive is *after* May 31, 2008. Redemption *payments* on account of such tainted requests, whenever they were made, would also be tainted. *That* would be a bright line that bears a rational relationship to the facts. May 31, 2008, as the date for nullifying redemption payments, regardless of when the corresponding redemption request was made, does not. For this reason, among others, the Plan is neither fair nor equitable and should not be approved.

¹ Indeed, the Receiver reserves the right to sue recipients to "claw back" redemption payments received after such date. Plan, p. 32.

² The Plan does not explain whether "redemption activity" means "redemption requests" or something else. In context, it makes sense that redemption *requests* would have increased markedly in June, 2008. Redemption *payments* would, on information and belief, typically occur some time *after* the close of each calendar quarter on account of all accepted redemption requests that had been timely made during the concluded calendar quarter.

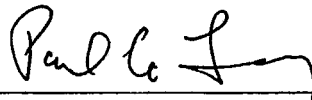
The Trust hereby also joins in the Objections of James P. and Sandra J. Verhoeven (Docket No. 77) and other similarly situated creditors (the "Joined Objections"), to the extent they are consistent with the foregoing.

CONCLUSION

For the reasons stated herein and in the Joined Objections, the Trust requests that the Court deny the Receiver's motion for an order approving the Plan in its current form.

Dated this 30th day of September, 2009.

MICHAEL BEST & FRIEDRICH LLP

By: 

Paul A. Lucey Wis. Bar No. 1009833
100 East Wisconsin Avenue
Suite 3300
Milwaukee, WI 53202-4108

Attorneys for the Susan L. D. Sipes Revocable
Trust as Restated March 26, 2007,
Creditor of Certain Relief Defendants

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