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

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In re	:	Chapter 11
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MF GLOBAL HOLDINGS LTD., <i>et al.</i> ,	:	Case No. 11-15059 (MG)
	:	
Debtors.	:	(Jointly Administered)
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	:	
TODD THIELMANN, PIERRE-YVAN	:	
DESPAROIS, NATALIA SIVOVA,	:	
SANDY GLOVER-BOWLES,	:	
ARTON SINA, and SCOTT KISCH,	:	Adv. Pro. No. 11-02880 (MG)
Individually, and on behalf of All Other	:	
Similarly Situated Former Employees,	:	
	:	
Plaintiffs,	:	
	:	
v.	:	
	:	
MF GLOBAL HOLDINGS LTD.,	:	
et al.,	:	
	:	
Defendants.	:	
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DIRECT TESTIMONY OF THOMAS F. CONNOLLY

I, Thomas F. Connolly, under penalty of perjury, testify as follows:

1. I am president and CEO of Tully Newbridge and Company, a search and placement firm in Medfield, Massachusetts.
2. From January 2009 through November 2011, I was employed by MF Global Holdings Ltd. ("Holdings Ltd.") as Global Head of Human Resources for Holdings Ltd. and its affiliates throughout the world (collectively, "MF Global"). From November 2011 through September 2012, I was employed by James W. Giddens (the "SIPA Trustee") in his role as trustee for MF Global Inc. ("MFGI") in its Securities Investor Protection Act ("SIPA") liquidation.

I. Summary of Testimony

3. Before October 31, 2011, MF Global Holdings USA Inc. ("Holdings USA") provided human resources ("HR"), benefits, and payroll administrative services to Holdings Ltd. and its U.S. subsidiaries.

4. Among other things, Holdings USA assisted Holdings Ltd. and its U.S. subsidiaries in hiring new employees. Management and business people in MF Global's many businesses and support functions made the decision when and whether to hire a new employee, based on their own business considerations. My staff at Holdings USA provided administrative services in connection with new hires.

5. Holdings USA also acted as paymaster for Holdings Ltd. and its U.S. subsidiaries, issuing paychecks (or making direct deposits into employee bank accounts) and issuing W-2s from a single taxpayer I.D., on behalf of the entity employing each employee. Holdings Ltd. and its U.S. subsidiaries each funded payroll for its respective employees.

6. After Holdings Ltd. filed its chapter 11 petition and MFGI entered into its SIPA liquidation proceeding on October 31, 2011, I understood that the estates were managed and controlled separately. I understood that Holdings Ltd.'s management and board of directors,

assisted by legal counsel at Skadden Arps and financial advisors at FTI Consulting Inc. (“FTI”), managed and controlled Holdings Ltd.’s liquidation.¹ I understood that the SIPA Trustee managed and controlled MFGI’s liquidation.

7. In the weeks after October 31, 2011, my staff and I continued to provide HR services to the respective managements of Holdings Ltd. and MFGI, including administering their respective layoffs. In doing so, I had no control over the decision to conduct any layoffs at Holdings Ltd., Holdings USA, or MFGI. Nor did I have any control over the notices provided to MFGI employees in connection with those layoffs. I provided administrative services at the direction of the SIPA Trustee and Holdings Ltd.’s management.

II. MF Global’s Prepetition Operations and Structure

8. Until October 31, 2011, MF Global was one of the world’s leading brokers in markets for commodities and listed derivatives. MF Global comprised multiple, independent, affiliated legal entities. Holdings Ltd., the ultimate parent company of the affiliated MF Global legal entities, was a public company listed on the New York Stock Exchange under ticker symbol “MF.” It issued consolidated financial statements that covered its subsidiaries, including Holdings USA, MF Global Finance USA Inc. (“Finance USA”), and MFGI.

A. Holdings USA Provided HR, Payroll, and Benefits Administration Services for MF Global Ltd. and Its U.S. Subsidiaries.

9. During the time I worked as Global Head of HR for Holdings Ltd., Holdings USA was the service company for Holdings Ltd. and its U.S. subsidiaries, including Finance USA and MFGI, providing them with various administrative services. As the service company for Holdings Ltd. and its domestic subsidiaries, Holdings USA provided administrative services in

¹ This Court subsequently approved the appointment of a chapter 11 trustee for Holdings Ltd. After the chapter 11 trustee’s appointment, I understood that he controlled Holdings Ltd.’s management and liquidation.

connection with HR, payroll, and benefits, including recruiting and “onboarding” services for new employees.

10. With respect to Holdings USA’s payroll and benefits services for Holdings Ltd. and its U.S. subsidiaries, Holdings USA acted as paymaster for Holdings Ltd. and its U.S. subsidiaries, issuing paychecks or making direct deposits into employee bank accounts, and issuing W-2 forms under a single payroll tax I.D., for the employees of Holdings Ltd. and its U.S. subsidiaries. Holdings USA also sponsored various benefits plans and programs, including the 401(k), health, dental, vision, and long- and short-term disability insurance programs, for the employees of Holdings Ltd. and its U.S. subsidiaries. Although Holdings USA administered and made payments under these programs, Holdings Ltd. and its U.S. subsidiaries each were responsible for funding payroll and benefits for its own employees.

11. Management and business people at Holdings Ltd. and its U.S. subsidiaries each decided when to hire new employees based on budgetary, business, and staffing needs. When Holdings Ltd. or one of its U.S. subsidiaries determined to hire a new employee, Holdings USA generally administered the recruiting and hiring processes. The individual business people made all hiring decisions based on their own business needs and judgment. After the decision was made to offer employment to a candidate, Holdings USA, as HR administrator, issued offer letters to the prospective employee. After a prospective employee accepted an employment offer, Holdings USA also provided onboarding services, such as confirming references and required licenses, and administering background checks, and training and orientation.

12. Management and business people at Holdings Ltd. and its U.S. subsidiaries also decided when to terminate the employment of their respective employees. Holdings USA also provided administrative support with respect to any firings or layoffs at Holdings Ltd. or any of

its U.S. subsidiaries.

B. Employment Relationships Were Reflected in Oracle HRS—The HR System of Record for Holdings Ltd. and Its U.S. Subsidiaries.

13. Holdings Ltd. and its U.S. subsidiaries used a customized Oracle enterprise software system to maintain books and records for accounting, tax, HR, and other purposes. As HR administrator for Holdings Ltd. and its U.S. subsidiaries, Holdings USA maintained the company-wide HR system of record in the Oracle software, a system called “Oracle HRS.”

14. The various MF Global legal entities were listed in Oracle HRS by the numerical general ledger code assigned to each entity in MF Global’s books and records. Holdings USA was assigned general ledger code 210 in MF Global’s books and records, including in Oracle HRS. Holdings Ltd. was assigned general ledger code 220 in MF Global’s books and records, including in Oracle HRS. Finance USA was assigned general ledger code 215 in MF Global’s books and records, including in Oracle HRS. MFGI was assigned general ledger code 202 in MF Global’s books and records, including in Oracle HRS.

15. Oracle HRS reflected relevant HR information about employees, including office locations, title, reporting relationships, compensation information, and employer. HR professionals at Holdings USA were responsible for accurately maintaining those records, including entering information about new employees into the Oracle HRS system when they were hired. Thus, when new hires began work, as HR administrator, Holdings USA was responsible for ensuring that the Oracle HRS system accurately reflected each new employee’s proper employer.

16. Business realities determined employment relationships at MF Global. Different legal entities conducted different businesses and employed the people to perform work related to or supporting those businesses. Because certain MF Global entities engaged in regulated

businesses and many MF Global employees were themselves licensed by or registered with various regulators, or otherwise directly subject to regulatory requirements, regulatory requirements in many cases dictated which entities conducted certain business and, in turn, employed certain employees.

17. Employees who conducted activity in support of a regulated entity generally worked for that regulated entity, as well, even if their particular function wasn't regulated or did not require registration. Similarly, Holdings USA employed people to perform work in connection with the various services it provided for Holdings Ltd. and its U.S. subsidiaries. For example, Holdings USA employed HR professionals who performed HR work for multiple entities.

18. Thus, while HR professionals at Holdings USA were responsible for ensuring the Oracle HRS system accurately reflected each employee's employment relationships, Holdings USA did not "assign" those relationships. Rather, supervisors and business leaders within each legal entity recruited, hired, and employed individuals to conduct the entity's business, based on business needs. Because employment relationships had legal, regulatory, HR, financial, and business significance, it was important that the consolidated books and records accurately reflected those relationships.

19. As of October 31, 2011, MF Global's books and records, including Oracle HRS, reflected the fact that MFGI employed Todd Thielmann, Pierre-Yvan Desparois, Natalia Sivova, Sandy Glover-Bowles, and Arton Sina.² In addition, these five former employees were also

² See *infra* n. 5.

supervised by MFGI employees.³

20. As of October 31, 2011, MF Global's books and records reflected the fact that Holdings USA employed Scott Kisch.⁴ I was Mr. Kisch's direct supervisor.

III. MF Global Liquidation Proceedings and the Resulting Layoffs

21. On Monday, October 31, 2011, Holdings Ltd. filed a chapter 11 petition and MFGI entered a SIPA liquidation proceeding. As I recall, I first learned that morning that Holdings Ltd. would be filing for bankruptcy protection.

22. On or about November 1, 2011, I began having discussions with Holdings Ltd.'s management, Holdings Ltd.'s counsel at Skadden Arps, Holdings Ltd.'s financial advisors at FTI (including Sean Gumbs), and counsel for MFGI's SIPA Trustee at Hughes Hubbard about possible layoffs at Holdings Ltd., Holdings USA, and MFGI. Based on these discussions, I understood that Holdings Ltd., Holdings USA, and Finance USA (the "Debtor Defendants") would be liquidating under the control of Holdings Ltd.'s management and board of directors, while MFGI would be liquidating independently under the SIPA Trustee's control. I understood that it was my job to assist the respective management of each estate in the HR-related aspects of the liquidations, including communications with employees and layoffs.

23. Finance USA had no employees as of October 31, 2011.

A. The Debtor Defendants' Layoffs

24. I provided Sean Gumbs of FTI and the SIPA Trustee's independent advisor Dick

³ DX A (MFG_WARN_00001863-1888) is a true and correct copy of excerpts from MF Global organizational charts showing the direct reporting relationships for Todd Thielmann, Pierre-Yvan Desparois, Natalia Sivova, Sandy Glover-Bowles, and Arton Sina. This document reflects those plaintiffs' reporting relationships as recorded in Oracle HRS, which was maintained by HR professionals at MF Global in the ordinary course of business. Documents of this nature were routinely created from the Oracle HRS system when needed for business purposes. HR professionals at MF Global created this version from information in Oracle HRS in the normal course of MF Global's business at the request of MF Global management over the weekend before October 31, 2011.

⁴ See *infra* n. 5.

Siegel with a printout from Oracle HRS reflecting the HR system of record as of October 27, 2011. This document is commonly referred to as the “Oracle 10/27 List.”⁵

25. In the days after October 31, 2011, the Debtor Defendants and their financial advisor, FTI, began determining which of the Debtor Defendants’ employees should be laid off or retained to assist with the wind-down of operations, in an effort to preserve liquidity and critical resources and to pursue maximum recoveries for stakeholders in the bankruptcy process. At the same time, my staff began preparing for the administration of those layoffs, including drafting WARN Act notices in consultation with Skadden Arps and drafting template employee termination letters.⁶

26. After consulting with Holdings Ltd.’s management and with Skadden Arps, my staff issued WARN Act notices on behalf of Holdings USA to its employees, including Mr. Kisch. My staff also provided WARN Act notification to state regulators on behalf of Holdings USA.⁷

27. Holdings USA laid off the bulk of its employees over the first three weeks of November pursuant to layoff notices that my staff drafted in consultation with Skadden Arps. Holdings USA laid off Mr. Kisch on November 18, 2011. He was paid through November 30, 2011.

⁵ DX B (MFG_WARN_00000664–995) is a true and correct copy of the Oracle 10/27 List. This document was made on or around October 27, 2011 by HR professionals who had knowledge of the Oracle HRS system and the information it contained. Creation of printouts from the Oracle HRS system like the Oracle 10/27 List was a regular part of MF Global’s business, and they were kept in the ordinary course of MF Global’s business activities. DX C-G are true and correct copies of excerpts from the Oracle 10/27 List reflecting each plaintiffs’ employment relationships as of October 27, 2011.

⁶ DX H (MFG_WARN_00002116–2118) is a true and correct copy of an email exchange between me and several legal and HR professionals regarding WARN Act notices to be provided to Holdings USA employees. DX I (MFG_WARN_00003932–3961) is a true and correct copy of the WARN Act notifications Holdings USA sent to its employees and regulators.

⁷ Employees of MF Global Capital LLC, MF Global Market Services LLC, and MF Global FX Clear LLC also received the notices.

B. The SIPA Trustee's Layoffs

28. After October 31, 2011, my staff continued to provide HR administrative services to MFGI at the SIPA Trustee's request. During this time, the SIPA Trustee and his advisors maintained complete control over MFGI employees, including communications to them from Holdings USA HR professionals.

29. Around the time my staff drafted WARN Act notices for Holdings USA employees, I forwarded a draft WARN Act notice to the SIPA Trustee's counsel, Hughes Hubbard, suggesting that the SIPA Trustee provide similar notice to MFGI employees before conducting any layoffs. The SIPA Trustee chose not to do so. I had no control over this decision.

30. After reviewing the Oracle 10/27 List and consulting with his advisors, the SIPA Trustee determined which MFGI employees' services were necessary to assist with MFGI's liquidation. The SIPA Trustee decided to lay off the entire MFGI work force, including plaintiffs Thielmann, Desparois, Sivova, Glover-Bowles, and Sina, and to offer employment with the SIPA Trustee to those former MFGI employees whose services he had determined would be necessary to the liquidation. The SIPA Trustee's advisor, Mr. Siegel, took the lead role in determining which MFGI employees should be offered employment with the SIPA Trustee, but I understood that the decision ultimately rested with the SIPA Trustee.

31. Based on the layoff notice that Holdings USA used when it laid off its employees, I drafted a layoff notice that I proposed the SIPA Trustee use when he conducted layoffs of MFGI employees. The SIPA Trustee decided not to use the notice that I drafted and instead decided to use notice language his counsel at Hughes Hubbard had drafted. I offered comments on Hughes

Hubbard's proposed language, but those comments were rejected.⁸

32. On November 11, 2011, my staff and I administered layoffs of MFGI employees in New York and Chicago under the direction and supervision of the SIPA Trustee's counsel at Hughes Hubbard. In connection with those layoffs, my staff printed and distributed to MFGI employees the layoff notices the SIPA Trustee's counsel at Hughes Hubbard had drafted.

33. On November 11, 2011, I also conveyed offers of employment from the SIPA Trustee to those MFGI employees to whom the SIPA Trustee had decided to offer employment.⁹

I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 17, 2015
New York, New York

/s/ Thomas Connolly
Thomas Connolly

⁸ DX J (MFG_WARN_00004212-4214) and DX K (MFG_WARN 00004204-4206) are true and correct copies of emails discussing notice to be provided to MFGI employees.

⁹ DX L (MFG_WARN_00004315-4316) is a true and correct copy of an email from my assistant to an MFGI employee offering employment with the SIPA Trustee. DX M (MFG_WARN_00006160-6166) is a true and correct copy of emails from Hughes Hubbard attorneys forwarding employment offer letters to distribute on behalf of the SIPA Trustee.