

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

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IN RE CREDIT DEFAULT SWAPS	:
ANTITRUST LITIGATION	:
	: Master Docket No. 13 MD 2476(DLC)
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This Document Relates To: All Actions	:
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**OBJECTIONS OF THE ANCHORAGE FUNDS TO  
PROPOSED CLASS ACTION SETTLEMENT**

Pursuant to Federal Rule of Civil Procedure 23(e)(5), the Anchorage Funds<sup>1</sup> object to the Court’s approval of the settlement agreements for the reasons set forth herein.

**1. Class Plaintiffs Have Omitted Many Of The Anchorage Funds’ CDS Transactions From Its List Of Compensable Transactions**

According to the class website, Plaintiffs’ Counsel and their experts have worked with the Settlement Administrator<sup>2</sup> to identify and compile the Covered Transactions applicable to each Settlement Class Member, including the Anchorage Funds. The website also allows Settlement Class Members to review the list of Covered Transactions identified by Plaintiffs’ Counsel and the Settlement Administrator. These are the transactions upon which a Settlement Class Member’s recovery is based, and if a transaction is not deemed by the Settlement Administrator to be a Covered Transaction, a Class Member cannot recover for that transaction.

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<sup>1</sup> The Anchorage Funds are Anchorage MTR Offshore Master Fund, L.P., Anchorage Capital Master Offshore Ltd., Anchorage Crossover Credit Offshore Master Fund, Ltd., Anchorage Short Credit Offshore Master Fund, Ltd., Anchorage Quantitative Credit Offshore Master Fund, L.P., and Anchorage Short Credit Offshore Master Fund II, L.P.

The Anchorage Funds are Settlement Class Members. All but one of them have received notice from the Class Plaintiffs identifying them as Settlement Class Members, and the settlement class website lists certain CDS trades associated with the Anchorage Funds as Covered Transactions. *See* Declaration of Natalie A. Birrell (attached hereto).

<sup>2</sup> Capitalized terms have the meaning ascribed to them in the Class Notice, unless otherwise indicated.

According to the Class Notice, the Settlement Agreement allows Class Members to challenge the exclusion of transactions, but only after this Court has already approved the Class Action Settlements, and only after the deadline to opt out of the settlements has passed. Moreover, the Settlement Administrator's determination of which transactions are Covered Transactions, and which are not, is "final and non-appealable."

The settlement website fails to include many of the Anchorage Funds' transactions that should be included as Covered Transactions. Despite the Anchorage Funds' requests, neither the Settlement Administrator nor Class Counsel has provided assurance that the missing transactions will be included before claims are paid and that the Anchorage Funds will be compensated based on those transactions.

The Anchorage Funds request that they be allowed to opt out of the Settlement Agreement once the Settlement Administrator finally determines which of the Anchorage Funds' CDS transactions are included in the Covered Transactions. The Anchorage Funds contend that it is unreasonable for them to have to commit to remaining a part of settlement class when the current list of Covered Transactions does not include many of the Anchorage Funds' CDS transactions, and when the Anchorage Funds have no recourse from the Settlement Administrator's final determination as to Covered Transactions.

If the Anchorage Funds are not provided the ability to opt out of the settlement agreements after the Settlement Administrator makes its final determinations as to which transactions are Covered Transactions, then the settlement agreements are unfair, unreasonable, and inadequate.

## **2. The Allocations Under The Distribution Plan Are Unfair And Unreasonable**

The distribution plan unfairly awards disproportionate damages to Multi-Leg CDS Index Related Trades (as defined below).

- “Multi-Leg CDS Index Related Trades” are CDS Index Arbitrage Trades (as defined below), CDS Index Tranche Hedge Trades (as defined below), and CDS Index Option Hedge Trades (as defined below).
- “CDS Index Arbitrage Trades” are a series of related trades (or “legs”) where (1) one leg is a purchase or sale of a CDS contract, option or tranche relating to an index and (2) one or more leg is a purchase or sale of a CDS contract, option or tranche relating to specific issuers underlying the index.
- “CDS Index Tranche Hedge Trades” are a series of related trades where (1) one leg is a purchase or sale of a CDS contract relating to an index and (2) one or more leg is a purchase or sale of a **tranche** of such index.
- “CDS Index Tranche Option Trades” are a series of related trades where (1) one leg is a purchase or sale of a CDS contract relating to an index and (2) one or more leg is a purchase or sale of an **option** relating to such index.

Multi-Leg CDS Index Related Trades generally involve payment of the bid-ask spread on a single leg, or one side of the trade, or a significantly reduced bid-ask spread on both legs of the trade with the net effect being similar to paying the bid-ask spread on only one leg of the trade. The allocation methodology, however, awards full damages as though the full bid-ask spread had actually been paid on each leg of Multi-Leg CDS Index Related Trades. Therefore, class members that employed such trades were unfairly over-allocated settlement proceeds to the detriment of other class members.

In order to avoid “double-counting” of Multi-Leg CDS Index Related Trades and more fairly allocate settlement proceeds with respect to Multi-Leg CDS Index Related Trades, the plan for distribution of settlement funds relating to Multi-Leg CDS Index Related Trades could be simply adjusted as follows:

- CDS Index Arbitrage Trades – 50% Adjustment. Where a CDS contract, option or tranche relating to an index was traded the same day as a CDS contract, option or tranche relating to at least 75% of that index's underlying components, the Covered Notional amount of each leg of such trade (both the index leg and the underlying components legs) can be adjusted to 50% of the Covered Notional amounts currently proposed in the settlement.

- CDS Index Tranche Hedge Trades – 50% Adjustment. Where a CDS contract relating to an index was traded the same day as a tranche of such index, the Covered Notional amount of each leg of such trade (relating to both the index leg and the tranche leg) can be adjusted to 50% of the Covered Notional amounts currently proposed in the settlement.
- CDS Index Option Hedge Trades – 50% Adjustment. Where a CDS contract relating to an index was traded the same day as an option relating to such index, the Covered Notional amount of each leg of such trade (relating to both the index leg and the option leg) can be adjusted to 50% of the Covered Notional amounts currently proposed in the settlement.

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For the reasons stated above, the Anchorage Funds object to the Court's approval of the settlement agreements. The Anchorage Funds intend to appear at the April 15, 2016, Fairness Hearing to discuss their objections to the settlement agreements in further detail. The Anchorage Funds reserve their right to supplement this Objection prior to the Fairness Hearing.

Dated: February 29, 2016

/s/ William T. Reid, IV  
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**CERTIFICATE OF SERVICE**

I am a partner at Reid Collins & Tsai LLP. I certify that I caused a copy of the foregoing document to be sent via U.S. Mail to the following addresses, per the class notice:

Clerk of Court  
United States District Court for the Southern District of New York  
Daniel Patrick Moynihan United States Courthouse  
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New York, New York 10007-1312

Daniel L. Brockett  
Quinn Emanuel Urquhart & Sullivan, LLP  
51 Madison Avenue, 22nd Floor  
New York, New York 10010-1601

/s/ J. Benjamin King  
J. Benjamin King