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July 12, 2006

By Hand Delivery

Honorable Gerard E. Lynch
United States District Judge
Daniel Patrick Moynihan United States Courthouse
500 Pearl Street, Room 910
New York, New York 10007-1581

Re: *In re Refco, Inc. Securities Litigation*, 05 Civ. 8626 (GEL)

Dear Judge Lynch:

On behalf of Lead Plaintiffs RH Capital and PIMCO and Co-Lead Counsel Grant & Eisenhofer P.A., we write to alert the Court to recent developments that, at a minimum, provide additional support for Lead Plaintiffs' Motion to Modify the PSLRA Stay to Permit Limited Document Discovery (the "Motion to Lift the Stay"). Indeed, as set forth below, Lead Plaintiffs respectfully submit that these developments demonstrate that the continued imposition of the PSRLA discovery stay in this litigation is no longer warranted, and the stay should be lifted in its entirety.

On July 10, 2006, the majority of the Defendants served their responses to the Amended Complaint. Some defendants answered, some have indicated an intention to answer, and some moved to dismiss. But even as to the Defendants who moved to dismiss, many did not move as to some of the claims asserted against them. The upshot is that claims against at least thirty-five of the forty-two Defendants named in the Amended Complaint will survive the motion to dismiss stage of this litigation. For the Court's convenience, we enclose a modified version of Exhibit 2 to the Amended Complaint, which identifies for each Defendant the claims against which that Defendant has not moved. In brief summary, the situation is as follows:

- Underwriter Defendants. All fifteen Underwriter Defendants will remain in this case. Twelve of these Defendants have not moved to dismiss any of the claims asserted against them, and the other three have moved only as to some of the claims asserted against them.¹

¹ When apprised of this fact in late June, I asked counsel for the Underwriter Defendants to let us know by last Friday whether they would now finally agree to produce the "Regulatory Documents" without pre-condition. We have not heard back from counsel.

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- THL Defendants and Audit Committee Defendants. As an initial matter, neither the THL Defendants nor the Audit Committee Defendants opposed the Motion to Lift the Stay. In addition, these Defendants do not seek dismissal of certain of the Section 11 and Section 15 claims asserted against them.
- Bennett, Bennett Entities, Sherer and Murphy. As with the THL Defendants and the Audit Committee Defendants, none of these Defendants opposed Lead Plaintiffs' Motion to Lift the Stay. In addition, none of these Defendants has moved to dismiss certain Securities Act claims asserted against them, nor have Bennett, Refco Holdings and the Bennett Trust moved to dismiss certain of the Exchange Act Claims asserted against them.
- Remaining Defendants and Mayer Brown. The remaining Defendants include five Defendants who have moved to dismiss all claims asserted against them – William M. Sexton, Phillip Silverman, Dennis A. Klejna, Robert C. Trosten, Grant Thornton LLP, and two who have not yet responded to the Amended Complaint – Santo C. Maggio (whose counsel has informed Lead Plaintiffs that Maggio will be answering the Amended Complaint) and Tone Grant. As the Court is aware, non-party Mayer Brown filed an opposition to the Motion to Lift the Stay, wherein it acknowledged that it is the “Law Firm” referenced in the Amended Complaint.

Each of these parties was closely associated with Refco and directly involved with the events that form the core of this lawsuit. For instance, as Refco's primary outside auditor throughout the Class Period, Grant Thornton and its predecessor firm were responsible for auditing each of the year-end financial statements that are alleged to be false and misleading, as well as conducting quarterly reviews on each of the allegedly false and misleading quarterly financial statements Refco filed during the Class Period. The individual Defendants – Sexton (Chief Operating Officer); Maggio (Executive Vice President); Silverman (Controller of Refco Group and Secretary of Refco Holdings); Klejna (Executive Vice President and General Counsel); Trosten (Chief Financial Officer); and Grant (former Chief Executive Officer and 50% owner of Refco Holdings) – were high-ranking executive officers of Refco and formed part of the core group of insiders responsible for running the Company. As a result, these individuals plainly possess information that is critical to the prosecution of claims against other Defendants, even in the unlikely event that the claims against these individuals are dismissed. Finally, as Refco's primary outside counsel during the Company's final eleven years of existence, Mayer Brown's familiarity and involvement with Refco – and direct involvement in many of the circular round-about transactions described in the Amended Complaint – makes it a certainty that Mayer Brown is in possession of relevant discovery (much of which it acknowledges has already been produced to the Creditors Committee in the bankruptcy proceedings).

While the PSLRA states that “all discovery and other proceedings shall be stayed during the pendency of any motion to dismiss” (15 U.S.C. § 78u-4(b)(3)(B)), courts have recognized

Chart of Claims

KEY

Yellow defendant has or intends to answer as to some or all claims

Green defendant has not moved to dismiss claim in its entirety

~~Strikethrough~~ . . . defendant is no longer an active party due either to bankruptcy filing or settlement

Count	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV
<i>Officer Defendants</i>															
Bennett	X	X	X	X	X	X		X	X		X	X	X	X	
Sherer				X	X	X		X	X			X	X		
Sexton		X	X	X		X		X	X		X	X	X		
Maggio		X	X	X		X		X	X		X	X	X		
Murphy		X	X	X		X		X	X		X	X	X		
Silverman		X	X						X		X	X	X		
Klejna			X	X		X		X	X			X	X		
<i>Bennett Shell-Entity Defendants</i>															
Refco Holdings		X		X		X		X	X	X	X	X	X		
Bennett Trust				X		X		X	X			X	X		
<i>Refco-Affiliated Defendants</i>															
Refco Futures			X												
Westminster Refco			X												
Lind-Waldock			X												
<i>Audit Committee</i>															
O'Kelley			X	X	X	X		X	X			X	X		
Breitman			X	X	X	X		X	X			X	X		
Gantcher			X	X	X	X		X	X			X	X		
<i>THL Defendants</i>															
THL Partner Defendants	X	X		X		X		X			X	X	X	X	
Lee		X	X	X	X	X		X			X	X	X		
Harkins			X	X	X	X		X				X	X		
Jaeckel	X		X	X	X	X		X				X	X		
Schoen			X	X	X	X		X				X	X		
<i>Other Defendants</i>															
Stock Underwriter Defendants					X		X								
Bond Underwriter Defendants	X		X												
Trosten	X	X							X		X	X			
Grant Thorton			X		X				X						
Grant		X									X				
BAWAG		X		X		X					X	X	X		X

Securities Act

- Count I Section 12(a)(2) (144 A Bonds)
- Count II Section 15 (144 A Bonds)
- Count III Section 11 (Registered Bonds)
- Count IV Section 15 (Registered Bonds)
- Count V Section 11 (IPO)
- Count VI Section 15 (IPO)
- Count VII Section 12(a)(2) (IPO)
- Count VIII Section 15 (IPO)

Exchange Act

- Count IX Section 10b-5(b)
- Count X Section 10b-5(a) and (c)
- Count XI Section 20(a) (144 A Bonds)
- Count XII Section 20(a) (Bonds between Bond Offering and IPO)
- Count XIII Section 20(a) (Bonds or Stock after IPO)
- Count XIV Section 20A (Stock)
- Count XV Section 10b-5(a) and (c)