

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

In re: )  
 ) Chapter 7  
PEREGRINE FINANCIAL GROUP, INC., )  
 ) Case No.: 12-27488  
 Debtor. )  
 ) Honorable Judge Carol A. Doyle  
 )  
 )  
 )

**LIMITED OBJECTION OF VITALOON, INC. AND COMMODITY CUSTOMER  
COALITION, INC. TO TRUSTEE'S SECOND MOTION FOR AUTHORITY TO  
OPERATE THE BUSINESS OF THE DEBTOR AND FOR RELATED RELIEF**

Vitaloon, Inc. ("Vitaloon") and the Commodity Customer Coalition, Inc. (the "CCC") file this limited objection to the motion of Ira Bodenstein (the "Trustee"), the chapter 7 trustee for Peregrine Financial Group, Inc. (the "Debtor") for authority to operate the business of the Debtor and for related relief. (Docket No. 123). Vitaloon and the CCC do not object to the continued operation of the Debtor's business or the payment of related payroll and benefits to the employees involved. However, Vitaloon and the CCC are puzzled by the proposal to increase the salary of the Debtor's general counsel and therefore object to it.

Vitaloon is a commodity customer of the Debtor and has account balances with it totaling approximately \$180,000. CCC is a not-for-profit organization organized by commodity professionals to represent the interests of commodity customers in futures commission merchant insolvencies. It was formed in response to the MF Global bankruptcy in which it played an active role. CCC has approximately 10,000 commodity customers as members.

In his motion, the Trustee proposes to extend the time during which he is authorized to continue to operate the Debtor's business through November 12, 2012. Vitaloon and the CCC have no reason to question the Trustee's judgment in this regard and welcome whatever actions

need to be taken to hasten the administration of this estate. However, the Trustee's motion also proposes to grant a raise to the Debtor's former general counsel of about five percent over her total prior compensation, apparently including past bonuses. The objectors fail to understand why this request is appropriate in the circumstances of the case, although they do not take issue with the Trustee's contention that Ms. Wing's continued services will be beneficial to the Debtor's estate. The proposed increased compensation will apparently be paid as additional salary, not in the form of a bonus or other incentive compensation that will ensure that she is motivated to stay employed by the Debtor for as long as the Trustee needs her services. Instead, she appears free to depart from the Debtor's employ at any time a better opportunity presents itself.

In addition to the increased cost of the proposed raise and lack of any structure that ensures that creditors end up getting what they pay for, the motion provides little information as to why such a salary increase at this stage is necessary or appropriate for continuing the winding up of the Debtor's affairs.

The requested salary increase is also troublesome because of the circumstances of the case. Seven weeks have passed without customers receiving any indication when and how their funds will be returned to them. Commodity customers are entitled to priority over all other creditors with respect to distribution of customer property, pursuant to Section 766(h) of the Bankruptcy Code. The Debtor's customers need access to their funds to resume their use of the markets and for general liquidity purposes. The objectors are advised that several trading advisory businesses have recently been forced to close because their customers' funds remain frozen at the Debtor. By contrast, in the much larger MF Global bankruptcy, customer positions along with a pro-rated portion of their cash margin requirement were transferred to another

futures commission merchant within approximately three days after the bankruptcy filing, with an additional bulk transfer of cash approximately two weeks thereafter, thus minimizing the disruption to the customers and their businesses. Customers of the Debtor are understandably concerned about the lack of information from the Trustee regarding the return of their funds and suggest that this issue should be the highest priority for the trustee, rather than proposing a raise for the Debtor's general counsel.

For all of the above reasons, Vitaloon and the CCC object to the Trustee's proposal to increase the salary of the Debtor's general counsel.

Respectfully Submitted,

VITALOON, INC. and the  
COMMODITY CUSTOMER COALITION, INC.

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**CERTIFICATE OF SERVICE**

I, Stephen T. Bobo, hereby certify that on August 28, 2012, I caused a copy of the Limited Objection of Vitaloon, Inc. and Commodity Customer Coalition, Inc. to Trustee's Second Motion for Authority to Operate the Business of the Debtor and for Related Relief to be filed electronically in the above-captioned proceeding and sent automatically, via the Court's CM/ECF system, to all parties that have filed an electronic appearance in the proceeding and on the following parties via U.S. Mail postage prepaid:

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