

**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

**TRUSTEE’S REPLY IN SUPPORT OF  
MOTION FOR TURNOVER OF ACCOUNT PROCEEDS**

Frederick J. Grede, chapter 11 trustee (the “Trustee”) for the estate (the “Estate”) of Sentinel Management Group, Inc. (the “Debtor” or “Sentinel”), by and through his undersigned counsel, hereby replies to “The Daniel Jesser Family Trust’s Response in Opposition to the Trustee’s Motion for Turnover of Account Proceeds” (the “Jesser Response”) and the “Response of Joel Greenberg to Trustee’s Motion for Turnover of Account Proceeds” (the “Greenberg Response”).

**BACKGROUND**

On October 11, 2007, the Trustee filed an adversary complaint in this Court, captioned *Grede v. Bloom, et al.*, Adv. No. 07-00981, against certain of Sentinel’s principals and affiliates (the “Adversary Proceeding”). In addition, the Trustee demanded that the preferred shareholders of the Debtor’s parent company, Sentinel Investment Group (“SIG”), who were not named as defendants in the Adversary Proceeding but were the transferees or entities for whose benefit fraudulent transfers were made by the Debtor to SIG shortly before the Debtor’s bankruptcy, turn those transfers over to the Trustee.

Several preferred shareholders voluntarily turned over the fraudulent transfers they had received to the Trustee, without any restrictions. The remaining preferred shareholders

(including the Daniel Jesser Family Trust and Joel Greenberg) and the Trustee entered into two Stipulations and Orders (Docket Nos. 497 and 593) (together, the “SIG Shareholder Stipulations”), which were approved by this Court on May 6, 2008 and June 17, 2008, pursuant to which the SIG Preferred Shareholders agreed to deposit all of the transfers they had received (the “Escrowed Funds”) into a segregated account. Pursuant to the SIG Shareholder Stipulations, the Trustee and the SIG preferred shareholders agreed that the Escrowed Funds 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 Motion Ex. C. at ¶ 3(D); Motion Ex. D at ¶ 2 (D).)

On May 14, 2008, the Trustee and the Sentinel affiliates entered into a settlement agreement (the “Settlement Agreement”) resolving certain aspects of the Adversary Proceeding, a copy of which is attached to the Trustee’s Motion as “Exhibit B.”<sup>1</sup> The Court entered an order approving the Settlement Agreement on June 9, 2008. (See Docket No. 577). Pursuant to the Settlement Agreement, SIG acknowledged that it was indebted to Sentinel in an undisputed amount exceeding \$750,000 arising out of avoidable transfers made by Sentinel to SIG (Settlement Agreement, ¶6.a), and consented to entry of an order for relief under the Bankruptcy Code against it and the appointment of a trustee. (Settlement Agreement, ¶6.b). SIG further consented to the turnover to the Trustee of the only assets it owns (approximately \$15,000 in a bank account that had been frozen by Order of this Court) (Settlement Agreement, ¶6.a).

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<sup>1</sup> The Jesser Family Trust cites to and attaches as “Exhibit B” to its response the Trustee’s settlement with the “Phillip Bloom Defendants.” This was not the settlement agreement upon which the Motion was based (and indeed it was not even attached to the Motion), and it differs in several material respects from the agreement to which SIG is a party (the Trustee’s agreement with the “Eric Bloom Defendants”).

Finally, under the Settlement Agreement SIG waived all claims it may have against Sentinel (Settlement Agreement, ¶9.b), but did not receive any release of claims against it, and remains liable for all claims of Sentinel and the Trustee against SIG. (Settlement Agreement, ¶4.a (definition of “Eric Bloom Releasees”) and ¶9.a).

### **ARGUMENT**

Under the SIG Shareholder Stipulations,<sup>2</sup> the Escrowed Funds are to 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.” The Trustee submits that the provisions of the Settlement Agreement, including (1) SIG’s acknowledgement that it is indebted to Sentinel in an undisputed amount exceeding \$750,000 arising out of avoidable transfers made by Sentinel to SIG (which far exceeds the amount in escrow); (2) turnover and delivery to the Trustee of the only assets SIG owns (approximately \$15,000 in a bank account that had been frozen by Order of this Court); (3) SIG’s consent to entry of an order for relief under the Bankruptcy Code and the appointment of a trustee; and (4) and SIG’s waiver of all claims it may have against Sentinel, without any reciprocal release of Sentinel’s claims against SIG (including the at least \$750,000 in claims arising from avoidable transfers that SIG admits are due and owing to Sentinel), in sum and substance meet the two conditions precedent for release of the Escrowed Funds set forth in the

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<sup>2</sup> In its response, the Jesser Family Trust mischaracterizes the SIG Shareholder Stipulations as “settlements.” There were no “settlements” or other compromises whatsoever involved in the stipulations; the preferred Shareholders agreed to put all of the amounts transferred to them in escrow, without discount, and under the stipulations only upon turnover of all of those funds to the Trustee would any claims relating to those transfers be released. Indeed, if the two objecting preferred shareholders continue to oppose release of the escrowed funds, the Trustee intends to promptly bring adversary proceedings against them to avoid the fraudulent transfers that they received, plus interest, costs and any other amounts awarded by the Court.

SIG Shareholder Stipulations, namely that (A) the claims against SIG be fully and finally resolved in a settlement agreement, and (B) SIG agree to pay an amount that exceeds the amount in escrow. *See* Motion Ex. C. at ¶ 3(D); Motion Ex. D at ¶ 2 (D).)

**CONCLUSION**

WHEREFORE, for the foregoing reasons, as well as those detailed in the Motion itself, the Trustee respectfully requests that the Court enter an Order granting the Motion, and for such other and further relief as this Court deems just.

Dated: Chicago, Illinois

September 10, 2008

Respectfully submitted,

**FREDERICK J. GREDE, chapter 11 trustee for  
the estate of SENTINEL MANAGEMENT  
GROUP, INC.**

By: /s/ Vincent E. Lazar  
One of His Attorneys

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