

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

In re:) Chapter 7
)
PEREGRINE FINANCIAL GROUP, INC.,) Case No. 12-27488
)
Debtor.) Honorable Carol A. Doyle
)
) **Hearing Date: March 29, 2018**
) **Hearing Time: 10:00 a.m.**

NOTICE OF MOTION

PLEASE TAKE NOTICE that on **March 29, 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 SETTLEMENT WITH FREDERICK J. GREDE, AS LIQUIDATION TRUSTEE OF THE SENTINEL LIQUIDATION TRUST**, at which time you may appear if you deem fit.

Dated: March 7, 2018

Respectfully submitted,

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

By /s/ Allison B. Hudson
One of his attorneys

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CERTIFICATE OF SERVICE

Allison B. Hudson certifies that she caused to be served a true copy of the above and foregoing **NOTICE OF MOTION** and **TRUSTEE'S MOTION TO APPROVE SETTLEMENT WITH FREDERICK J. GREDE, AS LIQUIDATION TRUSTEE OF THE SENTINEL LIQUIDATION TRUST**, upon the attached Electronic Mail Notice List through the ECF System and on the attached Service List in the manner so indicated on this 7th day of March, 2018.

/s/ Allison B. Hudson

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
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PEREGRINE FINANCIAL GROUP, INC.,) Case No. 12-27488
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Debtor.) Honorable Carol A. Doyle
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) **Hearing Date: March 29, 2018**
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**TRUSTEE’S MOTION TO APPROVE SETTLEMENT WITH
FREDERICK J. GREDE, AS LIQUIDATION TRUSTEE OF THE
SENTINEL LIQUIDATION TRUST**

Ira Bodenstein, not personally, but as chapter 7 trustee (“Trustee”) of Peregrine Financial Group, Inc. (“Debtor” or “PFG”) hereby requests the entry of an order from this Court, pursuant to sections 105(a) and 363 of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 9019 of the Federal Rules of Bankruptcy Procedure: (a) approving the terms of settlement (the “Settlement”), which have been agreed to by and between the Trustee on the one hand, and Frederick J. Grede (the “Sentinel Trustee”), as Liquidation Trustee of the Sentinel Liquidation Trust (the “Trust”) (the Sentinel Trustee, together with the Trustee, the “Parties”) on the other; and (b) finding that the Settlement complies with the Bankruptcy Code and other applicable law (the “Motion”). 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

The Adversary Proceeding and FCStone Case

4. On August 17, 2007, Sentinel Management Group, Inc. ("Sentinel") commenced a voluntary chapter 11 case in the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court"), thereby commencing bankruptcy case no. 07-14987.

5. On November 26, 2007, PFG filed the following three proofs of claim in Sentinel's bankruptcy case: (i) Claim No. 40, seeking \$1,463,396.52 from Sentinel's estate on account of segregated customer funds; (ii) Claim No. 41, seeking \$1,075.14 from Sentinel's estate on account of house investment funds; and (iii) Claim No. 41, seeking \$129,612.18 from Sentinel's estate on account of forex investment funds (together, the "PFG Proofs of Claim").

6. On December 15, 2008, the Bankruptcy Court confirmed the Fourth Amended Chapter 11 Plan of Liquidation (the "Plan") for Sentinel, pursuant to which the Trust was established and the Sentinel Trustee was appointed as the liquidation trustee of the Trust.

7. On September 15, 2008, Grede, as chapter 11 trustee of Sentinel, commenced an adversary proceeding against PFG seeking, *inter alia*, the avoidance and recovery of alleged preferential and post-petition transfers made by Sentinel to PFG, a determination that PFG had no rights to any of the reserves established under the Plan, and the disallowance of any claims PFG asserted against Sentinel pursuant to 11 U.S.C. § 502(d).

8. On October 28, 2009, the Honorable James B. Zagel U.S. District Court for the Northern District of Illinois entered an order withdrawing the reference of Sentinel's adversary proceeding in the Bankruptcy Court, where it was assigned Case No. 09-cv-00134 (the "Adversary Proceeding").

9. On July 10, 2012 (the "Petition Date"), the Debtor filed a voluntary case under chapter 7 of the Bankruptcy Code, thereby commencing the above-entitled case (the "Case"). On July 11, 2012, the Trustee was appointed as the successor chapter 7 trustee of the Debtor by the U.S. Trustee, has accepted his appointment, and is acting, duly qualified, as Trustee of the Debtor.

10. The Adversary Proceeding was stayed as a result of the Debtor's bankruptcy filing.

11. The Sentinel Trustee filed two proofs of claim in the Debtor's bankruptcy case, Claim Nos. 9206 and 14167 (the "Sentinel Proofs of Claim"). Each Proof of Claim seeks \$3,586,577.00 from the Debtor's bankruptcy estate and asserts materially the same claims as alleged in the Adversary Proceeding.

12. On September 15, 2008, the Sentinel Trustee filed an adversary proceeding against FCStone, LLC ("FCStone") in the Bankruptcy Court, the reference of which was subsequently withdrawn to the District Court (Case No. 09-cv-00136), that involved legal and factual issues similar to those at issue in the Adversary Proceeding (the "FCStone Case").

13. As set forth in greater detail in the settlement agreement attached hereto as Exhibit A (the "Settlement Agreement"), the FCStone Case did not reach a final resolution until October 2017.

The Settlement Agreement

14. The Parties have engaged in negotiations and reached an agreement that would resolve any and all claims between the Parties relating to the Adversary Proceeding and PFG and Sentinel Proofs of Claim. In conjunction with the settlement discussions, the Trustee and his professionals have analyzed the claims asserted by the Sentinel Trustee in the Adversary Proceeding and PFG and Sentinel Proofs of Claim. In doing so, the Trustee believes that to avoid the uncertainties and expense of litigation, it is in the best interests of its creditors and its estate to

settle and compromise all claims that the Sentinel Trustee has against the Debtor and that the Debtor has against the Trust.

15. Pursuant to the Plan, the Trust maintains several reserves for the benefit of holders of the various types of claims that former customers of Sentinel have against its bankruptcy estate. Specifically, the Trust maintains the following reserves: (1) “SEG 1 Reserve” for the benefit of “Seg 1” customers; (2) “SEG 2 Reserve” for the benefit of holders of Seg 2 customer claims; (3) “SEG3/4 Reserve” for the benefit of Seg 1 customers who also held house accounts; and (4) “7.20(b) Reserve” for the benefit of Seg 1 customers, which holds the proceeds of the Sentinel Trustee’s recoveries on behalf of the Trust from anything except customer property.

16. On account of the PFG Proofs of Claim, the Debtor has asserted an interest in the SEG 1 Reserve and SEG3/4 Reserve on account of its Seg 1, Seg 3 and/or Seg 4 claims, as those terms are defined in the Plan. The Debtor also asserts an interest in the 7.20(b) Reserve.

17. As of December 31, 2017, the SEG 1 Reserve held \$24,464,210, the SEG 2 Reserve held \$4,581,417, the SEG3/4 Reserve held \$9,758,444 and the 7.20(b) Reserve held \$1,331,206.

18. The Parties have agreed, subject to this Court’s approval, to the terms and conditions of the Settlement Agreement. The pertinent terms of the Settlement Agreement are as follows:

- a. The Trust will make a distribution (the “Settlement Distribution”) to the Trustee of (i) the Debtor’s share of the SEG 1 Reserve, calculated using December 31, 2017 account balances, and (ii) 59% of the Debtor’s claims attributable to its Seg 3 or Seg 4 claims. The Settlement Distribution will total \$491,996.19, calculated as \$414,890.86 of the Debtor’s share of the SEG 1 Reserve (1.696%),

and \$77,105.33 from the SEG3/4 Reserve (59% of the Debtor's Seg 3 and Seg 4 claims totaling \$130,687.00).

- b. The Trustee has agreed to waive the Debtor's claim in the 7.20(b) Reserve, which is estimated to be approximately \$21,725.00 (1.632% of the 7.20(b) Reserve) as part of the Settlement Agreement.
- c. In the event that the Trust recovers sufficient assets to make distributions to holders of Allowed Class 3 Customers Claims, as defined in the Plan, that will exceed a roughly 70% distribution (the "Threshold Percentage"), the Debtor shall be deemed to have received distributions equal to the Threshold Percentage with respect to its allowed class 3 customer claims and shall be entitled to pro-rata distributions under the Plan on account of its class 3 customer claims.
- d. Subject to the Threshold Percentage described *supra*, effective upon the Debtor's receipt of the Settlement Distribution, the PFG Proofs of Claim are deemed to be satisfied and the Trustee assigns to the Trust all of the Debtor's rights to receive any distributions from any reserves established under the Plan, and any other rights to distributions from or payments by the Trust or Sentinel's estate that the Debtor or the Trustee may hold.
- e. Within three business days of the Trustee's receipt of the Settlement Distribution, the Sentinel Trustee shall file a notice in the Debtor's Case withdrawing the Proofs of Claim.

- f. Within three business days of the Trustee's receipt of the Settlement Distribution, the Parties shall file a notice of dismissal in the Adversary Proceeding dismissing the litigation *with prejudice*.
- g. Upon receipt of the Settlement Distribution, with the exception of the claims described in paragraph 18.c above, the Trustee and the Debtor's estate shall release the Sentinel Trustee, the Trust and Sentinel's Estate from any and all claims it may have against those entities, and the Sentinel Trustee, the Trust and Sentinel's estate shall release the Trustee and Debtor's estate from any and all claims it may have against them.
- h. Each of the Parties will bear its own costs and expenses, including attorneys' fees, arising out of the matters related to the Settlement Agreement.

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

20. The effectiveness of the Settlement is conditioned upon the entry by the Bankruptcy Court of an order approving the Settlement, attached hereto as a proposed order.

RELIEF REQUESTED AND REASONS THEREFOR

21. Federal Rule of Bankruptcy Procedure 9019 provides that, upon notice to creditors and a hearing, a bankruptcy court may approve a compromise or settlement. Fed. R. Bankr. P. 9019(a). The Bankruptcy Court has broad discretion when deciding to approve, or disapprove a proposed settlement but should approve a settlement where a trustee demonstrates that the settlement: (a) is in the best interests of the estate; and (b) is fair and reasonable. *In re Energy Coop, Inc.*, 886 F.2d 921, 927 (7th Cir. 1989); *In re Am. Reserve Corp.*, 841 F.2d 159, 161 (7th

Cir. 1987). Compromise is a normal part of the reorganization process and is favored by the law. *In re Apex Oil Co.*, 92 B.R. 847, 866 (Bankr. E.D. MO. 1988).

22. 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. 111. 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).

23. On the basis of these standards, the Motion should be granted. The Trustee and his counsel have spent significant time and resources investigating the factual circumstances surrounding the Adversary Proceeding and PFG and Sentinel Proofs of Claim, the anticipated litigation costs and corresponding risks involved in litigating the Adversary Proceeding, objecting to the Sentinel Proofs of Claim, and defending against any objections to the PFG Proofs of Claim, and 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 Debtor's Estate and its creditors.

24. Finally, the Settlement does not conflict with any provision of the Bankruptcy Code or applicable non-bankruptcy law.

NOTICE

25. 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. The Trustee respectfully submits that no further notice is required.

WHEREFORE, the Trustee respectfully requests that this Court enter an order, substantially in the form attached hereto: (i) approving the Settlement; (ii) authorizing the Trustee to perform all actions necessary to consummate and carry out the obligations set forth in the Settlement Agreement; (iii) finding that the Settlement complies with the Bankruptcy Code and other applicable law; and (iv) provide the Parties with such additional relief as may be appropriate and just under the circumstances.

Dated: March 7, 2018

Respectfully submitted,

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

By: /s/ Allison B. Hudson
One of his attorneys

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EXHIBIT A

EXECUTION COPY

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made and entered as of this 12th day of February, 2018, by and between Frederick J. Grede, as Liquidation Trustee (the “Sentinel Trustee”) of the Sentinel Liquidation Trust (the “Trust”), and Ira Bodenstein, chapter 7 trustee (the “Peregrine Trustee”) for the estate of Peregrine Financial Group, Inc. (“Peregrine” and, together with the Sentinel Trustee and Trust, the “Parties”).

RECITALS

A. On August 17, 2007 (the “Sentinel Petition Date”), Sentinel Management Group, Inc. (“Sentinel”) commenced a voluntary chapter 11 case in the U.S. Bankruptcy Court for the Northern District of Illinois (the “Bankruptcy Court”), bankruptcy case number 07-14987.

B. On December 15, 2008, the Bankruptcy Court confirmed the Fourth Amended Chapter 11 Plan of Liquidation (the “Plan”) for Sentinel, pursuant to which the Trust was established, and the Sentinel Trustee was appointed as the liquidation trustee of the Trust and the representative of Sentinel’s estate.

C. The Sentinel Trustee commenced an adversary proceeding against Peregrine in the Bankruptcy Court, the reference of which was subsequently withdrawn by the U.S. District Court for the Northern District of Illinois (“District Court”), where it was assigned Case No. 09-cv-00134 (the “Adversary Proceeding”).

D. The Sentinel Trustee’s complaint in the Adversary Proceeding seeks *inter alia* to recover certain transfers made by Sentinel which the Sentinel Trustee alleges were made to Peregrine and avoidable under the Bankruptcy Code, and also seeks a determination that the Peregrine has no rights to any of the reserves established under the Plan. Peregrine disputed these claims.

E. On July 10, 2012, Peregrine commenced a voluntary chapter 7 case in the Bankruptcy Court, bankruptcy case number 12-27488. Mr. Bodenstein has been appointed chapter 7 trustee for Peregrine's bankruptcy estate.

F. The Adversary Proceeding has been stayed as a result of the commencement of Peregrine's bankruptcy case. The Sentinel Trustee has filed a proof of claim in the Peregrine bankruptcy case, asserting materially the same claims as alleged in the Adversary Proceeding.

G. On September 15, 2008, Trustee filed a complaint against FCStone, LLC ("FCStone") in the Bankruptcy Court, the reference of which was subsequently withdrawn by the District Court and assigned Case No. 09-cv-00136 ("FCStone Case"). The FCStone Case involves many legal and factual issues that are substantially similar to those at issue in the Adversary Proceeding.

H. On January 4, 2013, the District Court entered a final judgment in favor of the Sentinel Trustee on the Sentinel Trustee's second amended complaint in the FCStone Case. *Grede v. FCStone, LLC*, 485 B.R. 854 (N.D. Ill. 2013). The parties to the FCStone Case cross-appealed from that final judgment.

I. On March 19, 2014, the United States Court of Appeals for the Seventh Circuit ("Court of Appeals") reversed the judgment of the District Court in the FCStone Case and remanded to the District Court for further proceedings consistent with its opinion. *Grede v. FCStone, LLC*, 746 F.3d 244, 259 (7th Cir. 2014) ("*FCStone I*").

J. After concluding proceedings on remand, on March 30, 2016, the District Court entered a final judgment in the FCStone case on all remaining counts of the Sentinel Trustee's second amended complaint. *Grede v. FCStone*, 556 B.R. 357 (N.D. Ill. 2016). The parties to the FCStone Case again cross-appealed from that final judgment.

K. On August 14, 2017, the Court of Appeals affirmed the portions of the District Court's 2016 judgment in favor of FCStone; reversed the portions of the District Court's judgment in favor of the Sentinel Trustee; and remanded with instructions that the District Court enter judgment for FCStone, and for further proceedings consistent with its opinion. *Grede v. FCStone, LLC*, 867 F.3d 767 (7th Cir. 2017) ("*FCStone II*").

L. On October 2, 2017, the Court of Appeals denied the Sentinel Trustee's motion for petition for rehearing and rehearing *en banc*.

M. The Adversary Proceeding has been pending for nearly a decade, and litigation of the claims involved in the Adversary Proceeding, whether by way of claim of claim objection or renewed prosecution of the Adversary Proceeding, would involve considerable expense and uncertainty for both Parties. The Parties desire to finally settle and resolve all disputes among them.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained herein, the receipt and sufficiency of which the Parties hereby acknowledge, and intending to be legally bound thereby, the Parties hereby covenant and agree as follows:

1. Within fourteen days of the Effective Date of this Agreement (defined below), the Trust shall make a distribution (the "Settlement Distribution") to the Peregrine Trustee of (i) Peregrine's share of the Seg 1 Property Of The Estate Reserve, as that term is used in the Plan ("Seg 1 Reserve"), calculated using December 31, 2017 account balances, and (ii) 59% of Peregrine's claims attributable to its Seg 3 or Seg 4 claims, as those terms are used in the Plan. The Sentinel Trustee represents that the Seg 1 Reserve was \$24,464,210 as of December 31, 2017. The Parties agree that Peregrine's share of the Seg 1 Reserve, determined as a percentage of all customers presently asserting an interest in the Seg 1 Reserve and calculated using

customer account balances as of the Sentinel Petition Date, is \$414,890.86 (1.696% of the Seg 1 Reserve). The Parties further agree that Peregrine's Seg 3 and Seg 4 claims total \$130,687, and 59% of that amount is \$77,105.33, thus yielding a total Settlement Distribution of \$491,996.19.

2. Effective upon the Peregrine's Trustee's receipt of the Settlement Distribution, and subject to paragraph 10 below, Peregrine's Trustee assigns to the Trust all of Peregrine's rights to receive any distributions—other than the Settlement Distribution, which shall be retained by the Peregrine Trustee—from any reserves established under the Plan, and any other rights to distributions from or payments by the Trust or Sentinel's estate that Peregrine or the Peregrine Trustee may hold.

3. Within three business days of the Peregrine Trustee's receipt of the Settlement Distribution, the Parties shall file in the Adversary Action a notice of dismissal pursuant to Fed. R. Civ. P. 41(a)(1)(ii) dismissing the Adversary Action with prejudice, and shall take such other and further actions as may be reasonably necessary to cause the Adversary Action to be dismissed with prejudice.

4. Within three business days of the Peregrine Trustee's receipt of the Settlement Distribution, the Sentinel Trustee shall file a notice in Peregrine's bankruptcy case withdrawing all proofs of claim filed in Peregrine's bankruptcy case.

5. Promptly following execution of this Agreement, the Peregrine Trustee shall submit to the Bankruptcy Court a motion pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure for approval of the settlement memorialized in this Agreement. The Parties will use good faith efforts to secure entry of a Bankruptcy Court order authorizing the Peregrine Trustee to enter into this Agreement and approving the settlement memorialized herein (a "Settlement Order").

6. This Agreement shall become effective (the "Effective Date") on the date the last of the following has occurred:

- (i) The Bankruptcy Court enters the Settlement Order; and
- (ii) If an objection to entry of the Settlement Order was interposed and was not consensually resolved, the Settlement Order becomes a final order for purposes of 28 U.S.C. § 158 or § 1291, is no longer subject to appeal or a petition for certiorari, and no such proceedings are pending (a "Final Order").

7. Either Party may terminate this Agreement prior to the Effective Date by providing written notice to the other Party:

- (i) within 30 days of the Bankruptcy Court declining to enter the Settlement Order in any material respect;
- (ii) in the event the Bankruptcy Court does not enter the Settlement Order within 90 days after the date of this Agreement; or
- (iii) if a Final Order has not been entered within 180 days after the date of this Agreement.

If this Agreement is terminated pursuant to this paragraph 7, this Agreement shall be deemed to be null and void, with each party bearing its own fees and costs incurred, and the Parties shall be free to pursue all rights, remedies, defenses and claims against each other that existed as of the date hereof as if this Agreement had never been executed, delivered and entered into by the Parties.

8. Upon the Peregrine Trustee's receipt of the Settlement Distribution, and subject to paragraph 10 below, the Peregrine Trustee and Peregrine's estate shall and hereby do release, waive, disclaim and discharge the Sentinel Trustee, the Trust and Sentinel's estate, and their

respective subsidiaries, affiliates, predecessors, successors, assigns, agents and representatives acting in such capacities, from any and all claims, counterclaims, actions, causes of action, lawsuits, proceedings, adjustments, offsets, contracts, obligations, liabilities, controversies, costs, expenses, attorneys' fees and losses whatsoever, whether in law, in admiralty, in bankruptcy, or in equity, and whether based on any federal law, state law, common law right of action or otherwise, foreseen or unforeseen, matured or unmatured, known or unknown, accrued or not accrued based upon wrongful or other acts, omissions, conduct or other matters occurring prior to the date hereof; provided, however, that the foregoing release and waiver shall not extend or apply to any obligations under this Agreement.

9. Upon the Peregrine Trustee's receipt of the Settlement Distribution, the Sentinel Trustee, the Trust and Sentinel's estate shall and hereby do release, waive, disclaim and discharge the Peregrine Trustee and Peregrine's estate, and their respective subsidiaries, affiliates, predecessors, successors, assigns, agents and representatives acting in such capacities, from any and all claims, counterclaims, actions, causes of action, lawsuits, proceedings, adjustments, offsets, contracts, obligations, liabilities, controversies, costs, expenses, attorneys' fees and losses whatsoever, whether in law, in admiralty, in bankruptcy, or in equity, and whether based on any federal law, state law, common law right of action or otherwise, foreseen or unforeseen, matured or unmatured, known or unknown, accrued or not accrued based upon wrongful or other acts, omissions, conduct or other matters occurring prior to the date hereof; provided, however, that the foregoing release and waiver shall not extend or apply to any obligations under this Agreement.

10. Notwithstanding the provisions of paragraphs 2 and 9 of this Agreement, in the event the Trust recovers sufficient assets to make distributions to holders of Allowed Class 3

Customer Claims (as that term is defined in the Plan) that will exceed the Threshold Percentage (as defined below), (i) Peregrine shall be deemed to have received distributions equal to the Threshold Percentage with respect to Peregrine's Allowed Class 3 Customer Claims, and (ii) Peregrine's Trustee shall thereafter be entitled to Pro Rata distributions under section 4.5(a) of the Plan on account of its Class 3 Customer Claims, which shall be deemed Allowed for such purposes in the amount specified in the Stipulation and Orders [Bankr. Dkt. Nos. 1534, 1535 and 1536] entered by the Bankruptcy Court in Sentinel's bankruptcy case. For purposes of this Agreement, the "Threshold Percentage" means the Adjusted Percentage Recovery (as that term is defined in the Plan) at which all holders of Allowed Class 3 Customer Claims entitled to receive distributions under the Plan, disregarding holders that accepted the Plan settlement or have entered into settlement agreements with the Trust providing for distribution or payment terms other than as provided for under the Plan, first receive the same Adjusted Percentage Recovery.

11. Each Party represents and warrants that it has made an investigation of the facts pertaining to this Agreement and of the matters pertaining thereto as such Party deems necessary.

12. Each of the undersigned represents that he or she has the authority to execute this Agreement on behalf of the Party for whom it is executed, and that except as specified in paragraph 5 above, any and all consents and approvals needed to bind the Party to this Agreement have been received.

13. This Agreement shall be deemed entered into in the State of Illinois, and shall be subject to, governed by, and enforced and construed pursuant to the laws of the State of Illinois, without regard to its choice of law provisions.

14. The parties irrevocably consent to the jurisdiction of and venue in the Bankruptcy Court with respect to any dispute concerning this Agreement.

15. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same document. Facsimile and electronically transmitted signatures shall be deemed and treated as original signatures for all purposes.

16. This Agreement may not be amended or modified orally or by conduct occurring before or after its execution. All amendments and modifications must be in writing, signed by all Parties or their authorized representatives.

17. This Agreement constitutes and contains the entire agreement and understanding among the Parties, and supersedes, extinguishes and replaces all prior negotiations, representations, promises, and proposed agreements, whether written or oral, on the subject hereof. It is understood and agreed that all understandings and agreements heretofore had between the Parties are merged in this Agreement, which fully and completely expresses the Parties' agreement. The Parties acknowledge that they are not relying upon any statement, representation, promise, or discussion, whether written or oral, not embodied in this Agreement, made by any other Party.

18. Each Party has cooperated in the drafting and preparation of this Agreement. The Parties acknowledge and agree that none of the terms or provisions of this Agreement or the Consent Judgment shall be construed against any Party on the basis of being the sole drafter.

19. The Parties acknowledge that this Agreement has been entered into freely and voluntarily, and that they have been represented (or have had the opportunity to be represented)

by independent legal counsel of their own in connection with this Agreement, including all negotiations which preceded the execution of this Agreement.

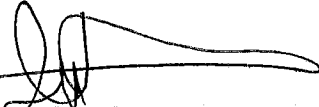
20. Any failure or delay by any Party to exercise any right under this Agreement, or to enforce any term of this Agreement, or any breach thereof, including by agreement to refrain from enforcing any term or exercising any right, shall not be deemed a waiver of that term or right or any remedy hereunder; nor shall it reduce, limit or preclude any future exercise of any right or enforcement of any term herein.

IN WITNESS WHEREOF, the Parties hereby have executed this Agreement as of the
day and year first above written.

**FREDERICK J. GREDE, as Liquidation
Trustee of the SENTINEL LIQUIDATION
TRUST and Representative of the Estate of
SENTINEL MANAGEMENT GROUP, INC.**

By: 
Frederick J. Grede

**IRA BODENSTEIN, not individually but a
chapter 7 trustee for the Estate of
PEREGRINE FINANCIAL GROUP, INC.**

By: 
Ira Bodenstein

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
Eastern Division

In Re:) BK No.: 12-27488
PEREGRINE FINANCIAL GROUP, INC.,)
)
) Chapter: 7
) Honorable Carol A. Doyle
)
)
Debtor(s))

**ORDER APPROVING TRUSTEE'S SETTLEMENT
WITH FREDERICK J. GREDE, AS LIQUIDATION TRUSTEE OF THE SENTINEL
LIQUIDATION TRUST**

Upon consideration of the motion (the "Motion") (capitalized terms not defined herein shall have the definitions ascribed to them in the Motion) of Ira Bodenstein, not personally, but as chapter 7 trustee ("Trustee") of Peregrine Financial Group, Inc., pursuant to 11 U.S.C. §§ 105 and 363 and Federal Rule of Bankruptcy Procedure 9019, requesting the entry of an order granting the Trustee authority to enter into a compromise with Frederick J. Grede, as Liquidation Trustee of the Sentinel Liquidation Trust; due and proper notice of the Motion having been provided; it appearing that there is good cause to grant the relief requested; and, there being no objection to the relief requested; it is ORDERED that:

1. The Motion is hereby granted.
2. The terms of the Settlement as further specified in the Motion and Settlement Agreement are approved pursuant to 11 U.S.C. §§ 105 and 363 and 9019 of the Federal Rules of Bankruptcy Procedure.
3. The Trustee is authorized to take such further actions as may be necessary to consummate the compromise as set forth in the Motion.
4. The Court shall retain jurisdiction to enforce this order after notice and a hearing.

Enter:

Dated:

United States Bankruptcy Judge

Prepared by:

Allison B. Hudson
Shaw Fishman Glantz & Towbin LLC
321 North Clark Street, Suite 800
Chicago, Illinois 60654
(312) 541-0151