

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

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

**ORDER GRANTING TRUSTEE’S MOTION FOR AN ORDER APPROVING (I)
TRANSFERS AND INTERIM DISTRIBUTIONS TO CERTAIN COMMODITY
CUSTOMERS OF THE DEBTOR, AND (II) PROCEDURES FOR SOLICITING
OFFERS FROM FUTURES COMMISSION MERCHANTS TO RECEIVE SUCH
TRANSFERS ON ACCOUNT OF COMMODITY CUSTOMERS**

Upon consideration of the motion (the “Motion”) of Ira Bodenstein, not personally, but as chapter 7 trustee (the “Trustee”) for the estate of Peregrine Financial Group, Inc. d/b/a PFG Best (the “Debtor”), pursuant to sections 105(a), 764 and 766 of title 11 of the United States Code (the “Bankruptcy Code”) and 17 C.F.R. §§ 190.01 through 190.10, seeking the entry of an order: (i) authorizing and approving the transfer and distribution of segregated cash and other funds to certain of the Debtor’s commodity customers via either (a) other futures commission merchants (“FCMs”) through a bulk transfer (the “Bulk Transfer”), or (b) as appropriate, through checks or wire transfer distributions directly to certain of the Debtor’s commodity customers; and (ii) authorizing and approving the requested procedures for the Trustee to solicit offers from other FCMs to receive the Bulk Transfer of the Debtor’s commodity customer accounts (capitalized terms used herein shall have the meanings ascribed thereto in the Motion); sufficient notice having been provided; the Court having core jurisdiction to hear and determine the Motion; and the Court being otherwise fully advised in the premises; it is Ordered:

1. The Motion is granted in all respects.

2. The Trustee is authorized to transfer up to \$123,000,000 (the “Interim Distribution Amount”) to or for the benefit of the Debtor’s Futures Customers, as follows: (i) with respect to 4d and Delivery Customers, the Trustee is authorized to make an interim distribution (the “4d Interim Distribution(s)”) of approximately thirty percent (30%) of the 4d and Delivery Customers’ account balances, and with respect to 30.7 Customers, the Trustee is authorized to make an interim distribution (the “30.7 Interim Distribution(s)”) of approximately forty percent (40%) of the 30.7 Customers’ account balances.

3. The Interim Distributions are subject to final reconciliations and true-ups in the claims allowance process by the Trustee.

4. The Trustee is authorized to make an initial distribution, on or before September 28, 2012, of the applicable Interim Distribution Amount to all Futures Customer Accounts with balances -- based on the Debtor’s books and records -- of \$50,000 or less (except that there will be no Interim Distribution with respect to those accounts of \$1,000 or less if the Interim Distribution is made by check or wire transfer director to Futures Customers) (the “First Wave Accounts”) (except with respect to those accounts of \$50,000 or less that are set forth in Paragraph 22 of the Motion). In the event that the Trustee is unable to make the Interim Distributions on or before September 28, 2012, the Trustee’s right to delay that date as necessary to allow for him to accomplish the Interim Distributions is reserved.

5. The Trustee is hereby authorized to make Interim Distributions of the applicable Interim Distribution Amount to: (i) all Futures Customer Accounts with balances in excess of \$50,000, and (ii) all Futures Customer Accounts with free credit balances of between \$25,000 and \$50,000 that had no trading activity within ninety (90) days of the Filing Date (“Free Balance Accounts”) and all accounts related to such Free Balance Accounts (the “Second Wave Accounts”), on an account by account basis, to allow the Trustee to take reasonable and prudent

steps to assess the validity and reliability of the underlying account information respecting the Second Wave Accounts (the "Validity Assessment").

6. The Trustee is hereby authorized to make a Validity Assessment as to the appropriateness of including each of the Second Wave Accounts in the Interim Distribution as soon as possible, but in any event not later than October 15, 2012, or such later date as the Trustee may request in a subsequent motion filed with the Bankruptcy Court. Once the Trustee has made a positive Validity Assessment with respect to a Second Wave Account, the holder of such account shall receive an Interim Distribution. To the extent that the Trustee determines that he cannot make a positive Validity Assessment as to any particular Second Wave Account (a "Denial"), he shall advise the holder of such Second Wave Account (the "Holder") in writing of that Denial and the reasons therefore within three (3) business days of such Denial. The Holder shall have the right to contact the Trustee to discuss the Denial and attempt to persuade the Trustee to change his Validity Assessment. Additionally, the Holder may file a motion with the Bankruptcy Court seeking the entry of an order providing for inclusion in the Interim Distribution notwithstanding the Denial on no less than seven (7) days prior notice to the Trustee.

7. With respect to any Interim Distribution to any Futures Customer that is undeliverable by virtue of a bad address (street or email), bad transfer instructions or any other reason that prevents the Trustee from properly transferring the Interim Distribution to such Futures Customer, the Estate will hold such Interim Distribution until it is time to make a final distribution to such Futures Customer under the claims allowance process.

8. The Trustee's right to reclassify any particular First Wave Account into a Second Wave Account to the extent the Trustee discovers any facts or circumstances that cause him to

determine that such account requires further scrutiny prior to receiving any Interim Distribution is reserved.

9. To the extent that the Trustee reclassifies any account from a First Wave Account to a Second Wave Account (a “Deferral”), he shall advise the holder of such account in writing of that Deferral and the reasons therefore within three (3) business days of such Deferral.

10. The following Solicitation Procedures are hereby approved: (i) the Trustee is hereby authorized to send a Request for Proposal (“RFP”) to each of the Target FCMs, inviting them to conduct due diligence respecting the Bulk Transfer and to make a cash only, non-contingent bid to be the receiving FCM for the same, (ii) the RFP shall contain a notice providing the Target FCMs with a seven (7) day due diligence period (the “Due Diligence Period”), to be arranged on a party by party basis through the Trustee, and (iii) upon expiration of the Due Diligence Period, the Target FCMs shall have two (2) business days to submit written binding, non-contingent offers to the Trustee to be the receiving FCM for a Bulk Transfer.

11. In the event that the Trustee receives an offer that in his business judgment should be pursued, the Trustee shall promptly appear before the Bankruptcy Court and seek the entry of an Order authorizing the Trustee to make the Interim Distributions through utilization of the FCM Transfer to the FCM Purchaser (the “Transfer Order”).

12. In the event that the Trustee determine that he has not received any acceptable offers to acquire the Futures Customer Accounts from another FCM, the Trustee is hereby authorized to make the Interim Distributions directly to the Futures Customers by check and/or wire transfer, utilizing the services of Rust/Omni.

13. The FCM Purchaser of a Bulk Transfer shall have no liability for receiving the transfer pursuant to § 764(b) of the Bankruptcy Code.

14. This Court shall retain jurisdiction over any and all issues arising from or related to the implementation and interpretation of this Order.

15. Any stay of this Order provided by the Bankruptcy Rules or other applicable law shall not be applicable to this Order and this Order shall be effective and enforceable upon entry.

ENTER:

Dated: _____

United States Bankruptcy Judge

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