

Hearing Date: April 11, 2007 at 10:00 a.m. (EDT)

Tina L. Brozman (TB-0854)
Timothy B. DeSieno (TD-4316)
BINGHAM MCCUTCHEN LLP
399 Park Avenue
New York, NY 10022
(212) 705-7000

Counsel for the Refco Plan Administrator
and the RCM Plan Administrator

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----	X	
	:	
In re	:	Chapter 11 Case
	:	No. 05-60006 (RDD)
REFCO INC., <u>et al.</u> ,	:	(Jointly Administered)
	:	
Debtors.	:	
	:	
-----	X	

**FEE COMMITTEE’S STATEMENT IN RESPECT OF
FINAL FEE REQUESTS OF CERTAIN PROFESSIONALS**

In his capacity as acting chair of the fee committee (the “**Fee Committee**”) appointed in these cases, and on behalf of the Fee Committee, Marc S. Kirschner, plan administrator (the “**RCM Plan Administrator**”) of Refco Capital Markets, Ltd. (“**RCM**”), by and through his undersigned counsel, hereby files this statement in respect of the final fee applications discussed below. In support of this statement, the RCM Plan Administrator respectfully represents as follows:

BACKGROUND

1. On October 17, 2005 (the “**Petition Date**”), Refco Inc. and certain of its subsidiaries and affiliates (the “**Contributing Debtors**”)¹ and RCM (collectively, the “**Debtors**”), filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code.²

2. On July 24, 2006, this Court entered an order (as supplemented by the Court’s order of August 22, 2006, the “**Fee Committee Order**”) appointing the Fee Committee and approving a fee protocol (the “**Fee Protocol**”) attached thereto as Exhibit A. The Fee Protocol governs budget procedures and review procedures in respect of fee applications of professionals (“**Retained Professionals**”) whose retentions are subject to the Court’s Final Order under §§ 105 and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals (the “**Interim Compensation Order**”) entered on December 13, 2005. The Fee Committee Order and the Fee Protocol specify the role of the Fee Committee in these budgeting and review processes.

3. The Fee Committee members originally were the following individuals: Harrison J. Goldin of Refco, for the Debtors, as Fee Committee Chair; Marc S. Kirschner, Chapter 11 trustee for RCM; Richard Levinson (of Premier Bank International

¹ The Contributing Debtors are: Bersec International LLC; Kroeck & Associates, LLC; Lind-Waldock Securities LLC; Marshall Metals LLC; New Refco Group Ltd., LLC; Refco Administration LLC; Refco Capital Holdings LLC; Refco Capital LLC; Refco Capital Management LLC; Refco Capital Trading LLC; Refco Finance Inc.; Refco Financial LLC; Refco Fixed Assets Management LLC; Refco F/X Associates, LLC; Refco Global Capital Management LLC; Refco Global Finance Ltd.; Refco Global Futures LLC; Refco Global Holdings LLC; Refco Group Ltd., LLC; Refco Inc.; Refco Information Services LLC; Refco Managed Futures LLC; Refco Mortgage Securities, LLC; Refco Regulated Companies LLC; Summit Management LLC; and Westminster-Refco Management LLC.

² Debtors Lind-Waldock Securities LLC, Refco Managed Futures, LLC and Westminster-Refco Management LLC filed chapter 11 petitions on June 5, 2006.

N.V.), representative of the official committee of unsecured creditors (the “**Creditors’ Committee**”); Lauren Robertsen (of D. E. Shaw & Co., L.P.), representative of the Creditors’ Committee; and Andrew D. Velez-Rivera, Esq., representative of the Office of the United States Trustee.

4. On December 15, 2006, this Court entered an order (the “**Confirmation Order**”) confirming the Modified Joint Chapter 11 Plan of Refco Inc. and Certain of its Direct and Indirect Subsidiaries (the “**Plan**”). The Plan became effective on December 26, 2006 (the “**Effective Date**”).

5. Pursuant to the Plan, Confirmation Order and applicable agreements, RJM, LLC was appointed as the Refco Plan Administrator (the “**Refco Plan Administrator**”) and Marc S. Kirschner was appointed as the RCM Plan Administrator.

6. On January 3, 2007, Mr. Goldin resigned as a member and Chair of the Fee Committee. At that time, Mr. Kirschner became acting Chair and Mr. Salvatore Barbatano, a representative of RCM creditor Leuthold Funds, was added as a Fee Committee member.

FEE COMMITTEE PROCESS

7. On September 6, 2006, the Fee Committee held its first meeting. By that time, the major parties in interest in the Debtors’ cases had reached an agreement in principle regarding the global settlement of intercompany claims and a global plan of reorganization.³ An important part of the global settlement was the agreement among the

³ In sum, while complex, the global plan provides for a winding up of the affairs of the Debtors, and it sets forth the treatment of RCM’s agreed net intercompany claim against the Contributing Debtors as well as the treatment of claims of the various classes of creditors of RCM and the Contributing Debtors. RCM creditors’ treatment is based on a negotiated settlement which was designed to reflect the treatment that would be afforded RCM’s creditors in a chapter 7, subchapter III liquidation. Treatment of RCM’s net

parties in interest to seek effectiveness of the Plan before the end of 2006. Given the magnitude of the professional fees in these cases, another important component of the global settlement was the imposition of a professional fee cap.

8. In light of these significant developments, at its initial meeting, the Fee Committee made the following decisions on the budgeting process for the Retained Professionals and on the process for reviewing Retained Professionals' fee applications.

9. First, the Fee Committee determined that Retained Professionals were required to provide the Fee Committee with monthly budgets for their fees and expenses ("**Monthly Budgets**") for the periods September 18, 2006 through December 31, 2006, one for each of the period September 18-30, October, November, and December.

10. To promote meaningful, detailed and accurate Monthly Budgets, Retained Professionals were required to submit Monthly Budgets according to specific task codes and the contemplated work of each individual professional. Specifically, in providing Monthly Budgets, Retained Professionals were to formulate a detailed description of the services contemplated under each task code, as well as an outline of the tasks to be performed by each professional in the completion of those services. In addition, Retained Professionals were required to budget their expenses in specific categories.

11. In addition, within 10 days following the submission of each monthly invoice, Retained Professionals were required to provide the Fee Committee a schedule of monthly fees and expenses incurred and highlight by task code variances (if any) between actual fees and expenses for the month and budgeted fees and expenses for the month. To the extent the variance in a month between actual fees and budgeted fees or

intercompany claim and the claims of other creditors against the Contributing Debtors was based on a negotiated settlement which was designed to reflect liquidation and litigation outcomes.

actual expenses and budgeted expenses exceeded 10%, Retained Professionals were required to provide the Fee Committee with an explanation of the variance. The variance was based on the aggregate of fees for the month, not based on a variance of 10% within individual task codes.

12. Second, at its initial meeting, the Fee Committee also decided on its approach to assessing the reasonableness of incurred fees and expenses in these cases from the Petition Date through the expected effective date of the Plan. The Fee Committee agreed that the Office of the United States Trustee would perform the initial review and report on that review to the Fee Committee. The Fee Committee was not to be bound by any conclusions of the United States Trustee; rather the Fee Committee retained its independent discretion in that regard.

13. Since the initial meeting, the Fee Committee has worked diligently to review, comment on and monitor the budgeting process, including conducting in-person and telephonic meetings with certain of the Retained Professionals to question various items in their respective budgets. Several professionals requested an increase in their respective budgets and were required to meet with the Fee Committee to review such increases and explain their reasoning. All Retained Professionals fully cooperated with the Fee Committee and complied with the budgeting process.

14. The Fee Committee is pleased to report that for the September 18, 2006 through December 31, 2006 period covered by the budgeting process, the discipline and monitoring imposed by the Fee Committee resulted in the Retained Professionals reporting aggregate time charges approximately \$3.2 million below the aggregate budgets. (The Fee Committee believes this favorable variance was also due to a very

great extent to the expeditious, relatively non-contentious plan confirmation process, which all professionals worked diligently to achieve.) In short, the budgeting process with the cooperation of all Retained Professionals appears to have achieved a meaningful and beneficial result for the Debtors' estates.

15. Since the Effective Date of the Plan, the Fee Committee has continued its efforts, although largely through representation of most of the Fee Committee members on the committee (the "**Plan Committee**") appointed pursuant to the Plan and the Confirmation Order to oversee the Plan's implementation by the Refco Plan Administrator.⁴

16. As confirmation of the Plan approached, the Plan Committee began to meet and plan strategy for various post-Effective Date matters. Among other things, the Plan Committee determined it would take a very active role in reviewing and commenting on the magnitude of professional fees incurred in these cases. The Plan Committee raised issues with a number of professionals, both as to the aggregate time incurred, as well as with respect to the "success fees" or bonuses sought by three of the firms. The Plan Committee held many meetings with a number of the Retained Professionals, spearheaded by the Plan Administrator's representative, Mr. Robert Manzo, with the active participation of Mr. Kirschner in his capacity as RCM Plan

⁴ The Plan Committee consists of the following members: Richard Deitz (of VR Global Partners, L.P.), Richard Levinson (of Premier Bank International, N.V.), Salvatore Barbatano (of Foley & Lardner LLP for Leuthold Funds, Inc./Leuthold Industrial Metals Funds, L.P.), Paul Bran (of Dickstein Shapiro LLP for Capital Management Select Fund, Ltd.), Thomas Moloney (of Cleary Gottlieb Steen & Hamilton LLP for Inter Financial Services, Ltd.), Arturo Frieri (for Markwood Investments), Peter Lamoureux (of Everest Asset Management, Inc.), Jeff Friedman (of Katten Muchin LLP for Lyxor/Estlander & Ronnlund Fund Ltd./Beach Discretionary Fund Ltd./Societe Generale S.A.), Joshua Angel (of Herrick Feinstein LLP for Global Management WorldWide, Ltd.), and Julie Becker (of Wells Fargo Bank, N.A.). Other than the United States Trustee's Office, each member of the Fee Committee is also a member of the Plan Committee (or, in the case of D.E. Shaw & Co., L.P., is represented on the Plan Committee by its indenture trustee, Wells Fargo Bank, N.A.).

Administrator, in an attempt to achieve voluntary fee concessions from certain of the Retained Professionals.

17. Through the work of the Plan Committee, the following concessions were agreed with Retained Professionals:

- A. Skadden Arps - agreed to reduce its fee request by \$999,999.
- B. FTI Consulting - agreed to reduce its fee request by \$400,000.
- C. Goldin Associates - agreed to withdraw its request for a bonus or success fee.
- D. The RCM Bermuda Joint Provisional Liquidators - agreed to reduce their fee request from in excess of \$3,000,000 to a capped amount of \$1,810,000.

18. Unfortunately, no agreement could be reached with Alix Partners or with Houlihan Lokey on their fee applications, and the dates for filing possible objections to such applications have been adjourned.

19. The United States Trustee has reported to the Fee Committee as to its review of and perspective about the final fee applications of the Retained Professionals. In addition, the Fee Committee has reviewed the aggregate fees and expenses sought by all Retained Professionals.

CONCLUSION

20. Except as set forth above, the Fee Committee has no objection to the fees and expenses sought.

Dated: March 28, 2007
New York, New York

BINGHAM MCCUTCHEN LLP

By: /s/Timothy B. DeSieno
Tina L. Brozman (TB-0854)
Timothy B. DeSieno (TD-4316)
399 Park Avenue
New York, NY 10022
(212) 705-7000

Counsel for Refco Plan Administrator and
the RCM Plan Administrator