

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:) Chapter 11
)
SENTINEL MANAGEMENT GROUP, INC.,) Case No. 07 B 14987
)
Debtor.) Hon. John H. Squires

NOTICE OF MOTION

PLEASE TAKE NOTICE that on Thursday, August 28, 2008 at 9:30 a.m. or as soon thereafter as counsel may be heard, we shall appear before the Honorable John H. Squires in Courtroom 680 at 219 South Dearborn Street, Chicago, Illinois, or before any other judge who may be sitting in his place and stead, and present the attached **Motion for Turnover of Account Proceeds**, at which time and place you may appear if you so desire.

Chicago, IL
August 25, 2008

Respectfully submitted,

FREDERICK J. GREDE, not individually,
but solely as Chapter 11 Trustee for the estate
of **SENTINEL MANAGEMENT GROUP,
INC.**

By: /s/ Vincent E. Lazar
One of his attorneys

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MOTION FOR TURNOVER OF ACCOUNT PROCEEDS

Frederick J. Grede, the chapter 11 trustee (the “Trustee”) for the estate of Sentinel Management Group, Inc. (the “Debtor” or “Sentinel”), by and through his undersigned counsel, hereby moves this Court (this “Motion”) for entry of an order for the turnover of (a) the proceeds in accounts of Sentinel Investment Group, Inc. (“SIG”), Sentinel Financial Services, Inc. and Sentinel Management International, Ltd. (collectively, the “Sentinel Affiliates”) at Bank of America, N.A. and its affiliates (collectively, “Bank of America”) in accordance with the settlement with the Sentinel Affiliates, and (b) the proceeds in the escrow account at JPMorgan Chase Bank (“JPMorgan”) being held in a restricted account pursuant to the SIG Shareholder Agreements (as defined below) by and among the Trustee and certain preferred shareholders of SIG (the “SIG Preferred Shareholders”). In support of this Motion, the Trustee states as follows:

BACKGROUND

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O).

2. On August 17, 2007 (the “Petition Date”), Sentinel filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (11 U.S.C. §§ 101-1532, the “Bankruptcy Code”).

3. On August 29, 2007, the Trustee was appointed as the chapter 11 trustee of the Debtor by the United States Trustee. He has accepted his appointment, and is acting, duly qualified, as the Trustee of the Debtor.

4. On September 6, 2007, the United States Trustee appointed the official Committee of Unsecured Creditors (the "Committee").

A. The Proceeds in the Accounts of the Sentinel Affiliates

5. On October 11, 2007, the Trustee filed an adversary complaint in this Court, captioned *Grede v. Bloom, et al.*, Adv. No. 07-00981, against, among others, the Sentinel Affiliates, for avoidance and recovery of fraudulent transfers and preferential transfers pursuant to sections 544(b), 547(b), 548(a) and 550(a) of the Bankruptcy Code and sections 160/5, 6 and 8 of Chapter 740 of the Illinois Compiled Statutes, disallowance of claims pursuant to section 502(d) of the Bankruptcy Code, equitable subordination of claims pursuant to section 510(c) of the Bankruptcy Code, breaches of fiduciary duty, knowing participation in breaches of fiduciary duty, unlawful dividends, civil conspiracy and unjust enrichment (the "Adversary Proceeding").

6. On October 25, 2007, the Court entered an agreed order (the "Preliminary Injunction Order") in the Adversary Proceeding that, among other things, froze all funds, assets or other property of the Sentinel Affiliates. (*See Grede v. Bloom*, 07-00981, Docket No. 25.)

7. On October 26, 2007, by letter to the Bank of America, a copy of which is attached hereto as Exhibit A, the Trustee provided a copy of the Preliminary Injunction Order to the Bank of America and requested that the Bank of America freeze certain accounts in accordance with that order. (*See Ex. A.*) Pursuant thereto, Bank of America froze the funds (the "Funds") in the following accounts:

Account Number	Account Holder	Estimated Funds in Account
5840368	Sentinel Management International, Ltd.	\$15,812.91
5927749	Sentinel Investment Group, Inc.	\$14,562.47

8. On May 14, 2008, the Trustee and the Sentinel Affiliates entered into a settlement agreement, a copy of which is attached hereto as Exhibit B (the “Settlement Agreement”), resolving certain conflicts relating to the Adversary Proceeding. The Court entered an order approving the Settlement Agreement on June 9, 2008. (*See* Docket No. 577.)

9. Pursuant to the Settlement Agreement, the Sentinel Affiliates acknowledged certain indebtedness to the Debtor and consented to the entry of an order directing the turnover to the Trustee of any of their funds that were the subject of the Preliminary Injunction Order. (*See* Ex. B at ¶ 6(a).)

B. The Proceeds in the SIG Preferred Shareholder Account

10. The Trustee and the SIG Preferred Shareholders entered into two Stipulations and Orders (Docket Nos. 497 and 593) (together, the “SIG Shareholder Agreements”), copies of which are attached hereto as Exhibit C and Exhibit D, which were approved by this Court on May 6, 2008 and June 17, 2008, pursuant to which the SIG Preferred Shareholders agreed to deposit certain funds (the “Escrowed Funds”) to be held by the Trustee in a segregated account at JPMorgan, account number 771054368 (the “SIG Shareholder Account”). As of the filing of this motion, the amount held in the SIG Shareholder Account is \$485,383.22.

11. Pursuant to the SIG Shareholder Agreements, the Trustee and the SIG Preferred Shareholders agreed that the proceeds in the SIG Shareholder Account would be

“released to the Trustee if a settlement agreement is entered between the Trustee and SIG in the Adversary Proceeding that fully and finally resolves all pending claims against SIG and wherein SIG agrees to pay an amount that exceeds the amount of the Escrowed Proceeds and any accrued interest.” (See Ex. C at ¶ 3(D); Ex. D at ¶ 2(D).)

12. Pursuant to the Settlement Agreement, SIG acknowledged that it was indebted to Sentinel in an undisputed amount in excess of \$750,000 arising out of avoidable transfers made by Sentinel to SIG.

13. In accordance therewith, the terms of the SIG Shareholder Agreements have been satisfied such that the proceeds of the SIG Shareholder Account should be released from the segregated account and turned over to the Trustee.

RELIEF REQUESTED

14. By this Motion, the Trustee seeks (a) entry of an order directing Bank of America to turn over the Funds to the Trustee and (b) entry of an order authorizing and directing JPM to release and turn over to the Trustee the Escrowed Funds in the SIG Shareholder Account.

15. Notice of this Motion has been given to the Debtor, the United States Trustee, the Committee, the Sentinel Affiliates, the SIG Shareholders, JP Morgan, Bank of America, and all entities that have requested notice in this chapter 11 proceeding. The Trustee submits that no other or further notice need be given.

WHEREFORE, the Trustee respectfully requests that this Court enter the attached order, and grant such other and further relief as this Court deems just.

Dated: Chicago, Illinois
August 25, 2008

Respectfully submitted,

**FREDERICK J. GREDE, not individually,
but solely as chapter 11 trustee for the estate
of SENTINEL MANAGEMENT GROUP,
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