

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

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

**STIPULATION AND AGREED ORDER BETWEEN
THE LIQUIDATING TRUSTEE AND CANTOR FITZGERALD & CO.**

This Stipulation and Agreed Order (the "Stipulation") is entered into by and between (i) Cantor Fitzgerald & Co. ("Cantor"), and (ii) Frederick J. Grede, not individually but as Liquidation Trustee ("Trustee" or "Liquidating Trustee") for the Liquidation Trust established pursuant to the December 15, 2008 Order (Docket No. 1257) confirming the Fourth Amended Chapter 11 Plan of Liquidation (Docket No. 1254) (the "Plan") for Sentinel Management Group, Inc. (the "Debtor" or "Sentinel" and, together with Cantor and the Trustee, the "Parties").

RECITALS

WHEREAS, 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");

WHEREAS, 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 appointment of Frederick J. Grede as chapter 11 trustee ("Chapter 11 Trustee") was approved by the Bankruptcy Court;

WHEREAS, on October 25, 2004, Cantor and Sentinel, as agent, entered into a Master Repurchase Agreement (the "MRA"). Over the course of the MRA, Cantor and Sentinel entered into various securities repurchase transactions;

WHEREAS, on August 14, 2007, Cantor declared an event of default under the MRA and, on August 15 and 16, proceeded to liquidate the securities which had been the subject of the MRA (the "Repo Securities"), which resulted in what Cantor asserts to be \$3,835,181.33 in net surplus proceeds from of the liquidation of the Repo Securities (the "Liquidation Surplus");

WHEREAS, Cantor asserts setoff, recoupment, or other rights under the MRA or applicable law to apply the Liquidation Surplus to amounts payable or reimbursable to Cantor at any time under the terms of the MRA, including without limitation "(i) the amount of all reasonable legal or other expenses incurred by [Cantor] in connection with or as a result of an Event of Default [as defined in the MRA], (ii) damages in an amount equal to the cost (including all fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions in connection with or as a result of an Event of Default, and (iii) any other loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a Transaction [as defined in the MRA]" (collectively, "Cantor's Expenses"), and the difference between (i) the Liquidation Surplus and (ii) Cantor's Expenses as determined at any given time, the "Net Proceeds");

WHEREAS, Cantor asserted that the liquidated amount of Cantor's Expenses as of February 29, 2008, was no less than \$343,607.54, consisting of accrued legal costs and expenses (the "Existing Cantor Expenses"), and that therefore the Net Proceeds as of such date were less than \$3,491,573.79;

WHEREAS, on April 8, 2008, this Court entered a Stipulation and Agreed Order for Turnover of Net Proceeds of Repurchase Agreement Closeouts Between the Debtor and Cantor Fitzgerald & Co. (Docket No. 479) (the "April Stipulation"), pursuant to which Cantor transferred to the Chapter 11 Trustee \$3,491,573.79 (the "Escrowed Funds") which were deposited by the Chapter 11 Trustee in a separate segregated interest bearing account established by the Chapter 11 Trustee (the "Escrow Account");

WHEREAS, on August 1, 2008, Cantor filed a Motion for Entry of an Order (1) Determining that Cantor Fitzgerald & Co. is Entitled to Recover Existing and Future Expenses from the Escrowed Funds, and (b) Authorizing Distribution of Funds in Payment Thereof (the "Motion") (Docket No. 902);

WHEREAS, on November 14, 2008, the Chapter 11 Trustee filed his response;

WHEREAS, Cantor asserts that Cantor's Expenses exceed \$700,000 and that it is entitled to reimbursement of such amount (to the extent not already satisfied from the amounts withheld by Cantor) from the Escrowed Funds, and also that Cantor is entitled to reimbursement on account of any future expenses that it incurs;

WHEREAS, on December 15, 2008, the Court entered an order confirming the Plan;

WHEREAS, the Trustee and the Committee filed a notice with the Court that the Effective Date occurred on December 17, 2008;

WHEREAS, on the Effective Date, in accordance with the provisions of section 6.3 of the Plan, the Chapter 11 Trustee has resigned, and the Liquidating Trustee has become the appointed representative of the Estate in accordance with Section 1123(b)(3) of the Bankruptcy Code;

WHEREAS, the Liquidating Trustee has assumed his obligations under the Liquidation Trust, and has commenced distributions as provided for in the Plan;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Stipulation, and with the intent to be legally bound, the Parties hereby agree, and the Court ORDERS, as follows:

AGREEMENT

1. Cantor shall retain the amount of the Existing Cantor Expenses that was withheld by Cantor pursuant to the April Stipulation.
2. Upon entry of this Stipulation and Order, JPMorgan Chase Bank shall release the Escrowed Funds to the Trustee without restriction, and 100% of the Escrowed Funds may be distributed to creditors under the Plan.
3. Upon entry of this Stipulation and Order, the Liquidating Trustee (on behalf of the Debtor, the estate of the Debtor and the Liquidation Trust) and Cantor, to the fullest extent permitted by law, unconditionally, absolutely and irrevocably release and discharge each other and their respective successor and assigns, affiliates, representatives and agents (to the extent acting in their representative capacities), from all manners of actions, causes of action, suits, debts, accounts, promises, warranties, damages and consequential damages, demands, agreements, costs, expenses, claims or demands whatsoever, of any kind or nature whether known or unknown, liquidated or unliquidated, disputed or undisputed, contingent, inchoate or matured, in law or in equity which they may now have or ever had against each other upon or by reason of any manner, cause or thing whatsoever on or at any time prior to the date of entry of this Stipulation and Order, that arise from or relate to the MRA or any transactions between the Parties. The release set forth above in this paragraph 3 by the Liquidating Trustee also releases

Cantor and its successor and assigns, affiliates, representatives and agents (to the extent acting in their representative capacities) from any Non-Estate Claims (as defined in the Plan) that have been or hereafter are transferred to the Liquidation Trust.

4. Upon entry of this Stipulation and Order, the Motion (Docket No. 902) shall be deemed resolved by the terms of this Stipulation and Order and shall be thereby rendered moot, and denied without prejudice.

5. Except as expressly provided herein, neither this Stipulation nor any negotiations or writings in connection herewith shall in any way be construed as, or deemed evidence of, or an admission by, any party regarding any claim or right that any party may have against any other party.

6. This Stipulation and Order shall be effective immediately upon entry by the Bankruptcy Court. If this Stipulation and Order is not entered by the Court, it shall be of no force and effect.

7. This Stipulation and Order may be executed by facsimile copy in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed and delivered by each of the parties.

8. The Liquidating Trustee (not individually but solely in his capacity as Liquidating Trustee of the Liquidation Trust) and Cantor each represent and warrant that he or it has full power and authority to enter into this Stipulation and Order. The Liquidating Trustee (not individually but solely in his capacity as Liquidating Trustee of the Liquidation Trust) further represents and warrants (i) that, subject to the approval of this Stipulation and Order by the Court, he shall have obtained all necessary consents and approvals (and given all required

notices) in connection with this Stipulation and Order and its approval, and (ii) the Effective Date of the Plan has occurred.

9. The Bankruptcy Court shall retain jurisdiction over the Parties for the purposes of resolving all issues arising from or relating to this Stipulation and Order or the implementation of this Stipulation and Order.

SO STIPULATED AND AGREED:

Dated: January 7, 2009

Cantor Fitzgerald & Co.

By: 

David S. Curry (ARDC # 6184327)
Michael W. Ott (ARDC # 6293511)
MAYER BROWN LLP
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Counsel to Cantor Fitzgerald & Co.

Dated: January 6, 2009

Liquidation Trust for Sentinel Management Group, Inc.

By:  Frederick J. Grede, Liquidating Trustee

By: 

Vincent E. Lazar (ARDC # 6204916)
Christine L. Childers (ARDC # 6277245)
JENNER & BLOCK, LLP
330 North Wabash Avenue
Chicago, IL 60611-7603
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Counsel to the Liquidating Trustee

SO ORDERED this 12th day of January, 2009


HONORABLE JOHN H. SQUIRES
UNITED STATES BANKRUPTCY JUDGE