

**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, November 20, 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 Authority to Enter into Consent Judgment**, at which time and place you may appear if you so desire.

Chicago, Illinois  
November 12, 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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**CERTIFICATE OF SERVICE**

I, Vincent E. Lazar, an attorney, certify that I caused a copy of the **Notice of Motion and Motion for Authority to Enter into Consent Judgment**, to be served upon the parties listed on the attached Service List, by First Class United States mail, on November 12, 2008.

*/s/ Vincent E. Lazar*

\_\_\_\_\_  
Vincent E. Lazar

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**Case No. 07-14987**

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**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
	)	

**MOTION FOR AUTHORITY TO ENTER INTO CONSENT JUDGMENT**

Frederick J. Grede, the 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 respectfully requests this Court’s approval, pursuant to 11 U.S.C. § 363(b) and Rule 9019 of the Federal Rules of Bankruptcy Procedure, to enter into the attached “Consent of Defendant Sentinel Management Group, Inc.” and “Final Judgment as to Defendant Sentinel Management Group Inc.”, copies of which are attached hereto as Exhibit A (the “Consent and Final Judgment”) on behalf of Sentinel in the case *United States Securities and Exchange Commission v. Sentinel Management Group, Inc., Eric A. Bloom, and Charles K. Mosley*, Case No. 07 C 4684 (the “SEC Litigation”), and states:

1. On August 17, 2007 (the “Petition Date”), the Debtor filed a voluntary petition for relief under chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the “Bankruptcy Court”).

2. On August 20, 2007, the Securities and Exchange Commission (the “SEC”) filed the SEC Litigation in the United States District Court for the Northern District of Illinois (the “District Court”) against Sentinel, seeking orders of preliminary and permanent injunction,

disgorgement, and civil fines and penalties for Sentinel's alleged violations of various provisions of the Investment Advisers Act of 1940 and other rules and regulations.

3. On August 23, 2007, the Bankruptcy Court entered an order granting the Debtor's motion for the appointment of a Chapter 11 trustee and, 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 Trustee of the Debtor.

4. On September 24, 2007, the District Court entered an Agreed Order of Preliminary Injunction and Other Relief in the SEC Litigation. On June 16, 2008, the SEC filed its First Amended Complaint in the SEC Litigation, adding Eric A. Bloom and Charles K. Mosley as defendants and adding allegations of violations of other federal securities laws, rules, and regulations.

5. As summarized below, without admitting or denying the allegations of the First Amended Complaint filed in the SEC Litigation (except as to personal and subject matter jurisdiction, which the Trustee, on behalf of Sentinel, will admit), the Trustee, on behalf of Sentinel, has agreed to a resolution with the SEC, subject to this Court's approval, that includes the following provisions:

- Sentinel consents to entry of the Consent and Final Judgment in the SEC Litigation, permanently restraining and enjoining Sentinel from violating the Securities Act, the Securities Exchange Act, and the Investment Advisors Act.
- The Trustee's fulfillment of his responsibilities and duties as Chapter 11 Trustee and administration of Sentinel's bankruptcy estate under the laws of the United States, the Bankruptcy Code and/or the orders of the United States Bankruptcy Court, including but not limited to those duties related to the maintenance, preservation, marshalling and

distribution of Sentinel assets in accordance with the above authority, including any plan of liquidation approved by the Court, will not be prohibited, restricted or restrained by the Consent and Final Judgment. Nothing in the Consent or Final Judgment will limit or constrain the Trustee's fulfillment of or the protections he is afforded under those laws.

6. Section 363(b)(1) of the Bankruptcy Code provides that a "trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). The bankruptcy court can approve a transaction which is outside the ordinary course of business if the trustee has an "articulated business justification." See *Fulton State Bank v. Schipper (In re Schipper)*, 933 F.2d 513, 515 (7th Cir. 1991) (citing *In re Continental Air Lines*, 780 F.2d 1223, 1226 (5th Cir.1986)).

7. The Trustee seeks the approval of this Court to enter into the Consent and Final Judgment with the SEC, which the Trustee believes may constitute a transaction outside the ordinary course of business. Specifically, the Consent and Final Judgment will permanently restrain and enjoin Sentinel from violating the Securities Act, the Securities Exchange Act, and the Investment Advisors Act. Given the extraordinary nature of this action, the Trustee seeks this Court's approval, after notice and an opportunity to be heard, of the Consent and Final Judgment. Since Sentinel has ceased all operations of Sentinel and the Trustee is winding up Sentinel's remaining business, the Trustee submits that entry of the Consent and Final Judgment, which will fully and finally settle the SEC Litigation against Sentinel without any further cost to the estate or negative impact upon Sentinel's creditors, is in the best interests of the estate and its creditors. Therefore, the Trustee seeks this Court's authority to enter into the Consent and Final Judgment.

8. Moreover, to the extent that the Consent and Final Judgment constitutes a settlement, Bankruptcy Rule 9019(a) authorizes this Court, after a hearing on appropriate notice, to approve a compromise or a settlement so long as “the settlement is in the best interests of the estate.” *In re Andreuccetti*, 975 F.2d 413, 421 (7th Cir. 1992); *In re Energy Co-op, Inc.*, 886 F.2d 921, 926-27 (7th Cir. 1989). To determine whether a settlement is in the best interests of the estate, the Court should consider the risks of the litigation, the cost of the litigation and any delay associated with continuing the litigation. *Id.* Approval of a settlement is committed to the sound discretion of the court. *Id.* Though a court should never simply “rubber stamp” a trustee’s settlement, a court should refuse to authorize a settlement only if it “falls below the lowest point in the range of reasonableness.” *Energy Co-op*, 886 F.2d at 929.

9. The proposed settlement is in the best interests of this estate and its creditors. The proposed settlement represents a fair and appropriate resolution of the SEC Litigation after one considers the status of Sentinel’s business and the interests of the estate and creditors in a prompt resolution. Accordingly, the Trustee requests this Court’s approval to enter into the attached Consent and Final Judgment.

10. Consistent with 17 C.F.R. § 202.5(f), the Consent and Final Judgment resolve to the extent specified therein only the claims asserted against Sentinel in the SEC Litigation. Thus, nothing in the Consent and Final Judgment will be given any preclusive effect in any proceeding other than proceedings initiated by the SEC or that involve disciplinary, registration or disqualification proceedings by the SEC, a self-regulatory organization, licensing board or other regulatory organization. See, e.g., *Levinson v. United States*, 969 F.2d 260, 264 (7th Cir. 1992) (“[R]es judicata and collateral estoppel ‘do not apply where, as here, the issues or causes of action sought to be precluded in a subsequent proceeding were allegedly determined in a

stipulation or a judgment by consent.”); *E.E.O.C. v. City of Chicago*, 1994 WL 457229, at \*2 (N.D. Ill. Aug. 19, 1994) (stipulation not given preclusive effect in other proceedings where, among other things, it was entered for “the sole purpose of resolving the claim(s) referred to [t]herein”); *Mishkin v. Peat, Marwick, Mitchell & Co.*, 1988 WL 391648, at \*1 (S.D.N.Y. Nov. 7, 1988) (consent decree has no evidentiary or preclusive effect in subsequent proceeding).

11. Moreover, the Consent and Final Judgment, and any references thereto, are not admissible in any proceeding other than proceedings initiated by the SEC or that involve disciplinary, registration or disqualification proceedings by the SEC, a self-regulatory organization, licensing board or other regulatory organization. See Fed. R. Evid. 408(a); *Option Resource Group v. Chambers Dev. Co.*, 967 F. Supp. 846, 850 (W.D. Pa. 1996) (“[E]vidence pertaining to the fact of compromise and settlement of the SEC administrative proceedings and the Consent and Final Judgment issued in the related civil proceeding in this Court must be excluded under Rule 408, which includes statements and conduct made in the course of compromise negotiations.”); *In re Cenco Inc. Secs. Litig.*, 601 F. Supp. 336, 337 n.3 (N.D. Ill. Nov. 26, 1984) (stipulation “analogous to a consent decree, issued by the SEC as a product of a settlement with [plaintiff] in which [plaintiff] did not admit or deny any of the [allegations]” not admissible under Rule 408).

12. The Trustee also requests that the court find that cause exists to shorten and limit notice to that already given. The Trustee has served notice of the proposed settlement on all counsel on the official service list. The cost of sending notice to all of the Debtor’s creditors and other parties that might be entitled to notice under Rule 2002 of the Federal Rules of Bankruptcy Procedure would be prohibitive. Given the nature of the settlement involved, the Trustee requests that the Court find that cause exists to shorten and limit notice.

WHEREFORE, the Trustee respectfully requests this Court's approval to enter into the attached Consent and Final Judgment and grant such other relief as may be just.

Dated: Chicago, Illinois  
November 12, 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            
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# **EXHIBIT A**



10(b) of the Securities Exchange Act of 1934 [15 U.S.C. 9 78j(b)] and Rule 10b-5 [17 C.F.R. § 9240.10b-5] promulgated thereunder, and Sections 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940 [15 U.S.C. § 80b-6(1), 80b-6(2) and 80b-6(4)], and Rule 206 (4)-2 promulgated thereunder [17 C.F.R. 275.206(4)-2]. The Trustee, on behalf of Sentinel, consents to the Final Judgment with the express understanding that the Trustee is not subject to any enforcement remedy established by the Judgment in his individual capacity.

3. Nothing in the Consent or Final Judgment is intended to limit or constrain the Trustee's fulfillment of his responsibilities and duties as Chapter 11 Trustee under the laws of the United States, the Bankruptcy Code and/or the orders of the United States Bankruptcy Court, including but not limited to those duties related to the maintenance, preservation, marshalling and distribution of Sentinel assets in accordance with the above authority, including any plan of liquidation approved by the Court or to limit the protections he is afforded under those laws. The actions, agreements, consents, and waivers of the Trustee, on behalf of Sentinel, as set forth herein are taken by the Trustee in accordance with and subject to his authority as Chapter 11 Trustee.

4. The Trustee, on behalf of Sentinel, waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

5. The Trustee, on behalf of Sentinel, waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.

6. The Trustee, on behalf of Sentinel, enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made

by the Commission or any member, officer, employee, agent, or representative of the Commission to induce the Trustee, on behalf of Sentinel, to enter into this Consent.

7. The Trustee, on behalf of Sentinel, agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

8. The Trustee, on behalf of Sentinel, will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waive any objection based thereon.

9. The Trustee, on behalf of Sentinel, waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to the Trustee, on behalf of Sentinel, of its terms and conditions. The Trustee, on behalf of Sentinel, further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit or declaration stating that the Trustee, on behalf of Sentinel, has received and read a copy of the Final Judgment.

10. Consistent with 17 C.F.R. § 202.5(f), this Consent resolves to the extent specified herein only the claims asserted against Sentinel in this civil proceeding. The Trustee, on behalf of Sentinel, acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. The Trustee waives any claim of Double Jeopardy on behalf of Sentinel based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty

herein. The Trustee, on behalf of Sentinel, further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations, including a disciplinary, registration, or disqualification proceeding with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, the Trustee understands that the Trustee, on behalf of Sentinel, shall not be permitted to contest the factual allegations of the complaint in this action.

11. The Trustee understands the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the complaint or order for proceedings." 17 C.F.R. § 202.5. In compliance with this policy, the Trustee, on behalf of Sentinel, agrees: (i) not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; and (ii) that upon the filing of this Consent, any papers in this action shall be deemed withdrawn to the extent that they deny any allegation in the complaint. If Sentinel breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph or Consent affects the Trustee's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

12. The Trustee, on behalf of Sentinel, hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by the Trustee, on behalf of Sentinel, to defend against this action. For these purposes, agrees that the Trustee, on behalf of Sentinel, is not the prevailing party in this action since the parties have reached a good faith settlement.

13. In connection with this action and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, the Trustee, in his capacity as trustee of Sentinel, (i) will accept service by mail or facsimile transmission of notices or subpoenas issued by the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (ii) appoints the Trustee's undersigned attorney as agent to receive service of such notices and subpoenas; (iii) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (iv) consents to personal jurisdiction over Sentinel in any United States District Court for purposes of enforcing any such subpoena.

14. The Trustee, on behalf of Sentinel, agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.





Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Sentinel and Sentinel's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Sentinel and Sentinel's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, are permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or

indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

### III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Sentinel and Sentinel's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, are permanently restrained and enjoined from violating Sections 206(1) and 206(2) of the Investment Advisers Act of 1940 ("Advisers Act") [15 U.S.C. § 80b-6], by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly:

- (a) employing any device, scheme, or artifice to defraud any client or prospective client; or
- (b) engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

### IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Sentinel and Sentinel's agents, servants, employees, attorneys, and all persons in active concert or participation with them who receive actual notice of this Final Judgment by personal service or otherwise, are permanently restrained and enjoined from violating Section 206(4) of the Advisers Act [15 U.S.C.

§ 80b-6(4)], and Rule 206 (4)-2 promulgated thereunder [17 C.F.R. 275.206(4)-2], by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly, engaging in acts, practices, or course of business which were fraudulent, deceptive or manipulative, including having custody of client funds or securities without a qualified custodian maintaining those funds or securities in either a separate account for each client under that client's name or in accounts that contain only the clients' funds and securities under such persons' or entities' name as agent or trustee for the clients.

V.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein, and that Sentinel shall comply with all of the undertakings and agreements set forth therein. Nothing in the Consent or Final Judgment is intended to limit or constrain the Trustee's fulfillment of his responsibilities and duties as Chapter 11 Trustee under the laws of the United States, the Bankruptcy Code and/or the orders of the United States Bankruptcy Court, including but not limited to those duties related to the maintenance, preservation, marshalling and distribution of Sentinel assets in accordance with the above authority, including any plan of liquidation approved by the Court or to limit the protections he is afforded under those laws. The actions, agreements, consents, and waivers of Sentinel as set forth herein are taken by the Trustee in accordance with and subject to his authority as Chapter 11 Trustee.

VI.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing of the terms of this Final Judgment.

VII.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice.

Dated: \_\_\_\_\_, \_\_\_\_\_

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UNITED STATES DISTRICT JUDGE

**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
	)	

**ORDER AUTHORIZING TRUSTEE TO ENTER INTO CONSENT JUDGMENT**

THIS MATTER coming to be heard upon the Trustee’s Motion for Authority to Enter Into Consent Judgment (the “Motion”); due and proper notice of the Motion having been given; it appearing to the Court that entry into the Consent and Final Judgment is in the best interests of the Debtor’s estate and its creditors; and the Court having jurisdiction over this core proceeding and being fully advised in the premises;

**IT IS HEREBY ORDERED THAT:**

- A. The Motion is granted in its entirety.
- B. Any and all responses to the Motion, including reservations of rights, unless previously withdrawn or settled, are overruled.
- C. The proposed settlement is in the best interests of this estate and its creditors. The Consent and Final Judgment will not be given any preclusive effect or otherwise be admissible in any proceeding other than proceedings initiated by the SEC or that involve disciplinary, registration or disqualification proceedings by the SEC, a self-regulatory organization, licensing board or other regulatory organization. *E.E.O.C. v. City of Chicago*, 1994 WL 457229, at \*2 (N.D. Ill. Aug. 19, 1994); Fed. R. Evid. 408; *Option Resource Group v. Chambers Dev. Co.*, 967 F. Supp. 846, 850 (W.D. Pa. 1996).

D. The Trustee's fulfillment of his responsibilities and duties as Chapter 11 Trustee and administration of Sentinel's bankruptcy estate under the laws of the United States, the Bankruptcy Code and/or the orders of the United States Bankruptcy Court, including but not limited to those duties related to the maintenance, preservation, marshalling and distribution of Sentinel assets in accordance with the above authority, including any plan of liquidation approved by the Court, will not be prohibited, restricted or restrained by the Consent and Final Judgment. Nothing in the Consent or Final Judgment is intended to limit or constrain the Trustee's fulfillment of his or to limit the protections he is afforded under those laws.

E. Based on the above, the Trustee, on behalf of Sentinel, is hereby authorized to enter into the Consent and Final Judgment in *United States Securities and Exchange Commission v. Sentinel Management Group, Inc., Eric A. Bloom, and Charles K. Mosley*, Case No. 07 C 4684.

ENTER:

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UNITED STATES BANKRUPTCY JUDGE