

From: Grieb, Edward <egrieb@lehman.com>
Sent: Thursday, August 2, 2007 11:12 AM (GMT)
To: O'Meara, Chris M (NY) <comeara@lehman.com>
Subject: FW: Precision Capital - Grange Unit Trust Funds

some cdo bond pricing issues out in Australia (Grange AM business).
I'll keep you updated as we get more/better info

-----Original Message-----

From: Grieb, Edward
Sent: Thursday, August 02, 2007 7:09 AM
To: Dolan, Stephanie E
Subject: RE: Precision Capital - Grange Unit Trust Funds

Let me try and summarize, pls fill in some blanks for me and correct me if I'm wrong:

- There are some CDO's in both UITs and separte accts that have dropped considerable in value (what is last mv we're talking about in each?)
- Difficulty in pricing these cdo's (when was last time they were priced?)
- In both cases (or only sep acct?) LB may step in and buy the bonds at an off-mkt price and absorb some loss (what is rationale here, that bonds haven't been priced recently enough?)
- we're using 3rd party source to now mark (same outfit that we use for CDO priv equity fund) and we'll go by their mark
- expect to get our hands around this in next 24 hrs

Thanks

-----Original Message-----

From: Dolan, Stephanie E
Sent: Thursday, August 02, 2007 12:18 AM
To: Murfin, Simon (Tokyo)
Cc: Grieb, Edward
Subject: FW: Precision Capital - Grange Unit Trust Funds

one more update

-----Original Message-----

From: Dolan, Stephanie E
Sent: Thursday, August 02, 2007 12:17 AM
To: Sciarrone, Frank
Cc: Van Buren, Chris; Manning, Christopher; Komaroff, Andrew
Subject: RE: Precision Capital

Thanks - please keep us posted.

-----Original Message-----

From: Sciarrone, Frank
Sent: Thursday, August 02, 2007 12:16 AM
To: Dolan, Stephanie E
Cc: Van Buren, Chris; Manning, Christopher; Komaroff, Andrew
Subject: RE: Precision Capital

Stephanie

Your understanding is correct. The current status of events is that it

is highly likely (but not definitive) that LB will suffer some financial risk in relation to the segregated account.

At this stage that is about all I can say until legal due process is complete. I expect that a recommendation will be made by legal and others within the next 24 hours.'

REgards

Frank Sciarrone
Managing Director
Head of IMD Australia

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-----Original Message-----

From: Dolan, Stephanie E [<mailto:sdolan@lehman.com>]
Sent: Thursday, 2 August 2007 12:00 PM
To: Frank Sciarrone
Cc: Van Buren, Chris; Manning, Christopher; Komaroff, Andrew
Subject: RE: Precision Capital

Thanks for the update.

Please make sure you keep me (finance) in the loop regarding any potential p&l exposure. If I'm understanding the issues correctly, the inability to mark the portfolios of the Unit Trusts is reputational risk whereas the issue regarding the segregated account is reputational and possibly financial risk to LB (if LB decides to step in).

Regards,
Stephanie

-----Original Message-----

From: Sciarrone, Frank
Sent: Wednesday, August 01, 2007 11:26 PM
To: Van Buren, Chris; Manning, Christopher
Cc: Komaroff, Andrew; Dolan, Stephanie E
Subject: RE: Precision Capital

Looks like we are all on the same page wrt this.

The issue is needing to mark these portfolios ASAP to prevent negative press and reputational risk.

We are working on an interim solution and with advise ASAP.

REgards

Frank Sciarrone

Managing Director
Head of IMD Australia

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-----Original Message-----

From: Van Buren, Chris [mailto:christopher.vanburen@lehman.com]
Sent: Thursday, 2 August 2007 9:51 AM
To: Manning, Christopher; Frank Sciarrone
Cc: Komaroff, Andrew; Dolan, Stephanie E
Subject: Re: Precision Capital

Yes - if Precision is able to value these securities, then the independent pricer should engage and satisfy themselves that Precision is a valid source. I don't know if the Board (or whoever engages the independent pricer) needs to sign off as well.

----- Original Message -----

From: Manning, Christopher
To: Van Buren, Chris; Sciarrone, Frank
Cc: Komaroff, Andrew; Dolan, Stephanie E
Sent: Wed Aug 01 21:44:49 2007
Subject: Re: Precision Capital

Should we have the independent pricing agent engage Precision rather than us?

Chris Manning
(212) 526-3902 (NY)
852-2252-1307 (Hong Kong)
(914) 552-5460 (US Mobile)

----- Original Message -----

From: Van Buren, Chris
To: Sciarrone, Frank
Cc: Manning, Christopher; Komaroff, Andrew; Dolan, Stephanie E
Sent: Wed Aug 01 20:56:22 2007
Subject: Precision Capital

Frank,

I spoke to Precision Capital, and they've agreed to look at a portfolio of CDOs and see if they can value them. I did not mention any

of the circumstances around our interest in having them price the portfolio, and they did not promise anything regarding their ability to value the securities or the time frame needed, given that they haven't seen the data. Goran didn't know of anyone else with the capability to attempt what we'd like.

Precision requires the Private Placement Memoranda for the bonds, as well as a current trustee report. If there's other info that would be helpful that you could provide, please include that as well. I would guess that scanned or faxed copies is the only timely option? If everyone is in agreement, Precision will expect data tomorrow morning NY time. Are there any legal issues that we should consider?

Regards,
Chris

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