

UNITED STATES BANKRUPTCY COURT  
MIDDLE DISTRICT OF FLORIDA  
ORLANDO DIVISION

In re:

LOUIS J. PEARLMAN,  
  
Debtor,

CASE NO. 6:07-bk-00761-ABB  
Chapter 11  
Jointly Administered

MOTION TO APPROVE COMPROMISE  
BETWEEN SONEET R. KAPILA, AS CHAPTER 11 TRUSTEE FOR  
LOUIS J. PEARLMAN AND LOUIS J. PEARLMAN ENTERPRISES, LLC,  
AND ULTIMATE MOTOR WORKS

Soneet R. Kapila, as Chapter 11 Trustee (the "Trustee") for the bankruptcy estates of Louis J. Pearlman ("Pearlman") and Louis J. Pearlman Enterprises, LLC ("LJPE, LLC") (Pearlman and LJPE, LLC are collectively referred to as the "Debtors"), pursuant to Rule 9019, *Fed. R. Bankr. P.*, moves this Court for an Order approving the compromise the Trustee has reached with Ultimate Motor Works ("UMW"). In support, the Trustee states as follows:

BACKGROUND

A. Pearlman

1. On March 1, 2007 (the "Pearlman Petition Date"), Tatonka Capital Corporation, Integra Bank, National Association, American Bank of St. Paul, and First National Bank & Trust Company of Williston (collectively, the "Petitioning Creditors") initiated this proceeding by filing against Pearlman an involuntary petition under Chapter 11 of the United States Bankruptcy Code.

2. On March 8, 2007, the Petitioning Creditors filed an emergency motion

for appointment of a Chapter 11 trustee (Dkt. No. 5; the "Emergency Motion"). As set forth in the Emergency Motion, upon information and belief, Pearlman has been involved in one of the largest "ponzi" schemes in the State of Florida.

3. Subsequently, on March 16, 2007, this Court entered its Order Directing the Appointment of Chapter 11 Trustee (Dkt. No. 26).

4. On March 30, 2007, the Court entered an Order Granting Application for Authority to Appoint Chapter 11 Trustee (Dkt. No. 46).

5. On April 5, 2007, the Court entered its Order for Relief Under Chapter 11 (Dkt. No. 60).

**B. LJPE, LLC**

6. On May 3, 2007 (the "LJPE, LLC Petition Date"), Gerard A. McHale, Jr., as Receiver for LJPE, LLC, filed on behalf of LJPE, LLC a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code, with Case Number 07-bk-01779-ABB.

7. On May 11, 2007, the United States Trustee filed a motion for appointment of a Chapter 11 trustee (Dkt. No. 8).

8. On July 5, 2007, this Court entered its Order Directing the Appointment of Chapter 11 Trustee (Dkt. No. 31).

9. On July 6, 2007, the United States Trustee filed its Notice of Appointment of Trustee (Dkt. No. 32), appointing the Trustee as the Chapter 11 Trustee for LJPE, LLC.

10. On July 12, 2007, this Court entered its Order Approving the Trustee's

appointment (Dkt. No. 41).

11. On July 31, 2007, this Court entered its Order pursuant to which the LJPE, LLC bankruptcy case was jointly administered with the instant bankruptcy case of Pearlman (Dkt. No. 50).

**THE AMENDED MOTION FOR TURNOVER**

12. On May 30, 2008, the Trustee filed his Amended Motion to Compel Turnover of Property of the Estate from Ultimate Motor Works in the Cases of Louis J. Pearlman and Louis J. Pearlman Enterprises, LLC (Dkt. No. 1270; the "Amended Motion for Turnover"), seeking turnover of property of the Debtors' estates, including, without limitation, the following:

(a) a deposit in the amount of \$25,000 (the "Deposit") that Pearlman paid to UMW towards the purchase of a 2007/2008 Rolls Royce Vehicle (the "2007/2008 Vehicle"); and

(b) a 1984 Rolls Royce, with Vehicle Identification Number SCAZN42A4ECX09386 (the "1984 Vehicle"), belonging to and registered to LJPE, LLC.

13. On July 9, 2008, UMW filed its Response in Opposition to the Amended Motion for Turnover (Dkt. No. 1342; the "Response"). In the response, UMW asserted that the Deposit is non-refundable and that Pearlman forfeited the Deposit when he failed to comply with the terms of the sales contract by refusing to take delivery of the 2007/2008 Vehicle. With respect to the 1984 Vehicle, UMW asserted that it had a lien on the 1984 Vehicle for maintenance and repairs totaling \$3,089.32 and storage charges

which began to accrue on January 28, 2007 at a daily rate of \$30.00.

**THE COMPROMISE**

14. The Trustee and UMW disagree over the Trustee's rights to compel turnover of the Deposit and the 1984 Vehicle.

15. The Trustee and UMW believe it is in each of their best interests to avoid the cost, expense and uncertainty of litigation by settling these claims.

16. The Trustee and UMW have reached the following compromise:

(a) UMW agrees to turnover to the Trustee the 1984 Vehicle immediately upon the entry of a final and non-appealable order approving the compromise. UMW further agrees to waive any and all claims to the 1984 Vehicle, including, without limitation, any and all claims for maintenance, repairs, and/or storage.

(b) Within ten (10) days after the entry of a final and non-appealable order approving the compromise, the Trustee or his designated agent will retrieve the 1984 Vehicle from UMW's premises located at 895 North Ronald Reagan Boulevard, Longwood, Florida 32750.

(c) The Trustee agrees to waive any and all claims of the Debtors' estates to the \$25,000 Deposit for the 2007/2008 Vehicle and to the 2007/2008 Vehicle.

(d) The Parties will release each other from any and all further claims.

A true and correct copy of the Settlement Agreement by and between the Trustee and UMW is attached hereto as **Exhibit A**.

**BEST INTERESTS OF THE ESTATE**

17. The proposed compromise between the Trustee and UMW is in the best interests of the Debtors' estates because it relieves the estates from additional costs and expenses involved in litigating the claims to the Deposit and the 1984 Vehicle.

18. The Trustee submits that the compromise is within the best interests of the estates and seeks the entry of an Order approving the compromise and authorizing the parties to execute any documents necessary to implement the terms of the compromise.

19. The compromise is contingent only upon the entry of a final, non-appealable order by this Court approving this Motion.

**WHEREFORE**, the Trustee respectfully moves this Court to enter an order approving the compromise between the Trustee and Ultimate Motor Works, authorizing the parties to execute any documents necessary to implement the terms of the compromise, and providing for such other and further relief as the Court deems just and proper.

Dated: August 13, 2008.

Respectfully submitted,

**AKERMAN SENTERFITT**

/s/ Jill E. Kelso

Denise D. Dell-Powell, Esquire

Fla. Bar No. 0890472

Jill Ellen Kelso, Esquire

Fla. Bar No. 0578541

420 S. Orange Ave., Suite 1200

Post Office Box 231

Orlando, Florida 32802

Telephone: (407) 423-4000

Facsimile: (407) 843-6610

Email: Denise.DellPowell@akerman.com

Jill.Kelso@akerman.com

and

Michael I. Goldberg, Esquire  
Florida Bar No.: 886602  
Las Olas Centre II, Suite 1600  
350 East Las Olas Blvd.  
Ft. Lauderdale, FL 33301-2229  
Phone: (954) 463-2700  
Fax: (954) 463-2224  
E-mail: Michael.Goldberg@akerman.com

**Attorneys for Chapter 11 Trustee**

**CERTIFICATE OF SERVICE**

I hereby certify that on August 13, 2008, I caused the foregoing to be served (a) by e-mail to all parties who requested service by e-mail at the 341 meeting in this case\* ; (b) via e-mail, electronically or by United States Mail, postage prepaid, on all parties on the attached Amended Official Service List as amended on August 7, 2008; and (c) via facsimile and U.S. Mail only Ultimate Motor Works, Inc., c/o Dennis J. LeVine, Esq., Dennis LeVine & Associates, P.A., 103 So. Boulevard, Tampa, FL 33606.

/s/ Jill E. Kelso

Jill E. Kelso

---

\* Any party who wants a copy of the service list of e-mail recipients may call and request from Trustee's counsel.

**SETTLEMENT AGREEMENT  
BETWEEN SONEET R. KAPILA, AS CHAPTER 11 TRUSTEE FOR  
LOUIS J. PEARLMAN AND LOUIS J. PEARLMAN ENTERPRISES, LLC,  
AND ULTIMATE MOTOR WORKS**

**THIS SETTLEMENT AGREEMENT** is made and entered into as of this 12<sup>th</sup> day of August, 2008, by and between Soneet R. Kapila, as Chapter 11 Trustee ("Trustee") for the bankruptcy estates of Louis J. Pearlman ("Pearlman") and Louis J. Pearlman Enterprises, LLC ("LJPE, LLC") (Pearlman and LJPE, LLC are collectively referred to as the "Debtors") and Ultimate Motor Works ("UMW"). The Trustee and UMW are collectively referred to as the "Settling Parties."

**RECITALS**

**WHEREAS**, on March 1, 2007 (the "Pearlman Petition Date"), Tatonka Capital Corporation, Integra Bank, National Association, American Bank of St. Paul, and First National Bank & Trust Company of Williston (collectively, the "Petitioning Creditors") filed against Pearlman an involuntary petition under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Florida (the "Bankruptcy Court") under Case Number 6:07-bk-00761-ABB.

**WHEREAS**, on March 8, 2007, the Petitioning Creditors filed an emergency motion for appointment of a Chapter 11 trustee (Dkt. No. 5; the "Emergency Motion"). As set forth in the Emergency Motion, upon information and belief, Pearlman has been involved in one of the largest "ponzi" schemes in the State of Florida.

**WHEREAS**, on March 16, 2007, the Bankruptcy Court entered its Order Directing the Appointment of Chapter 11 Trustee (Dkt. No. 26), and on March 30, 2007, the Bankruptcy Court entered an Order Granting Application for Authority to Appoint Chapter 11 Trustee (Dkt. No. 46).

**WHEREAS**, on April 5, 2007, the Bankruptcy Court entered its Order for Relief Under Chapter 11 in Pearlman's case (Dkt. No. 60).

**WHEREAS**, on May 3, 2007 (the "LJPE, LLC Petition Date"), Gerard A. McHale, Jr., as Receiver for LJPE, LLC, filed on behalf of LJPE, LLC a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court under Case Number 07-bk-01779-ABB.

**WHEREAS**, on May 11, 2007, the United States Trustee filed a motion for appointment of a Chapter 11 trustee for LJPE, LLC (Dkt. No. 8).

**WHEREAS**, on July 5, 2007, the Bankruptcy Court entered its Order Directing the Appointment of Chapter 11 Trustee (Dkt. No. 31).

**WHEREAS**, on July 6, 2007, the United States Trustee filed its Notice of Appointment of Trustee (Dkt. No. 32), appointing the Trustee as the Chapter 11 Trustee for LJPE, LLC, and on July 12, 2007, the Bankruptcy Court entered its Order Approving the Trustee's appointment (Dkt. No. 41).

**WHEREAS**, on July 31, 2007, the Bankruptcy Court entered its Order pursuant to which the LJPE, LLC bankruptcy case was jointly administered with the Pearlman bankruptcy case (Dkt. No. 50).

**WHEREAS**, on May 30, 2008, the Trustee filed his Amended Motion to Compel Turnover of Property of the Estate from Ultimate Motor Works ("UMW") in the Cases of Louis J. Pearlman and Louis J. Pearlman Enterprises, LLC (Dkt. No. 1270; the "Amended Motion for Turnover"), seeking turnover of property of the Debtors' estates, including, without limitation, the following:

(a) a deposit in the amount of \$25,000 (the "Deposit") that Pearlman paid to UMW towards the purchase of a 2007/2008 Rolls Royce Vehicle (the "2007/2008 Vehicle"); and

(b) a 1984 Rolls Royce, with Vehicle Identification Number SCAZN42A4ECX09386 (the "1984 Vehicle"), belonging to and registered to LJPE, LLC.

**WHEREAS**, on July 9, 2008, UMW filed its Response in Opposition to the Amended Motion for Turnover (Dkt. No. 1342; the "Response"). In the response, UMW asserted, among other things, that the Deposit is non-refundable and that Pearlman forfeited the Deposit when he failed to comply with the terms of the sales contract by refusing to take delivery of the 2007/2008 Vehicle. With respect to the 1984 Vehicle, UMW asserted that it had a lien on the 1984 Vehicle for maintenance and repairs totaling \$3,089.32 and storage charges which began to accrue on January 28, 2007 at a daily rate of \$30.00.

**WHEREAS**, the Settling Parties have reached an agreement to settle their claims with respect to the Deposit and the 1984 Vehicle and believe it is in the best interests of the Settling Parties to avoid the cost, expense and uncertainty of litigation by settling these claims pursuant to the terms and conditions set forth below.

### **AGREEMENT**

**NOW THEREFORE, FOR VALUABLE CONSIDERATION**, the receipt and sufficiency of which is hereby acknowledged, the Settling Parties stipulate and agree as follows:

1. The foregoing recitals are true and correct and are incorporated in full herein.

2. UMW agrees to turnover to the Trustee the 1984 Vehicle immediately upon the entry of a final and non-appealable order approving this Settlement Agreement. UMW further agrees to waive any and all claims to the 1984 Vehicle, including, without limitation, any and all claims for maintenance, repairs, and/or storage.

3. Within 10 days after the entry of a final and non-appealable order approving this Settlement Agreement, the Trustee or his designated agent will retrieve the 1984 Vehicle from UMW's premises located at 895 North Ronald Reagan Boulevard, Longwood, Florida 32750.

4. The Trustee agrees to waive any and all claims of the Debtors' estates to the \$25,000 Deposit for the 2007/2008 Vehicle and to the 2007/2008 Vehicle.

5. The Settling Parties hereby waive, release, acquit, satisfy and forever discharge any and all claims, actions, causes of action, demands, damages, liabilities, costs, expenses, or suits which they have or had against each other from the beginning of time to the date of this Settlement Agreement. This paragraph shall not be construed as releasing the Settling Parties from any of their obligations hereunder, which obligations shall survive the execution of this Settlement Agreement.

6. The Trustee will file and serve a motion seeking the entry of an order approving this Settlement and authorizing the Settling Parties to execute any documents necessary to implement this Settlement.

7. This Settlement Agreement constitutes the entire Settlement Agreement among the Settling Parties with respect to the subject matter hereof, and any prior oral or written statements concerning this matter are merged herein.

8. This Settlement Agreement shall be deemed the joint product of the Settling Parties and shall not be construed against any party as the drafter.

9. This Settlement Agreement may be amended only by the signed writing of the Settling Parties.

10. This Settlement Agreement shall be governed by Florida law.

11. The Bankruptcy Court shall retain jurisdiction to enforce the terms of this Settlement Agreement.

12. In the event of any litigation between the Settling Parties under this Agreement or arising as a result of a default under this Agreement, the prevailing Party or Parties shall be entitled to reasonable attorneys' fees and costs related thereto, including, but not limited to, those incurred at all trial and appellate levels.

13. The Settling Parties agree to execute any and all additional documentation reasonably necessary to complete or effectuate the terms of this Settlement Agreement.

14. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original. Such counterparts, when taken together, shall constitute but one agreement.

STIPULATED AND AGREED TO THIS 12<sup>th</sup> DAY OF AUGUST, 2008, BY:

**ULTIMATE MOTOR WORKS**

*[Signature]*  
/s/ Dennis J. LeVine, Esquire

Fla. Bar No. 375993  
**Dennis LeVine & Associates, P.A.**  
Post Office Box 707  
Tampa, Florida 33601-0707  
Telephone: (813) 253-0777  
Facsimile: (813) 253-0975  
Email: dennis@bcylaw.com

**ATTORNEY FOR ULTIMATE MOTOR WORKS**

**ULTIMATE MOTOR WORKS**

By: *[Signature]*  
Name: Peter Cohen  
Title: President  
895 North Ronald Reagan Boulevard  
Longwood, FL 32750-3009

**SONEET R. KAPILA, CHAPTER 11 TRUSTEE**

*[Signature]*  
/s/ Denise D. Dell-Powell, Esquire  
Fla. Bar No. 0890472  
Jill E. Kelso, Esquire  
Fla. Bar No. 0578549

**AKERMAN SENTERFITT**  
420 S. Orange Ave., Suite 1200  
Post Office Box 231  
Orlando, Florida 32802  
Telephone: (407) 423-4000  
Facsimile: (407) 843-6610  
Email: Denise.DellPowell@akerman.com  
Jill.Kelso@akerman.com

**ATTORNEYS FOR SONEET R. KAPILA, AS CHAPTER 11 TRUSTEE**