

**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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**RECEIVER'S MOTION FOR ORDER, PURSUANT TO APPROVED PLAN OF  
DISTRIBUTION, EQUITABLY SUBORDINATING EQUITY INTERESTS OF  
AMALGAMATED CONSOLIDATED ENTERPRISES, INC.**

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Faye B. Feinstein, the court-appointed Receiver in this action for Wealth Management LLC ("WM") and the Relief Defendants (collectively, but excluding Employee Services of Appleton, Inc., the "WM Funds"), by and through her attorneys, Quarles & Brady LLP, respectfully moves this Court for an Order providing that any claims of Amalgamated Consolidated Enterprises, Inc. ("ACE"), against, or equity interests of ACE in, WM or any of the WM Funds will be equitably subordinated to claims and interests of all other creditors of, and equity investors in, WM and the WM Funds, pursuant to the Receiver's Plan (as defined below). In support of this Motion, the Receiver states as follows:

1. Defendant James Putman ("Putman"), who founded Wealth Management LLC in 1985, allegedly engaged in a kickback scheme through which he accepted, either directly or

indirectly from an affiliated entity, Quadrimus, LLC (“Quadrimus”), “at least \$1.24 million in undisclosed payments derived from certain investments made by the WM Funds, while continuing to cause clients to invest in the Funds.” (Docket No. 1, SEC Compl., ¶4.)

2. On May 20, 2009, the United States Securities and Exchange Commission (“SEC”) brought an action against Putman and secured the appointment of the Receiver. (*Id.*, Docket Nos. 8, 14.)

3. Pursuant to the Order appointing the Receiver, the Receiver was charged with ascertaining the rightful ownership of, and preparing and implementing a plan for the liquidation of, all assets of WM and the WM Funds. (*Id.*) She is also charged with equitably distributing those assets. (*Id.*)

4. During an interview with the SEC, Putman admitted that the \$1.24 million in undisclosed payments that he received was paid by Quadrimus to ACE, a sub S corporation that Putman created. (Exhibit A, Transcript of Putman Investigative Testimony, at 70-73, 82-83.) More specifically, Putman admitted that he received a total of \$265,000 in payments that were deposited on his behalf into ACE’s account in 2006, and a total of \$975,000 in payments that were deposited in 2007. (*Id.* at 76-77.)

5. Putman also admitted that he used those deposits into ACE’s account for, among other things, investments in the WM Funds. (*Id.* at 83.) Indeed, net cash statements show that in January of 2007, Putman, using ACE, invested \$50,000 in WML Quetzal Partners, L.P. (“Quetzal”), and, in August of 2007, Putman, using ACE, invested \$150,000 in WML Pantera Partners, L.P. (“Pantera”). (*See* Ex. B hereto.)

6. On September 8, 2009, the Receiver filed a plan for the allocation of the assets of WM and the WM Funds (Docket No. 62, Ex. 1 thereto.) In response to certain objections to the plan, the Receiver voluntarily amended the plan, filing, on November 25, 2009, her *Second*

*Amended Proposed Plan of 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.* (Docket No. 163) (the “Plan”). By orders entered on November 20 and November 30, 2009 (Docket Nos. 161 and 167, respectively) (the “Plan Approval Orders”), the Court approved the Plan.

7. The approved Plan provides that any claims and equity interests of Putman relating to WM or the WM Funds are to be equitably subordinated to those of all other investors in the WM Funds. (Plan at 36.)

8. The Receiver anticipates making her initial distribution of assets during March or April of 2010, which will include distributions on account of equity interests in Quetzal and Pantera.

9. As described above, Putman has admitted that the funds that were invested through ACE in Quetzal and Pantera were proceeds of the \$1.24 million of undisclosed payments received by him and were derived from certain investments to which Putman steered the WM Funds, even while he was continuing to cause clients to invest in the WM Funds. The SEC based its Complaint against Putman in part on his receipt of these payments, and, pursuant to the Preliminary Injunction Order entered in this case (Docket No. 17), Putman conceded that the SEC has made a *prima facie* case for violations of securities laws and that the SEC is likely to prevail on the merits of its Complaint against Putman.

10. The Plan therefore provides for the equitable subordination of all claims and equity interests of Putman in WM or any of the WM Funds to the claims and interests of all other entities. Given the insolvency of WM, this subordination effectively disallows all claims and interests of Putman. As the court noted in *SEC v. Enterprise Trust Co.*, “it is difficult to find cases in which business officers . . . took a share of a Receiver’s distribution . . . . They are not

innocent victims of [the company's] actions.” *SEC v. Enterprise Trust Co.*, No. 08 C 1260, 2008 WL 4534154, at \*6 (N.D. Ill. Oct. 7, 2008), *aff’d*, 559 F.3d 649 (7th Cir. 2009). Therefore, “disqualifying those who took the business over the edge is the most common feature, and the least contested aspect, of distribution plans.” *Enterprise Trust*, 2008 WL 4534154, at \*3.

11. ACE was formed by Putman for his own direct or indirect benefit. Making distributions to ACE would be tantamount to making distributions to Putman. Putman should not be able to receive indirectly what the Plan forbids him from receiving directly. All claims of ACE against, and equity interests held by ACE in, WM or the WM Funds should be deemed to fall within the provision of the Plan equitably subordinating claims and interests of Putman.

**WHEREFORE**, the Receiver hereby requests entry of an order, in the form attached hereto as Exhibit C, providing that any claims of Amalgamated Consolidated Enterprises, Inc. (“ACE”) against, or equity interests of ACE in, WM or any of the WM Funds shall be equitably subordinated to those of all other creditors of, and equity investors in, WM and the WM Funds.

Dated this \_\_\_\_ day of March, 2010.

MICHAEL H. SCHAALMAN  
JANE E. APPLEBY

s/ Jane E. Appleby

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Attorneys for Court Appointed Receiver, Faye  
Feinstein, Esq.

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1 Q The payments that Quadrimus received, was it just  
2 from the commissions for these life insurance premium  
3 financing deals?

4 A That was my understanding.

5 Q And where did you get that understanding?

6 A From Mr. Rick.

7 Q And when did you start receiving payments from  
8 Quadrimus?

9 A In 2006.

10 Q When in 2006?

11 A My best recollection is I think August was the  
12 first payment.

13 BY MR. PHILLIPS:

14 Q Then when you first started receiving these  
15 payments, what was your understanding as to why Mr. Rick was  
16 willing to share these payments with you?

17 A He didn't make it clear.

18 Q Did you ever come to an understanding as to why he  
19 was willing to share these payments with you?

20 A No.

21 Q You never asked?

22 A No.

23 Q Did you not ask because you were afraid to find out  
24 the answer?

25 A No. I never asked - you know, I trusted Tom

1 and - you know, we've known each other for over 20 years,  
2 and it just didn't occur to me.

3 BY MS. LO:

4 Q Was Mr. Aaron, was he a member of Quadrimus?

5 A Not that I know of.

6 Q The check or the payments that you received from  
7 Mr. Rick through Quadrimus, was that a check that was  
8 personally written to you?

9 A No.

10 Q Who was it written to?

11 A To Amalgamated Consolidated Enterprises,  
12 Incorporated.

13 Q And what is that?

14 A I set the company up. It's a sub S corporation to  
15 hold family investments and assist in estate planning.

16 Q I'm going to hand you what has been marked as  
17 Commission Exhibit Number 5. Mr. Putman, do you recognize  
18 Commission Exhibit Number 5?

19 (SEC Exhibit No. 5 was marked for  
20 identification.)

21 THE WITNESS: Yes.

22 BY MS. LO:

23 Q Could you tell us for the record what Commission  
24 Exhibit 5 is?

25 A It's an overview of ACE, Incorporated.

5 Q And how did you receive these commission payments  
6 from Mr. Rick?

7 A By check.

8 Q Did Mr. Rick write you a personal check from his  
9 own account for these commission payments?

10 A No.

11 Q How did you get these payments?

12 A He had a checking account set up for the Quadrimus  
13 LLC.

14 Q What is Quadrimus?

15 A Quadrimus was an LLC, a company created to receive  
16 payments and make distributions.

17 Q Was the sole purpose of Quadrimus to receive the  
18 payments and make distributions to you, Mr. Revola and  
19 Mr. Rick?

20 A As I understand, yes.

21 Q And whose idea was it to create Quadrimus?

22 A Mr. Rick's.

23 Q Did he tell you why he wanted to create Quadrimus?

24 A To have a structure so that the sharing could be  
25 done equally.

1 Q What is ACE?  
 2 A Amalgamated Consolidated Enterprises, Incorporated.  
 3 Q Was this a document that you prepared?  
 4 A Yes, it appears to be.  
 5 Q And what was the purpose of preparing this  
 6 document?  
 7 A To document for the file what the purpose of the  
 8 company was and also to help explain it to my children.  
 9 Q On the second page of Commission Exhibit 5, in the  
 10 middle of that page, you'll see number 2. It says Quadrimus  
 11 LLC. Do you see that there?  
 12 A Mm-hmm.  
 13 Q And under subsection C it says the company is  
 14 managed by Tom Riek. Joe Aaron and Simone Fevola are the  
 15 other members. Do you see that there?  
 16 A Okay, yes.  
 17 Q Did you have any understanding of whether Mr. Aaron  
 18 was a member of Quadrimus?  
 19 A You know, I didn't remember that. It's my memory  
 20 that it was just Tom and Simone and myself.  
 21 Q Sitting here today, do you have any recollection of  
 22 whether Mr. Aaron was or was not a member of Quadrimus? Does  
 23 this refresh your recollection?  
 24 A I would have to look at the Quadrimus document.  
 25 It's my memory that the, again, that Joe was not a part of

1 that.  
 2 Q Was there any discussion about Mr. Aaron being a  
 3 member of Quadrimus?  
 4 A I don't remember. I don't remember that it was at  
 5 first.  
 6 Q The checks that Mr. Riek wrote out, did you have  
 7 any signatory authority on the bank accounts for Quadrimus?  
 8 A I believe I did.  
 9 Q Did you have signatory authority to sign checks —  
 10 A I believe I did.  
 11 Q Do you remember signing a signature card for any  
 12 sort of bank accounts for Quadrimus?  
 13 A I tend to remember that I did.  
 14 Q And how often did you receive these payments from  
 15 Mr. Riek?  
 16 A Approximately monthly.  
 17 Q And how much did you receive in 2006?  
 18 A Approximately \$300,000.  
 19 MR. PHILLIPS: That's how much you personally  
 20 received?  
 21 THE WITNESS: Through ACE, yes.  
 22 BY MS. LO:  
 23 Q And how about in 2007?  
 24 A Approximately \$800,000.  
 25 Q And did you receive any payments in 2008?

1 A No.  
 2 Q How about in 2009, this year?  
 3 A No.  
 4 Q And Mr. Riek and Mr. Fevola received an equal share  
 5 of these payments?  
 6 A I can't prove that.  
 7 Q But that was your understanding?  
 8 A It's my understanding. My understanding was yes.  
 9 MR. PHILLIPS: Was that some agreement that the  
 10 three of you reached, that you would all receive an equal  
 11 share of those payments?  
 12 THE WITNESS: Yes.  
 13 BY MS. LO:  
 14 Q Mr. Putman, I'm going to hand you what has been  
 15 marked as Commission Exhibit Number 6.  
 16 (SEC Exhibit No. 6 was marked for  
 17 identification.)  
 18 THE WITNESS: Okay.  
 19 BY MS. LO:  
 20 Q Do you recognize Commission Exhibit Number 6?  
 21 A I do.  
 22 Q What is Commission Exhibit 6?  
 23 A It's a K-1 from 2006.  
 24 Q Was this issued to ACE?  
 25 A It was, yes.

1 Q And does this K-1 reflect how much in payments you  
 2 received for 2006?  
 3 A Yes.  
 4 Q And what was that amount?  
 5 A It looks like the distribution was \$265,000.  
 6 Q And who prepared the K-1's for Quadrimus?  
 7 A Clifton Gunderson accounting firm.  
 8 Q And was this K-1 filed with your 2006 tax returns?  
 9 A As far as I remember it was, yes.  
 10 Q There's a stamp on here that says as amended. Was  
 11 the amended K-1 filed with your tax return?  
 12 A I don't remember.  
 13 Q I'm going to hand you what has been marked as  
 14 Commission Exhibit Number 7.  
 15 (SEC Exhibit No. 7 was marked for  
 16 identification.)  
 17 THE WITNESS: Okay.  
 18 BY MS. LO:  
 19 Q Do you recognize Commission Exhibit Number 7?  
 20 A I do.  
 21 Q Could you tell us for the record what Commission  
 22 Exhibit Number 7 is?  
 23 A A schedule K-1 from 2007.  
 24 Q Was that issued to ACE as well?  
 25 A It was, yes.

- 1 Q Does this K-1 reflect how much in payments you
- 2 received from Quadrimus?
- 3 A Yes.
- 4 Q What is that amount?
- 5 A \$975,000.

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1 account into a U.S. Bank account that I set up for ACE.

2 Q And did it stay in that U.S. Bank account?

3 A Some did. Some went to a Schwab account that I set  
4 up through our office.

5 Q Was that also in ACE's name?

6 A Yes.

7 Q And what did you do with the payments that you  
8 received from Quadrimus?

9 A Invested some of the money, distributed some of the  
10 money to family members.

11 Q How much was invested?

12 A Between 4- and \$500,000.

13 Q And what was it invested in?

14 A Wealth Management funds, oil and gas wells,  
15 vehicles, real estate. I think that's it.

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22 A That was my understanding.

23 Q And when receiving payments from Quadrimus, what  
24 did you do with those payments?

25 A Technically they went from the Quadrimus checking



Name of Investor: Amalgamated Consolidated Enterprises Inc.

1. Your investment was in:

- Wealth Management LLC
- WML Gryphon LLC
- WML WatchStone Partners, L.P.
- WML Pantera, L.P.
- WML Palisade Partners, L. P.
- WML L3, LLC
- WML Quetzal Partners, L.P.

2. Dates and Amount of Cash Invested:

August 2007 - \$150,000

3. Dates and Amounts of  
Redemptions/Distributions Received  
on or before May 31, 2008:

None

4. "Net Cash"  
(the difference between the totals on  
lines 2 and 3): \$150,000

EXHIBIT "1"

Name of Investor: Amalgamated Consolidated Enterprises Inc.

1. Your investment was in:

- Wealth Management LLC
- WML Gryphon LLC
- WML WatchStone Partners, L.P.
- WML Pantera, L.P.
- WML Palisade Partners, L. P.
- WML L3, LLC
- WML Quetzal Partners, L.P.

2. Dates and Amount of Cash Invested:

January 2007 - \$50,000

3. Dates and Amounts of  
Redemptions/Distributions Received  
on or before May 31, 2008:

None

4. "Net Cash"

(the difference between the totals on  
lines 2 and 3): \$50,000

EXHIBIT "1"

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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**[PROPOSED] ORDER GRANTING MOTION TO EXCLUDE AMALGAMATED  
CONSOLIDATED ENTERPRISES, INC. FROM DISTRIBUTIONS MADE BY  
THE RECEIVER**

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**THIS MATTER CAME** before the Court on the Receiver's Motion for Order Excluding Amalgamated Consolidated Enterprises, Inc. from Distributions Made by the Receiver (the "Motion"). The Court, having reviewed the Motion, the form of the Order filed therewith, and the record herein; being satisfied that the Motion and this Order are fair and reasonable under the circumstances; and being fully advised in the premises, hereby deems it appropriate to grant the Receivers Motion.

**ACCORDINGLY, IT IS HEREBY ORDERED:**

1. The Motion is Granted; and
2. Any claims of Amalgamated Consolidated Enterprises, Inc. ("ACE") against, or equity interests of ACE in, WM or any of the WM Funds shall be equitably subordinated to those of all other creditors of, and equity investors in, WM and the WM Funds..

**SO ORDERED** at Green Bay, Wisconsin, this \_\_\_\_ day of March, 2010.

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Honorable William C. Griesbach  
United States District Court Judge