

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:) **Chapter 7**
)
PEREGRINE FINANCIAL GROUP, INC.,) **Case No. 12-27488**
)
) **Honorable Judge Carol A. Doyle**
Debtor.)
) **Hearing Date: March 7, 2018**
) **Hearing Time: 10:00 a.m.**

NOTICE OF MOTION

PLEASE TAKE NOTICE that on **March 7, 2018 at 10:00 a.m.**, the undersigned shall appear before the Honorable Judge Carol A. Doyle, in Courtroom 742, 219 South Dearborn Street, Chicago, Illinois, and then and there present the **TRUSTEE’S MOTION TO APPROVE COMPROMISES WITH ST. LUKE’S HEALTHCARE FOUNDATION AND MEMORIAL FOUNDATION OF ALLEN HOSPITAL**, at which time you may appear if you deem fit.

Dated: February 13, 2018

Respectfully submitted,

Ira Bodenstein, not personally, but as chapter 7 trustee for the estate of Peregrine Financial Group, Inc.

By: /s/ David R. Doyle
One of his attorneys

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CERTIFICATE OF SERVICE

David R. Doyle certifies that she caused to be served a true copy of the above and foregoing **TRUSTEE'S MOTION TO APPROVE COMPROMISES WITH ST. LUKE'S HEALTHCARE FOUNDATION AND MEMORIAL FOUNDATION OF ALLEN HOSPITAL** upon the attached Electronic Mail Notice List through the ECF System and on the attached Service List in the manner so indicated on this 13th day of February, 2018.

/s/ David R. Doyle

CM/ECF Email Notice List for Case 12-27488:

The following is the list of **parties** who are currently on the list to receive email notice/service for this case.

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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:) Chapter 7
)
PEREGRINE FINANCIAL GROUP, INC.,) Case No. 12-27488
)
Debtor.) Honorable Judge Carol A. Doyle

**TRUSTEE’S MOTION TO APPROVE COMPROMISES
WITH ST. LUKE’S HEALTHCARE FOUNDATION AND
MEMORIAL FOUNDATION OF ALLEN HOSPITAL**

Ira Bodenstein, not individually but solely as the duly appointed chapter 7 trustee (the “*Trustee*”) of the bankruptcy estate of Peregrine Financial Group, Inc. (the “*Debtor*” or “*PFG*”), pursuant to 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 9019, hereby moves for entry of an order approving settlements that he reached with St. Luke’s Healthcare Foundation (“*St. Luke’s*”) and the Memorial Foundation of Allen Hospital (“*Memorial*”). In support of the Motion, the Trustee respectfully states as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over the Motion under 28 U.S.C. §§ 157 and 1334, and Internal Operating Procedure 15 (a) of the United States District Court for the Northern District of Illinois.
2. Venue of this proceeding and the Motion is proper in this District pursuant to 28 U.S.C. § 1408 and 1409.
3. The statutory bases for the relief requested herein are 11 U.S.C. §§ 105, 363 and Federal Rules of Bankruptcy Procedure 9019.

FACTUAL BACKGROUND

A. Overview

4. On July 10, 2012 (the “*Petition Date*”), PFG filed a voluntary petition for relief under chapter 7 of title 11 of the United States Code (the “*Bankruptcy Code*”), thereby commencing the above-entitled case (the “*Case*”).

5. On July 11, 2012, the Office of the United States Trustee appointed the Trustee as the chapter 7 Trustee for the Debtor’s bankruptcy estate (the “*Estate*”).

6. Prior to the Petition Date, PFG was a brokerage firm specializing in futures and foreign exchange trading with its headquarters located at One Peregrine Way, Cedar Falls, Iowa. From its inception through the Petition Date, PFG was a registered futures commission merchant (“*FCM*”). As an FCM, the Debtor was required to maintain at least one segregated account for its customers’ funds. PFG maintained a segregated account, with an account number ending 1845 (the “*Customer Seg. Account*”), at U.S. Bank, N.A.

7. Russell R. Wasendorf, Sr. (“*Wasendorf*”) was the Chief Executive Officer and Chairman of the Board of PFG from its inception.

8. Prior to the Petition Date, Wasendorf established The Peregrine Charities (“*Charities*”), which qualified as a nonprofit organization under Internal Revenue Code § 501(c)(3) and was headquartered in Cedar Falls, Iowa.

B. The Transfers

9. The Trustee has determined that, prior to the Petition Date, Wasendorf transferred funds from the Debtor and/or the Customer Seg. Account to Charities, for the purpose of making donations to St. Luke’s and Memorial. The transfers are as follows (the “*Transfers*”):

- a. Late December 2008 – electronic transfer from the Debtor to Charities (\$145,000).
- b. December 31, 2008 – transfer from Charities to St. Luke’s (\$50,000).

- c. December 31, 2008 – transfer from Charities to Memorial (\$50,000).
- d. October 21, 2010 – transfer from the Customer Seg. Account to Charities (\$177,700).
- e. October 26, 2010 – transfer from Charities to Memorial (\$34,446).
- f. November 30, 2011 – transfer from Customer Seg Account to Charities (\$187,060).
- g. December 9, 2011 – transfer from Charities to St. Luke’s (\$44,850).

10. On July 3, 2014, the Trustee filed adversary proceedings (the “*Adversary Proceedings*”) against Charities and Memorial (Adv. No. 14-437) and Charities and St. Luke’s (Adv. No. 14-439). The Adversary Proceedings seek to avoid and recover the Transfers as actual and constructive fraudulent transfers, pursuant to Iowa Code § 684.4(1)(b) and 684.5(1) and §§ 544, 548 and 550 of the Bankruptcy Code. Both Memorial and St. Luke’s have filed answers and affirmative defenses. They advance similar theories, arguing that they were not the “initial transferees” of the Transfers and also that they received the Transfers in good faith and for reasonably equivalent value.

C. Settlement

11. After several rounds of negotiations, the Trustee has reached settlements with Memorial and St. Luke’s. In exchange for dismissal of the Adversary Proceedings, Memorial has agreed to pay the Trustee \$15,000, and St. Luke’s has agreed to pay the Trustee \$20,000.¹ Attached as Exhibit A is a copy of the proposed settlement agreement between the parties.

12. The Trustee has determined that the foregoing compromise, which was the result of arms’ length negotiations conducted in good faith, is fair and reasonable in all respects and

¹ St. Luke’s and Memorial have provided checks to the Trustee for the settlement. However, those checks have expired by their terms. Therefore, this settlement is contingent on the Trustee receiving new checks for the amounts referenced above.

represents a favorable resolution in a manner that is in the best interests of the Estate. Accordingly, the Trustee seeks authority to take all actions necessary to consummate the Settlement.

RELIEF REQUESTED

13. Fed. R. Bankr. P. 9019(a) authorizes the Court, after a hearing on such notice as the Court directs, to approve a compromise or a settlement. The central issue in approving a bankruptcy settlement is whether the settlement is in the “best interests of the estate.” *In re Energy Co-op., Inc.*, 886 F.2d 921, 927-29 (7th Cir. 1989); *LaSalle Nat’l Bank v. Holland (In re Am. Reserve Corp.)*, 841 F.2d 159, 161 (7th Cir. 1987). In order to make that determination, the Court must compare “the value of the settlement with the probable costs and benefits of litigating.” *In re Doctors Hosp. of Hyde Park, Inc.*, 474 F.3d 421, 426 (7th Cir. 2007). The approval of a settlement is committed to the sound discretion of the bankruptcy court. *In re Commercial Loan Corp.*, 316 B.R. 697, 698 (Bankr. N.D. Ill. 2004) (citing *In re Andreuccetti*, 975 F.2d 413, 421 (7th Cir. 1992)).

14. Courts primarily consider four factors in considering whether to approve or disapprove a settlement under Fed. R. Bankr. P. 9019(a). *In re Central Ice Cream Co.*, 59 B.R. 476, 487 (Bankr. N.D. Ill. 1985), *appeal dismissed*, 62 B.R. 357 (N.D. Ill. 1986); *In re Flight Transportation Corp.*, 730 F.2d 1128, 1135-36 (8th Cir. 1984). The factors are: (a) the likelihood of success; (b) the difficulties in collection; (c) the complexity of the litigation, the expense, inconvenience and delay; and (d) the paramount interest of the creditors in proper deference to their reasonable views. *In re Central Ice Cream Co.*, 59 at 487 *appeal dismissed*, 62 B.R. at 357 (1986); *In re Trism, Inc.*, 282 B.R. 662, 668 (8th Cir. B.A.P. 2002).

15. In this case, the Trustee’s settlement with Memorial and St. Luke’s is in the best interests of the Estate. The Trustee and his counsel have spent significant time and resources

investigating the factual circumstances surrounding, and legal standards governing, the Transfers. After assessing (i) the defenses asserted by St. Luke's and Memorial in the Adversary Proceedings, (ii) the anticipated litigation costs and corresponding risks involved in prosecuting the Adversary Proceeding; and (iii) the fact that an immediate resolution can be achieved through the settlement, the Trustee has concluded that the settlement is fair in all respects and represents a favorable resolution in a manner that is consistent with the best interests of the Estate and its creditors. Finally, the settlement does not conflict with any provision of the Bankruptcy Code or applicable non-bankruptcy law.

NOTICE

16. Notice of this Motion has been served upon: the United States Trustee and all parties requesting notice in the Case via the ECF/CM system, as well as on counsel for St. Luke's and Memorial by U.S. mail and email. The Trustee respectfully submits that no further notice is required.

Dated: February 13, 2018

Respectfully submitted,

Ira Bodenstein, not personally, but as chapter 7 trustee for the estate of Peregrine Financial Group, Inc.

By: /s/ David R. Doyle
One of his attorneys

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EXHIBIT A

SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") by and among: (i) Ira Bodenstein, not personally, but as chapter 7 trustee (the "Trustee") for the estate of Peregrine Financial Group, Inc. d/b/a PFG Best (the "Debtor"); (ii) Memorial Foundation of Allen Hospital ("Memorial"); and (iii) St. Luke's Health Care Foundation ("St. Luke's," and together with the Trustee and Memorial, the "Parties," and each, a "Party") is made and entered into as of September 6, 2017.

RECITALS

WHEREAS, on July 10, 2012, the Debtor filed a voluntary petition for relief in the United States Bankruptcy Court for the Northern District of Illinois ("Bankruptcy Court") under chapter 7 of title 11 of the United States Code ("Bankruptcy Code"). The filing of the Debtor's chapter 7 petition commenced a bankruptcy case pending before the Bankruptcy Court and styled *In re Peregrine Financial Group, Inc.*, Case No. 12-27488.

WHEREAS, on July 11, 2012, the Office of the United States Trustee appointed the Trustee as the chapter 7 trustee for the Debtor's bankruptcy estate ("Estate");

WHEREAS, the Trustee alleges that in 2010 and 2011, the Debtor transferred funds from its customer segregated funds account at U.S. Bank, National Association to The Peregrine Charities ("Peregrine"), a nonprofit organization through which Debtor made charitable donations to various persons and entities;

WHEREAS, on or about July 3, 2014, the Trustee filed an adversary complaint against Peregrine and Memorial, which was assigned adversary proceeding number 14-00437 (the "Memorial Adversary Proceeding"), wherein the Trustee asserted, pursuant to 11 U.S.C. §§ 544 and 550, and the Iowa Uniform Fraudulent Transfer Act, IOWA CODE § 684.1 *et seq.*, certain transfers to Memorial were avoidable and recoverable for the benefit of the Estate;

WHEREAS, on or about November 4, 2016, the Trustee filed an amended complaint in the Memorial Adversary Proceeding, wherein the Trustee alleged that at some point prior to October 21, 2010, Peregrine awarded a grant to Memorial in the amount of \$34,446 (“Memorial Grant”), on October 21, 2010 Debtor transferred funds to Peregrine with which to pay the Memorial Grant, and on October 25, 2010 Peregrine delivered funds to Memorial to “pay” the Memorial Grant (“Memorial Transfer”);

WHEREAS, the Trustee asserts in the Memorial Adversary Proceeding that pursuant to 11 U.S.C. §§544 and 550, and the Iowa Uniform Fraudulent Transfer Act, IOWA CODE §684.1 *et seq.*, that Peregrine was a mere conduit through which the Debtor made the Memorial Transfer and that Memorial was the initial transferee making the Memorial Transfer avoidable and recoverable for the benefit of the Estate (the “Memorial Avoidance Claims”);

WHEREAS, on or about July 3, 2014, the Trustee filed an adversary complaint against Peregrine and St. Luke’s, which was assigned adversary proceeding number 14-00439 (the “St. Luke’s Adversary Proceeding”), wherein the Trustee asserted, pursuant to 11U.S.C. §§544 and 550, and the Iowa Uniform Fraudulent Transfer Act, IOWA CODE §684.1 *et seq.*, certain transfers to St. Luke’s were avoidable and recoverable for the benefit of the Estate

WHEREAS, on or about October 17, 2016, the Trustee filed an amended complaint in the St. Luke’s Adversary Proceeding, wherein the Trustee alleges that at some point prior to November 29, 2011, Peregrine awarded a grant to St. Luke’s in the amount of \$44,850 (“St. Luke’s Grant”), on November 30, 2011 Debtor transferred funds to Peregrine with which to pay the St. Luke’s Grant, and, on December 9, 2011, Peregrine delivered funds to St. Luke’s to “pay” the St. Luke’s Grant (“St. Luke’s Transfer”);

WHEREAS, the Trustee now asserts in the St. Luke's Adversary Proceeding that pursuant to 11U.S.C. §§544 and 550, and the Iowa Uniform Fraudulent Transfer Act, IOWA CODE § 684.1 *et seq.*, that Peregrine was a mere conduit through which the Debtor made the St. Luke's Transfer and that St. Luke's was therefore the initial transferee making the St. Luke's Transfer avoidable and recoverable for the benefit of the Estate (the "St. Luke's Avoidance Claims");

WHEREAS, Memorial and St. Luke (i) deny that Peregrine was a conduit, that they were initial transferees and that they have any any liability and/or obligation to repay the Memorial Transfer and the St. Luke's Transfer (collectively, "Transfers") and (ii) assert certain defenses;

WHEREAS, each of the Parties agrees to bear his own costs and expenses, including attorneys' fees, arising out of the matters related to the Memorial Adversary Proceeding, the St. Luke's Adversary Proceeding, and this Agreement;

WHEREAS, the binding effect of this Agreement upon the Parties is contingent upon the Bankruptcy Court's approval of its terms by entry of the Approval Order (defined herein); and

WHEREAS, in order to avoid the costs and risks of further litigation, the Parties have determined to resolve their disputes on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby it is stipulated and agreed by and among the Parties, as follows:

1. **Recitals Incorporated.** The recitals and prefatory phrases and paragraphs set forth above are hereby incorporated in full, and made a part of, this Agreement.

2. **Approval Order and Effective Date.** For purposes of this Agreement, “Approval Order” means an order entered by the Bankruptcy Court approving this Agreement under Rule 9019(a). Promptly after execution of this Agreement by the Parties, the Trustee agrees to file a motion seeking the Bankruptcy Court’s approval of this Agreement.

3. **Settlement Payments.**

(a) Memorial has tendered to the Trustee by check the sum of FIFTEEN THOUSAND DOLLARS (\$15,000.00) (the “Memorial Settlement Payment”) to settle in full the Memorial Avoidance Claims which the Trustee will accept and negotiate upon entry of the Approval Order.

(b) St. Luke’s has tendered to the Trustee by check the sum TWENTY THOUSAND DOLLARS (\$20,000.00) (the “St. Luke’s Settlement Payment”) to settle in full the St Luke’s Avoidance Claims which check the Trustee will accept and negotiate upon entry of the Approval Order.

4. **Waiver and Release of Claims by the Trustee.** Effective upon entry of the Approval Order, the Trustee, on behalf of the Estate and its investors and creditors with respect to their interests and rights in this Estate, hereby releases, acquits and discharges Memorial and St. Luke’s, and each of their heirs, devisees, legatees, executors, administrators, trustees, successors, and assigns, of and from any claims, damages, actions, suits, causes of action, rights, liens, demands, obligations and/or liabilities of any nature including, without limitation, those relating to the Transfers, the Memorial Avoidance Claims, the St. Luke’s Avoidance Claims, the

Debtor or the Estate; *provided, however*, that nothing contained herein shall be deemed to release any obligations either Memorial or St. Luke's has under this Agreement.

5. **Waiver and Release of Claims by Memorial and St. Luke's.** Effective upon entry of the Approval Order and dismissal of the Memorial Adversary Proceeding and St. Luke's Adversary Proceeding with prejudice, Memorial and St. Luke's each hereby releases, acquits and discharges the Debtor and its Estate, the Trustee, and each of their respective professionals, representatives, successors and assigns, of and from any claims, damages, actions, suits, causes of action, rights, liens, demands, obligations and/or liabilities of any nature including, without limitation, those relating to the Transfers, the Memorial Avoidance Claims, the St. Luke's Avoidance Claims, the Debtor or the Estate; *provided, however*, that nothing contained herein shall be deemed to release any obligations the Trustee has under this Agreement.

6. **Dismissal of Adversary Proceedings.** Upon entry of the Approval Order and clearance of the checks by which the Memorial and St. Luke's Settlement Payments were made, the Trustee (i) shall dismiss the Memorial Adversary Proceeding and St. Luke's Adversary Proceeding, *with prejudice*, and (ii) provide Memorial and St. Luke's with W-9 form with respect to the Settlement Payments. Memorial and St. Luke's shall cooperate with the execution and filing of a stipulation of such dismissals.

7. **No Liability.** The Parties acknowledge that this Agreement is a compromise of disputed claims and that they do not admit, and each expressly denies, any liability on its part for past or present alleged wrongdoing.

8. **Authority.** Each person signing this Agreement represents and warrants that he/she has been duly authorized and has the requisite authority to execute and deliver this Agreement on behalf of such Party, to bind his or her respective client or clients to the terms and

conditions of this Agreement and to act with respect to the rights and claims that are being altered or otherwise affected by this Agreement.

9. **Entire Agreement.** This Agreement constitutes the entire agreement of the Parties hereto as to the subject matter hereof. The undersigned acknowledge that there are no communications or understandings, oral or written, contrary, different or which in any way restrict this Agreement. The undersigned further acknowledge that all prior agreements, communications, and understandings within the scope of the subject matter of this Agreement are, upon execution of this Agreement, superseded, null and void.

10. **No Reliance.** The Parties represent and acknowledge that, in executing this Agreement, they do not rely and have not relied upon any representation or statement made by any Party or any of their agents, shareholders, representatives or attorneys, with regard to the subject matter, basis or effect of this Agreement or otherwise, other than as specifically stated in this Agreement. The Parties further declare that, in making this Agreement, they rely entirely upon their own judgment, beliefs and interest and the advice of their counsel (where applicable and for whose expense each shall be solely responsible) and that they have had a reasonable period of time to consider this Agreement.

11. **No Construction against Drafter.** The Parties agree that each Party has reviewed this Agreement and that each fully understands and voluntarily accepts all the provisions contained in this Agreement. The Parties further agree that this Agreement was the product of negotiations between the Parties and that any rule of construction that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement.

12. **Amendment of Agreement.** No amendment or modification of this Agreement shall be binding or enforceable unless in writing and signed by the Parties.

13. **Jurisdiction.** This Agreement shall be construed and enforced in accordance with the provisions of the Bankruptcy Code and, where not inconsistent, the laws of Illinois without regard to the conflicts of laws or principles thereof. The Parties acknowledge and agree that the Bankruptcy Court shall have exclusive jurisdiction to hear and determine any claims or disputes between the Parties with respect to this Agreement.

14. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Parties, their respective heirs, executors, successors, administrators and assigns.

15. **Counterparts.** This Agreement may be executed in one or more counterparts, including by facsimile and/or electronic mail, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

16. **Segregation.** Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal, invalid or unenforceable for any reason, then the legality, validity and enforceability of the remaining parts, terms or provisions shall not be affected thereby and said illegal, unenforceable or invalid part, term or provision shall be deemed not to be a part of this Agreement, unless such portion of the Agreement is so material that its deletion would violate the obvious purpose and intent of the Parties.

17. **Reinstatement.** In the event either Memorial or St. Luke's becomes subject to insolvency proceedings of any nature and, as a result thereof, the Trustee is required by any court of competent jurisdiction to repay or disgorge to Memorial or St. Luke's their respective Settlement Payments, then, in that case, (a) the releases set forth in paragraph 4 and 5 of this Agreement shall be deemed to be null and void *ab initio* and (b) the Avoidance Claims shall revert to the full amount of the applicable Transfer and all Parties shall reserve and have all rights, claims and defenses against the Avoidance Claims; *provided, however*, that Memorial and

St. Luke's shall waive any defenses based on the lapse of time that apply to their respective Avoidance Claims that may be asserted by the Trustee including, without limitation, any statute of limitations or laches defenses.

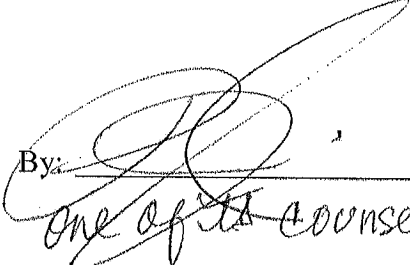
18. The Parties hereto have read all of the foregoing and represent that this Agreement has been explained to them by their respective legal counsel, and that each understands all of the provisions hereto.

19. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning and not strictly for or against any of the Parties.

20. The Parties agree that no breach of any provision hereof can be waived except in writing. The waiver of a breach of any provision hereof shall not be deemed a waiver of any other breach of any provision hereof.

Agreed as of the date first written above by:

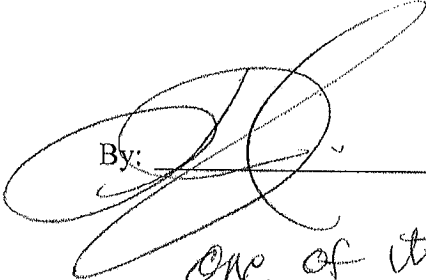
MEMORIAL FOUNDATION OF ALLEN HOSPITAL

By:  _____
one of its counsel

IRA BODENSTEIN, not personally, but as chapter 7 trustee for the bankruptcy estate of Peregrine Financial Group, Inc.

By: _____
Ira Bodenstein, as trustee

ST. LUKE'S HEALTH CARE FOUNDATION

By:  _____
one of its counsel

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
Eastern Division

In Re:)
PEREGRINE FINANCIAL GROUP, INC.,)
)
)
)
)
)
Debtor(s))

BK No.: 12-27488

Chapter: 7
Honorable Carol A. Doyle

**ORDER GRANTING TRUSTEE'S MOTION TO APPROVE COMPROMISES
WITH ST. LUKE'S HEALTHCARE FOUNDATION AND
MEMORIAL FOUNDATION OF ALLEN HOSPITAL**

This matter coming to be heard on the motion (the "Motion," and all undefined terms herein having the meanings set forth in the Motion) of Ira Bodenstein, not individually but solely as the duly appointed chapter 7 trustee (the "Trustee") of the bankruptcy estate of Peregrine Financial Group, Inc. (the "Debtor" or "PFG"), pursuant to 11 U.S.C. §§ 105 and 363 and Fed. R. Bankr. P. 9019, for entry of an order approving settlements that he reached with St. Luke's Healthcare Foundation ("St. Luke's") and the Memorial Foundation of Allen Hospital ("Memorial");

IT IS HEREBY ORDERED:

1. The Motion is granted as provided herein.
2. The Settlement Agreement appended to the Motion is approved, conditioned upon Memorial and St. Luke's providing new checks to the Trustee in the amounts of \$15,000 (Memorial) and \$20,000 (St. Luke's).
3. The Trustee is authorized to execute all documents reasonably necessary to effectuate the settlement described in the Settlement Agreement.
4. The Court retains jurisdiction to enforce the terms of the Settlement Agreement and this Order.

Enter:

Dated:

United States Bankruptcy Judge

Prepared by:

Robert M. Fishman (#3124316)
Mark L. Radtke (#6275738)
David R. Doyle (#6303215)
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