

MEMORANDUM

March 30, 2011

To: File on Loan or Borrowing of Securities: Title IX Section 984(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act")

Re: Meeting with Center for Study of Financial Market Evolution (CSFME")

On March 30, 2011, personnel from CSFME counsel met with Securities and Exchange Commission ("SEC") staff from the Division of Trading & Markets, the Division of Risk, Strategy and Financial Innovation and the Division of Investment Management. The purpose of the meeting was to discuss § 984(b) of the Dodd-Frank Act. At the meeting CSFME provided a Concept Brief on Lender-Directed Voting, which is attached to this memo.



Lender-Directed Voting

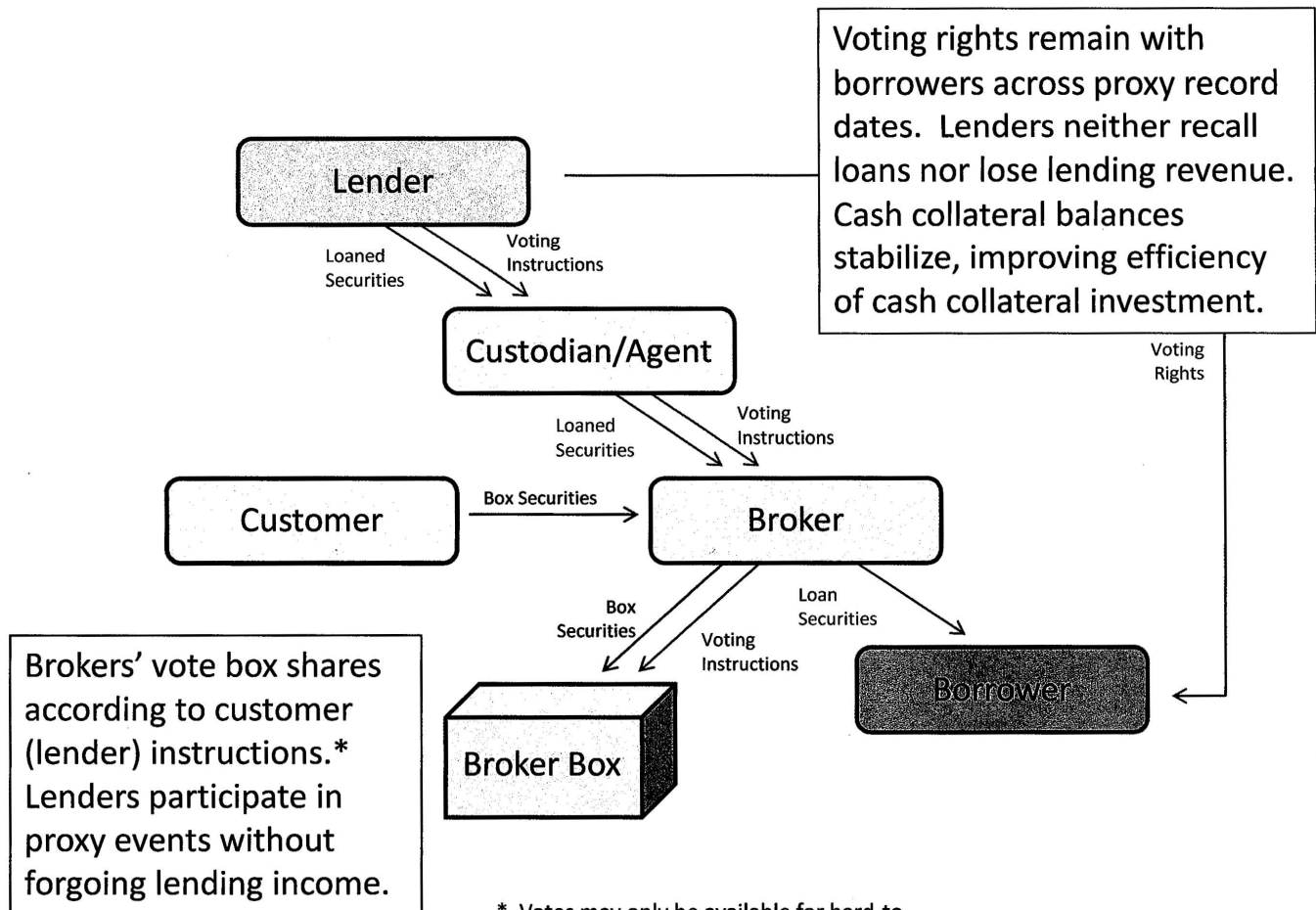
Concept Brief

March, 2011



Proposal: Lender-Directed Voting

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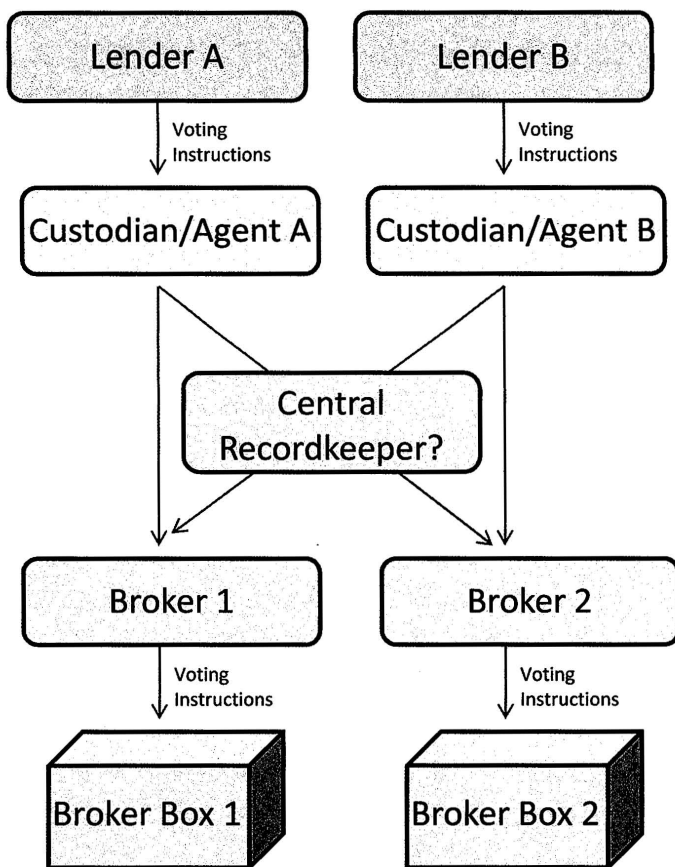


* Votes may only be available for hard-to-borrow shares on a best-effort basis



Operational Considerations

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- **Supply and demand levels**
How will counterparties know how many aggregate votes are demanded by lenders or available by brokers?
- **Allocation rules**
If demand exceeds supply, how will the votes be distributed among lenders? Similarly, how will scarce demand be allocated across brokers?
- **Pricing functions**
What fees/rebates will be charged for this service? Will they be flat or subject to supply and demand of votes?
- **Central recordkeeping**
Will a central recordkeeper be necessary to allocate vote demand and supply, as well adjust proxy positions and maintain historical accounting?



Concept Feasibility Study, Stage 1 Results

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- Tested if brokers had enough discretionary votes to cover lender vote demand
- Collected confidential loan and discretionary share data from beneficial owners and brokers
- Select 25 sample CUSIPs that had highest overall loan volume or loan utilization rates (most stressing cases)
- Findings: On average, brokers had 10x the number of discretionary shares as lenders would have voted. LDV lenders would have been able to fully participate in 20 of 25 proxy events.

CUSIP	Firm	Record Date	Coverage
054937107	BB&T CORP	2/24/2010	745%
060505104	Bank of America	1/7/2010	248%
112900105	Brookfield Properties Corp	3/8/2010	255%
150934503	Cell Therapeutics Inc	2/19/2010	486%
171779309	CIENA Corp	2/16/2010	198%
172967101	Citigroup Inc	2/25/2010	5873%
247916208	Denbury Resources	2/3/2010	133%
345370860	Ford Motor Co	3/17/2010	1604%
628530107	MYLAN, Inc	3/25/2010	94%
696643105	PALM Inc.	5/24/2010	1253%
742352107	Princeton Review	2/22/2010	163%
767754104	Rite Aid Corp	4/26/2010	499%
854616109	Stanley Black & Decker	1/11/2010	46%
984249102	YRC Worldwide Inc	1/4/2010	259%
984332106	Yahoo! Inc	4/27/2010	301%
01903Q108	Allied Capital Corp	2/2/2010	534%
25811P886	Doral Financial Corp	6/1/2010	838%
27579R104	East West Bankcorp	2/12/2010	64%
55261F104	M & T Bank Corp	2/26/2010	254%
62856H107	MYREXIS, Inc	3/8/2010	796%
71343P200	PepsiAmericas, Inc	1/4/2010	54%
71654V408	Petroleo Brasileiro SA	5/28/2010	1164%
87161C105	SYNOVUS Financial Corp	2/12/2010	799%
Y1505D102	China Telecom CP H	4/23/2010	1%
Y3990B112	Industrial & Commer	4/16/2010	257%
Overall			1026%



Next Steps

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1. Regulatory review
 - Determine whether brokers need formal approval to add securities lending customers to proxy allocation routines
 - Retain legal counsel to review existing proxy and securities lending regulations, then approach SEC for official review
2. Process feasibility study
 - Process upcoming record dates (as provided by participating lenders) on a pro forma basis to map process flows
 - Develop reporting requirements, process timelines, and proxy vote verification methods
3. Allocation routine development
 - Develop equitable method of allocating votes, based on broker supply and lender demand
 - Derive queuing algorithm modeled on buffered agent loan queues