

Subject: Wealth Management hearing - November 4

This correspondence summarizes the matters heard and dispositions made at the hearing held on Wednesday November 4, 2009.

1. The court considered issues related to the Receiver's proposed Plan for the allocation of the assets of Wealth Management LLC and each of the Wealth Management funds. The court heard the statements of several of the objectors, as well as the statements of the Receiver. There were 9 objections filed on behalf of 14 individuals/entities. Of those objections, only 6 were filed by investors in the Wealth Management funds. The objections filed and the Receiver's response thereto are all available on the company's website. Several of those who filed objections urged the court to deny approval of the Plan. Several objectors did not make an oral presentation to the court. The main arguments considered by the court were that (i) those individuals and entities who made redemption requests which were accepted by Wealth Management should be paid before all other investors; and (ii) the May 31, 2008 date selected by the Receiver for offsetting distributions made thereafter was arbitrary and should not be approved. The objectors did not argue for any other specific date; they argued that each individual's situation should be addressed separately to determine the reason for the distributions made to them.

The court did not rule on the Receiver's Plan. The Court asked the Receiver and counsel for one of the objectors, the Edwin Wilson IRA, to each file on Tuesday a supplemental memorandum in support of their position. The Court indicated that he would rule shortly thereafter - hopefully within a week.

The memoranda submitted will be posted to the Wealth Management website.

2. The court considered the Receiver's motion to establish a mechanism for fixing claims of creditors and investors. There were 2 protective objections filed to the Receiver's motion - both of which raised the same issue that was raised in opposition to the Plan; i.e. that those investors who had submitted redemption requests should be authorized to file claims as "creditors" of the funds as opposed to "investors" in the funds, and be paid first.

The court indicated he would rule on this motion after he determined whether the Plan should be approved, and that when he approves a Plan (whether it be the one submitted or another one) the Receiver will submit a draft order on this motion, and determine whether the dates she had proposed for the fixing and filing of claims should be modified in light of the delay in plan approval.

3. The court denied Jim Putman's motion for leave to answer the SEC's Complaint and file counterclaims on behalf of Wealth Management and the funds. The Court also granted the SEC's motion for entry of default judgments against Wealth Management and each of the funds.

4. The court took under advisement Jim Putman's "Motion for Consideration". A copy of that Motion and the Receiver's response is posted to the Wealth Management website.
5. The court granted Simone Fevola's motion to strike all references to him in the Preliminary Injunction Order. The Receiver indicated that she would correspondingly revise those provisions of the Plan that quote from or refer to the Preliminary Injunction Order consistent with the court's ruling.
6. The court took under advisement the SEC's motion to dismiss the counterclaim filed by Jim Putman individually to the SEC's complaint.
7. At the suggestion of counsel for an investor, the Receiver agreed to establish an "attorneys advisory committee". Member attorneys have agreed to assist/consult with the Receiver at no cost to the estate. If you are aware of an attorney representing an investor who would like to join this committee in formation, please have them contact the Receiver at Receiver@Quarles.com.
8. The court indicated that he will not require the Receiver to file periodic status reports; however, the Receiver should file a report when there are substantive matters to report. The Receiver will also post periodic updates to the Wealth Management website. The Receiver will file a report in January regarding potential litigation she may bring.

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