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

Debtor.	<ul><li>) Hon. Jacqueline P. Cox Presiding</li><li>) Hearing: Jan. 29, 2009 at 9:30 a.m.</li></ul>
LANCELOT INVESTORS FUND, L.P., et al.	) Case No. 08-28225, <i>et al.</i> ) (Jointly Administered)
In re:	) Chapter 7

### **NOTICE OF MOTION**

TO: SEE ATTACHED SERVICE LIST

PLEASE TAKE NOTICE that on Thursday, January 29, 2009 at 9:30 a.m., or as soon thereafter as counsel may be heard, we shall appear before the Honorable Jacqueline P. Cox in Courtroom 619, in the United States Bankruptcy Court for the Northern District of Illinois, 219 South Dearborn Street, Chicago, Illinois, and present the Trustee's Motion Pursuant to Federal Rule of Bankruptcy Procedure 9019 To Approve Proposed Settlement Agreement Between Debtors' Estates and Remy Inc., at which time and place you may appear as you see fit.

RONALD R. PETERSON, not individually but as chapter 7 Trustee for the bankruptcy estate of each of the above-captioned debtors.

BY: /s/ Ronald R. Peterson

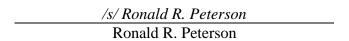
Ronald R. Peterson

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PH: 312/222-9350 FAX: 312/527-0484 Dated: January 26, 2009 Case 08-28225 Doc 122 Filed 01/26/09 Entered 01/26/09 18:31:35 Desc Main Document Page 2 of 11

# **CERTIFICATE OF SERVICE**

I, Ronald R. Peterson certify that, on January 26, 2009, I caused a copy of the foregoing Notice of Motion and Motion Pursuant to Federal Rule of Bankruptcy Procedure 9019 To Approve Proposed Settlement Agreement Between Debtors' Estates and Remy Inc., to be served upon the attached Service List by the Court's ECF filing system, First Class U.S. Mail or by e-mail.



### **SERVICE LIST**

Lancelot Investors Fund, L.P., et al. c/o Nancy G. Everett
Winston & Strawn LLP
Through the Court's ECF Filing System

William T. Neary United States Trustee Through the Court's ECF Filing System

Banco Popular North America c/o Mike J. Small Esq. Foley & LardnerLLP Through the Court's ECF Filing System Charter One - Loan c/o Douglas Lipke Vedder Price Through the Court's ECF Filing System

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Lancelot Investment Management, LP c/o Nancy G. Everett Winston & Strawn LLP Through the Court's ECF Filing System Nancy G Everett Winston & Strawn LLP Through the Court's ECF Filing System

Republic Nominees Ltd a/c 1751 HSBC Private Bank (Guernsey) Limited Rue Du Pre, St. Peter Port Guernsey, Channel Islands GY1 1LU By U.S. Mail

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Through the Court's ECF Filing System

ACE USA and Westchester Fire Insurance Co. c/o Gregory S. Otsuka

Through the Court's ECF Filing System

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

In re:	) Chapter 7	
LANCELOT INVESTORS FUND, L.P., et al.	<ul><li>) Case No. 08-28225, et al.</li><li>) (Jointly Administered)</li></ul>	
Debtor.	) Hon. Jacqueline P. Cox Presiding	<u>,</u>
	) Hearing: Jan. 29, 2009 at 9:30 a	ı.m.

# MOTION PURSUANT TO FEDERAL RULE OF BANKRUPTCY PROCEDURE 9019 TO APPROVE PROPOSED SETTLEMENT AGREEMENT BETWEEN DEBTORS' ESTATES AND REMY INC.

Ronald R. Peterson, not individually but as chapter 7 Trustee (the "<u>Trustee</u>") for the bankruptcy estates of each of the debtors in the cases consolidated into the above captioned matter ("<u>The Debtors</u>"), hereby moves this Court (this "<u>Motion</u>") for entry of an order, pursuant to Federal Rule of Bankruptcy Procedure 9019(a) and (c), approving the settlement agreement between, among others, Debtors AGM II, LLC, and Lancelot Investors Fund L.P. and Remy Inc., ("<u>Remy</u>") settling all claims between the Debtors' estates and Remy. In support of the Motion, the Trustee respectfully represents the following:

#### JURISDICTION AND VENUE

1. The Court has jurisdiction pursuant to 28 U.S.C. §§157 and 1334. Venue is proper pursuant to 28 U.S.C. §§1408 and 1409. The Court has the authority to grant the relief requested in this Motion pursuant to Fed. R. Bankr. P. 9019(a) (c).

### **BACKGROUND**

2. On October 20, 2008, each of the debtors (the "<u>Debtors</u>") in the above-captioned cases (the "<u>Cases</u>") filed a petition for relief under chapter 7 of title 11 of the United States Code. Thereafter, the United States Trustee for the Northern District of Illinois appointed Ronald R. Peterson as Trustee.

- 3. All of the factual background on the Debtors and their Estates set forth herein is on information and belief, based upon the Trustee's discussions with the Debtors' professionals, creditors and investors, publicly available news reports and court documents, and a review of the as yet incomplete materials related to the Debtors that the Trustee has been successful in obtaining.
- 4. The Debtors consist of 19 related entities engaged in the operation of hedge funds. The 19 entities consist of five funds, Lancelot Investors Fund, L.P. ("Lancelot I"), Lancelot Investors Fund, Ltd. ("Lancelot I"), Lancelot Investors Fund, Ltd. ("Lancelot Offshore"), Colossus Capital Fund, L.P. ("Colossus Onshore") and Colossus Capital Fund, Ltd. ("Colossus Offshore," and together with Lancelot I, Lancelot II, Lancelot Offshore, and Colossus Onshore, the "Funds"). The remaining 14 entities are special purpose vehicles, wholly owned by one or more of the Funds, through which the Funds conducted various types of lending transactions.
- 5. As of October 11, 2008, the Debtors collectively purportedly had assets with a value of approximately \$1.8 billion. Of that, approximately \$1.444 billion in face amount of the Debtors' purported assets purportedly consisted of loans to or investments in Petters Group Worldwide and related entities (the "Petters Notes").
- 6. In addition, as of the Petition Date, the Debtors also held (i) loans in the face amount of approximately \$50.304 million due from several "by here/pay here" used car dealerships; (ii) a loan in the face amount of approximately \$1.14 million to Symco, an entity that provides maintenance services for check scanning equipment; (iii) participations in thirteen real estate loan facilities with a total face amount of approximately \$94.229 million; (iv) loans and receivables on which Petters affiliate Polaroid Corporation or its affiliates are obligated in

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the approximate face amount of \$17.070 million; (v) investments in several other funds with approximate face amounts aggregating to \$28.982 million; and (vi) a frozen bank account at Charter One, N.A. in the approximate amount of \$6.8 million.

- 7. On January 13, 2006, Remy filed a complaint against defendants HCSPay, LLC, Hennessey Capital Solutions, Inc., Surgen, LLC, Charles G. Gagne, Thomas M. Cross (the "Hennessey Defendants"), the Debtors AGM II, LLC and Lancelot Investors Fund L.P. (the "Debtor Defendants"), Lancelot Investment Management, LLC, John A. Maselli, and Gregory Bell (collectively the "Lancelot Defendants") in the Circuit Court for the County of Oakland, Michigan (case no. 06-071767-CK) asserting claims of common law conversion, statutory conversion, unjust enrichment, constructive trust, aiding and abetting conversion, tortious interference and breach of third-party beneficiary contract.
- 8. On October 15, 2008, the Hennessey Defendants were dismissed with prejudice by Remy.
- 9. Both Remy, on the one hand, and the Lancelot Defendants and the Debtor Defendants, on the other, filed motions for summary judgment. The Circuit Court granted summary judgment for Remy against the Lancelot Defendants and the Debtor Defendants in the amount of \$5,563,779.42 plus interest, fees, and costs on, among other things, claims of common law conversion and tortious interference. The Lancelot Defendants and the Debtor Defendants appealed and the appeal was bonded by ACE USA and Westchester Fire Insurance Co. (collectively, the "Surety"). With the filing of these cases, the appeal has been stayed as to the Debtor Defendants.

This listing is simply a summary of known assets with the potential for monetization in the near term. It is not intended to be exhaustive. It does not, for example, include contingent recoveries that may arise from claims and causes of action held by the Debtors, or other miscellaneous assets.

### THE PROPOSED SETTLEMENT

- 10. In order to avoid the cost and time of litigating, the Lancelot Defendants, the Trustee (on behalf of the Debtor Defendants) and Remy have agreed to settle all claims owing by or against Remy.
- 11. The terms of settlement provide that settlement payments will be made to Remy by the Surety and Greg Bell in exchange for the mutual releases between Remy, on one hand, and the Lancelot Defendants and the Debtor Defendants, on the other. In addition, the Debtor Defendants (who might otherwise be subject to a subrogation or indemnification claim by the Surety) will receive releases from the Surety.
- 12. None of the Debtor Defendants will contribute any money to the settlement amount. The sole consideration given by these debtors for Remy's release will be the release of any claims the debtors may have against Remy.
- 13. According to its terms, the settlement only becomes effective if the settlement is concluded before February 1, 2009.

### RELIEF REQUESTED

- 14. By this Motion, the Trustee seeks approval of the Debtors' entry into a settlement on substantially the terms described herein pursuant to Fed. R. Bankr. P. 9019(a). The proposed settlement represents an advantageous compromise for the Debtor Defendants, will expedite administration of the Debtors' estates, and is in the best interest of the Debtors' estates in light of the existing judgment against the Debtor Defendants and the lack of any costs to the Debtors associated with the settlement.
- 15. Fed. R. Bankr. P. 9019(a) provides, in part, that, "On motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement." Compromises are a normal part of the bankruptcy process. *Protective Comm. for Indep.*

Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 423 (1968). As a matter of policy, compromises and settlements are favored in order to minimize litigation and expedite administration of the estate. *Mevers v. Martin (In re Martin)*, 91 F.3d 389, 393 (3d Cir. 1996).

- 16. The benchmark for determining the propriety of a bankruptcy settlement under Fed. R. Bankr. P. 9019(a) is whether the settlement is fair and equitable and in the best interests of the estate. *Depoister v. Mary M. Holloway Found.*, 36 F.3d 582, 586 (7th Cir. 1994); *In re Energy Coop., Inc.*, 886 F.2d 921, 927 (7th Cir. 1989); *LaSalle Nat'l Bank v. J. William Holland, Chapter 7 Trustee for the Estate of Am. Reserve Corp.* (*In re Am. Reserve Corp.*), 841 F.2d 159, 161-162 (7th Cir. 1987) (explaining same and instructing that any distinction between the "best interests of the estate" and the "fair and equitable" standards is of little consequence).
- 17. In determining whether a proposed settlement is fair and equitable, neither an evidentiary hearing nor a rigid mathematical analysis is required. *Depoister*, 36 F.3d at 586, 588; *In re Energy Coop.*, 886 F.2d at 928-929. Rather, the court must determine whether the proposed compromise fall within the reasonable range of litigation possibilities. *In re Energy Coop.*, 886 F.2d at 929; *In re Am. Reserve.*, 841 F.2d at 161.
- 18. The proposed settlement is in the best interests of the Debtors' estates and its creditors. At present, the Debtor Defendants are the subject of a judgement well in excess of \$5.5 million, which they would be required to spend substantial sums to overturn on appeal, if overturning such judgment is possible at all. The proposed settlement will release the Debtor Defendants from this judgment, and from any subrogation claim by the Surety who bonded the judgment. The only consideration the Debtors' estates will be contributing to the settlement will be the release of any potential claims the Debtor Defendants may have against Remy, and neither the Trustee nor the counsel who litigated the underlying litigation is aware of any basis for such

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a claim. Accordingly, the Settlement Agreement is in the best interest of the estate and its

creditors and should be approved by the Court.

19. The Trustee requests that the Court shorten the twenty-day notice period

under Fed. R. Bank. P. 2002, and hear this motion on January 29, 2009. Bankruptcy Rule

9006(c) states that "the court for cause shown may in its discretion with or without motion or

notice order the [period of notice under Fed. R. Bank. P. 2002(a)(3)] reduced." As a condition to

the settlement, Remy has insisted that it be concluded by February 1, 2009. If the Court does not

shorten the notice period and approve the proposed settlement before February 1, 2009, the

proposed settlement which is so advantageous to the Debtor Defendants may well become

unavailable. As no estate resources are being expended in connection with the settlement, such

shortened notice will not prejudice any party in interest.

WHEREFORE, the Trustee respectfully requests that the Court enter an order

substantially in the form attached hereto, (a) granting the relief requested herein and (b) granting

such other and further relief as is just and proper.

Dated: January 26, 2009

Respectfully submitted,

RONALD R. PETERSON, not individually but as Chapter 7 Trustee for the bankruptcy estate of each

of the above-captioned debtors.

/s/ Ronald R. Peterson

Ronald R. Peterson

Ronald R. Peterson (2188473)

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