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In re REFCO, INC. SECURITIES LITIGATION : 05 Civ. 8626 (JSR)  
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**NOTICE OF (I) PROPOSED SETTLEMENT OF CLASS ACTION WITH THE AUDIT  
COMMITTEE AND THL DEFENDANTS, (II) HEARING ON PROPOSED SETTLEMENT 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 a partial settlement 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.
- On July 30, 2010, the Court preliminarily approved a partial settlement of this class action (the "Settlement") between the Court-appointed Lead Plaintiffs RH Capital Associates LLC and Pacific Investment Management Company LLC ("Lead Plaintiffs") and Defendants Ronald L. O'Kelley, Leo R. Breitman and Nathan Gantcher (collectively, the "Audit Committee Defendants"); Thomas H. Lee Equity Fund V, L.P., Thomas H. Lee Parallel Fund V, L.P., and Thomas H. Lee Equity (Cayman) Fund V, L.P. (the "THL Funds"); Thomas H. Lee Partners, L.P. ("THLP"), THL Equity Advisors V, LLC, Thomas H. Lee Investors Limited Partnership and The 1997 Thomas H. Lee Nominee Trust (collectively, the "THL Entities"); and Thomas H. Lee, David V. Harkins, Scott L. Jaeckel and Scott A. Schoen (collectively, the "Individual THL Defendants" and together with the THL Entities and the THL Funds, the "THL Defendants"). The Audit Committee Defendants and THL Defendants are referred to herein collectively as the "Settling Defendants."
- The Settlement, if approved, will resolve all claims between the members of the proposed Settlement Class and the Settling Defendants, but it is only a partial settlement of this Action; it does not resolve the claims against numerous other defendants against whom the Action remains pending (the "Remaining Defendants").
- The Settlement provides that Settling Defendants will cause \$130,000,000 to be paid to the Settlement Class in cash and also provides for the possible payment of an additional payment of up to \$10,000,000 as described in the Stipulation and Agreement of Settlement entered into by and between Lead Plaintiffs and the Settling Defendants, dated March 29, 2010 and amended on May 3, 2010 (the "Stipulation").<sup>1</sup>
- The proceeds of the Settlement described in this Notice will be combined with amounts recovered in a previously approved settlement,<sup>2</sup> amounts recovered in the concurrently proposed settlements with the Underwriter 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 this Settlement or the recoveries from any other settlements that are presented to the Court for its consideration at the Settlement Hearing (as

<sup>1</sup> All capitalized words or terms, not otherwise defined herein, shall have the meaning as set forth in the Stipulation.

<sup>2</sup> You were previously advised that Lead Plaintiffs entered into an earlier partial settlement in this Action that was presented to and approved by the Court. Details of that settlement can be found at [www.refcosecuritieslitigation.com](http://www.refcosecuritieslitigation.com).

Lead Plaintiffs have now negotiated agreements of settlement with other defendants, in addition to the settlement with the Audit Committee Defendants and the THL Defendants described herein, that will be presented to the Court. Separate notice regarding those other settlements is being sent.

defined in Paragraph 24 below) or in any other recoveries that might be obtained in the Action, other than the recovery from the prior settlement that has already been approved by the Court.

- 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: (1) whether the Settling Defendants engaged in conduct that would give rise to liability under the federal securities laws; (2) whether the Settling Defendants have valid defenses to any of the claims against them; and (3) 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 Settlement was reached because it provides significant benefits to Settlement Class Members and avoids 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 settlement (no application for attorneys' fees was made at the time the earlier settlement was approved), and 18% of the proposed settlements now before the Court for approval (i.e., the settlements with the Underwriter Defendants and the Settlement 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 on 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 Settlement 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 Settlement is 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 Settlement.**

**YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT**

<p><b>Submit a Proof of Claim Form by November 9, 2010</b></p>	<p>If this Settlement is approved and you are a member of the Settlement Class, you may be entitled to receive a payment from the Settlement. You must submit a Proof of Claim form to share in the Settlement proceeds. A copy of the Proof of Claim form is enclosed, and is also available at <a href="http://www.refcosecuritieslitigation.com">www.refcosecuritieslitigation.com</a>.</p> <p>If you remain in the Settlement Class, you will be bound by the Settlement and will give up any "Released Plaintiffs' 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.</p>
<p><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></p>	<p>If you exclude yourself, you will not be eligible to get a payment from the Settlement. 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.</p> <p>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.</p>
<p><b>Object to the Settlement by submitting a written objection so that it is received no later than October 7, 2010.</b></p>	<p>If you do not exclude yourself, but you wish to object to any part of the Settlement, 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.</p>
<p><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></p>	<p>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, 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.</p>

- 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 Settlement and the Plan of Allocation. The Settlement Fund will be available for distribution to the Settlement Class only if the Settlement and a plan of allocation are approved and that approval is upheld following any appeals.

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**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 Settlement and about all of your options before the Court decides whether to approve the Settlement.

This Notice describes the lawsuit, the Settlement, 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), fifteen Wall Street investment banks (including Credit Suisse Securities, Banc of America Securities, Deutsche Bank and Goldman Sachs & Co.), 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), and Austrian bank BAWAG P.S.K. Bank Für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft (“BAWAG”) (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.

As alleged in the Second Amended Consolidated Class Action Complaint (the “Complaint”), which was filed in the Action on December 3, 2007, 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”). The Complaint further alleges 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.

The Complaint alleges that the THL Defendants who invested in Refco in June 2004 in a leveraged buyout (the “LBO”) and the Audit Committee Defendants are responsible for the materially false and misleading statements made by the Company in connection with bonds issued by Refco as part of the LBO and subsequently in 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. The Complaint alleges claims under Sections 11 and 15 of the Securities Act of 1933 (the “Securities Act”) against the Audit Committee Defendants and certain of the THL Defendants, claims pursuant to Section 12(a) (2) of the Securities Act against certain of the THL Defendants, claims pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”) against the Audit Committee Defendants and certain of the THL Defendants and a claim pursuant to Section 20A of the Exchange Act against certain of the THL Entities.

The Settling Defendants moved to dismiss certain of the claims asserted against them. By Order, dated April 30, 2007, the Court dismissed the claims asserted against the Audit Committee and THL Defendants under Sections 12(a)(2) and 15 of the Securities Act on behalf of purchasers of unregistered Refco bonds (“Rule 144A Bonds”), and certain claims under Sections 11 and 15 of the Securities Act on behalf of those persons who exchanged Rule 144A Bonds for registered bonds. The remaining claims against the Settling Defendants are pending but will be dismissed with prejudice if the Settlement is 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?**

The Court has preliminarily certified for purposes of the Settlement 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>3</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 SETTLEMENT**

### **8. How and when was the Settlement reached?**

Lead Plaintiffs reached an agreement-in-principle with Settling Defendants regarding the Settlement on January 19, 2010. Thereafter, Lead Plaintiffs and Settling Defendants executed the Stipulation to formalize their agreement.

The Settlement was reached after arms'-length negotiation between Lead Plaintiffs' Counsel and counsel for the Settling Defendants, and only after Lead Plaintiffs' Counsel had (i) obtained access to, and reviewed, extensive documentation pertinent to the claims and the Settling Defendants' defenses to those claims, (ii) taken the depositions of 110 people believed to have knowledge of this case, including each of the Audit Committee Defendants; eight current and former employees of the THL Entities, including each of the THL Individual Defendants; six attorneys currently or formerly employed by the THL Entities' outside counsel with regard to the LBO and/or which represented Refco in the IPO; and nine individuals currently or formerly employed by organizations retained by the THL Funds in connection with their due diligence at the time of the LBO; (iii) conducted a mediation with the Settling Defendants before the Hon. Daniel Weinstein, a retired judge; (iv) investigated and analyzed all available evidence; and (v) researched the applicable law with respect to the claims against the Settling Defendants and the potential defenses thereto.

### **9. What does the Settlement provide?**

The Settlement provides for the Settling Defendants to cause \$130,000,000 in cash to be paid to the Settlement Class, with the possibility of an additional payment of up to \$10,000,000 in cash under certain conditions specified in the Stipulation. The \$130,000,000 has been deposited into an interest bearing escrow account for the benefit of the Settlement Class.

If the Settlement is 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 Settling Defendants and the Released Defendant Persons that arise out of or relate to, among other things, the allegations in the Complaint and/or 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 claims described in the Stipulation against the Settling Defendants and other released 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 Settlement?**

Lead Plaintiffs agreed to the Settlement because of the substantial monetary benefit it 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>3</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 Underwriter Defendant or affiliate has or may have a direct or indirect interest or act as an investment advisor, but in which the 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 Settlement?**

If there were no Settlement 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 Settlement, or nothing at all.

**THE SETTLEMENT BENEFITS – WHAT YOU GET**

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

The Settlement will create a cash settlement fund in the aggregate principal amount of \$130,000,000 and a possible additional payment of up to \$10,000,000 for a total possible settlement amount of up to \$140,000,000. If the Settlement is approved by the Court and the Effective Date, as defined in the Stipulation occurs, 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 fund, 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 Settlement that is the subject of this Notice, but also from the net settlement funds created by (i) the previously approved settlement pursuant to which \$140 million was recovered; (ii) concurrently proposed settlements with the Underwriter Defendants that provide for payment of \$53 million to the Settlement Class, if those settlements are 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 Settlement 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 Settlement?**

To be eligible for a settlement payment from the proceeds of the Settlement, 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 this Settlement, you will not be eligible to receive a payment from this Settlement with these Settling Defendants, from any other settlements that are presented to the Court for its consideration at the Settlement Hearing, from the Restitution Amount, or from any other recoveries that might be obtained in the Action, other than the previously achieved settlement described in footnote 2 above. 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 Settlement proceeds 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 Settlement to be distributed in combination with future settlements or recoveries from other Defendants which are separate from this Settlement.

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

The Settlement Fund will be kept in an interest-bearing account until it is 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 judgment entered by the Court regarding the Settlement. If the Settlement is approved, you will not be able to sue, continue to sue, or be part of any other lawsuit involving any claims released in the Settlement. 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 Judgment will dismiss with prejudice the claims against the Settling Defendants and will provide that Lead Plaintiffs, all other Settlement Class Members and the other Releasing Plaintiffs (as defined below) shall by operation of the Judgment fully, finally and forever release, relinquish and discharge each and every one of the Released Defendant Persons (as defined below) from any and all of the Released Plaintiffs' Claims (as defined below).

"Released Defendant Persons" means each and all of the following: (a) the Settling Defendants; (b) the Settling Defendants' respective past and/or present affiliates, subsidiaries, general partners, parents and limited partners (including those who co-invested in Refco alongside the THL Funds in August 2004) (the "Affiliated Releasees"); (c) the past and/or present employees, officers, partners and directors of any of the Settling Defendants or any of the Affiliated Releasees (the "Additional Releasees," together with the Settling Defendants and the Affiliated Releasees, the "Releasees"); and (d) the Releasees' past and/or present representatives, agents, managing directors, attorneys, insurers, reinsurers, principals, members, managers, families, stockholders, heirs, executors, trustees, personal representatives, estates, administrators, predecessors, divisions, successors and assigns. Nothing in this definition is intended to release any claims asserted in the Action by Lead Plaintiffs (or any member of the Settlement Class) against any Non-Settling Defendant.

"Released Plaintiffs' Claims" means any and all claims, demands, actions, causes of action, obligations, debts, judgments and liabilities of any kind, nature and description, whether direct or derivative, whether at law or in equity (upon any legal or equitable theory, whether contractual, common law or statutory, whether arising under federal, state, common or foreign law, whether based on allegedly intentional, negligent or reckless conduct, whether asserted as claims, cross-claims, counterclaims or third-party claims in any pleadings, 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), whether such are known or Unknown (as that term is defined below), secured or unsecured, contingent or absolute, choate or inchoate, liquidated or unliquidated, perfected or unperfected, that previously existed or that currently exist as of the date of the approval of the Settlement by the Court or that may arise in the future that were or could have been asserted by any or all of the Releasing Plaintiffs against any or all of the Released Defendant Persons that: (a) in any way arise out of, are based upon, relate to or concern the facts, matters, occurrences, allegations, representations, omissions, actions, transactions or conduct alleged, set forth, referred to, involved in or which could have been raised in the Complaint or the Action; and/or (b) in any way arise out of, are based upon, relate to or concern the purchase, acquisition, disposition or sale of, or other transaction in, any and all publicly traded Refco securities, including, Refco Group Ltd., LLC/Refco Finance Inc. 9% Senior Subordinated Notes due 2012 (CUSIP Nos. 75866HAA5 and/or 75866HAC1) and/or Refco common stock (CUSIP No. 75866G109) during the Class Period, including without limitation, claims that arise out of or relate to any disclosures, Securities and Exchange Commission filings, press releases, registration statements, offering memoranda or other public statements by Refco during the Class Period.

"Releasing Plaintiffs" means each and all of the following: Lead Plaintiffs and every Settlement Class Member (regardless of whether or not any individual Settlement Class Member submits a Proof of Claim Form or seeks or obtains a distribution from the Settlement Fund); each and all of their respective predecessors, successors, representatives, agents, heirs, executors, trustees, personal representatives, estates, administrators, and assigns; and any other person or entity who has the right, ability, standing or capacity to assert, prosecute or maintain any of the Released Plaintiffs' Claims belonging to a Settlement Class Member to obtain the proceeds of any recovery on those claims but only with respect to those claims.

"Unknown Claims" in the definition of Released Claims includes claims that each of the Releasing Persons currently does not know or suspect to exist at the time he, she or it executes the release, but which, if known by him, her or it, might affect his, her or its agreement to execute or grant the release or might affect a decision with respect to the Settlement (including the decision to object or not to object to the Settlement). The Settling Parties and the Releasing Persons expressly acknowledge that they may hereafter discover facts in addition to or different from those that he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but that it is nevertheless his, her or its intention to fully, finally and forever settle and release the Released Claims, including those Unknown as that term is employed in this paragraph, and will be deemed to have done so by operation of the Final Order and Judgment; and the Settling Parties and the Releasing Persons expressly acknowledge that the inclusion of "Unknown" claims as defined herein was separately bargained for and was a key element of the Settlement (of which the releases provided herein are a material and essential part) and each expressly waives and relinquishes to the fullest extent permitted by law, and shall be deemed by operation of the Final Order and Judgment to have waived and relinquished, the benefits of: (i) the provisions, rights and benefits of Section 1542 of the California Civil Code, which provides as follows:

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.

and (ii) any and all provisions or rights 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 Section 1542 of the California Civil Code.

Notwithstanding anything to the contrary above, the Released Claims do not include claims: (a) to enforce the Judgment and the Settlement, and any or all of their terms, including but not limited to the releases provided for in the Judgment; or (b) claims by Settlement Class Members pending on January 19, 2010 that do not arise out of the acquisition or sale of Refco debt or equity securities, including but not limited to the claims asserted, and/or recoveries sought, by plaintiffs and putative class members in: (i) *Capital Management Select Fund Ltd. v. Bennett*, No. 08-6166-cv (2d Cir. 2008); (ii) *In re Refco Capital Markets, Ltd. Brokerage Customer Securities Litigation*, No. 08-6167-cv (2d Cir. 2008); (iii) *VR Global Partners LP. v. Bennett, et al.*, No. 08-6230-cv (2d Cir. 2008); and (iv) *Capital Management Select Fund Ltd. et al. v. Bennett et al.*, 08 Civ. 09810 (JSR)(S.D.N.Y.).

## **EXCLUDING YOURSELF FROM THE SETTLEMENT**

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

To exclude yourself from the Settlement, 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 Settlement. You must exclude yourself even if you already have a pending case against Settling Defendants based on the claims being released, if you wish to be able to continue that case.

If you ask to be excluded, you will not be eligible to get any payment from this proposed Settlement (or the recoveries from any other settlements that are presented to the Court for its consideration at the Settlement Hearing, the Restitution Amount, or any other recoveries that might be obtained in the Action, other than the recovery from the prior settlement that has already been finally approved by the Court), you cannot object to the Settlement or the motion for 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>4</sup> If you exclude yourself from the Settlement, you might be able to sue Settling Defendants and the Remaining Defendants in the future.

The THL Entities, provided they unanimously agree, on behalf of the Settling Defendants, have the right to terminate the Settlement, if valid requests for exclusion are received from Persons 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 Settlement resolves. 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 Settlement?**

No. Only Settlement Class Members who do not exclude themselves will be eligible to recover money in the Settlement 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 Settlement, 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 previously approved 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

<sup>4</sup> PLEASE NOTE, the time to exclude yourself from the previously approved settlement in the Action has passed. If you did not exclude yourself from that settlement, you are bound by the judgment entered by the Court with respect to that settling defendant and you also may be eligible for a distribution from the amount recovered. Please submit your Proof of Claim.

the first \$108 million of the previously approved settlement, and 18% of the proposed settlements now before the Court for approval (i.e., the Settlements with the Underwriter Defendants and the Settlement 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 Settlement, 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 settlements with the Underwriter Defendants, they are seeking only one reimbursement of their expenses to be paid out of the Total Settlement Fund.)

**OBJECTING TO THE SETTLEMENT, THE PLAN OF ALLOCATION OR THE EXPENSE APPLICATION**

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

If you are a Settlement Class Member and you do not exclude yourself, you can object to the Settlement or any part of it, 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 it. To object, you must send a letter or other filing saying that you object to the proposed Settlement, 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 the following counsel and must be **received** by them no later than October 7, 2010:

**Counsel for Settling Defendants**

Greg A. Danilow, Esquire  
WEIL, GOTSHAL & MANGES LLP  
767 Fifth Avenue  
New York, NY 10153

**Lead Plaintiffs' Counsel**

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

and

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

You must **also** file your objection with the clerk of the United States District Court for the Southern District of New York, so 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 Settlement, 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. 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 for purposes of the Settlement. 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 Settlement and all orders and judgments entered by the Court regarding the Settlement, regardless of whether the Court accepts or denies your objection.

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

The Court has scheduled a hearing on the proposed Settlement 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. At this hearing, the Court will consider whether the Settlement and the Plan of Allocation is 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 hearing, the Court will decide whether to approve the Settlement, the Plan of Allocation, and the motion for attorneys' fees and reimbursement of litigation expenses.

Please note that the date of the Court 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 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 Settlement. You may also pay your own lawyer to attend the hearing, but attendance is not necessary.

**26. May I speak at the 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 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 Settlement. 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 a payment from the Settlement or the Restitution Amount.

**GETTING MORE INFORMATION**

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

This Notice contains only a summary of the proposed Settlement. The complete Settlement is set out in a Stipulation and Agreement of Settlement dated March 29, 2010 and amended on May 3, 2010. You may request a copy of the Stipulation 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 Stipulation. Copies of the Stipulation 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 a copy of the Stipulation, the Complaint, and certain other documents relating to the Action and the Settlement. 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 Stipulation, 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 settlements with the Underwriter 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.blbglaw.com](http://www.blbglaw.com) and [www.gelaw.com](http://www.gelaw.com).

Dated: August 11, 2010

BY ORDER OF THE COURT

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