
Hughes Hubbard & Reed

MF Global Team Marks Final Chapter in \$8.1B Recovery Effort

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More than four years after the collapse of MF Global (MFGI) amid a \$1.6 billion shortfall in customer accounts, Hughes Hubbard & Reed has brought the liquidation to a successful close.

On Feb. 9, U.S. Bankruptcy Judge Martin Glenn approved a motion brought by MF Global Trustee Jim Giddens to close the MFGI estate and end the eighth-largest Chapter 11 bankruptcy in US history.

With an \$8.1 billion distribution, Hughes Hubbard achieved a full recovery for former customers of the brokerage and secured creditors, and a 95 percent recovery for unsecured creditors—"an outcome that was unimaginable when the proceeding began with revelations of a massive segregation failure," Giddens said.

During the bankruptcy hearing, lead counsel Jim Kobak said the end of the case was "a day we could dimly foresee when this case began four years ago on Halloween." Kobak recalled to *The American Lawyer* the start of Chapter 11 proceedings in October 2011, when the company's customers could not access some \$7 billion held in MF Global accounts.

"This came out of the blue," he said. "It seemed like a complete nightmare. I didn't think in my wildest dreams that we would ever get up to a 100 percent recovery."

The proceeding presented so many complexities that it was not initially clear what law even applied or whether a Securities Investor Protection Act liquidation would cover the demise of a commodities trader like MF Global.

"There was some skepticism that the Securities Investor Protection Act and bankruptcy statutes would really function efficiently for this kind of liquidation," Kobak said. "[But] it did function really very well."

The team accomplished more in the first month of the liquidation—launching an investigation into the cause of the firm's demise, returning assets to former customers through bulk transfers and securing approval of an expedited customer claims process—than any other broker-dealer liquidation in history.

The recovery entered its final stage in July 2015, when Giddens reached a deal to sell various claims held by the brokerage, including the right to pursue litigation against former CEO Jon Corzine and other former leaders, to the plan administrator overseeing the parent company's Chapter 11 case. Giddens received \$186 million in return and began winding down the company.

Judge Glenn praised Hughes Hubbard for performing work "of the highest quality" over the past four years. "One consistent matter has been the care and attention and the expertise that Hughes Hubbard & Reed has given to this case throughout," he said. "There have been a lot of lawyers from your firm who have had a chance to appear before me, and who always acquitted themselves extremely well in whatever issues they were arguing. And from the standpoint of the Court, having the assistance of good counsel that write clear briefs, explain the issues, what relief they're seeking and what the basis for it is, is obviously of enormous help."

Judge Glenn also credited the firm for sending its younger lawyers to make principal arguments. "And they've all done very well," he said. "It's so hard for young lawyers to get that frontline experience these days. But every one of them was very well prepared, and was able to answer whatever questions I had. And so I commend your firm for giving responsibility to young lawyers on serious matters."

The conclusion of the liquidation also made headlines in The Wall Street Journal, USA Today and other publications.

In addition to Kobak, Chris Kiplok led a large team across the firm representing Giddens. The team included Sarah Cave, Jeff Coleman, Dustin Smith, Anson Frelinghuysen, Erin Diers, Jeff Margolin, Meredith Stead, Ken Aulet, Sara Echenique, Dina Hoffer, Paulina Bellantonio and Pavlos Petrovas.

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James W. Giddens



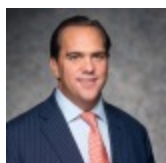
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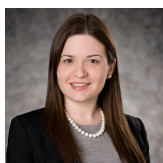
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