

#### NEWS & INSIGHTS

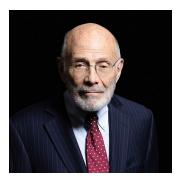
#### **PUBLICATIONS**

## Seventh Circuit Reverses 'Inconsistent' District Court Fraudulent Transfer and Equitable Subordination Ruling

#### November 2013

The U.S. Court Appeals for the Seventh Circuit held on Aug. 26, 2013, that an investment manager's "failure to keep client funds properly segregated" and subsequent pledge of those funds "to secure an overnight loan" to stay in business may have constituted: 1) a fraudulent transfer to the lender; and 2) grounds for equitably subordinating the lender's \$312 million secured claim. *In re Sentinel Management Group, Inc.*, 2013 WL 4505152, \*1 (7th Cir. Aug. 26, 2013) (*Sentinel II*). The Seventh Circuit reversed and remanded the case to the district court for further litigation because of "inconsistencies" in that court's opinion. In this article, SRZ business reorganization partner Michael L. Cook discusses the Seventh Circuit's decision.

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