

EXHIBIT 1

RECEIVED
11/30/09

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

RESERVE MANAGEMENT COMPANY, INC.,
RESERV PARTNERS, INC., BRUCE BENT SR.,
and BRUCE BENT II,

Defendants,

and

THE RESERVE PRIMARY FUND,

Relief Defendant.

Index No. 09-cv-4346 (PGG)

VERISIGN, INC.,

Plaintiff,

- against -

THE RESERVE FUND, RESERVE
MANAGEMENT COMPANY, INC., THE
PRIMARY FUND

Defendants.

Index No. 09-cv-2663 (PGG)

**VERISIGN, INC.'S OBJECTION TO THE PROPOSED PLAN
OF DISTRIBUTION OF PRIMARY FUND ASSETS**

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Plaintiff VeriSign, Inc. ("VeriSign") respectfully objects to the proposed order of the United States Securities and Exchange Commission ("Commission" or "SEC") seeking a final distribution of the remaining assets of The Reserve Primary Fund ("Fund").

I. PRELIMINARY STATEMENT

The SEC seeks to enjoin the proposed liquidation plan of the Fund and to distribute all remaining monies in the Fund to all existing shareholders on a *pro rata* basis. While VeriSign applauds the SEC's attempt to distribute the Fund to shareholders as soon as possible, the SEC's proposed method of distribution is flawed, and should not be accepted by this Court. As an initial matter, the SEC ignores the fact that VeriSign (and other similarly situated shareholders) has an enforceable contract with the Fund whereby the Fund must redeem VeriSign's shares at a net asset value ("NAV") of \$1.00 per share. VeriSign owned 124.4 million shares of the Fund, which it attempted to redeem in full on September 15, 2008. Pursuant to the terms of the Fund's prospectus, which is an enforceable contract between the Fund and VeriSign, the Fund confirmed VeriSign's redemption requests at a price of \$1.00 per share. Indeed, the SEC does not contest that at all times on September 15, 2008, the NAV as set by the Board of Trustees of the Fund was \$1.00 per share. Yet, pursuant to the SEC's proposed plan of distribution, it is likely that VeriSign would ultimately receive less than \$1.00 per share. That would improperly and unfairly abrogate the contract between the Fund and VeriSign.

The SEC argues, however, that this Court should ignore the NAVs set by the Board on September 15 (and 16) 2008, as the Board supposedly acted upon incomplete and inaccurate information due to the alleged fraud of defendants in the SEC action. Yet, none of the SEC's assertions should affect the NAV of the Fund as set by the Board on September 15. While the SEC repeatedly argues that it is impossible to speculate what the Board would have

done had the SEC defendants provided the Board with adequate information, this Court need look no further than the actions of the Board on September 16. It is uncontested that defendants made full and complete disclosure to the Board at its 10 a.m. meeting on the 16th. Yet, the Board waited for over five and a half hours before it wrote down the value of the Lehman securities at issue to zero, which led the Fund to “break the buck.” Given that the Board did not act immediately when it purportedly received full disclosure, it is highly likely that it would have kept the NAV of the Fund at \$1.00 per share for the entirety of September 15 even if it had learned all alleged relevant facts at some time on such day. In fact, to this day, the Board has never altered the NAVs that it set on September 15. The NAVs as set by the Board on September 15 should not be disturbed.

Even if this Court accepts the SEC’s argument that every shareholder in the Fund should be treated identically, the SEC’s proposed plan still falls short. On the morning of September 15, 2008, the Fund redeemed and paid out over 10 billion shares at a price of \$1.00 per share. In some cases, it appears that the Fund gave certain shareholders priority status in the payment of their redemptions regardless of when they placed their redemption orders. Yet, if the SEC’s plan is approved, not only will these shareholders have received their money months before every other shareholder, they would be permitted to *retain* \$1.00 per share while every other shareholder would be forced to accept as little as 98.4 cents per share. Such a result would be unfair, unjust, and inequitable. If the Court grants the SEC’s motion to the extent of distributing all funds in the Fund on a *pro rata* basis, then the Court should also, consistent with its equitable powers, appoint a receiver to claw back such payments that the Fund made on September 15 necessary to treat all shareholders of the Fund as of September 15, 2008 equally.

II. FACTUAL BACKGROUND

The SEC commenced an action against Reserve Management Company, Inc. (“RMCI”), Reserv Partners, Inc. (“Reserv”), Bruce Bent, Sr. (“Bent”), Bruce Bent II (“Bent Jr.”), and the Fund on May 5, 2009. On June 15, 2009 the Fund and the Commission published a proposed final plan of distribution of the assets remaining in the Fund (the “Final Distribution Plan”). The Final Distribution Plan implicitly divides the investors that held shares of the Fund on September 15, 2008 into two classes: (1) investors that both submitted a redemption request and actually received cash from the Fund, calculated on a \$1.00 per share NAV basis, and (2) all other investors, regardless of whether or when they attempted to redeem shares from the Fund. By the terms of the Final Distribution Plan, all investors who redeemed and had their redemption requests previously honored will be permitted to retain the \$1.00 per share they already received from the Fund. These investors have received in the aggregate approximately \$10 billion. *See* Plaintiff Securities and Exchange Commission’s Memorandum of Law in Support of Its Proposed Order to Show Cause and Application for Injunctive and Other Relief and Approval of The Commission’s Proposed Plan of Distribution (“SEC Br.”) at 3, 7 n.3. All other investors can expect to receive approximately \$0.984 per share if the Final Distribution Plan is enacted. *Id.*

VeriSign commenced its lawsuit against The Reserve Fund, RMCI and the Fund on March 23, 2009.¹ In its complaint, VeriSign alleges four counts: breach of contract against the Reserve Fund and The Primary Fund; declaratory relief against The Reserve Fund and The Primary Fund; breach of fiduciary duty against RMCI; and breach of contract against RMCI. The parties have stipulated that defendants’ time to answer the complaint is extended until two

¹ This matter is currently pending before this Court. *See VeriSign, Inc. v. The Reserve Fund, et al.*, 09-cv-2663 (PGG).

weeks after this Court rules on the SEC's motion.

Shares in the Fund were offered to potential investors via a prospectus dated September 28, 2007 and later supplemented on March 14, 2008 and May 21, 2008. See May 4, 2009 Declaration of Michael J. Osnato, Jr. ("Osnato Decl.") (attached to SEC Br.), Ex. 2. Investors accepted the terms of this offer by purchasing shares in the Fund. The March 14, 2008 prospectus supplement outlined that the Fund would calculate a NAV for redemption purposes at "8:30 a.m., 9:00 a.m., thereafter hourly up to and including 5:00 p.m. Eastern Time for the Primary Fund" *Id.* The May 21, 2008 prospectus supplement states that an investor "may redeem [its] shares on each day that the Funds' NAV is calculated. ***Shares will be redeemed at the next NAV determined after a proper redemption request***, by telephone or in writing, is received by a Fund or by an authorized financial intermediary. Redemption requests received after the cut-off time for the calculation of a Fund's final NAV on any day will be redeemed at the net asset value calculated on the next business day." *Id.* (emphasis added).

In the early morning hours of September 15, 2008, Lehman Brothers Holdings, Inc. ("Lehman") declared bankruptcy. At that time, the Fund's assets included \$785 million² worth of Lehman securities, representing approximately 1.2% of the total assets of the Fund. On September 15, 2008, VeriSign properly submitted two redemption requests to the Fund totaling \$124.4 million based on a NAV of \$1.00 per share. Novomisle Decl., Ex. 1³. These redemption requests were confirmed. *Id.* Throughout the day on September 15 and 16 the Board of Trustees of the Fund ("Board") met numerous times to discuss the appropriate valuation of the

² This amount is based on par value.

³ Citations to "Novomisle Decl., Ex. ___" refer to exhibits annexed to the accompanying Declaration of William A. Novomisle, dated July 27, 2009.

commercial paper of Lehman Brothers in light of Lehman's overnight bankruptcy filing. See Osnato Decl. Exs. 11, 15, 20-22, 26-37. On September 16, at 3:45 p.m., the Board voted to price the Lehman debt held by the Fund at zero, causing the Fund to "break the buck"⁴ for the first time. According to the minutes of this meeting, "[i]n doing so, the Board recognized that the impact on NAV per share would be 3 cents, *commencing with redemptions to be priced at 4pm [on September 16, 2008] and following.*" Osnato Decl. Ex. 15 at 7 (emphasis added).

III. ARGUMENT

A. The Final Plan of Distribution Unfairly Permits Defendants to Breach Their Contract With VeriSign

A prospectus constitutes a contract between a fund offering shares and the investor in such a fund. *Brook Mimbire, LLC v. New Alliance Bancshares, Inc.*, 206 F. App'x 63 (2d Cir. 2006) (a prospectus constitutes a sale of securities, which upon acceptance by the purchaser, embodies a contract). A "failure to carry out a promise made in connection with a securities transaction is . . . a breach of contract." *Mills v. Polar Molecular Corp.*, 12 F.3d 1170, 1176 (2d Cir. 1993); see also *Gold v. Blinder, Robinson & Co.*, 580 F. Supp. 50 (S.D.N.Y. 1984).

The contract between VeriSign and the Fund is clear and unambiguous. The terms of the prospectus state that VeriSign may redeem its shares on any business day that the Fund calculates a NAV. The Fund, in the normal course of business, calculated an hourly NAV for the Fund on September 15, 2008 and the NAV was a constant \$1.00 per share for that entire day. Thus, it is clear and undisputed that the Fund contractually should redeem VeriSign's shares at \$1.00 per share NAV. However, if the Final Plan of Distribution is enacted, it is likely

⁴ "Breaking the buck" means that the NAV of a money market fund has dropped below \$1.00 per share.

that VeriSign would not be paid at its contractually mandated \$1.00 per share. The Commission admits as much in its brief when it acknowledges that a *pro rata* distribution of all of the remaining assets of the Fund to shareholders could result in an effective NAV of \$0.984 per share. SEC Br. at 3. While such figure assumes that the Lehman commercial paper held by the Fund has no value, it is likely that VeriSign would receive a NAV of less than \$1.00 per share in any circumstance under the SEC's Plan. Given the clear strengths of VeriSign's breach of contract claim, it would be unjust to enjoin VeriSign from ever having an opportunity to adjudicate the merits of its claim.

The SEC argues, however, that it would be unfair to all existing shareholders of the Fund if the NAVs set by the Board on September 15 and 16 were left undisturbed, as the defendants in the SEC action supposedly defrauded the Board, which caused the Board to act on inaccurate and incomplete information. None of the SEC's assertions, however, should affect the NAVs set by the Board on September 15.⁵

The SEC first posits that the defendants provided "incomplete and inaccurate information to the Board concerning the market's valuation of Lehman securities." SEC Br. at 9. That assertion is simply irrelevant. As set forth in the record on the SEC's motion, in reality there was no accurate, ascertainable value for the Lehman securities, a fact of which the Board was well aware. Defendants informed the Board on September 15 that their market sources could find no actual sales of Lehman commercial paper on that day. Osnato Decl. Ex. 26. The SEC does not contend that defendants knew of any actual sales. The best information available from the market was, in actuality, nothing more than guesses as to "the potential value of the

⁵ VeriSign takes no position as to whether the NAVs set by the Board on September 16, 2008 should be disturbed.

Lehman debt upon maturity of the debt from a bankruptcy perspective.” Osnato Decl. Ex. 15. Given that Lehman had filed for bankruptcy merely hours earlier, these “valuations” were particularly speculative. As the SEC itself admits, even on September 16, “nobody could credibly assign any specific value to the Lehman Holdings.” SEC Br. at 14.

The SEC also alleges that the defendants failed to inform the Board about the true level of redemptions on September 15, that defendant RMCI did not have the ability or the intent to provide credit support for the Fund and that RMCI did not have the liquidity to fund redemption requests after 10:10 am. SEC Br. at 9. The SEC states repeatedly that there is “no reasonable way to determine” what the Board would have done had it possessed accurate information. *See, e.g.*, SEC Br. at 6. Yet, we know exactly what actions the Board did take when it indisputably possessed the full and complete facts. During the Board meeting at 10:00 a.m. on September 16, 2008, defendants informed the Board that since the adjournment of the last Board meeting on September 15, 2008 at 2:00 p.m., defendant RMCI concluded that it could not provide credit support for the Fund, that there was a massive run on the Fund (the redemption requests from the Fund had totaled approximately \$24.6 billion) and that the Fund had only been able to pay about \$10.7 billion in redemptions due to the limits on overdrafts imposed by the Fund’s custodian. Osnato Decl. Ex. 15 at 1. The SEC does not dispute that these disclosures were accurate. Armed with the actual facts, the Board did not, however, immediately change its valuation of the Lehman commercial paper. Instead, in an attempt to prevent the Fund from “breaking the buck,” the Board allowed defendants to seek other sources of liquidity from, among others, the Federal Reserve. Osnato Decl. Ex. 15. Finally, at 3:45 p.m., over five and a half hours after the 10:00 a.m. Board meeting, the Board wrote down the value of the Lehman securities to zero, causing the NAV per share of the Fund to drop below \$1.00.

Osnato Decl. Ex. 15 at 7.

The bottom line is that had the Board possessed the facts that it learned on the morning of September 16 by no later than its 1:00 p.m. meeting on September 15, there is no reason to believe that it would have done anything differently. It would have waited a number of hours while defendants exhausted all avenues of potential support for the Fund, and then, the Board would have written the Lehman paper down to zero. In the meantime, the Fund's NAV would have remained at \$1.00 per share. The Board's NAV determinations on September 15 should not be disturbed.⁶

B. If a Pro Rata Distribution is Enacted, All Shareholders as of September 15 Must Be Treated Equally

The Final Plan of Distribution would “pay out on a *pro rata* basis to those shareholders who were not fully paid for shares they beneficially owned on or after September 15, 2008 (‘Unpaid Shareholders’)” the remaining assets of the Fund. SEC Br. at 3. However, the SEC noted that “the first approximately 10 billion shares redeemed during the early morning hours on September 15, 2008” were “fully funded” at a NAV of \$1.00. *Id.* The fact that those redemption requests were fully honored by the Fund, while other redeemers such as VeriSign were not honored, will directly reduce the recovery of not only VeriSign, but all of the Unpaid Shareholders. *Id.* at 7 n.3 (“The difference between that 98.4 cents and \$1 is attributable to . . . (ii) *the payment of \$1 per share for approximately 10 billion shares redeemed on September 15*, which left 10 billion fewer shares to share any Lehman-related losses . . .”) (emphasis added). This is both unprincipled and unfair. If the Court decides to grant the SEC’s requested

⁶ Indeed, the Board has never altered the NAVs that it set on September 15. The SEC should not be allowed to substitute its judgment for that of the board.

relief, the Court should also appoint a receiver to claw back the appropriate amount of the 10 billion dollars that the Fund redeemed on the morning of September 15 so that all funds can be distributed to all shareholders as of September 15 on a *pro rata* basis.

1. *This Court's Inherent Equitable Powers Allow Recovery of Money Paid to Non-Parties*

The SEC relies on Section 21(d)(5) of the 1934 Securities Exchange Act to assert that a federal court has authority to compel a *pro rata* distribution of the remaining assets of the Fund. SEC Br. at 1, 21. Section 21(d)(5) states, “In any action or proceeding brought or instituted by the Commission under **any provision of the securities laws**, the Commission may seek and any Federal Court may grant, **any equitable relief** that may be appropriate or necessary for the benefit of investors.” 15 U.S.C. §78u(d)(5) (emphasis added). The broad equitable authority of a federal court was originally described in *Deckert v. Independence Shares Corp.*, 311 U.S. 282 (1940). In *Deckert*, the Supreme Court held that a district court’s equitable powers permitted it to order relief involving both rescission and restitution from a third party. *Deckert*, 311 U.S. at 288.

Courts in the Southern District of New York have appointed receivers to claw back funds from innocent non-parties. For example, in *SEC v. Shiv*, 379 F. Supp. 2d 609 (S.D.N.Y. 2005), Judge Hellerstein upheld the right of a receiver to recover assets held by non-parties in order to effectuate “the repatriation of those funds to their rightful owners.” 379 F. Supp. 2d at 617. The *Shiv* Court, in analyzing the *Deckert* opinion, noted that “the [Supreme] Court held that plaintiffs had stated a cause of action entitling them to obtain equitable relief from Pennsylvania, even though Pennsylvania was not directly a party. . . . *Deckert* establishes the power of District Courts to **craft remedies involving non-parties and non-violators**

because ‘this power to make the right of recovery effective implies the power to utilize any of the procedures or actions normally available to the litigant according to the exigencies of the particular case.’” 379 F. Supp. 2d at 615 (citing *Deckert*, 311 U.S. at 288) (emphasis added).

Similarly, *SEC v. Zubkis*, No. 97 Civ. 8086 (JGK), 2005 WL 1560489 (S.D.N.Y. June 30, 2005), involved the SEC seeking to order the sale of a yacht held by a court-appointed receiver for purposes of satisfying a disgorgement. The yacht was owned by a third party but had been previously the property of the defendant. There, Judge Koeltl held “[t]he Court may use [its] broad equitable power to order the turnover of assets nominally held by third parties where the third party lacks a legitimate claim to the assets.” *Zubkis*, 2005 WL 1560489, at *4. Judge Koeltl went on to note that “the equitable powers inherent in Federal courts certainly **extends to a person who, although not accused of wrongdoing, received ill-gotten funds** and does not have a legitimate claim to those funds.” *Id.* (citing *SEC v. Martino*, 255 F. Supp. 2d 268, 279-81, 288-89 (S.D.N.Y. 2003) (emphasis added, citations omitted)).

Authority cited by the SEC in its brief further supports this position. The SEC relies on *SEC v. Alanar, Inc.*, No. 1:05-CV-1102-JDT-TAB, 2007 WL 2479318 (S.D. Ind. Aug. 28, 2007) in support of its claim that a monitor should be appointed. However, *Alanar* involved the unwinding of a Ponzi scheme where some funds could be traced to certain investors. Rather than allow those investors to enjoy a larger distribution simply because they were fortunate enough to have their redemptions honored by defendants, the court converted the monitorship to a receivership and ordered that those ill-gotten funds be distributed *pro rata* to all investors. That remedy applies with equal force here, and this Court should also appoint a receiver to recover the money that certain investors inappropriately received.

2. *It is Inequitable to Permit Investors That Have Already Been Paid \$1.00 per Share to Retain Their Ill-Received Funds*

On the morning of September 15, 2008, redemption requests began to flood the Fund. Indeed, by 10:10 a.m. that day, the Fund's custodian bank, State Street, had stopped funding redemption requests. SEC Br. at 12. Even by 8:30 a.m. on September 15, the Fund had received approximately \$5.2 billion worth of redemptions. Novomisle Decl., Ex. 2. However, the redemption requests were not honored in the order they were received. Rather, employees of RMCI contacted State Street and instructed them which investors should have their redemption requests honored first. *Id.* Thus, purely because of the unilateral decision of The Reserve, some investors in the Fund collected \$1.00 per share on September 15, 2008, while other investors – that may have submitted their redemption request prior to those that were paid – are still waiting to get paid. This is unfair; however, the SEC's Final Distribution Plan does nothing to address this inequality.

To the extent that the SEC seeks to set aside some of the Board's NAV determinations on September 15 as not adequately informed, moreover, all of the NAVs on September 15 should not be honored. For, it is crystal clear that from the moment the Fund opened for business at 8:00 a.m. on September 15, there was a run on the Fund that did not abate during the entire day. Osnato Decl. Ex. 6. The Board was never aware on September 15 of the magnitude of the redemptions. Given the massive and immediate volume of redemptions, there was also never a chance on September 15 that defendant RMCI could possibly provide credit support for the Fund. Indeed, according to the SEC, RMCI “*never provided—or intended to provide—any meaningful support for the Primary Fund . . .*” SEC Br. at 16. That the Fund would have to liquidate, which led the Board to value the Lehman paper at zero and to “break the

buck,” was a foregone conclusion from minute one on September 15, under the theory advanced by the SEC.⁷ The only fair and equitable result is that *all* shareholders of the Fund as of September 15 should receive a *pro rata* distribution of the funds attributable to all investments in the Fund as of such date.

If this Court agrees with the SEC that a *pro rata* distribution is indeed the only equitable and fair way to divide the remaining *Res* in the Fund, then it should also appoint a receiver to calculate the overpayment that the holders of the approximately 10 billion shares received, and authorize that receiver to recover and redistribute that ill-received money to all affected shareholders.

⁷ The Board voted to “price the Lehman debt at zero” when it concluded that the Fund was “no longer a going concern” and was in “liquidation mode.” Minutes of Board meeting at 3:45 p.m. on September 16, 2008 attached as Ex. 15 to the Osnato Decl. The Board’s reasoning for such valuation was that there were no “trades or bids or any other reliable indications of value that would lead the Trustees to believe that a current sale of the Lehman paper is practicable.” Minutes of Independent Trustees of the Board on September 16, 2008 attached as Ex. 11 to the Osnato Decl.

IV. CONCLUSION

For all of the foregoing reasons, VeriSign respectfully requests that this Court deny the SEC's proposed Final Plan of Distribution and instead order that the Fund immediately pay all shareholders that submitted a redemption request on September 15 the full value of their redemption, calculated on a \$1.00 per-share NAV basis. Alternatively, VeriSign respectfully requests that this Court appoint a receiver to (i) calculate the per-share NAV of a *pro rata* distribution of Fund assets to all shareholders of the Fund as of September 15, 2008, (ii) recover from shareholders any funds that are in excess of what such a shareholder would have received in a *pro rata* distribution of funds among all shareholders as of September 15, 2008, and (iii) oversee the distribution of all the assets of the Fund to ensure a *pro rata* distribution of funds among all shareholders as of September 15, 2008, regardless of whether such investor's previous redemption request had been previously paid.

Dated: July 27, 2009
New York, NY

PAUL HASTINGS JANOFSKY & WALKER, LLP

By: 

Daniel B. Goldman

William A. Novomisle

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Attorneys for Plaintiff VeriSign, Inc.

UNITED STATES DISTRICT COURT
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Plaintiff,

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MANAGEMENT COMPANY, INC., THE
PRIMARY FUND

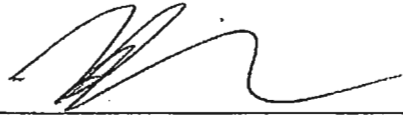
Defendants.

Index No. 09-cv-2663 (PGG)

CERTIFICATE OF SERVICE

I hereby certify that, on the 27th day of July, 2009, I caused a true and correct copy of *VeriSign, Inc.'s Objection to the Proposed Plan of Distribution of Primary Fund Assets* to be served on Nancy A. Brown, Esq., Securities and Exchange Commission, 3 World Financial

Center, New York, NY 10281 via first class mail.



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William A. Novomisle
PAUL HASTINGS JANOFSKY & WALKER, LLP
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Attorneys for Plaintiff VeriSign, Inc.

UNITED STATES DISTRICT COURT
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**DECLARATION OF WILLIAM A. NOVOMISLE IN
SUPPORT OF VERISIGN, INC.'S OBJECTION TO THE PROPOSED PLAN OF
DISTRIBUTION OF PRIMARY FUND ASSETS**

WILLIAM A. NOVOMISLE, declares and says as follows:

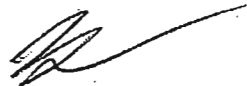
1. I am an associate at Paul, Hastings, Janofsky & Walker LLP, attorneys of record for plaintiff VeriSign, Inc. ("VeriSign") in the above-reference matter, and am admitted to practice in the State of New York and before this Court. I respectfully submit this declaration in support of VeriSign's Objection to the Proposed Plan of Distribution of Primary Fund Assets.

2. Annexed hereto as Exhibit 1 is a true and correct copy of two redemption requests submitted by VeriSign to the Primary Fund's authorized financial intermediary, ICD Funds, on September 15, 2008.

3. Annexed hereto as Exhibit 2 is a true and correct copy of an email between Omar Shareeff and the Primary Fund's custodian bank, State Street.

I declare under the penalty of perjury that the foregoing is true and correct.

Dated: July 27, 2009



William A. Novomisle

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

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RESERVE MANAGEMENT COMPANY, INC.,
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Defendants.

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CERTIFICATE OF SERVICE

I hereby certify that, on the 27th day of July, 2009, I caused true and correct copies of the Declaration of William A. Novomisle In Support of VeriSign, Inc.'s Objection to the Proposed Plan of Distribution of Primary Fund Assets to be served by first class mail on Nancy A. Brown, Esq., Securities and Exchange Commission, 3 World Financial Center, New York, NY 10281.



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Attorneys for Plaintiff VeriSign, Inc.

EXHIBIT 1

P Please don't print this e-mail unless you really need to.

*Having created the money fund in 1971, there is no other company in the world that has managed money market funds longer than The Reserve, the largest investment manager dedicated solely to cash and liquidity management.

Patrick Farrell/TheReserve

09/15/2008 08:37 AM

To
"David Gareis" <DGareis@TheR.com>, "David Gordon" <DGordon@TheR.com>
cc

Subject
Fw: Reserve Redemption Wires 8:30 Strike

5.2 billion already?
People will have to wait today. I'm sure others have the same issues today.

— Original Message —

From: Omar Shareeff
Sent: 09/15/2008 08:33 AM EDT
To: [REDACTED]@statestreet.com
Cc: David Gareis; [REDACTED]; Patrick Farrell;
[REDACTED]@statestreet.com; [REDACTED]@statestreet.com; [REDACTED];
[REDACTED]; InstitutionalTradingServices; Brandon Semilof;
Elliott Goldstein
Subject: Reserve Redemption Wires 8:30 Strike
This is a preliminary list for the 8:30 Strike

The OD daylight is already at 5.2 Billion so the redemptions will take time.

Bear Sterns has first priority with a redemption of 1,000,000,000.00.

Farmer Mac has 2nd priority of 50,000,000.000

Pershing with 3rd priority of 800,000,000.00 and 405mm and 27mm

The Reserve is the world's most experienced money fund manager* and the largest asset management company dedicated solely to cash and liquidity management. With over \$125 billion in assets, representing the trust of hundreds of institutions and millions of individuals, The Reserve is recognized as the fastest growing money fund complex in 2005, 2006 and 2007 according to iMoneyNet.

Omar Shareeff
Institutional Service Representative
The Reserve
1250 Broadway
New York NY, 10001
Phone: 212-401-5644 | Fax: 212-401-5954

Email: oshareeff@ther.com

P Please don't print this e-mail unless you really need to.

*Having created the money fund in 1971, there is no other company in the world that has managed money market funds longer than The Reserve, the largest investment manager dedicated solely to cash and liquidity management.

- Redemption08.30AMStrike.xls

WAVE
CREATEDBY

: RF_SEC_PROD_004
: 20081205 190340 Eas [6ADE75-15196] dayea;
: 20081120 152847 Eas [QH61FE-31634] munoza;

EDITEDBY

: 20081217 184814 Eas [KCYAU8-15196] munoza;
: 20081205 190340 Eas [6ADE75-15196] dayea;
: 20081205 164056 Eas [IGO1PD-31634] munoza;
: 20081126 110930 Eas [FGOWSF-31634] munoza;
: 20081124 164419 Eas [JZMROR-31634] munoza;
: 20081124 161700 Eas [JZMROR-31634] munoza;
: 20081120 173009 Eas [K9O1X2-31634] munoza;
: 20081120 155244 Eas [IH553D-31634] munoza;
: 20081120 152847 Eas [QH61FE-31634] munoza;

	A	B	C	D	E
1			Total Redemption Amount	\$ 5,234,236,618.08	
2					
3			Total Purchase Amount	\$ -	
4					
5			Total Daylight Overdraft	\$ 5,234,236,618.08	
6					
7					
	Date	Portfolio	Registration	Amount	
8	9/15/2008 8:30		Bear Sterns	\$ 1,000,000,000.00	
9	9/15/2008 7:51	Int Lq Cl Inst		\$ 56,074,958.54	
10	9/15/2008 7:52	Int Lq Cl Inst		\$ 226,632,874.66	
11	9/15/2008 7:53	Int Lq Cl Inst		\$ 125,305,724.42	
12	9/15/2008 7:56	Primary Cl Inst		\$ 48,496,841.03	
13	9/15/2008 7:57	Primary Cl Inst		\$ 205,783,163.45	
14	9/15/2008 8:01	Int Lq Cl Inst		\$ 122,204,760.26	
15	9/15/2008 8:02	Primary Cl Inst		\$ 470,887,455.77	
16	9/15/2008 8:03	Primary Cl Inst		\$ 481,465.00	
17	9/15/2008 8:04	Primary Cl Inst		\$ 596,517,438.14	
18	9/15/2008 8:06	Primary Cl Inst		\$ 750,000,000.00	
19	9/15/2008 8:07	Primary Cl Inst		\$ 182,107,622.74	
20	9/15/2008 8:17	Primary Cl Inst		\$ 73,125,000.00	
21	9/15/2008 8:19	Primary Cl Inst	FEDERAL AGRICULTURAL MORTGAGE CORP.	\$ 50,000,000.00	
22	9/15/2008 8:21	Primary Cl Inst		\$ 104,024,259.77	
23	9/15/2008 8:21	Primary Cl Inst		\$ 223,274,018.88	
24	9/15/2008 8:23	Primary Cl Inst		\$ 483,133,374.34	
25	9/15/2008 8:24	Primary Cl Inst		\$ 16,000,000.00	
26	9/15/2008 8:24	Primary Cl Inst		\$ 284,000,000.00	
27	9/15/2008 8:25	Primary Cl Inst	PERSHING LLC	\$ 800,000,000.00	
28	9/15/2008 8:25	Primary Cl Inst	PERSHING LLC	\$ 405,281,088.73	
29	9/15/2008 8:26	Primary Cl Inst	PERSHING GROUP LLC	\$ 27,008,296.21	
30					

FOIA Confidential Treatment Requested by The Reserve
Confidential Treatment Requested by The Reserve

RF-SEC-00160359
RF-MA-00080882

EXHIBIT 2

From: Mason Martin [mason.martin@icdfunds.com]
Sent: Friday, October 24, 2008 6:27 PM
To: Goddard, David; Muindi, Timothy
Cc: Tom Knight
Subject: RE: Add-On Redemption 9/15/2008 -\$ 9,414,319.70 plus dividends
Attachments: Reserve manual trades.pdf; Bear manual trades.xls

There was no significant delay. I can't recall if this detail was previously sent. If not, I apologize. Here is the breakdown:

Verisign, Inc.
752-80244
9/15 \$115,000,000 redemption
- Called into ICD by David St. Pierre at 10:35am PDT / 1:35pm EDT
- Reserve shows their e-mail for this at 09/15/2008 02:02 PM (11:02am PDT / 2:02pm EDT)

----- Forwarded by Yvonne Milligan/Operations/TheReserve on 10/13/2008 03:07 PM -----

"Binderow, Marissa (Exchange)" <>

To "#MM-USERS"

cc

09/15/2008 02:02 PM

Subject Additional Redemption

Please redeem \$115,000,000.00 from Bear Stearns bin number 752-80244-12, fund 7P

Verisign, Inc.
752-80244
9/15 \$9,414,19.70 full liquidation + divs
- Called into ICD by David St. Pierre at 12:03pm PDT / 3:03pm EDT
- Reserve shows their e-mail for this at 09/15/2008 03:26 PM (12:26am PDT / 3:26pm EDT)

REDACTED

----- Forwarded by Yvonne Milligan/Operations/TheReserve on 10/13/2008 03:59 PM -----

"Mendez, Engels (Exchange)"

To <brokerservices >

cc

12/5/2008

09/15/2008 01:35 PM

"#MM-USERS"

Subject

Please process trades attached. (pdf)

Have a good weekend.

Mason
415-248-5646
415-248-5691 fax
mason.martin@icdfunds.com

From: Goddard, David [mailto:dgoddard@verisign.com]
Sent: Friday, October 24, 2008 2:40 PM
To: Mason Martin; Muindi, Timothy; Tom Knight
Subject: RE: Add-On Redemption 9/15/2008 -\$ 9,414,319.70 plus dividends

yes, our order was in with ICD before 10:15 am PT, 1:15 pm ET.

Please confirm where the delay was in the system - with ICD or elsewhere.

Thanks.

David

From: Mason Martin [mailto:mason.martin@icdfunds.com]
Sent: Friday, October 24, 2008 2:37 PM
To: Goddard, David; Muindi, Timothy; Tom Knight
Subject: RE: Add-On Redemption 9/15/2008 -\$ 9,414,319.70 plus dividends

09/15/2008 03:26 PM

This is Eastern Time.

Mason
415-248-5646
415-248-5691 fax
mason.martin@icdfunds.com

From: Goddard, David [mailto:dgoddard@verisign.com]
Sent: Friday, October 24, 2008 2:32 PM
To: Muindi, Timothy; Tom Knight
Cc: Mason Martin
Subject: RE: Add-On Redemption 9/15/2008 -\$ 9,414,319.70 plus dividends

12/5/2008

Did it take almost 3 hours to submit this trade on the 15th?

From: Muindi, Timothy
Sent: Friday, October 24, 2008 2:30 PM
To: Tom Knight; Goddard, David
Cc: Mason Martin
Subject: RE: Add-On Redemption 9/15/2008 -\$ 9,414,319.70 plus dividends
Importance: High

you mean 9/15 not 10/23 right?

From: Tom Knight [mailto:tom.knight@icdfunds.com]
Sent: Friday, October 24, 2008 12:58 PM
To: Muindi, Timothy; Goddard, David
Cc: Mason Martin
Subject: FW: Add-On Redemption 9/15/2008 -\$ 9,414,319.70 plus dividends

Here you go. Looks like 10/23 at 3:56 pm for this trade.

From: BSemilof@TheR.com [mailto:BSemilof@TheR.com]
Sent: Friday, October 24, 2008 12:55 PM
To: Tom Knight
Subject: Fw: Add-On Redemption 9/15/2008 -\$ 9,414,319.70 plus dividends

Brandon Semilof
Director, Institutional Sales
The Reserve
1250 Broadway
New York, NY 10001
Phone: 212-401-5731 | Fax: 212-401-5958
Email: bsemilof@TheR.com



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----- Forwarded by Brandon Semilof/TheReserve on 10/24/2008 03:53 PM -----

Yvonne Milligan/Operations/TheReserve

To: Brandon Semilof/TheReserve@RMC

cc

10/23/2008 03:56 PM

Subject: Add-On Redemption 9/15/2008 -\$ 9,414,319.70 plus dividends

Hello Brandon,

see below redemption instructions a/c 752-80244-12

Yvonne Milligan
Broker Services Representative

12/5/2008

The Reserve
1250 Broadway
New York, NY 10001
Phone: 212-401-5631 | Fax: 1-800-401-5940
Email: ymilligan@TheR.com



Please don't print this e-mail unless you really need to.

----- Forwarded by Yvonne Milligan/Operations/TheReserve on 10/23/2008 03:40 PM -----

"Betchaver, Scott (Exchange)"
<Scott.Betchaver@jpmorgan.com>

To "MM-USERS" <mmusers@bear.com>, "BrokerServices"
<BrokerServices@TheR.com>

cc

09/15/2008 03:26 PM

Subject Bear manual trade #3 sent by me

<<Bear manual trades.xls>>

Bear manual trade #3 sent by me
thanks

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12/5/2008

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