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In re REFCO, INC. SECURITIES LITIGATION : 05 Civ. 8626 (JSR)  
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**NOTICE OF (I) PROPOSED SETTLEMENTS OF CLASS ACTION WITH THE UNDERWRITER DEFENDANTS, (II) HEARING ON PROPOSED SETTLEMENTS AND (III) MOTION FOR AWARD OF ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES**

**If you purchased or otherwise acquired Refco Group Ltd., LLC/Refco Finance Inc. 9% Senior Subordinated Notes due 2012 (CUSIP Nos. 75866HAA5 and/or 75866HAC1) and/or common stock of Refco (CUSIP No. 75866G109) during the period July 1, 2004 through and including October 17, 2005, you might be a member of the settlement class in this action making you eligible for relief in connection with partial settlements of the action.**

*A federal court authorized this Notice. This is not a solicitation from a lawyer.*

- This notice relates to a securities class action brought by investors who claim that the prices of Refco, Inc. common stock and Refco Group Ltd., LLC/ Refco Finance Inc. 9% Senior Subordinated Notes due 2012 ("Refco Notes") were artificially inflated as a result of false statements, non-disclosures, and fraudulent conduct in violation of the federal securities laws.
- The Court has preliminarily approved two partial settlements of this class action (the "Settlements") between the Court-appointed Lead Plaintiffs RH Capital Associates LLC and Pacific Investment Management Company LLC ("Lead Plaintiffs") and (i) defendant Sandler O'Neill & Partners, L.P. ("Sandler O'Neill") and (ii) defendants Credit Suisse Securities (USA) LLC, Banc of America Securities LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc., HSBC Securities (USA) Inc., William Blair & Company, L.L.C., BMO Capital Markets Corp. (f/k/a Harris Nesbitt Corp.), Samuel A. Ramirez & Company, Inc., Muriel Siebert & Co., Inc., and The Williams Capital Group, L.P. (the "Other Settling Underwriter Defendants" and, together with Sandler O'Neill, the "Settling Defendants").
- The Settlements, if approved, will resolve all claims between the members of the proposed Settlement Class and the Settling Defendants, but they are only partial settlements of this Action. The Settlements do not resolve the claims against Grant Thornton LLP and certain other individual defendants against whom the Action remains pending (the "Remaining Defendants").
- The Settlements provide that the Settling Defendants will cause a total of \$53,000,000 in cash to be paid to the Settlement Class.<sup>1</sup>
- The proceeds of the Settlements described in this Notice will be combined with amounts recovered in the previously approved BAWAG settlement, amounts recovered in the concurrently proposed settlement with the Audit Committee and THL Defendants, and certain restitution funds obtained by Lead Plaintiffs from the United States government for the benefit of class members (the "Restitution Amount" and collectively with the settlement amounts, the "Total Settlement Amount"). If all proposed settlements are approved, the Total Settlement Amount is expected to be approximately \$380.488 million. The Total Settlement Amount with interest earned thereon is referred to as the "Total Settlement Fund".
- After payment of taxes, the costs of providing notice and administering the settlements, and the attorneys' fees and litigation expenses awarded by the Court, the remainder of the Total Settlement Fund (the "Net Total Settlement Fund") will be distributed to class members who submit timely and valid Proof of Claim forms. The Net Total Settlement Fund will be distributed in accordance with a plan of allocation (the "Plan of Allocation") approved by the Court. The proposed Plan of Allocation is set forth in a separate document enclosed with this Notice. The Plan of Allocation is not intended to be an estimate of the amount a Settlement Class Member might have been able to recover after a trial. It is solely a basis for determining the relative position of Settlement Class Members.
- Lead Plaintiffs' damages expert estimates that approximately 30,475,000 shares of Refco common stock and approximately 390,000 Refco Notes purchased during the relevant period could have been affected by the conduct at issue in the Action. If all eligible class members elect to participate in the settlements, the estimated average recovery from the Total Settlement Fund would be approximately \$9.83 per affected share of common stock and \$207.43 per affected Note, before the deduction of attorneys' fees, costs and expenses. Settlement Class Members should note, however, that these are only estimates based on the overall number of potentially affected shares and Notes. Some Settlement Class Members may recover more or less than these estimated amounts.
- If you request to be excluded from the Settlement Class, you will not be eligible to share in the proceeds of the Settlements, the settlement with the Audit Committee Defendants and THL Defendants, or any other recoveries that might be obtained in the Action, other than the recovery from the prior settlement with BAWAG that has already been approved by the Court.

<sup>1</sup> The Settlements are in addition to (i) a previous partial settlement with BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft ("BAWAG") that has already been approved by the Court in which \$140 million in cash was recovered; and (ii) a concurrently proposed partial settlement with the Audit Committee Defendants and THL Defendants providing for a payment of \$130 million in cash with the possible payment of an additional \$10 million. Notice of the BAWAG settlement was disseminated in March 2007. Details of that settlement can be found at [www.refcosecuritieslitigation.com](http://www.refcosecuritieslitigation.com). The proposed settlement with the Audit Committee Defendants and THL Defendants is the subject of a separate notice enclosed with this notice.

- Lead Plaintiffs and the Settling Defendants disagree as to both liability and damages and do not agree on the average amount of damages per share and per Note that would be recoverable if Lead Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include: (i) whether the Settling Defendants engaged in conduct that would give rise to liability under the federal securities laws; (ii) whether the Settling Defendants have valid defenses to any of the claims against them; and (iii) the amount, if any, by which the prices of Refco's securities were artificially inflated as a result of the Settling Defendants' alleged violations of the federal securities laws. The Settlements were reached because they provide significant benefits to Settlement Class Members and avoid the costs and risks of continuing the lawsuit against Settling Defendants.
- Lead Plaintiffs' Counsel, who have been prosecuting this Action on a wholly contingent basis since its inception in 2005, will apply to the Court for an award of attorneys' fees in the amount of 7% of the first \$108 million of the previously approved BAWAG Settlement (no application for attorneys' fees was made at the time of the BAWAG Settlement), and 18% of the proposed settlements now before the Court for approval (i.e., the settlement with the Audit Committee and THL Defendants and the Settlements described in this Notice), plus interest thereon at the same rate as earned by the settlement funds. If all the settlements are approved and the requested fee is awarded, the award will equal approximately 11.1% of the Total Settlement Fund.

In addition, Lead Plaintiffs' Counsel, who have advanced the costs of the litigation since its inception, will apply for reimbursement of expenses incurred in connection with the prosecution of the Action (which may include the reasonable costs and expenses of Lead Plaintiffs directly related to their representation of the Settlement Class), in an amount not to exceed \$11 million, with interest thereon at the same rate as earned by the settlement funds, to be paid from the Total Settlement Fund.

If the Court approves all of the settlements being presented and approves Lead Plaintiffs' Counsel's fee and expense application as requested, the average cost of fees and expenses, assuming claims are filed for all affected shares and Notes, will be approximately \$1.38 per affected share of Refco stock and approximately \$29.02 per affected \$1,000 face amount Refco Note.

- Lead Plaintiffs and the Settlement Class are being represented by Salvatore J. Graziano, Esq., of Bernstein Litowitz Berger & Grossmann LLP, and Megan D. McIntyre, Esq., of Grant & Eisenhofer P.A., the Court-appointed Lead Counsel ("Lead Plaintiffs' Counsel"). Any questions regarding the Settlements should be directed to Mr. Graziano at Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, New York, NY 10019, (800) 380-8496, [blbg@blbglaw.com](mailto:blbg@blbglaw.com), or Ms. McIntyre, at Grant & Eisenhofer P.A., 1201 N. Market Street, Wilmington, DE 19801, (302) 622-7000, [mmcintyre@gelaw.com](mailto:mmcintyre@gelaw.com).
- **If you are a member of the Settlement Class and the Settlements are approved, your legal rights will be affected whether you act or not. Read this notice carefully and in its entirety to see what your options are in connection with the Settlements.**

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT</b>	
<b>Submit a Proof of Claim Form by November 9, 2010.</b>	If you remain in the Settlement Class, you will be bound by the Settlements and will give up any "Settled Claims" (as defined below) you may have against the Settling Defendants and the other "Released Defendant Persons" (as defined below), so, if you remain in the Settlement Class, it is in your interest to submit a Proof of Claim form.
<b>Exclude Yourself from the Settlement Class by submitting a written request for exclusion so that it is received no later than October 7, 2010.</b>	If you exclude yourself, you will not be eligible to get a payment from the Settlements. This is the only option that allows you to ever be part of any other lawsuit against any of the Settling Defendants or other Released Defendant Persons concerning the claims that were, or could have been, asserted in this case. If you exclude yourself, you also will not be eligible to participate in the recoveries from any other settlements that are presented to the Court for its consideration at the Settlement Hearing or in any future recoveries that may be obtained from any of the Remaining Defendants; and you may jeopardize your right to receive any portion of any amounts that Lead Plaintiffs receive from the United States government on behalf of the class in connection with the criminal proceedings arising from Refco's bankruptcy.
<b>Object to the Settlement(s) by submitting a written objection so that it is received no later than October 7, 2010.</b>	If you do not exclude yourself, but you wish to object to any part of the Settlement(s), the proposed Plan of Allocation and/or Lead Plaintiffs' Counsel's motion for attorneys' fees and reimbursement of litigation expenses, you may write to the Court about your objections.
<b>Attend the Hearing on October 27, 2010 and file a Notice of Intention to Appear so that it is received no later than October 7, 2010.</b>	Filing a written objection and notice of intention to appear by October 7, 2010, allows you to speak in Court about the fairness of the proposed Settlement(s), the Plan of Allocation and/or the request for attorneys' fees and reimbursement of litigation expenses. If you have submitted a written objection, you may (but do not have to) attend the hearing and speak to the Court about your objections.

- These rights and options -- **and the deadlines to exercise them** -- are explained in this Notice.
- The Court in charge of this case still has to decide whether to approve the Settlements and the Plan of Allocation. The Settlement Funds will be available for distribution to the Settlement Class only if the Settlements and a plan of allocation are approved and that approval is upheld following any appeals.

**WHAT THIS NOTICE CONTAINS**

**BASIC INFORMATION** .....Page 3

1. Why did I get this Notice?

2. What is a class action?

3. What is this lawsuit about?

4. What should I do if my address changes, or if this notice was sent to the wrong address?

**WHO IS IN THE SETTLEMENT CLASS**.....Page 4

5. How do I know whether I am a member of the Settlement Class?

6. Are there exceptions to being included?

7. I am still not sure whether I am included.

**SUMMARY OF THE SETTLEMENTS**.....Page 5

8. How and when were the Settlements reached?

9. What do the Settlements provide?

10. What are the reasons for the Settlements?

11. What is the potential outcome of the lawsuit absent the Settlements?

**THE BENEFITS OF THE SETTLEMENTS - WHAT YOU GET** .....Page 6

12. How much will be distributed to investors?

13. How much will my payment be?

**HOW TO GET A PAYMENT** .....Page 6

14. What do I have to do to receive a share of the Settlements?

15. When will I receive my payment?

16. What am I giving up to get a payment or stay in the Settlement Class?

**EXCLUDING YOURSELF FROM THE SETTLEMENTS**.....Page 7

17. What if I want to be excluded from the Settlements?

18. If I don't exclude myself, can I sue Settling Defendants for the same thing later?

19. If I exclude myself, can I get money from the Settlements?

**THE LAWYERS REPRESENTING YOU** .....Page 8

20. Do I have a lawyer in the case?

21. How will the lawyers be paid?

**OBJECTING TO THE SETTLEMENTS, THE PLAN OF ALLOCATION OR THE FEE AND EXPENSE APPLICATION** .....Page 9

22. How do I tell the Court that I don't like the Settlement(s)?

23. What's the difference between objecting and requesting exclusion?

24. When and where will the Court decide whether to approve the Settlements?

25. Do I have to come to the Settlement Hearing?

26. May I speak at the Settlement Hearing?

**IF YOU DO NOTHING**.....Page 10

27. What happens if I do nothing at all?

**GETTING MORE INFORMATION** .....Page 10

28. Are there more details about the Settlements?

29. How do I get more information?

**SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**.....Page 10

**BASIC INFORMATION**

**1. Why did I get this Notice?**

You or someone in your family may have purchased or acquired Refco Group Ltd., LLC/Refco Finance Inc. 9% Senior Subordinated Notes due 2012 (CUSIP Nos. 75866HAA5 and/or 75866HAC1) and/or common stock of Refco (CUSIP No. 75866G109) during the period July 1, 2004 through and including October 17, 2005. The Court caused this Notice to be sent to you because, if you purchased or acquired those securities during that period, the Class Period, you have a right to know about the proposed Settlements and about all of your options before the Court decides whether to approve the Settlements.

This Notice describes the lawsuit, the Settlements, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of this case is the United States District Court for the Southern District of New York. The case is known as *In re Refco Inc. Securities Litigation*, Case Number 05 Civ. 8626 (JSR).

## **2. What is a class action?**

In a class action, one or more plaintiffs, called “lead plaintiffs” or “class representatives”, sue on behalf of people who have similar claims. All of the individuals and entities on whose behalf the class representatives are suing are known as class members. One court resolves the issues in the case for all class members, except for those who choose to exclude themselves from the class if exclusion is permitted by applicable rules of procedure.

## **3. What is this lawsuit about?**

This lawsuit (the “Action”) is a class action alleging violations of the federal securities laws by various persons, including those affiliated with Refco, Inc. and its predecessors and affiliates (including, but not limited to, Refco Group Ltd., LLC, Refco Finance Holdings LLC, and Refco Finance Inc.) (Refco, Inc. and its predecessors and affiliates are referred to collectively as the “Company” or “Refco” in this Notice). The Court has appointed Pacific Investment Management Company LLC and RH Capital Associates LLC to serve as Lead Plaintiffs in the Action, and has appointed the law firms of Grant & Eisenhofer P.A. and Bernstein Litowitz Berger & Grossmann LLP to serve as Lead Plaintiffs’ Counsel on behalf of the class. The Action was brought against more than forty individuals and entities, including certain current and former executive officers of Refco (including Phillip Bennett, Santo Maggio and Robert Trosten), the members of Refco’s audit committee, Refco’s outside auditing firm (Grant Thornton LLP), the private equity firm of Thomas H. Lee Partners, L.P., certain affiliates and certain other persons associated with them, Refco’s outside law firm (Mayer Brown) and one of its partners (Joseph Collins), the Austrian bank BAWAG, the Settling Defendants, CMG Institutional Trading LLC (“CMG”) and Utendahl Capital Partners, L.P. (“Utendahl”) (collectively, the “Defendants”). Lead Plaintiffs allege that Defendants are liable for violations of the federal securities laws because they actively participated in the Company’s manipulative accounting practices and misstatements during the Class Period, knew or should have known about them in the exercise of due diligence or are otherwise responsible for misstatements and/or omissions made by the Company.

Lead Plaintiffs alleged that a little more than two months after completing an Initial Public Offering, Refco admitted that its financial statements “should no longer be relied upon” given a previously undisclosed receivable owed to the Company by an entity owned by its Chief Executive Officer, Phillip Bennett (“Bennett”). They further alleged that while this admission only partially revealed the true extent of the problems at the Company, it set into motion a chain of events and subsequent disclosures that led to Refco’s bankruptcy filing.

Lead Plaintiffs further alleged that the Settling Defendants are statutorily responsible for materially false and misleading statements that were made in connection with (i) a leveraged buyout in June 2004 in conjunction with which Refco issued and sold \$600 million in bonds; and (ii) Refco’s August 2005 Initial Public Offering, and that these false and misleading statements caused the price of Refco securities to be artificially inflated, causing investors who purchased such securities during the Class Period to suffer damages. Claims were asserted under Sections 11 and 12(a)(2) of the Securities Act of 1933 (the “Securities Act”) against the Settling Defendants.

The Settling Defendants moved to dismiss certain of the claims asserted against them in the Consolidated Class Action Complaint filed on April 3, 2006. By Order dated April 30, 2007, the Court dismissed the claims asserted against certain of the Settling Defendants under Sections 12(a)(2) and 11 that were related to unregistered Refco bonds (“Rule 144A Bonds”). Lead Plaintiffs replead their claims in the Second Amended Consolidated Class Action Complaint (the “Complaint”), which was filed in the Action on December 3, 2007. Certain of the Settling Defendants again moved to dismiss the claims relating to the Rule 144A Bonds and the exchange of those bonds for bonds registered pursuant to a Form S-4 Registration Statement. On August 14, 2008, the Court granted that motion. The remaining claims against the Settling Defendants are pending but will be dismissed with prejudice if the Settlements are approved.

While the Court has ruled that certain of Lead Plaintiffs’ claims should not be dismissed at this stage of the litigation, the Court has made no substantive determination on the merits of the claims against the Settling Defendants or against any other Defendant. The Settling Defendants continue to deny any allegations of fault, wrongdoing or liability with respect to the allegations in the Complaint.

## **4. What should I do if my address changes, or if this notice was sent to the wrong address?**

If this Notice was sent to you at the wrong address, or if your address changes in the future, please send prompt written notification of your correct address to the Claims Administrator at the following address:

Refco Securities Litigation  
c/o The Garden City Group, Inc.  
Claims Administrator  
P.O. Box 9087  
Dublin, Ohio 43017-0987

### **WHO IS IN THE SETTLEMENT CLASS**

## **5. How do I know whether I am part of the Settlement Class?**

The Court has preliminarily certified, for purposes of the Settlements, a Settlement Class that consists of, subject to certain exceptions identified below, the following individuals and entities:

*All persons and entities who purchased or otherwise acquired Refco Group Ltd., LLC/Refco Finance Inc. 9% Senior Subordinated Notes due 2012 (CUSIP Nos. 75866HAA5 and/or 75866HAC1) and/or common stock of Refco (CUSIP No. 75866G109) during the period July 1, 2004 through and including October 17, 2005, and who were damaged thereby.*

**6. Are there exceptions to being included?**

Even if you fall within the Settlement Class definition, you are not a member of the Settlement Class if you are a Defendant in the Action; if you were a partner, executive officer, director, controlling person, subsidiary, or affiliate of Refco or any Defendant during the Class Period; if you are an immediate family member of any of the individual Defendants; if you are an entity in which Refco or any Defendant has a controlling interest; or if you are a legal representative, heir, estate, administrator, predecessor, successor, or assign of any of these excluded persons or entities.<sup>2</sup>

**7. I am still not sure whether I am included.**

If you are still not sure whether you are included, you can ask for help, which will be provided to you at no cost. You can call the Claims Administrator toll free at (888) 212-5574, or write to the Claims Administrator at the address stated in the answer to Question 4 above.

**SUMMARY OF SETTLEMENTS**

**8. How and when were the Settlements reached?**

Lead Plaintiffs reached an agreement-in-principle to settle with Sandler O'Neill on August 11, 2008. Thereafter, the terms and conditions of the settlement between Lead Plaintiffs and Sandler O'Neill (the "Sandler O'Neill Settlement") were formalized in a Stipulation and Agreement of Settlement between Lead Plaintiffs and Defendant Sandler O'Neill & Partners, L.P., dated October 10, 2008 (the "Sandler O'Neill Stipulation").

Lead Plaintiffs reached an agreement-in-principle to settle with the Other Settling Underwriter Defendants on March 4, 2010. Thereafter, the terms and conditions of the settlement between Lead Plaintiffs and the Other Settling Underwriter Defendants (the "Other Settling Underwriter Defendants Settlement") were formalized in a Stipulation and Agreement of Settlement between Lead Plaintiffs and the Settling Underwriter Defendants, dated April 20, 2010 (the "Other Settling Underwriter Defendants Stipulation").

Both of the Settlements were reached only after arms'-length negotiation between Lead Plaintiffs' Counsel and counsel for Sandler O'Neill and the Other Settling Underwriter Defendants, respectively. The Sandler O'Neill Settlement was reached only after Lead Plaintiffs' Counsel had (i) obtained access to, and reviewed, extensive documentation pertinent to the claims and the Sandler O'Neill's defenses to those claims, (ii) taken multiple depositions; (iii) investigated and analyzed all available evidence; and (iv) researched the applicable law with respect to the claims against Sandler O'Neill and the potential defenses thereto. When Lead Plaintiffs reached an agreement to settle with the Other Settling Underwriter Defendants, they had (i) obtained access to, and reviewed, additional extensive documentation pertinent to the claims and the Other Settling Underwriter Defendants' defenses to those claims, (ii) taken a significant number of additional depositions (at the time this Settlement was reached more than one hundred people, including current and former employees of the Other Settling Underwriter Defendants and attorneys currently or formerly employed by the Other Settling Underwriter Defendants' outside counsel had been deposed); (iii) conducted a mediation with the Other Settling Underwriter Defendants before the Hon. Layn R. Phillips, a retired judge; (iv) investigated and analyzed all available evidence; and (v) researched the applicable law with respect to the claims against the Other Settling Underwriter Defendants and the potential defenses thereto.

**9. What do the Settlements provide?**

The Settlements provide for the Settling Defendants to cause a total of \$53,000,000 in cash to be paid to the Settlement Class. Specifically, (i) the Other Settling Underwriter Defendants Settlement provides for the payment of \$49,500,000 in cash, and (ii) the Sandler O'Neill Settlement provides for the payment of \$3,500,000 in cash. The Sandler O'Neill Settlement Amount has been deposited in an interest bearing escrow account for the benefit of the Settlement Class and the Other Settling Underwriter Defendants Settlement Amount will be deposited in an interest bearing escrow account for the benefit of the Settlement Class no later than September 2, 2010.

If the Settlements are approved by the Court, then, as of the Effective Date, all members of the Settlement Class will be deemed to have released all claims against the Released Defendant Persons (as defined below) that arise out of or relate to, among other things, the allegations in the Complaint and the acquisition or disposition of Refco common stock or Refco Notes between July 1, 2004 and October 17, 2005, as further described in Question 16 below. This means, among other things, that, upon the Effective Date, all Settlement Class Members will be permanently barred from asserting any of the Settled Claims (as defined below in Question 16) against the Settling Defendants and other Released Defendant Persons. In addition, upon the Effective Date, the Settling Defendants will be precluded from suing the Lead Plaintiffs, members of the Settlement Class, or Lead Plaintiffs' Counsel in connection with the Action.

**10. What are the reasons for the Settlements?**

Lead Plaintiffs agreed to the Settlements because of the substantial monetary benefits they will provide to the Settlement Class, compared to the risk that recovery might not be achieved after a contested trial. Even if the plaintiffs were successful at trial, Settling Defendants might well appeal the verdict, resulting in further uncertainty and delay.

<sup>2</sup> Any investment company or pooled investment fund, including but not limited to mutual fund families, exchange-traded funds, fund of funds and hedge funds, in which any Settling Underwriter Defendant or affiliate has or may have a direct or indirect interest or act as an investment advisor, but in which the Settling Underwriter Defendant or affiliate is not a majority owner and does not hold a majority beneficial interest is not excluded from the Settlement Class by definition.

Although the Settling Defendants believe that the claims in the Action are without merit and that they would ultimately prevail, they nevertheless recognize the uncertainty and the risk of the outcome of any litigation, especially complex securities litigation, and the difficulties and substantial burdens, expense and length of time necessary to defend this proceeding. To eliminate the burden and expense of further litigation, the Settling Defendants have agreed to settle and resolve the Action.

**11. What is the potential outcome of the lawsuit absent the Settlements?**

If there were no Settlements and Lead Plaintiffs failed to establish any essential legal or factual element of their claims, neither Lead Plaintiffs nor the other members of the Settlement Class would recover anything from the Settling Defendants. Also, if the Settling Defendants were successful in proving any of their defenses, the members of the Settlement Class likely would recover substantially less than the amount provided in the Settlements, or nothing at all.

**THE BENEFITS OF THE SETTLEMENTS – WHAT YOU GET**

**12. How much will be distributed to investors?**

The Settlements will create a cash settlement fund in the aggregate principal amount of \$53,000,000. If the Settlements are approved by the Court and the Effective Dates, as defined in the respective Stipulations occur, after deduction of the costs of notice and administration, taxes and tax-related expenses, and any attorneys' fees and expenses that are approved by the Court, the balance of the Settlement Funds, plus accrued interest, will be available for distribution to members of the Settlement Class.

Eligible members of the Settlement Class who submit timely and valid Proofs of Claim will be eligible to receive distributions, not only from the Settlements that are the subject of this Notice, but also from the net settlement funds created by (i) the previously approved settlement with BAWAG pursuant to which \$140 million was recovered; (ii) a concurrently proposed settlement with the Audit Committee Defendants and THL Defendants that provides for a payment of \$130 to \$140 million to the Settlement Class, if that settlement is approved; and (iii) the Restitution Amount. If all settlements are approved, the Total Settlement Amount is expected to be approximately \$380.488 million. The costs of notice and administration, taxes and tax-related expenses, and any attorneys' fees and expenses that are approved by the Court will be deducted from the Total Settlement Fund before the funds are distributed to eligible members of the Settlement Class.

**13. How much will my payment be?**

The amounts to be distributed to individual Settlement Class Members will depend on a variety of factors, including: the number of other Settlement Class Members who submit valid Proof of Claim forms; the number of shares of stock or number of Notes you purchased; the prices and dates of those purchases; and the prices and dates of any sales of your stock or Notes. The proceeds of the Settlements described in this Notice (together with the Restitution Amount) will be distributed in accordance with the plan of allocation approved by the Court. The proposed Plan of Allocation is set forth in a separate document enclosed with this Notice. Depending upon which securities you purchased and the timing of your transactions, you may be entitled to recover from the Net Total Settlement Fund for all, none, or only some of the claims asserted in the Complaint.

**HOW TO GET A PAYMENT**

**14. What do I have to do to receive a share of the Settlements?**

To be eligible for a payment from the proceeds of the Settlements, you **must** send in the Proof of Claim form. A Proof of Claim form is enclosed with this Notice. You also may get a claim form on the Internet at [www.refcosecuritieslitigation.com](http://www.refcosecuritieslitigation.com) or by calling the Claims Administrator. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign the form, and mail it postmarked no later than November 9, 2010. By submitting the Proof of Claim form, you will be making a claim to receive payment from the settlements achieved by Lead Plaintiffs in the Action. If you request exclusion from the Settlements, you will not be eligible to receive a payment from the Settlements with these Settling Defendants, the concurrently proposed settlement with the Audit Committee Defendants and THL Defendants, the Restitution Amount, or from any other recoveries that might be obtained in the Action, other than the previously achieved \$140 million settlement with BAWAG. Please timely submit your Proof of Claim form.

**15. When will I receive my payment?**

Lead Plaintiffs cannot, at this time, say when they will be able to distribute the proceeds of the Settlements to members of the Settlement Class. Distribution may be delayed in the interest of the Settlement Class in order to minimize the number and cost of distributions during the course of the Action, and to allow for the proceeds of the Settlements to be distributed in combination with future settlements or recoveries from other Defendants which are separate from these Settlements.

Any settlement payments from the settlement proceeds are contingent upon the Court approving the Settlements and a plan of allocation, and on such approval becoming final and no longer subject to any appeals. Even if the Court approves the Settlements, there still might be appeals, which can take more than a year to resolve.

The settlement funds will be kept in interest-bearing accounts until they are ready for distribution, and the accrued interest will be added to the principal that will be distributed to the Settlement Class.

## 16. What am I giving up to get a payment or stay in the Settlement Class?

If you remain a member of the Settlement Class and do not exclude yourself, you will be bound by the orders and judgments entered by the Court regarding the Settlements. If the Settlements are approved, you will not be able to sue, continue to sue, or be part of any other lawsuit involving any claims released in the Settlements. You will be bound by the orders of the Court whether or not you submit a Proof of Claim form and/or receive a payment.

The Judgments will dismiss with prejudice the claims against the Settling Defendants, CMG and Utendahl and will provide that Lead Plaintiffs and all other Settlement Class Members, by operation of the Judgments, shall release and forever discharge each and every one of the Released Defendant Persons (as defined below) from any and all of the Settled Claims (as defined below).

“Released Defendant Persons” means each and all of the following:

- (a) the Other Settling Underwriter Defendants, CMG, Utendahl and each of their past or present parents, subsidiaries, affiliates, investment funds, predecessors, successors, and any of their respective past, present, or future officers, directors, partners, members, managing directors, principals, employees, agents, advisors, insurers, and attorneys; and
- (b) Sandler O’Neill, its present and former parents, subsidiaries, divisions, and affiliates, including without limitation Sandler O’Neill & Partners, L.P. employees, officers, partners, principals, and directors, including without limitation, the insurers, and agents of each of them, and the predecessors, heirs, successors, and assigns of each, and any person or entity in which any such released person has or had a controlling interest or which is or was related to or affiliated with any such released person.

“Settled Claims” means:

- (a) as to the Other Settling Underwriter Defendants, CMG, Utendahl and their related Released Defendant Persons, all claims, debts, demands, rights, or causes of action or liabilities whatsoever, known or Unknown (as defined below), whether based on federal, state, local, statutory, or common law or any other law, rule, or regulation, whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or un-matured, whether class or individual in nature, that (i) were or could have been asserted in the Action, or (ii) relate to the subject matter of the Action and/or the allegations of the Complaint, and (iii) relate to the purchase, ownership or acquisition during the Class Period of Refco Stock, 144A Bonds, or Registered Bonds;
- (b) as to Sandler O’Neill and its related Released Defendant Persons, any and all claims of every nature and description, including both known and Unknown Claims (as defined below), asserted by or that could have been asserted by Plaintiffs arising out of or relating to investments in securities issued by Refco during the Class Period, or arising out of and relating to any disclosures, registration statements or other statements by Refco during the Class Period, including without limitation claims asserted by or that could have been asserted by Plaintiffs in the Complaint based on or related to the Securities Act of 1933, the Securities Exchange Act of 1934, or any state statute or common law, including without limitation any claims based on allegedly intentional, reckless, or negligent conduct, whether arising under state, federal, or foreign law as claims, cross-claims, counterclaims, or third-party claims, whether asserted in the Complaint, in this Court, in any federal or state court, or in any other court, arbitration proceeding, administrative agency, or other forum in the United States or elsewhere.

“Unknown Claims” means any and all Settled Claims which Lead Plaintiffs or any Settlement Class Member does not know or suspect to exist in his, her, or its favor at the time of the release of the Released Defendant Persons, which if known by him, her or it might have affected his, her or its decision with respect to the Settlement(s). With respect to any and all Settled Claims, the parties stipulate and agree that upon the Effective Date, Lead Plaintiffs and the Settling Defendants shall expressly, and each Settlement Class Member shall be deemed to have, and by operation of the Judgments shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiffs and the Settling Defendants acknowledge, and other Settlement Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Settled Claims was separately bargained for and was a key element of each Settlement.

### **EXCLUDING YOURSELF FROM THE SETTLEMENTS**

## 17. What if I want to be excluded from the Settlements?

To exclude yourself from the Settlements, you must send a letter by mail to the Claims Administrator saying that you want to be excluded from *In re Refco Inc. Securities Litigation*. You **must** include: (i) your name, address, telephone number; (ii) your Social Security Number or Taxpayer Identification Number; (iii) a list stating the par amount of Refco Notes and number of shares of Refco common stock purchased and sold during the period July 1, 2004 through and including October 17, 2005, and the dates and prices of each purchase and sale; (iv) a statement indicating whether you sold or disposed of any Refco Notes after October 17, 2005, and if you did, stating the amount of money you received for the Notes; and (v) your signature. Your exclusion request must be **received** no later than October 7, 2010. Mail your request to:

Refco Securities Litigation  
c/o The Garden City Group, Inc.  
Claims Administrator  
P.O. Box 9087  
Dublin, Ohio 43017-0987

If you request exclusion on behalf of any person or entity other than yourself (such as, for example, a trust, a minor, or a pension fund), you also must state the basis of your legal authority to make a request for exclusion on behalf of that person or entity.

You cannot exclude yourself on the phone or by e-mail. If you do not follow the above procedures – including meeting the deadline for receipt of your request and including all of the information described above – you will not be excluded from the Settlement Class, and you will be bound by all of the orders and judgments entered by the Court regarding the Settlements. You must exclude yourself even if you already have a pending case against Settling Defendants based on the claims being released.

If you ask to be excluded, you will not be eligible to get any payment from these proposed Settlements, the concurrently proposed settlement with the Audit Committee Defendants and THL Defendants, the Restitution Amount, or any other recoveries that might be obtained in the Action (other than the recovery from the prior settlement with BAWAG that has already been finally approved by the Court), you cannot object to the Settlements, the Plan of Allocation or the motion for attorneys' fees and reimbursement of expenses, and you will not be legally bound by anything that happens in this lawsuit with respect to the Settling Defendants or with respect to the Remaining Defendants.<sup>3</sup> If you exclude yourself from the Settlements, you might be able to sue the Settling Defendants and the Remaining Defendants in the future.

The Settling Defendants have the right to terminate the Settlements, if valid requests for exclusion are received from persons and entities entitled to be members of the Settlement Class in an amount that exceeds an amount agreed to by Lead Plaintiffs and the Settling Defendants.

**18. If I don't exclude myself, can I sue Settling Defendants for the same thing later?**

No. Unless you exclude yourself, you give up any right to sue Settling Defendants for the claims that the Settlements resolve. If you have a pending lawsuit, speak to your lawyer in that case immediately. You must exclude yourself from *this* Settlement Class to continue your own lawsuit.

**19. If I exclude myself, can I get money from the Settlements?**

No. Only Settlement Class Members who do not exclude themselves will be eligible to recover money in the Settlements or from the Restitution Amount.

**THE LAWYERS REPRESENTING YOU**

**20. Do I have a lawyer in this case?**

The Court has appointed the law firms of Bernstein Litowitz Berger & Grossmann LLP and Grant & Eisenhofer P.A. as Lead Plaintiffs' Counsel to represent Lead Plaintiffs and all other Settlement Class Members in the Action. If you have any questions about the proposed Settlements, you may contact Lead Plaintiffs' Counsel as follows: Megan D. McIntyre, Esq., Grant & Eisenhofer P.A., 1201 N. Market St., Wilmington, Delaware 19801, (302) 622-7000; or Salvatore J. Graziano, Esq., Bernstein Litowitz Berger & Grossmann, LLP, 1285 Avenue of the Americas, New York, New York 10019, (800) 380-8496.

If you want to be represented by your own lawyer, you may hire one at your own expense.

**21. How will the lawyers be paid?**

You will be not charged directly for the fees or expenses of the Lead Plaintiffs' Counsel appointed by the Court. Instead, those lawyers intend to apply to the Court for payment of fees and expenses out of the proceeds of any recoveries achieved in the Action.

Lead Plaintiffs' Counsel have not received any payment for their services in prosecuting this Action. (When the BAWAG settlement was presented to the Court for approval, Lead Plaintiffs' Counsel did not apply for fees or expenses.) Before final approval of the Settlements, Lead Plaintiffs' Counsel intend to apply to the Court of an award of attorneys' fees in the amount of 7% of the first \$108 million of the previously approved BAWAG Settlement, and 18% of the proposed settlements now before the Court for approval (i.e., the Settlement with the Audit Committee and THL Defendants and the Settlements described in this Notice), plus interest thereon at the same rate as earned by the settlement funds. If all the settlements are approved and the requested fee is awarded, the award will equal approximately 11.1% of the Total Settlement Fund.

Lead Plaintiffs' Counsel have not been reimbursed for any of their out-of-pocket litigation expenses incurred in connection with the prosecution of the Action. Before final approval of the Settlements, Lead Plaintiffs' Counsel intend to apply for reimbursement of litigation expenses incurred in connection with the prosecution of the Action (which may include the reasonable costs and expenses of Lead Plaintiffs directly related to their representation of the Settlement Class), in an amount not to exceed \$11 million, with interest thereon at the same rate as earned by the Settlement Funds. The Court will determine the amount to be awarded to Lead Plaintiffs' Counsel. (PLEASE NOTE: While Lead Plaintiffs' Counsel have stated their intent to apply for reimbursement of litigation expenses in both this notice and the notice enclosed herewith concerning the proposed settlement with the Audit Committee Defendants and the THL Defendants, they are seeking only one reimbursement of their expenses to be paid out of the Total Settlement Fund.)

<sup>3</sup> PLEASE NOTE, the time to exclude yourself from the BAWAG settlement has passed. If you did not exclude yourself from that settlement, you are bound by the judgment entered by the Court with respect to BAWAG and you also may be eligible for a distribution from the \$140 million recovered. Please submit your Proof of Claim.

**OBJECTING TO THE SETTLEMENTS, THE PLAN OF ALLOCATION OR THE FEE AND EXPENSE APPLICATION**

**22. How do I tell the Court that I don't like the Settlement(s)?**

If you are a Settlement Class Member and you do not exclude yourself, you can object to the Settlement(s) or any part of them, including the proposed Plan of Allocation and Lead Plaintiffs' Counsel's application for attorneys' fees and reimbursement of litigation expenses, and give reasons why you think the Court should not approve them. To object, you must send a letter or other filing saying that you object to the proposed Settlement(s), Plan of Allocation, and/or Lead Plaintiffs' Counsel's application for attorneys' fees and reimbursement of litigation expenses in *In re Refco, Inc. Securities Litigation*, Case No. 05 Civ. 8626 (JSR). Be sure to include your name, address, telephone number, signature, and the reasons for your objection, as well as a list of your purchases and sales of Refco, Inc. common stock or Refco Notes made during the Class Period, including the dates, the number of securities purchased or sold, and the price(s) paid or received per security for each such purchase or sale. Your written objection must be sent to Lead Plaintiffs' Counsel and counsel for the applicable Settling Defendants at the addresses set forth below so that the papers are **received** by them no later than October 7, 2010:

**Lead Plaintiffs' Counsel**

Megan D. McIntyre, Esq.  
GRANT & EISENHOFER P.A.  
1201 N. Market Street  
Wilmington, DE 19801

-and-

Salvatore J. Graziano, Esq.  
BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP  
1285 Avenue of the Americas  
New York, NY 10019

**Counsel for Sandler O'Neill**

Theresa Trzaskoma, Esq.  
BRUNE & RICHARD LLP  
80 Broad Street, 30th Floor  
New York, NY 10004

**Other Settling Underwriter Defendants' Counsel**

Andrew B. Weissman, Esq.  
WILMER CUTLER PICKERING HALE  
AND DORR LLP  
1875 Pennsylvania Avenue, NW  
Washington, DC 20006

You must **also** file your objection with the clerk of the United States District Court for the Southern District of New York, so that it is **received** no later than October 7, 2010. The address is:

Clerk of the U.S. District Court for the Southern District of New York  
Daniel Patrick Moynihan United States Courthouse  
500 Pearl Street  
New York, NY 10007-1312

Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objection the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.

Any member of the Settlement Class who does not object in the manner provided above will be deemed to have waived all objections to the Settlements, the Plan of Allocation and Lead Plaintiffs' Counsel's application for attorneys' fees and reimbursement of litigation expenses.

**23. What's the difference between objecting and requesting exclusion?**

Objecting is simply telling the Court that you do not like something about the Settlement(s). You can object only if you are a Settlement Class Member.

Excluding yourself is telling the Court that you do not want to be part of the Settlement Class. If you exclude yourself, you have no basis to object, because the case no longer affects you. If you do not exclude yourself, you will be bound by the Settlements and all orders and judgments entered by the Court regarding the Settlements, regardless of whether the Court accepts or denies your objection.

**24. When and where will the Court decide whether to approve the Settlements?**

The Court has scheduled a hearing on the proposed Settlements for October 27, 2010 at 4:00 p.m., before the Honorable Jed S. Rakoff in the U.S. District Court for the Southern District of New York, United States Courthouse, 500 Pearl Street, New York, New York 10007 (the "Settlement Hearing"). At the Settlement Hearing, the Court will consider whether the Settlements and the Plan of Allocation are fair, reasonable, and adequate, and will consider Lead Plaintiffs' Counsel's application for attorneys' fees and reimbursement of litigation expenses. If there are objections, the Court will consider them. At or after the Settlement Hearing, the Court will decide whether to approve the Settlements, the Plan of Allocation, and the motion for attorneys' fees and reimbursement of litigation expenses.

Please note that the date of the Settlement Hearing is subject to change without further notice. If you plan to attend the hearing, you should check with Lead Plaintiffs' Counsel to be sure no change to the date and time of the hearing has been made.

**25. Do I have to come to the Settlement Hearing?**

No. Lead Plaintiffs' Counsel will answer any questions the Court might have. But you are welcome to come at your own expense. If you send an objection, you do not have to come to the Court to talk about it. As long as you mailed your written objection so that it was received by the deadline, it will be before the Court when the Court considers whether to approve the Settlements. You may also pay your own lawyer to attend the hearing, but attendance is not necessary.

**26. May I speak at the Settlement Hearing?**

If you are a Settlement Class Member who has not asked to be excluded from the Settlement Class, you may ask the Court for permission to speak at the Settlement Hearing. To do so, you must send a letter or other paper called a "Notice of Intention to Appear at Fairness Hearing in *In re Refco, Inc. Securities Litigation*." Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be filed with the Clerk of the Court and sent to the counsel listed above in the answer to Question 22 so it is **received** by the Court and counsel no later than October 7, 2010. You cannot speak at the hearing if you have asked to be excluded from the Settlement Class.

**IF YOU DO NOTHING**

**27. What happens if I do nothing at all?**

If you do nothing in response to this Notice, you will remain a member of the Settlement Class and will be bound by the Settlements. You will not be able to start, continue, or be part of any other lawsuit or arbitration against the Settling Defendants or the other Released Defendant Persons based on the claims in the Action. If you do not submit a Proof of Claim, you will not be eligible to receive payment from the Settlements or the Restitution Amount.

**GETTING MORE INFORMATION**

**28. Are there more details about the Settlements?**

This Notice contains only a summary of the proposed Settlements. The complete terms of the Settlements are set out in (i) the Stipulation and Agreement of Settlement between Lead Plaintiffs and Defendant Sandler O'Neill & Partners, L.P., dated October 10, 2008 and (ii) the Stipulation and Agreement of Settlement between Lead Plaintiffs and the Settling Underwriter Defendants, dated April 20, 2010. You may request a copy of these stipulations in writing to *Refco, Securities Litigation*, c/o The Garden City Group, Inc., Claims Administrator, P.O. Box 9087, Dublin, Ohio 43017-0987. There may be a charge for copying and mailing the stipulations. Copies of the stipulations may be obtained for free at [www.refcosecuritieslitigation.com](http://www.refcosecuritieslitigation.com).

**29. How do I get more information?**

You can also call the Claims Administrator toll free at (888) 212-5574, write to the Claims Administrator at the above address, or visit the website at [www.refcosecuritieslitigation.com](http://www.refcosecuritieslitigation.com), where you will find copies of the Stipulations, the Complaint, and certain other documents relating to the Action and the Settlements. Anyone interested in more detail regarding the Action is invited to visit the Office of the Clerk of the United States District Court for the Southern District of New York at the United States Courthouse, 500 Pearl Street, New York, NY, 10007, during regular business hours, to inspect the stipulations, the pleadings, and the other papers maintained there in Case No. 05 Civ. 8626 (JSR).

**PLEASE DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT REGARDING THIS NOTICE.**

**SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES**

If you purchased or otherwise acquired Refco Notes or common stock during the Class Period for the beneficial interest of a person or organization other than yourself, you must either (i) send a copy of this Notice Packet (including this Notice, a second notice concerning the settlement with the Audit Committee and THL Defendants, the Plan of Allocation, and the Proof of Claim form) to such beneficial owner, postmarked no later than seven (7) days after you receive this Notice, or (ii) provide the names and addresses of such persons no later than seven (7) days after you receive this Notice to Refco Securities Litigation, c/o The Garden City Group, Inc, P.O. Box 9087, Dublin, Ohio 43017-0987. If you choose the second option, the Claims Administrator will send a copy of the Notice Packet to the beneficial owner. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of the Notice Packet can be obtained from [www.refcosecuritieslitigation.com](http://www.refcosecuritieslitigation.com) or by calling toll-free (888) 212-5574, or from Lead Plaintiffs' Counsel's websites, [www.blbgilaw.com](http://www.blbgilaw.com) and [www.gelaw.com](http://www.gelaw.com).

Dated: August 11, 2010

BY ORDER OF THE COURT

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Hon. Jed S. Rakoff  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK