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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----	x	Chapter 11
	:	
In re	:	Case No. 11-15059 (MG)
	:	
MF GLOBAL HOLDINGS LTD., et al.,	:	(Jointly Administered)
	:	
Debtors.¹	:	
	:	
	:	
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**NOTICE OF SETTLEMENT IN PRINCIPLE AMONG MF GLOBAL
ASSIGNED ASSETS LLC, MF GLOBAL HOLDINGS LTD., THE TRUSTEE OF THE
LITIGATION TRUST, THE CUSTOMER REPRESENTATIVES,
SAPERE C.T.A. FUND, AND THE INDIVIDUAL DEFENDANTS**

A settlement in principle (the "Settlement") has been reached by and among (i) MF
Global Holdings Ltd. ("MFGH"), as Plan Administrator ("Plan Administrator") under the Second
Amended and Restated Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code.

¹ The debtors in the chapter 11 cases (the "Chapter 11 Cases") are MF Global Holdings Ltd.; MF Global Finance USA Inc.; MF Global Capital LLC; MF Global Market Services LLC; MF Global FX Clear LLC; and MF Global Holdings USA Inc. (collectively, the "Debtors").

(Docket No. 1382) (the "Plan") confirmed in the above-referenced chapter 11 cases, on behalf of itself and its affiliates, including MF Global Assigned Assets LLC ("MFGAA"), (ii) Nader Tavakoli, Trustee of the MF Global Litigation Trust established pursuant to the Plan (the "Litigation Trustee"; together with the Plan Administrator, "Estate Representatives") (iii) MF Global Assigned Assets LLC ("MFGAA"), as assignee of MF Global Inc. ("MFGI" and together with the Litigation Trustee, MFGAA, and MFGH, the "MFG Plaintiffs"; (iv) the Customer Class Representatives;² (v) Sapere CTA Fund, L.P. ("Sapere"), and, together with the MFG Plaintiffs and the Customer Class Representatives, the "Plaintiffs"; (vi) Jon S. Corzine ("Corzine"), Bradley Abelow ("Abelow"), and Henri Steenkamp ("Steenkamp" and, together with Corzine and Abelow, the "Litigation Trust Action Defendants"; and (vii) David Dunne ("Dunne"), Vinay Mahajan ("Mahajan"), and Edith O'Brien ("O'Brien" and, together with Dunne and Mahajan, the "Customer Defendants" and, together with the Litigation Trust Action Defendants, the "Defendants." The Plaintiffs and Defendants are collectively referred to herein as the "Settling Parties").

1. A Term Sheet reflecting the terms of the Settlement has been provided to the Court.³ The MFG Plaintiffs will file a Motion seeking approval of the Settlement promptly after definitive documentation evidencing the Settlement has been finalized and executed by all of the parties thereto (the "Settlement Motion").⁴

² The "Customer Class Representatives" were appointed as lead plaintiffs in the class action cases alleging violations of the Commodity Exchange Act and associated regulations, all of which were consolidated for pre-trial purposes into the case captioned *Deangelis v. Corzine*, No. 11-cv-7866 (S.D.N.Y.) (VM) (the "MDL") and *In re MF Global Holdings Ltd. Investment Litigation*, No. 12-md-2338 (VM).

³ In response to the District Court's request in its Notice of Conference entered December 1, 2015, (MDL D.I. 1040), on December 4, 2015, the District Court and Bankruptcy Court were provided with the Settlement Agreement Term Sheet for *in camera* review in connection with the Motion for Joint Hearing/Reconsideration filed in both courts. (D.I. 2169 at 3 ¶ 3, MDL D.I. 1028 at 3 ¶ 3 (hereinafter "Motion for Joint Hearing"); D.I. 2171 at 2 ¶ 1, MDL D.I. 1032 at 2 ¶ 1 ("Supplement"); D.I. 2176, MDL D.I. 1055 (redacted versions of Reply Brief in support of Motion for Reconsideration; unredacted versions distributed to the Bankruptcy Court and District Court and filed under seal).

⁴ Subsequent to the entry of the Term Sheet, the Estate Representatives also reached an agreement in principle to settle proceedings challenging the funding provision of the *Stipulation and Agreement of Settlement with Individual Defendants*, (MDL D.I. 969-1) (the "Securities Settlement") in both the MDL proceedings (*Objection & Reservation of Rights* at 2 n.2, MDL D.I. 1006), and in the adversary complaint filed in this bankruptcy case, Adv.

2. This notice is filed in response to inquiries received from creditors and investors so that consistent information is provided to all interested parties concerning the status of the Settlement. The Estate Representatives previously reported an anticipated settlement in the *Motion for Joint Hearing* and the execution of the Term Sheet in the *Supplement* filed on November 30, 2015 (*see supra* note 3). Additional disclosures concerning the Settlement were made in papers filed in the Bankruptcy Court and in the District Court by other parties and at the public hearing on December 11, 2015 with respect to the *Motion for Joint Hearing*.⁵ These disclosures and this Notice are based on the terms of the settlement in principal as memorialized in the Term Sheet, as modified by subsequent agreements among the relevant parties. **Definitive Documentation of the Settlement is not complete and its terms may differ from those contained in the Term Sheet and from the description of the Settlement contained herein.**

3. The Settlement represents a resolution to all remaining disputes between the Plaintiffs and Defendants and Sapere in the MDL.⁶ The Settlement provides for Defendants to demand remaining policy limits from their insurers and for Defendants' assignment of rights against the E&O insurers that have refused to fund the Settlement, and represents the payment or assignment to the Plaintiffs and creditors of all remaining insurance proceeds. The proceeds recovered by the MFG Plaintiffs will be reduced by certain costs, reserves and carveouts permitted under the Settlement, and may be increased by certain additional payments under specific circumstances. Aggregate recoveries for MFGAA and the Litigation Trustee, and

Proc. No. 15-01362 (the "Section 105 Adversary Proceeding"), Adv. Compl. at 12-14 ¶¶ 21-23. With the assistance of Magistrate Judge Francis as a mediator, the Estate Representatives' issues with the Securities Settlement have been resolved and the net effect on the Settlement and on the Defendants' financial obligations under the Settlement of this resolution is reflected in the aggregate estimated recoveries provided herein.

⁵ The Estate Representatives described the Settlement publicly in the *Motion for Joint Hearing*, (D.I. 2169; MDL D.I. 1028); the *Supplement*, (D.I. 2171, MDL D.I. 1032); the *Letter from J. Wittstein on behalf of the Plan Administrator and Litigation Trustee to Judge Marrero and Judge Glenn* (December 18, 2015) (MDL D.I. 1061); and various parties discussed the Settlement at the public hearing and status conference held December 11, 2015, before Judge Marrero, Judge Glenn, and Judge Francis.

⁶ The CFTC action against two Defendants is not settled and will remain pending.

ultimately the creditors of the Debtors' estates, are estimated to range between \$110 million to \$150 million, net of expected holdbacks, fees, and costs of litigation.⁷

4. The timing of the Settlement approval process cannot be predicted with certainty at this time. It is anticipated that it could take approximately 60-90 days from the filing of the Settlement Motion for the Courts' approval of the Settlement and allocation of proceeds to become final under the Settlement Agreement (potentially longer if there are delays or appeals). An initial distribution to creditors would be expected within thirty days of the Settlement becoming effective. Additional distributions, if any, will be based on future recoveries (net of expenses) and amounts reverting to the estates from reserves and escrows.

5. Variables affecting recoveries include, but are not limited to, the Customer Representatives' fees (which are not yet fixed and are subject to court approval), amounts to be deducted from the insurance proceeds to pay costs related to MDL claims against Defendants that are not settled, and the outcome of claims against Dissenting E&O Insurers. The estimated range is not a guaranteed recovery. It is only an estimate of the MFG Plaintiffs' projected recoveries under the Settlement, assuming that definitive documentation evidencing the Settlement, having terms not materially different from the Term Sheet, is executed by all relevant parties and District Court and Bankruptcy Court approval is obtained.

6. This Notice has been given to: (i) all parties identified on the Master Service List, as defined in the Order Pursuant to 11 U.S.C. § 105(a) of the Bankruptcy Code and Fed. R. Bankr. P. 1015(c) and 9007 Implementing Certain Notice and Case Management Procedures (D.I. 256) (the "Case Management Order"); (ii) all parties that have requested service of papers under section 4(a)(2) of the Case Management Order; and (iii) all other known creditors and parties in interest in the Chapter 11 Cases.

⁷ The allocation of these estimated recoveries will be the subject of a separate motion to be filed in the Bankruptcy Court and District Court by the MFG Plaintiffs and Customer Representatives.

Dated: December 24, 2015
New York, New York

Respectfully submitted,

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