

**From:** Steven Tabackman [mailto:Steven.Tabackman@ferc.gov]  
**Sent:** Tuesday, May 29, 2012 11:12 AM  
**To:** McSwain, William M.  
**Cc:** James Owens  
**Subject:** RE: Notes from Richard Wallace

Bill:

Thank you for these. Would you please provide an explanation – either in the form of a privilege log or (its functional equivalent) provides the topic and the basis for the redaction. So you understand, I don't foresee getting into a contest on this issue. I would just like a complete record concerning the redaction. If you can identify who was/were the speaker(s) reflected in the redacted portion, the name(s) should be provided; if you do not know whose comments are reflected in the redacted notes, please state your or Richard's best recollection and indicate the lack of certainty. In the event that more than 1 person's comments are reflected in the redacted notes and you are able to state with reasonable certainty who those people are, but are unable to attribute a specific statement to a specific person, please state that. Give me a call if you have any questions.

I have now received the transcripts – the reporter's statement that they would be available within 5 days turned out to reflect an aspiration, not a guarantee – and I will make the call that results in Ace's being told that they can be released.

Finally, I have had difficulty obtaining a copy of the Mayhew article Ex-dividend Arbitrage in Options Markets, The Society for Financial Studies (May 21, 2009) that Richard Wallace discusses at p.10 statement, and, since he has it, I am requesting that we be provided with a copy. I understand that you are not obliged to provide us with documents that are available through other channels; but The Society for Financial Studies charges a fairly hefty fee for individual articles, and I'd rather avoid the tedious task of getting authorization to use government funds. Let me know if this presents a problem.

Thanks,  
Steve

5/31/2012

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**From:** McSwain, William M. [mailto:William.McSwain@dbr.com]  
**Sent:** Tuesday, May 29, 2012 8:52 AM  
**To:** Steven Tabackman  
**Cc:** James Owens  
**Subject:** Notes from Richard Wallace

Steve:

As you requested after Richard Wallace's deposition, attached are bates-stamped copies of Mr. Wallace's notes from the meeting with Alan Chen on September 29, 2011, with redactions. You'll see that the notes verify that Dr. Chen described his spread trading strategy during that meeting. For example, the notes state that:

"He was looking for pairs where one leg would fail"  
"If one side is rejected you could lose or make a lot of \$"  
"For the fully hedged trades they were often \$35 & less"  
"Some UTC trades were [] as low as \$15"  
"Sometimes the paired trades were not exact in terms of volume. This amounts to a directional bet."

Bill

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