

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,¹

Debtors.

Chapter 11

Case No. 22-11068 (JTD)

(Jointly Administered)

Objection Deadline: April 5, 2023 at 4:00 p.m. (ET)

Hearing Date: April 12, 2023 at 1:00 p.m. (ET)

**MOTION OF DEBTORS FOR ENTRY OF AN ORDER (A) AUTHORIZING
THE DEBTORS TO ENTER INTO SETTLEMENT AGREEMENT WITH MODULO
CAPITAL, INC., MODULO CAPITAL ALPHA FUND LP, XIAOYUN ZHANG, AND
DUNCAN RHEINGANS-YOO, (B) APPROVING THE SETTLEMENT AGREEMENT,
AND (C) GRANTING RELATED RELIEF**

FTX Trading Ltd. and its affiliated debtors and debtors-in-possession (collectively, the “Debtors”), including Alameda Ventures Ltd. (n/k/a Maclaurin Investments Ltd.), Alameda Research LLC, Alameda Research Ltd. and Alameda Research Investments Ltd. (n/k/a Goodman Investments Ltd.) (together, the “Alameda Debtors”), hereby submit this motion (the “Motion”) for entry of an order, substantially in the form attached hereto as Exhibit A (the “Order”), pursuant to section 105(a) of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”) and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) authorizing the Debtors to enter into that certain Settlement Agreement, attached as Exhibit 1 to the Order (the “Agreement”),² between and among (i) the Debtors, (ii) Modulo Capital, Inc. (“Modulo”), (iii) Modulo Capital Alpha Fund LP (“Modulo Fund” and, together with Modulo, the “Modulo Entities”), (iv) Xiaoyun “Lily” Zhang, and (v) Duncan

¹ The last four digits of FTX Trading Ltd.’s tax identification number are 3288. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/FTX>.

² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Agreement.

Rheingans-Yoo (collectively, the “Parties”). In support of the Motion, the Debtors respectfully state as follows:

Preliminary Statement

1. The Debtors have the opportunity to promptly recover approximately \$460 million in value for stakeholders—including more than \$404 million in cash—without needing to commence litigation following constructive negotiations with the Modulo Entities and their principals.

2. This settlement relates to the transfer of \$475 million by the Alameda Debtors, as directed by Samuel Bankman-Fried, to the Modulo Entities between May 2022 and the Petition Date for investments and to support the Modulo Entities’ operations. Modulo is an investment advisor to and general partner of the Modulo Fund. Ms. Zhang and Mr. Rheingans-Yoo are the principals of the Modulo Entities.

3. The Debtors’ entry into the Agreement is in the best interests of their estates, creditors and stakeholders, and should be swiftly consummated. The Agreement’s terms will provide the Debtors’ estates significant value representing 99% of the Modulo Entities’ remaining assets and 97% of the original transfers from the Alameda Debtors to the Modulo Entities (after considering expenses and trading losses).

4. Approval of the Agreement will resolve the Debtors’ Claims against the Modulo Entities and deliver this significant recovery while avoiding the expense and burden of litigation. The Agreement satisfies Bankruptcy Rule 9019 and should be approved.

Background

5. On November 11 and November 14, 2022 (as applicable, the “Petition Date”),³ the Debtors filed with the United States Bankruptcy Court for the District of Delaware

³ November 11, 2022, is the Petition Date for all Debtors, except for Debtor West Realm Shires Inc.

(the “Court”) voluntary petitions for relief under the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Joint administration of the Debtors’ cases (the “Chapter 11 Cases”) was authorized by the Court by entry of an order on November 22, 2022 [D.I. 128]. On December 15, 2022, the Office of the United States Trustee for the District of Delaware (the “U.S. Trustee”) appointed the Official Committee of Unsecured Creditors in the Debtors’ Chapter 11 Cases (the “Committee”) pursuant to section 1102 of the Bankruptcy Code [D.I. 231].

6. Additional factual background relating to the Debtors’ businesses and the commencement of these Chapter 11 Cases is set forth in the *Declaration of John J. Ray III in Support of Chapter 11 Petitions and First Day Pleadings* [D.I. 24], the *Declaration of Edgar W. Mosley II in Support of Chapter 11 Petitions and First Day Pleadings* [D.I. 57], the *Supplemental Declaration of John J. Ray III in Support of First Day Pleadings* [D.I. 92] and the *Supplemental Declaration of Edgar W. Mosley II in Support of First Day Pleadings* [D.I. 93].

Jurisdiction

7. The Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated February 29, 2012. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in the Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019. Pursuant to Local Rule of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”) 9013-1(f), the Debtors consent to the entry of a final order or judgment by the Court in connection with this Motion to the extent it is later determined that the Court, absent consent of

the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

Relief Requested

8. By this Motion, the Debtors request entry of the Order, substantially in the form attached hereto as Exhibit A, (a) authorizing the Debtors to enter into the Agreement, (b) approving the Agreement, and (c) granting certain related relief.

Facts Specific to the Relief Requested

9. On February 2, 2022, Debtor Alameda Ventures Ltd. (n/k/a Maclaurin Investments Ltd.), Ms. Zhang, and Mr. Rheingans-Yoo executed a non-binding term sheet whereby Alameda Ventures Ltd. or its affiliates would invest \$25 million in one or more general partnership entities to be formed and managed by Ms. Zhang and Mr. Rheingans-Yoo.

10. Modulo is an international business company organized under the laws of The Bahamas. Alameda Research Ltd. transferred \$25 million to Modulo on May 19, 2022, as contemplated by the term sheet (the "GP Transfer").

11. Debtor Alameda Research Investments Ltd. (n/k/a Goodman Investments Ltd.) and Modulo entered into a shareholders agreement dated June 16, 2022 (the "Shareholders Agreement"), whereby Alameda Research Investments Ltd. would hold 20% of Modulo's non-voting Class A shares.

12. On June 16, 2022, Modulo and Alameda Research Ltd. also executed a limited partnership agreement governing the Modulo Fund (the "Limited Partnership Agreement"). The Modulo Fund is a limited partnership organized under the laws of the Cayman Islands. Pursuant to the Limited Partnership Agreement, Modulo became the general partner of the Modulo Fund, and Alameda Research Ltd. became a limited partner of the Modulo Fund.

13. Following the execution of the Limited Partnership Agreement, Alameda Research Ltd. and certain other Alameda Debtors made several transfers to the Modulo Fund, totaling \$450 million (the “LP Transfers” and together with the GP Transfer, the “Alameda Transfers”).

14. As a result, Debtor Alameda Research Investments Ltd. owns 20% of the Class A shares of Modulo, and Debtor Alameda Research Ltd. is a limited partner of the Modulo Fund.

15. The Debtors, including without limitation each of the Alameda Debtors, believe they have meritorious claims to avoid and recover the Alameda Transfers, and related claims arising out of the Alameda Transfers (the “Claims”).

16. The Modulo Entities, Ms. Zhang, and Mr. Rheingans-Yoo dispute and have raised certain defenses to the Claims.

17. The Parties have engaged in good faith, arm’s-length negotiations to resolve the Claims. Through those negotiations, the Modulo Entities, Ms. Zhang, and Mr. Rheingans-Yoo have cooperated with the Debtors and worked in good faith to expeditiously reach a consensual resolution. As a result of those negotiations, the Parties have agreed to enter into the Agreement.

18. The key terms of the Agreement provide, among other things, that on the Settlement Effective Date:⁴

- Modulo Fund shall transfer to the Debtors all assets in its possession, custody, or control relating to the LP Transfers, which the Modulo Entities, Ms. Zhang, and Mr. Rheingans-Yoo represent and warrant consist of approximately \$394,000,000 in a bank account;

⁴ Any summary of the Agreement contained herein is qualified in its entirety by the actual terms and conditions of the Agreement. To the extent that there is any conflict between any summary contained herein and the actual terms and conditions of the Agreement, the actual terms and conditions of the Agreement shall control.

- Modulo shall transfer \$10,200,000 to the Debtors, representing funds from the GP Transfer;
- The Modulo Entities, Ms. Zhang, and Mr. Rheingans-Yoo release and disclaim any and all interests in and claims related to all assets held in accounts on the FTX.com or FTX US exchanges (the “Modulo Exchange Accounts”), which the Parties agree consist of approximately \$56,000,000 as of the Debtors’ Petition Date;
- The Modulo Entities, Ms. Zhang and Mr. Rheingans-Yoo release and disclaim any and all interests in and claims related to all assets in a brokerage account, which as of December 31, 2022 held approximately \$79,000, and agree to cooperate with the Debtors to facilitate the transfer of those assets to the Debtors.
- The Debtors waive, release, and disclaim any interest in and claims related to shares of Modulo, or any associated shareholder or ownership rights, they may have under the Shareholders Agreement.
- The Modulo Entities, Ms. Zhang, and Mr. Rheingans-Yoo release any claims against the Debtors arising out of or relating to the Alameda Transfers, including, without limitation, with respect to the Modulo Exchange Accounts; and
- The Debtors release any claims against the Modulo Entities, Ms. Zhang, and Mr. Rheingans-Yoo solely with respect to the Claims.

Basis for Relief

I. The Settlement Agreement Satisfies Bankruptcy Rule 9019 Because it is Fair, Reasonable and in the Debtors’ Best Interests.

19. Resolution of the Claims against the Modulo Entities through the settlement embodied in the Agreement is in the best interests of the Debtors and their estates because it will promptly return *nearly all* of the assets transferred to the Modulo Entities while avoiding the time, delay, and significant expense of litigation. The Agreement will provide the Debtors’ estates with more than \$404 million in cash plus the release of \$56 million in claims against the Debtors’ exchanges, which constitutes 99% of the Modulo Entities’ remaining assets. This level of recovery may not be achieved even if the Debtors prevail in litigation because of

the associated legal costs that would be incurred in obtaining a favorable final judgment. Settlement on these terms is plainly a reasonable exercise of the Debtors' business judgment satisfying Bankruptcy Rule 9019.

20. Section 105(a) provides, in pertinent part, that the “[c]ourt may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions” of the Bankruptcy Code. 11 U.S.C. § 105(a). Bankruptcy Rule 9019(a) provides, in relevant part, that “[o]n motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement.” Fed. R. Bankr. P. 9019(a). Compromises and settlements are “a normal part of the process of reorganization.” *Protective Comm. for Indep. Stockholders of TMT Trailer Ferry, Inc. v. Anderson*, 390 U.S. 414, 424 (1968) (*TMT Trailer Ferry*) (quoting *Case v. L.A. Lumber Prods. Co.*, 308 U.S. 106, 130 (1939)). The compromise or settlement of time-consuming and burdensome litigation, especially in the bankruptcy context, is encouraged and “generally favored in bankruptcy.” *In re World Health Alternatives, Inc.*, 344 B.R. 291, 296 (Bankr. D. Del. 2006).

21. “[T]he decision whether to approve a compromise under [Bankruptcy] Rule 9019 is committed to the sound discretion of the Court, which must determine if the compromise is fair, reasonable, and in the interest of the estate.” *In re Louise’s, Inc.*, 211 B.R. 798, 801 (D. Del. 1997). Courts should not, however, substitute their judgment for that of the debtor, but instead should canvas the issues to see whether the compromise falls below the lowest point in the range of reasonableness. *See In re Neshaminy Office Bldg. Assocs.*, 62 B.R. 798, 803 (E.D. Pa. 1986); *In re W.T. Grant and Co.*, 699 F.2d 599, 608 (2d Cir. 1983); *see also In re World Health*, 344 B.R. at 296 (“[T]he court does not have to be convinced that the settlement is the best possible compromise. Rather, the court must conclude that the settlement is ‘within the reasonable range of litigation possibilities.’”) (internal citations omitted)). Taken

together, section 105(a) and Bankruptcy Rule 9019(a) grant a bankruptcy court the power to approve a proposed compromise and settlement when it is in the best interests of the debtor's estate and its creditors. See *In re Marvel Entm't Grp., Inc.*, 222 B.R. 243, 249 (D. Del. 1998); *In re Louise's, Inc.*, 211 B.R. 798, 801 (D. Del. 1997).

22. The Third Circuit Court of Appeals has enumerated four factors that should be considered in determining whether a compromise should be approved: “(1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (4) the paramount interest of the creditors.” *In re Martin*, 91 F.3d 389, 393 (3d Cir. 1996); accord *In re Nutraquest, Inc.*, 434 F.3d 639, 644 (3d Cir. 2006) (finding that the *Martin* factors are useful when analyzing a settlement of a claim against the debtor as well as a claim belonging to the debtor); see also *TMT Trailer Ferry*, 390 U.S. at 424; *In re Marvel Entm't Group, Inc.*, 222 B.R. 243 (D. Del. 1998) (proposed settlement held in best interest of the estate); *In re Mavrode*, 205 B.R. 716, 721 (Bankr. D.N.J. 1997). The standard boils down to whether the terms of the proposed compromise fall “within a reasonable range of litigation possibilities.” *In re Penn Cent.*, 596 F.2d at 1114 (citations omitted); see *In re Pa. Truck Lines, Inc.*, 150 B.R. 595, 598 (E.D. Pa. 1992) (same).

23. The terms of the Agreement provide for the return of nearly all of the value transferred by the Alameda Debtors to the Modulo Entities while avoiding the time and expense of pursuing the Claims through litigation. Accordingly, the compromises set forth in the Agreement are, in the aggregate, fair and equitable, fall well within the range of reasonableness, and satisfy each applicable *Martin* factor.

A. The Probability of Success in Litigation and Subsequent Collection.

24. The Debtors maintain that they have meritorious claims to avoid and recover the Alameda Transfers, including as fraudulent transfers and/or preferential transfers. However, the Debtors would need to spend significant time and resources proving and obtaining a favorable judgment on the Claims. The Modulo Entities likewise would expend significant resources on litigation that would deplete the assets available for recovery by the Debtors. The Modulo Entities have no source of capital to satisfy any judgment other than the assets provided to them through the Alameda Transfers. Thus, while the Debtors know the Settlement Assets can be transferred to them now, it is not clear whether a judgment would be collectible in full at a later date. As a result, the Debtors' recovery from litigation of the Claims may not exceed the value to be realized for the Debtors' estates through the Agreement even if they pursued litigation and prevailed on every issue.

25. Of course, the Modulo Entities also would have defenses to the Claims. Among other arguments, the Modulo Entities may contest the Debtors' assertions with respect to the nature and purpose of the transfers to Modulo, as well as whether the Alameda Debtors received reasonably equivalent value in return.

26. Given the attendant risks of litigation, the potential diminishment of assets available in the future, and the overwhelmingly favorable terms of the settlement, the Debtors submit that the proposed Agreement is in the best interests of the Debtors' estates.

B. The Complexity of the Litigation and the Attendant Expense, Inconvenience, and Delay Are Unwarranted.

27. Litigation pertaining to the Debtors' Claims would be complex, expensive, and time-consuming. Pursuit of the Claims would require litigating the sufficiency of evidence for various theories of recovery for multiple transfers during 2022, including the circumstances of each transfer and the intent of Mr. Bankman-Fried in connection with these transfers. Mr.

Bankman-Fried and other former executives of the Alameda Debtors are unlikely to be available to testify on issues relating to the Claims in the near term due to ongoing criminal proceedings, which further complicates the litigation and timing of resolution.

28. The Alameda Debtors' Claims also involve a series of complex contractual agreements between the Debtors and the Modulo Entities that are likely to spawn extensive discovery requests among the Parties. All of that discovery and attendant litigation expense and delay are avoided through the Agreement. Approval of the Agreement both maximizes the Debtors' recovery on the Claims and permits the Debtors to focus their resources on pursuing other sources of recovery for stakeholders.

C. The Paramount Interests of Creditors are Served.

29. The Agreement is in the best interests of the Debtors' creditors because it promptly brings approximately \$460 million into the Debtors' estates without time-consuming and costly litigation. This settlement—including approximately \$404 million in cash—returns more than 97% of the Alameda Transfers and 99% of the assets currently held by Modulo.

30. The Debtors have discussed the Agreement and its terms with the Committee, which has evaluated the Agreement and supports its approval.

31. Therefore, in the Debtors' business judgment, the value of entering into the Agreement exceeds the net benefits that the Debtors and their estates potentially could obtain by pursuing litigation of the Claims. Based on the foregoing, the Debtors submit that the Agreement satisfies the *Martin* factors and Bankruptcy Rule 9019 because it is fair, reasonable, and in the best interests of the Debtors, their estates, and their stakeholders. As a result, the Debtors respectfully request that the Court authorize the Debtors to enter into the Agreement and approve its terms.

Waiver of Bankruptcy Rule 6004(h)

32. Given the nature of the relief requested herein, the Debtors respectfully request a waiver of the 14-day stay under Bankruptcy Rule 6004(h) to the extent such stay applies. Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until expiration of 14 days after entry of the order, unless the court orders otherwise.” For the reasons described above, ample cause exists to justify a waiver of the stay period to the extent applicable.

Reservation of Rights

33. Nothing in this Motion: (a) is intended or shall be deemed to constitute an assumption of any agreement pursuant to section 365 of the Bankruptcy Code or an admission as to the validity of any claim against the Debtors or their estates; (b) shall impair, prejudice, waive, or otherwise affect the rights of the Debtors or their estates to contest the validity, priority, or amount of any claim against the Debtors or their estates; or (c) shall otherwise impair, prejudice, waive, or otherwise affect the rights of the Debtors or their estates with respect to any and all claims or causes of action against any third party.

Notice

34. Notice of this Motion has been provided to: (a) the U.S. Trustee; (b) counsel to the Committee; (c) the Securities and Exchange Commission; (d) the Internal Revenue Service; (e) the United States Department of Justice; (f) the United States Attorney for the District of Delaware; (g) counsel to the Modulo Entities, Ms. Zhang and Mr. Rheingans-Yoo; and (h) to the extent not listed herein, those parties requesting notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be provided.

Conclusion

WHEREFORE, for the reasons set forth herein, the Debtors respectfully request that the Court (a) enter the Order, substantially in the form attached hereto as Exhibit A, and (b) grant such other and further relief as is just and proper.

Dated: March 22, 2023
Wilmington, Delaware

LANDIS RATH & COBB LLP

/s/ Kimberly A. Brown

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*Counsel for the Debtors
and Debtors-in-Possession*

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,¹

Debtors.

Chapter 11

Case No. 22-11068 (JTD)

(Jointly Administered)

Hearing Date: April 12, 2023 at 1:00 p.m. (ET)

Objection Deadline: April 5, 2023 at 4:00 p.m. (ET)

NOTICE OF MOTION

TO: (a) the U.S. Trustee; (b) counsel to the Committee; (c) the Securities and Exchange Commission; (d) the Internal Revenue Service; (e) the United States Department of Justice; (f) the United States Attorney for the District of Delaware; (g) counsel to the Modulo Entities, Ms. Zhang and Mr. Rheingans-Yoo; and (h) to the extent not listed herein, those parties requesting notice pursuant to Bankruptcy Rule 2002.

On March 22, 2023, the above-captioned debtors and debtors-in-possession (the “Debtors”) filed the *Motion of Debtors for Entry of an Order (A) Authorizing the Debtors to Enter into Settlement Agreement with Modulo Capital, Inc., Modulo Capital Alpha Fund LP, Xiaoyun Zhang, And Duncan Rheingans-Yoo, (B) Approving the Settlement Agreement, and (C) Granting Related Relief* (the “Motion”).

Objections, if any, to the relief requested in the Motion must be filed with the United States Bankruptcy Court, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, on or before **April 5, 2023 at 4:00 p.m. (ET)**.

At the same time, you must also serve a copy of the objection upon the undersigned counsel so as to be **received no later than 4:00 p.m. (ET) on April 5, 2023**.

A HEARING ON THE MOTION WILL BE HELD ON **APRIL 12, 2023 AT 1:00 P.M. (ET)** BEFORE THE HONORABLE JOHN T. DORSEY, UNITED STATES BANKRUPTCY COURT JUDGE, IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 NORTH MARKET STREET, 5th FLOOR, COURTROOM NO. 5, WILMINGTON, DELAWARE 19801.

IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

¹ The last four digits of FTX Trading Ltd.’s and Alameda Research LLC’s tax identification number are 3288 and 4063 respectively. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/FTX>.

Dated: March 22, 2023
Wilmington, Delaware

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Counsel for the Debtors and Debtors-in-Possession

EXHIBIT A

Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,¹

Debtors.

Chapter 11

Case No. 22-11068 (JTD)

(Jointly Administered)

Ref No. __

ORDER (A) AUTHORIZING THE DEBTORS TO ENTER INTO SETTLEMENT AGREEMENT WITH MODULO CAPITAL, INC., MODULO CAPITAL ALPHA FUND LP, XIAOYUN ZHANG, AND DUNCAN RHEINGANS-YOO; (B) APPROVING THE SETTLEMENT AGREEMENT; AND (C) GRANTING RELATED RELIEF

Upon the motion (the “Motion”)² of FTX Trading Ltd. and its affiliated debtors and debtors-in-possession (collectively, the “Debtors”), for entry of an order (this “Order”)

(a) authorizing the Debtors to enter into the Agreement, which is attached hereto as Exhibit 1,

(b) approving the Agreement, and (c) granting certain related relief; and this Court having jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated February 29, 2012; and this Court being able to issue a final order consistent with Article III of the United States Constitution; and venue of these Chapter 11 Cases and the Motion in this district being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this matter being a core proceeding pursuant to 28 U.S.C. § 157(b); and this Court having found that proper and adequate notice of the Motion and the relief requested therein has been provided in accordance with the Bankruptcy Rules and the Local Rules, and that, except as otherwise ordered herein, no other or

¹ The last four digits of FTX Trading Ltd.’s and Alameda Research LLC’s tax identification number are 3288 and 4063 respectively. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors’ claims and noticing agent at <https://cases.ra.kroll.com/FTX>.

² Capitalized terms not otherwise defined herein are to be given the meanings ascribed to them in the Motion.

further notice is necessary; and objections (if any) to the Motion having been withdrawn, resolved or overruled on the merits; and this Court having found and determined that the relief set forth in this Order is in the best interests of the Debtors and their estates; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED as set forth herein.
2. The Debtors are authorized to enter into the Agreement.
3. The terms of the Agreement are approved in their entirety.
4. The failure to specifically include or reference any particular term or provision of the Agreement in this Order shall not diminish or impair the effectiveness of such term or provision.
5. The Debtors are authorized and empowered to execute and deliver such documents, and to take and perform all actions necessary to implement and effectuate the relief granted in this Order.
6. The Modulo Entities shall have no liability to any party for transferring the Settlement Assets to the Debtors in accordance with the terms of this Order and the Agreement.
7. The requirements set forth in Bankruptcy Rule 6004(a) are waived.
8. This Order is immediately effective and enforceable, notwithstanding the possible applicability of Bankruptcy Rule 6004(h) or otherwise.

9. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Motion or the implementation of this Order.

Dated: _____
Wilmington, Delaware

The Honorable John T. Dorsey
United States Bankruptcy Judge

Exhibit 1

Settlement Agreement

SETTLEMENT AGREEMENT

This Settlement Agreement (the “Agreement”) is made and entered into as of March 17, 2023 (the “Settlement Date”), by and among (a) Modulo Capital, Inc., an international business company organized under the laws of the Bahamas (“Modulo”); (b) Modulo Capital Alpha Fund LP, a limited partnership organized under the laws of the Cayman Islands (“Modulo Fund” and, together with Modulo, the “Modulo Entities”); (c) Xiaoyun “Lily” Zhang (“Zhang”); (d) Duncan Rheingans-Yoo (“Rheingans-Yoo”); and (e) FTX Trading Ltd. and its affiliated debtors and debtors-in-possession in the chapter 11 cases being jointly administered under the caption *In re FTX Trading Ltd.*, Case No. 22-11068 (JTD) (Bankr. D. Del.) (collectively, the “FTX Debtors”), including but not limited to Alameda Ventures Ltd. (n/k/a Maclaurin Investments Ltd.), Alameda Research LLC, Alameda Research Ltd. and Alameda Research Investments Ltd. (n/k/a Goodman Investments Ltd.) (together, the “Alameda Debtors”).¹ Modulo, Modulo Fund, Zhang, Rheingans-Yoo and the FTX Debtors are each referred to herein as a “Party” and are collectively referred to herein as the “Parties.”

RECITALS

WHEREAS, Alameda Ventures Ltd. and the principals of Modulo, Zhang and Rheingans-Yoo, executed a non-binding term sheet on February 2, 2022, whereby Alameda Ventures Ltd. or its affiliates would invest \$25 million in one or more general partnership entities to be formed and managed by Zhang and Rheingans-Yoo;

WHEREAS, Alameda Research Ltd. transferred \$25 million to Modulo on May 19, 2022 as contemplated by the term sheet (the “GP Transfer”);

WHEREAS, Alameda Research Investments Ltd. and Modulo entered into a shareholders agreement dated June 16, 2022 (the “Shareholders Agreement”), whereby Alameda Research Investments Ltd. would hold 20% of Modulo’s non-voting Class A shares;

WHEREAS, Modulo and Alameda Research Ltd. executed a limited partnership agreement governing the Modulo Fund on June 16, 2022 (the “Limited Partnership Agreement”);

WHEREAS, following the execution of the Limited Partnership Agreement, certain of the Alameda Debtors transferred \$450,000,000 to the Modulo Fund (the “LP Transfers” and together with the GP Transfer, the “Alameda Transfers”);

WHEREAS, on November 11 and 14, 2022,² the FTX Debtors, including, without limitation, the Alameda Debtors, filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), which cases are being jointly administered in the case captioned *In re FTX Trading Ltd.*, Case No. 22-11068 (JTD) (Bankr. D. Del.);

¹ A complete list of the FTX Debtors is available at <https://restructuring.ra.kroll.com/FTX/Home-Index>.

² The petition date applicable to the FTX Debtors (the “Petition Date”) is November 11, 2022 except for West Realm Shires, Inc.

WHEREAS, the FTX Debtors, including, without limitation, the Alameda Debtors, believe they have meritorious claims to avoid and recover the Alameda Transfers, and related claims arising out of the Alameda Transfers (the “Claims”);

WHEREAS, the Modulo Entities, Zhang and Rheingans-Yoo dispute the Claims;

WHEREAS, the Modulo Entities, Zhang and Rheingans-Yoo have undertaken substantial, good-faith efforts to preserve and secure funds and assets related to the Alameda Transfers, which liabilities include two small unvested equity short positions that the Modulo Entities, Zhang and Rheingans-Yoo have been informed cannot currently be liquidated (the “Modulo Short Position”);

WHEREAS, the Parties have been engaged in good faith, arm’s-length negotiations about resolving the Claims and repayment of the Alameda Transfers;

WHEREAS, in order to avoid the expense, burden and inconvenience of litigation, the Parties desire and intend to effect a final settlement and resolution of the Claims; and

WHEREAS, the FTX Debtors, in the exercise of their business judgment, have concluded that final settlement and resolution of the Claims by the terms of this Agreement is in the best interest of the FTX Debtors, their creditors and other stakeholders.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, all Parties, intending to be legally bound, agree as follows:

1. Recitals Incorporated. The recitals and paragraphs set forth above are hereby incorporated in full and made a part of this Agreement.

2. Bankruptcy Court Approval Required. This Agreement among the Parties is subject in all respects to the approval of the Bankruptcy Court evidenced by entry of a written order in a form agreeable to the Parties (an “Approval Order”). The FTX Debtors shall file a motion seeking entry of the Approval Order following execution of this Agreement by all Parties. In the event that the Bankruptcy Court declines to approve this Agreement, or the Approval Order does not become final and non-appealable, this Agreement shall become null and void and of no further force and effect.

3. Settlement Effective Date. The terms of this Agreement shall become effective upon the Approval Order becoming final and non-appealable (the “Settlement Effective Date”), except for paragraph 9 which shall become effective as of the Settlement Date.

4. Modulo Entities Asset Transfers to the FTX Debtors. Within five (5) business days of the Settlement Effective Date, the Modulo Entities shall cause the following assets to be transferred for the benefit of the FTX Debtors (the “Settlement Assets”), as follows:

- (a) Modulo Fund shall transfer all assets in its possession, custody or control relating to the LP Transfers, which the Modulo Entities, Zhang and Rheingans-Yoo represent and warrant consist of approximately \$394,000,000 held in the prime brokerage account family ZS9 at JPMorgan Chase Bank, NA, pursuant to the written instructions of the FTX Debtors, less \$15,000 to account for the Modulo Short Position; and
- (b) Modulo shall transfer \$10,200,000, representing funds from the GP Transfer, pursuant to the written instructions of the FTX Debtors.

5. Other Agreements. As of the Settlement Effective Date:

- (a) The Modulo Entities, Zhang and Rheingans-Yoo release and disclaim any and all interests in and claims related to any assets held in accounts on the FTX.com or FTX US exchanges (the “Modulo Exchange Accounts”), which the Parties agree consist of approximately \$56,000,000 as of the FTX Debtors’ Petition Date; and
- (b) The Modulo Entities, Zhang and Rheingans-Yoo release and disclaim any and all interests in and claims related to all assets in the account ending in 5742 held at Interactive Brokers LLC, which as of December 31, 2022 held approximately \$79,000, and agree to cooperate with the FTX Debtors to facilitate the transfer of those assets pursuant to the written instructions of the FTX Debtors.
- (c) The FTX Debtors waive, release, and disclaim any rights they have pursuant to paragraph 7.1 of the Shareholders Agreement to invest in certain new business ventures founded by Zhang or Rheingans-Yoo (the “Investment Rights”).
- (d) The FTX Debtors waive, release, and disclaim any interest in and claims related to shares of Modulo, or any associated shareholder or ownership rights, they may have under the Shareholders Agreement.
- (e) The FTX Debtors waive, release, and disclaim any rights they have under the Shareholders Agreement and Limited Partnership Agreement to ownership of any intellectual property, data or other confidential or proprietary information developed solely, or otherwise owned or controlled, by the Modulo Entities, Zhang or Rheingans-Yoo (the “Modulo IP”). This waiver, release, and disclaimer does not extend to intellectual property, if any, developed in whole or in part using any intellectual property, data or other confidential or proprietary information owned or controlled by any FTX Debtor (collectively, “FTX IP”).

- (f) The Modulo Entities, Zhang and Rheingans-Yoo represent and warrant that they have not accessed, used or otherwise exploited, and agree not to access, use or otherwise exploit, any FTX IP. Subject to and consistent with their legal obligations, the Modulo Entities, Zhang, and Rheingans-Yoo shall promptly destroy or remove any tangible embodiments of any FTX IP in their possession or control.
- (g) The FTX Debtors represent and warrant that they have not accessed, used or otherwise exploited, and agree not to access, use or otherwise exploit, any Modulo IP. The FTX Debtors shall promptly destroy or remove any tangible embodiments of any Modulo IP in their possession or control.

6. Release of Claims by the Modulo Entities, Zhang and Rheingans-Yoo. Upon the FTX Debtors' receipt of the Settlement Assets, each of the Modulo Entities, Zhang and Rheingans-Yoo shall be deemed to have waived, discharged, settled, compromised and released any and all claims, causes of actions, liens, rights and remedies they have, had or may have against the FTX Debtors and their estates, subsidiaries and affiliates (and successors and assigns of any of the foregoing) arising out of or relating to the Alameda Transfers, including, without limitation, with respect to the Modulo Exchange Accounts and the Investment Rights, whether known or unknown, liquidated or unliquidated, contingent or non-contingent; provided, however, that the foregoing shall not release any obligations under or claim for breach of this Agreement.

7. Release of Claims by the FTX Debtors. Upon the FTX Debtors' receipt of the Settlement Assets, the FTX Debtors and their estates, shall be deemed to have waived, discharged, settled, compromised and released any and all claims, causes of action, liens, rights and remedies arising before the Settlement Effective Date, whether known or unknown, liquidated or unliquidated, contingent or non-contingent, that they have, had, or may have against the Modulo Entities, Zhang and Rheingans-Yoo solely with respect to the Claims, including, without limitation, any and all claims, causes of action, rights and remedies with respect to the Alameda Transfers, Modulo Exchange Accounts, Investment Rights, Shareholders Agreement or Limited Partnership Agreement, and legal, operational and logistical support and services provided to Modulo, Zhang and Rheingans-Yoo relating to the Claims; provided, however, that the foregoing shall not release any obligations under or claim for breach of this Agreement.

8. California Civil Code § 1542. Without suggesting that California law is applicable, the Parties each expressly waive and relinquish any and all provisions, rights and benefits conferred by California Civil Code § 1542 or any similar law of any state or territory of the United States or any principle of common law that is similar, comparable or equivalent to California Civil Code § 1542 with respect to rights, claims, and interests released pursuant to this Agreement.

9. Cooperation. The Parties shall act consistent with the terms of this Agreement at all times between the Settlement Date and the Settlement Effective Date, and shall have an ongoing obligation to cooperate with each other in effectuating the various transfers, payments and other matters contemplated by this Agreement. The Parties shall execute and deliver such

further instruments, documents or papers and perform all acts necessary or proper to carry out and effectuate the terms of this Agreement.

10. Warranty of Non-Assignment. Each Party represents and warrants that it has not assigned or otherwise transferred all or any part of their claims, demands, costs, expenses, liabilities, damages, actions or causes of action against any other Party covered by the releases set forth in paragraphs 4, 5, 6 and 7 above.

11. Binding Effect. Each Party represents and warrants that this Agreement is given in good faith and acknowledge that execution of this Agreement is not the product or result of any duress, economic or otherwise. Each individual signing this Agreement on behalf of a Party or Parties has the power and authority to enter into this Agreement on behalf of the Party or Parties on whose behalf he or she has signed, and to sign the Agreement. This Agreement shall be binding upon the Parties hereto and their successors and assigns.

12. Entire Agreement. This Agreement constitutes the entire agreement among the Parties, and may not be changed, modified or altered in any manner, except in writing, signed by each Party.

13. Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Any signature delivered by a Party electronically shall be deemed an original signature hereto.

14. Assignment. This Agreement is not assignable by any Party in whole or in part, and any attempted or purported assignment of any right or obligation under this Agreement shall be null and void *ab initio*.

15. Interpretation and Rules of Construction. This Agreement is the product of arm's-length negotiations among the Parties and in the enforcement or interpretation hereof, is to be interpreted in a neutral manner, and any presumption with regard to interpretation for or against any Party by reason of that Party having drafted or caused to be drafted this Agreement, or any portion hereof, shall not be effective in regard to the interpretation hereof. The Parties were each represented by counsel during the negotiations and drafting of this Agreement and continue to be represented by counsel. All references to dollars or "\$" in this Agreement refer to United States dollars. In addition, this Agreement shall be interpreted in accordance with section 102 of the Bankruptcy Code.

16. No Admission of Liability. Neither this Agreement nor the fact of its execution shall constitute an admission or acknowledgement of liability or wrongdoing by any Party.

17. Jurisdiction/Choice of Law. The Bankruptcy Court shall retain, and each of the Parties irrevocably consents to, jurisdiction with respect to all matters arising from or related to this Agreement, including, without limitation, for purposes of enforcing the terms and conditions of this Agreement. This Agreement shall be governed by the laws of the State of Delaware.

18. No Waiver. No failure or delay by either Party in exercising any right, power, or privilege under this Agreement or applicable law shall operate as a waiver by that Party of any such right, power, or privilege.

19. Severability. If, after the Settlement Effective Date, any term, clause, or provision of this Agreement is invalidated or unenforceable by operation of law or otherwise, the Parties shall negotiate in good faith a replacement, but legally valid, term, clause, or provision that best meets the intent of the Parties. The remaining provisions of this Agreement will remain in full force and effect.

20. Costs. Each Party to this Agreement shall bear its own attorneys' fees and costs incurred in connection with this Agreement and completion of the transfers contemplated herein.

21. Notices. For purposes of this Agreement, any notice to the Parties shall be in writing and delivered via email and overnight courier as follows:

if to the Modulo Entities, Zhang, or Rheingans-Yoo, to:

Lily Zhang and Duncan Rheingans-Yoo
Zuckerman Spaeder LLP c/o Almas Abdulla
1800 M Street NW, Suite 1000
Washington, D.C. 20036
E-mail: lily@modulocapital.com; duncan@modulocapital.com;
aabdulla@zuckerman.com

with copies to:

Zuckerman Spaeder LLP
1800 M Street NW, Suite 1000
Washington, D.C. 20036
Attn: Aitan Goelman and Andrew N. Goldfarb
E-mail: agoelman@zuckerman.com; agoldfarb@zuckerman.com

if to the FTX Debtors, to:

John J. Ray III
125 Broad Street
FTX Mail Room, 32nd Floor
New York, New York 10004
E-mail: jray@greylockpartnersllc.com

with copies to:


Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Attn: Brian D. Glueckstein and Jacob M. Croke

E-mail: gluecksteinb@sullcrom.com; crokej@sullcrom.com

IN WITNESS THEREOF, the Parties have executed this Agreement as of the date set forth below.

Dated: March 17, 2023
New York, New York

John J. Ray III, solely in his capacity as Chief Executive Officer of the FTX Debtors,

By:  _____
John J. Ray III

Dated: March __, 2023
New York, New York

Modulo Capital, Inc.

By: _____
Xiaoyun Zhang

By: _____
Duncan Rheingans-Yoo

Dated: March __, 2023
New York, New York

Modulo Capital Alpha Fund LP

By: _____
Xiaoyun Zhang

By: _____
Duncan Rheingans-Yoo

Dated: March __, 2023
New York, New York

Xiaoyun Zhang

By: _____
Xiaoyun Zhang

E-mail: gluecksteinb@sullcrom.com; crokej@sullcrom.com

IN WITNESS THEREOF, the Parties have executed this Agreement as of the date set forth below.

Dated: March __, 2023
New York, New York

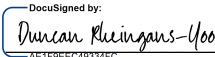
John J. Ray III, solely in his capacity as Chief Executive Officer of the FTX Debtors,

By: _____
John J. Ray III

Dated: March 18, 2023
New York, New York

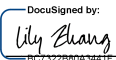
Modulo Capital, Inc.

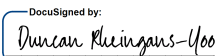
By:  _____
Xiaoyun Zhang

By:  _____
Duncan Rheingans-Yoo

Dated: March 18, 2023
New York, New York


Modulo Capital Alpha Fund LP

By:  _____
Xiaoyun Zhang

By:  _____
Duncan Rheingans-Yoo

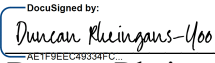
Dated: March 18, 2023
New York, New York

Xiaoyun Zhang

By:  _____
Xiaoyun Zhang

Dated: March 18, 2023
New York, New York

Duncan Rheingans-Yoo

By: 
Duncan Rheingans-Yoo