

Unknown

From: Ostrow, William D.
Sent: Wednesday, April 20, 2005 12:30 PM
To: Nee, John
Cc: Lamore, Peter
Subject: RE: Order Flow Calls Memo.doc

Yesterday we got a walk through of the firm's e-mail system. They seem to be telling us that IM's have only been recorded since the beginning of this year. Hopefully they have been recording them for longer than that. The firm uses Lotus Notes. I believe we will need to bring the e-mail data into the office and have it dumped onto Concordance to review.

The firm gave us the trading information we requested (all trades in EGHT, IOTN and BOOM for March 2005), but it was in a format that was basically useless to us. They are in the process of redoing it in an excel format.

We have looked at individual P & L for the entire firm from December 2004 - March 2005 and observed that the top 5 individuals represent 80% of the firm's \$12 million dollar profit during that time frame. Of the five individuals, two are market makers, two proprietary traders and one supervisor. We plan on requesting the employee files (compensation, outside business activities, etc.) as well as all e-mail and instance messages (from April 2004 - April 2005).

The Clean-Up memo was very interesting. Pete is familiar with the concept of clean-ups. We will be sure to search for more information in the e-mail and instant message review. In addition, we will look closely at the security transaction details we already requested and any subsequent requests.

William Ostrow
Staff Accountant
U.S. Securities and Exchange Commission
Northeast Regional Office
233 Broadway
New York, New York 10279

Personal Privacy

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

From: Nee, John
Sent: Wednesday, April 20, 2005 11:59 AM
To: Ostrow, William D.; Lamore, Peter
Subject: FW: Order Flow Calls Memo.doc

William and Pete,

See attached.

Do you think there is any way to any of the referenced buy on the clean-up orders (or sell on the clean-up.

In any event this is some thing to be aware of for the e-mail review (Bloomberg,, AOL type IMs included.)

Thanks,

John

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

From: Personal Privacy

Sent: Tuesday, April 19, 2005 3:10 PM
To: Sollazzo, Robert A.; Nee, John; McCarthy, John A.; [Personal Privacy]
Cc: [Personal Privacy]
Subject: Order Flow Calls Memo.doc

Following up on my call with Bob earlier, I'm attaching a memo from [Personal Privacy] that describes order flow calls from traders to hedge funds. As I understand it this issue dovetails with the issues that NERO and OCIE have been looking at relating to protection of customer order information. [Personal Privacy] has seen this stuff first hand, and has ideas about how to capture it.

I've asked [Personal Privacy] to contact John Nee and [Personal Privacy] to discuss; ideally, if you guys are interested in following up [Personal Privacy] information I'd love for him to have the opportunity to accompany the NERO exam staff to learn a bit about how it's done in New York.

Let me know if you have questions, and if you are not interested in following up we'll consider how we'd approach it ourselves.

Regards,

[Personal Privacy]

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