

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH DIVISION
www.flsb.uscourts.gov

In re:

CHAPTER 11

PALM BEACH FINANCE PARTNERS, L.P.,
PALM BEACH FINANCE II, L.P.,

Case No. 09-36379-PGH
Case No. 09-36396-PGH
(Jointly Administered)

Debtors.

**LIQUIDATING TRUSTEE'S MOTION FOR APPROVAL OF SETTLEMENT
WITH THE MOSAIC FUND, L.P. AND PAYMENT OF CONTINGENCY FEE**

Any interested party who fails to file and serve a written response to this motion within 21 days after the date of service stated in this motion shall, pursuant to Local Rule 9013-1(D), be deemed to have consented to the entry of an order in the form attached to this motion. Any scheduled hearing may then be cancelled.

Barry E. Mukamal, in his capacity as liquidating trustee ("*Liquidating Trustee*") for the Palm Beach Finance II Liquidating Trust ("*Liquidating Trust*"), by and through undersigned counsel, and pursuant to *Fed. R. Bankr. P.* 9019, seeks an Order from this Court approving a settlement of claims that could be asserted against The Mosaic Fund, L.P. ("*Mosaic*"). In support of this relief, the Liquidating Trustee states the following:

I. Factual Background

A. *The Pre-Petition Activities of PBF II*

1. The Liquidating Trust is the successor to Palm Beach Finance II, L.P. ("*PBF II*").
2. PBF II was formed to lend monies in purchase financing transactions supposedly brokered by Thomas Petters and his company, Petters Company, Inc. ("*PCI*") in the consumer goods business. The idea was that PBF II and other lenders would supply bridge financing to PCI and then

later, once goods were received by a particular big box retailer, the retailer would remit the payment to the lender or PCI.

3. In reality, PBF II's investments in PCI were worthless - PCI's purchase and financing transactions were fictitious and part of an elaborate, multi-billion dollar *ponzi* scheme perpetrated by Mr. Petters, Deanna Munson a/k/a Deanna Coleman, Robert White and others. No retailer ever made any payment on the purchase and sale of goods because the deals never existed.

4. On September 24, 2008, federal agents raided Mr. Petters' offices. Thereafter, Mr. Petters' companies were placed into federal receivership. Ultimately, Mr. Petters was convicted of his crimes and sentenced to 50 years in prison. Other persons complicit in the fraud were sentenced to prison sentences as well.

5. On November 30, 2009 ("*Petition Date*"), PBF II commenced a Chapter 11 bankruptcy case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Florida ("*Bankruptcy Court*").

6. On October 21, 2010, the Bankruptcy Court entered its Order Confirming Second Amended Plan of Liquidation [ECF No. 444], creating the Liquidating Trust and appointing the Liquidating Trustee as liquidating trustee.

B. *Transfers Made to Mosaic*

7. Mosaic was a limited partner in PBF II.

8. Based on a cash in, cash out analysis, Mosaic received a profit in the amount of \$415,033.58 ("*Profit Distribution*") with respect to its limited partner investment in PBF II.

II. Settlement Terms

9. The key aspects of the stipulation of settlement between the parties (“*Stipulation*”) are the following:¹

- a) Upon approval of the Stipulation, Mosaic will pay (or cause to be paid) \$210,000.00 to the Liquidating Trust (“*Settlement Payment*”). The Settlement Payment represents approximately 50% of the Profit Distribution.
- b) The parties shall exchange mutual, general releases; and
- c) Mosaic shall not be entitled to any distribution from the PBF II bankruptcy estate.

III. Relief Requested

10. The Liquidating Trustee seeks an Order from this Court (a) approving the Stipulation and (b) approving the Contingency Fee (as defined below).

11. Federal Rule of Bankruptcy Procedure 9019 provides in relevant part that [o]n motion . . . and after a hearing on notice to creditors; the debtor . . . and to such other entities as the Court may designate, the Court may approve a compromise or settlement.”

12. Approval of a settlement in a bankruptcy proceeding is within the sole discretion of the Court and will not be disturbed or modified on appeal unless approval or disapproval is an abuse of discretion. *In re Arrow Air*, 85 BR 891 (Bankr. S.D. Fla. 1988).

13. The standards for approval are well settled and require the Court to inquire into the reasonableness of the proposed settlement. *See, e.g., Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968); *In re W.T. Grant Co.*, 699 F.2d 599, 608 (2d Cir. 1983); *Florida Trailer and Equip. Co. v. Deal*, 284 F.2d 567, 571 (5th Cir. 1960). The inquiry need only determine whether the settlement falls below the lowest point of the range of reasonableness. *See*

¹ A copy of the Stipulation is attached as Exhibit 1. To the extent the terms of the agreement differ with the terms set forth in this Motion, the agreement shall control.

W.T. Grant Co., 699 F.2d at 608; *see also In re Martin*, 91 F.3d 389 (3rd Cir. 1996); *In re Louise's Inc.*, 211 B.R. 798 (D. Del. 1997) (setting forth considerations by the Court for approval of a settlement, including: (i) the probability of success in litigation, (ii) the likely difficulties in collection; (iii) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (iv) the paramount interest of the creditors.

A. *The Stipulation Ought to be Approved*

14. Based upon the above legal principles, the Liquidating Trustee asserts that the Stipulation falls well above the lowest point of the range of reasonableness and thus, should be approved.

Probability of success in litigation

15. The Liquidating Trustee, on behalf of the Liquidating Trust, could assert that the Profit Distribution to Mosaic was a fraudulent transfer under federal or state law, or alternatively, that Mosaic was unjustly enriched by the Profit Distribution.

16. The Liquidating Trustee believes that he will likely succeed in prosecuting either of these causes of action.

17. Nonetheless, the Liquidating Trustee acknowledges that there are risks inherent in all litigation and there is the possibility that Mosaic, or other similarly situated parties, could raise certain issues or defenses that potentially could impact the Liquidating Trustee's claims.

Collectability

18. Collectability is a meaningful consideration that substantiates approval of the Stipulation. Mosaic is a defunct entity that's remaining asset consists of a claim in the Bayou bankruptcy case. Additionally, Mosaic is currently a defendant in claw back litigation pending in the Madoff *ponzi* scheme.

19. As such, assuming the Liquidating Trustee was successful in obtaining a judgment against Mosaic, collection efforts may be hampered by the expenditure of professional fees in any Madoff litigation.

Complexity of litigation and attendant expense, inconvenience and delay

20. This is a meaningful consideration that militates in favor of approval of the Stipulation.

21. In sum, although many of the claims outlined above are typical claims litigated before this Court, they still potentially require retention of experts and extensive fact discovery before a trial could take place. The result of these efforts will be substantial fees of professionals that could diminish the net result of any recovery to creditors in the PBF II case.

22. The Stipulation addresses these concerns. The parties avoid litigating fact specific claims, with the attendant expense and delay of litigation being nullified.

Paramount interest of creditors

23. The Settlement Payment represents a 50% recovery of the Profit Distribution and a waiver of any potential or corresponding claim. Although this recovery deviates modestly from the proportion of recovery that the Liquidating Trustee has achieved in other similarly situated litigations, this slight deviation is appropriate in light of Mosaic's current financial and operational status. Moreover, the Stipulation gives certainty to the estate and avoids the risk, expense and delay attendant with litigation. As such, the Stipulation is in the paramount interest of PBF II's creditors and should be approved.

B. The Contingency Fee Ought to be Approved

24. Pursuant to the Plan and this Court's Order Approving the Trustee's Motion to Approve Hybrid Form of Compensation [ECF No. 223], Meland Russin & Budwick, P.A. ("**MRB**") is entitled to

a contingency fee of 10% for any affirmative recovery it obtains on behalf of the Liquidating Trust without further order of the Court (“*Contingency Fee*”).

25. As such, MRB requests that the Contingency Fee be paid from the Settlement Payment without further Order from this Court.

WHEREFORE, the Liquidating Trustee requests that this Court enter an Order (similar in form to the Order attached as Exhibit 2) (1) approving the Stipulation; (2) approving payment of the Contingency Fee and (3) granting such other relief this Court deems just and proper.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on November 9, 2012, a true and correct copy of the foregoing was served via the Court’s Notice of Electronic Filing on those parties listed on the attached Exhibit 3, and via U.S. Mail to the parties listed on the matrix attached as Exhibit 4, and Kristopher E. Pearson, Esq., Stearns Weaver, 150 West Flagler Street, Ste. 2200, Miami, FL 33130.

s/ Jonathan S. Feldman
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*Attorneys for Barry E. Mukamal,
Liquidating Trustee*

STIPULATION OF SETTLEMENT

This Stipulation of Settlement (“*Stipulation*”) is entered into on November 6, 2012 by and between (a) Barry E. Mukamal, in his capacity as liquidating trustee (“*Liquidating Trustee*”) of the Palm Beach Finance II Liquidating Trust (“*Liquidating Trust*”) and (b) The Mosaic Fund, L.P. (“*Mosaic*”) (the Liquidating Trustee and Mosaic are at times individually referred to as a “*Party*” or collectively, the “*Parties*”). The terms of this Stipulation are as follows:

RECITALS

A. On November 30, 2009 (“*Petition Date*”), Palm Beach Finance II, L.P. (“*PBF II*”) commenced a Chapter 11 bankruptcy case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Florida (“*Bankruptcy Court*”);

B. On October 21, 2010, the Bankruptcy Court entered its Order Confirming Second Amended Plan of Liquidation [ECF No. 444], creating the Liquidating Trust and appointing the Liquidating Trustee as liquidating trustee.

C. The Liquidating Trustee, on behalf of the Liquidating Trust, filed an adversary proceeding against Mosaic, Adv. Case No. 11-2861-PGH that seeks to recover certain alleged transfers in the amount of \$415,033.58 made by PBF II to or for the benefit of Mosaic (“*Litigation*”);

D. Mosaic expressly denies the claims asserted in the Litigation and has provided confidential disclosures to the Liquidating Trustee regarding its financial condition;

E. The Liquidating Trustee and Mosaic have engaged in discussions in an attempt to resolve any and all issues, including the claims asserted in the Litigation;

F. To avoid the continued expense and risk of adverse outcome arising from the Litigation, as well as incurring costs and expenses associated therewith, among other reasons, the

Parties have agreed to resolve the Litigation pursuant to the terms and conditions of this Stipulation.

NOW, WHEREFORE, it is stipulated, consented to and agreed, by and among the Parties as follows:

1. **No admission of liability.** The Parties acknowledge that this Stipulation is a compromise and settlement of a controversy. No Party admits, and each expressly denies, any liability on its part.

2. **Entire agreement.** This Stipulation constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and there are no other stipulations, agreements, representations, or warranties other than those specifically set forth herein. All prior agreements and understandings between the Parties concerning the subject matter hereof are superseded by the terms of this Stipulation.

3. **Settlement Payment.** In full and final settlement of the Litigation, Mosaic shall pay (or cause to be paid), within 7 days from the date of the entry of a final, non-appealable Order by the Bankruptcy Court approving this Stipulation, a sum of \$210,000. This payment may be made via (i) wire transfer pursuant to written instructions to be provided by the Liquidating Trustee or his counsel or (ii) check made payable to "Barry E. Mukamal, Liquidating Trustee" and delivered to Jonathan S. Feldman, Esq., Meland Russin & Budwick, P.A., 200 South Biscayne Blvd., Suite 3000, Miami, Florida 33131.

4. **No entitlement to distribution.** Mosaic agrees that it shall not be entitled to any monetary distribution whatsoever from the Liquidating Trust or PBF II. To the extent Mosaic has scheduled or filed any proof of claim or proof of interest in the PBF II bankruptcy case, such claim or interest shall be deemed disallowed in its entirety and be stricken.

5. **Releases**

A. For purposes of this Stipulation, the term “*Claims*” shall mean any obligations, claims, causes of action, demands of any type that a party may presently have, may have or have had in the past, upon or by reason of any matter, cause or thing whatsoever, including without limitation any and all obligations, causes of actions and demands of any kind whatsoever, at law or in equity, indirect, derivative, or direct, known or unknown, discovered or undiscovered.

A. Upon approval of this Stipulation by final order of the Bankruptcy Court and payment of all sums owing under Paragraph 3 of this Stipulation, the Liquidating Trustee, on behalf of the Liquidating Trust and PBF II, waives, releases and holds harmless, now and forever, Mosaic, any general partner of Mosaic, and any attorney of Mosaic (collectively, the “*Mosaic Parties*”) from any and all Claims that the Liquidating Trustee, the Liquidating Trust or PBF II may have against the Mosaic Parties; provided that nothing herein shall be deemed to release, waive or otherwise limit any rights or obligations arising out of this Stipulation. The scope of this release shall not impact, impair or alter in any manner any Claims whatsoever that the Liquidating Trustee, on behalf of the Liquidating Trust or PBF II, may have against any parties other than the Mosaic Parties, including but not limited to Claims against any alleged concurrent or consecutive tortfeasors, if any.

B. Upon approval of this Stipulation by final order of the Bankruptcy Court and payment of all sums owing under Paragraph 3 of this Stipulation, the Mosaic Parties waive, release and hold harmless, now and forever, the Liquidating Trustee, the Liquidating Trust and PBF II from any and all Claims that the Mosaic Parties may have against the Liquidating Trustee, the Liquidating Trust or PBF II; provided that this

provision does not release, waive or otherwise limit any rights or obligations arising out of this Stipulation.

C. Upon approval of this Stipulation by final order of the Bankruptcy Court and payment of all sums owing under Paragraph 3 of this Stipulation, the Liquidating Trustee, on behalf of the Liquidating Trust and PBF II, waives, releases and holds harmless, now and forever, limited partners of Mosaic from any and all Claims arising from or related to the Litigation, including without limitation any and all claims arising from or related to any alleged initial transfer to Mosaic or subsequent transfer to any limited partner of Mosaic; provided that nothing herein shall be deemed to release, waive or otherwise limit any rights or obligations arising out of this Stipulation. The scope of this release shall not impact, impair or alter in any manner any Claims whatsoever that the Liquidating Trustee, on behalf of the Liquidating Trust or PBF II, may have against any parties other than Mosaic's limited partners, including but not limited to Claims against any alleged concurrent or consecutive tortfeasors, if any.

D. Upon approval of this Stipulation by final order of the Bankruptcy Court and payment of all sums owing under Paragraph 3 of this Stipulation, the limited partners of Mosaic, release and hold harmless, now and forever, the Liquidating Trustee, PBF II and the Liquidating Trust from any and all Claims that relate to the Litigation; provided that nothing herein shall be deemed to release, waive or otherwise limit any rights or obligations arising out of this Stipulation.

8. **Authorization to bind.** The individuals signing below represent and warrant that they have the authority to execute this Stipulation on behalf of the applicable Party and bind them to its terms.

9. **Review/No Duress.** Each of the Parties acknowledges that he, she or it has read all of the terms of this Stipulation, has had an opportunity to consult with counsel of his, her or its own choosing or voluntarily waived such right, and enters into those terms voluntarily and without duress.

10. **Attorneys' fees and costs.** Each Party shall bear its own attorneys' fees and costs in connection with the negotiation of this Stipulation and motions and orders as may be necessary to obtain the approval of this Stipulation by the Bankruptcy Court; provided that in the event of any litigation between the Parties under this Stipulation or arising as a result of a default under this Stipulation, the prevailing Party shall be entitled to reasonable attorneys' fees and costs related thereto, including, but not limited to, those incurred at all trial and appellate levels.

11. **No waiver of modification.** This Stipulation and any of the specific items, covenants, and conditions contained herein, may not be waived, changed, altered or modified except by an instrument in writing signed by the Party against whom enforcement of such change is sought.

12. **Effective date.** This Stipulation shall be effective upon execution by all of the Parties hereto, subject only to approval of this Stipulation by final order of the Bankruptcy Court and payment of the settlement payment referenced in paragraph 3. Upon it becoming effective, this Stipulation shall be binding on all of the Parties' successors or assigns.

13. **No effect.** If the Bankruptcy Court does not approve this Stipulation, then the Stipulation shall be of no further force or effect, and the Parties shall be restored to their rights as they existed prior to the execution of this Stipulation. Notwithstanding the foregoing, if the Bankruptcy Court does not approve this Stipulation because any of the Parties have failed to provide the Bankruptcy Court with adequate information to rule on the merits of the Stipulation,

the Parties will use their best efforts to seek reconsideration of any order declining to approve the Stipulation, or to file an amended motion to approve the Stipulation.

14. **Controlling law.** This Stipulation shall in all respects be construed in accordance with the laws of the State of Florida applicable to contracts made and to be performed wholly within the State of Florida and by federal law to the extent the same has preempted the laws of the State of Florida.

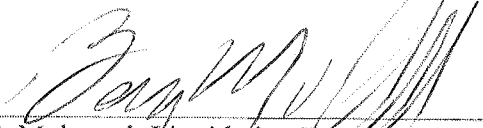
15. **Counterparts.** This Stipulation may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Stipulation. Delivery of an executed counterpart of a signature page to this Stipulation by facsimile shall be effective as delivery of a manually executed counterpart of this Stipulation.

16. **Construction.** This Stipulation shall be deemed to have been jointly drafted by the Parties, and in construing and interpreting this Stipulation, no provision shall be construed and interpreted for or against any of the Parties because such provision or any other provision of the Stipulation as a whole is purportedly prepared or requested by such Party.

17. **Jurisdiction.** The Bankruptcy Court shall retain exclusive jurisdiction to enforce the terms of this Stipulation.

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STIPULATED AND AGREED TO BY:



Barry E. Mukamal, Liquidating Trustee

Date: 12/3/12

The Mosaic Fund, L.P.

By:  _____

Date: 11/6/2012

Title: f.p. _____

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH DIVISION
www.flsb.uscourts.gov

In re:

CHAPTER 11

PALM BEACH FINANCE PARTNERS, L.P.,
PALM BEACH FINANCE II, L.P.,

Case No. 09-36379-PGH
Case No. 09-36396-PGH
(Jointly Administered)

Debtors.

**ORDER GRANTING LIQUIDATING TRUSTEE'S MOTION
FOR APPROVAL OF SETTLEMENT WITH THE MOSAIC FUND, L.P.
AND PAYMENT OF CONTINGENCY FEE [ECF NO.]**

THIS CAUSE came before the Court upon the Liquidating Trustee's Motion for Approval of Settlement with The Mosaic Fund, L.P. ("*Mosaic*") and Payment of Contingency Fee [ECF No.] (the "*Motion*"). The Court, having reviewed the Motion and noting that a Certificate of No Response and Request for Entry of Order has been filed, finds that the notice of the proposed compromise and settlement is sufficient to comply with Bankruptcy Rules 9019 and 2002(a)(3), Local Rule 9013-1(D) and any other applicable notice requirement, and accordingly, it is:

EXHIBIT 2

ORDERED as follows:

1. The Motion is **GRANTED**.
2. The Settlement is **APPROVED**.
3. Mosaic shall pay (or cause to be paid) \$210,000.00 (the “*Settlement Payment*”) within 7 days of the Order becoming final. The Settlement Payment may be made via (i) wire transfer pursuant to written instructions to be provided by the Liquidating Trustee or his counsel or (ii) check made payable to “Barry E. Mukamal, Liquidating Trustee” and delivered to Jonathan S. Feldman, Esq., Meland Russin & Budwick, P.A., 200 South Biscayne Blvd., Suite 3200, Miami, Florida 33131.
4. To the extent that Mosaic has any scheduled claim or proof of interest or has filed a proof of claim or proof of interest in the PBF II bankruptcy case, such claim or interest is deemed disallowed in its entirety.
5. The Court retains jurisdiction to enforce the terms of the Settlement.
6. MRB’s Contingency Fee in the amount of \$21,000.00 is approved and the Liquidating Trustee is authorized to pay this amount upon funding of the Settlement Payment.

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Submitted By:

s/ Jonathan S. Feldman, Esq.
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Attorneys for the Liquidating Trustee

Copies Furnished To:

Jonathan S. Feldman, Esquire, is directed to serve copies of this Order on all parties in interest and to file a Certificate of Service.

Mailing Information for Case 09-36379-PGH

Electronic Mail Notice List

The following is the list of **parties** who are currently on the list to receive email notice/service for this case.

- Geoffrey S. Aaronson gaaronson@aspalaw.com, tdmckeown@mckeownpa.com; sbeiley@aspalaw.com
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- George L. Zinkler gzinkler.ecf@rprslaw.com

EXHIBIT 3

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ARIS Multi-Strategy Fund, LP
Aris Capital Management
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