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OKLAHOMA DEPARTMENT OF SECURITIES
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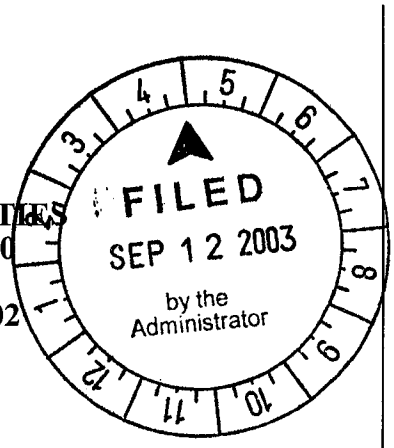

IN THE MATTER OF:	)	
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	)	
Credit Suisse First Boston LLC, f/k/a Credit Suisse First Boston Corporation,	)	**ADMINISTRATIVE CONSENT ORDER**
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	)	
	)	
Respondent.	)	**ODS File No. 03-130**

WHEREAS, Credit Suisse First Boston LLC, f/k/a Credit Suisse First Boston Corporation, ("CSFB") is a broker-dealer registered under the Oklahoma Securities Act (Act), Okla. Stat. *tit.* 71, §§ 1-413, 501, 701-703 (2001 & Supp. 2002); and

WHEREAS, coordinated investigations into CSFB's activities in connection with certain of its equity research and IPO stock allocation practices during the period of 1998 through 2001 have been conducted by a multi-state task force and a joint task force of the U.S. Securities and Exchange Commission (the "SEC"), the New York Stock Exchange (the "NYSE"), and the National Association of Securities Dealers (the "NASD") (collectively, the "regulators"); and

WHEREAS, CSFB has advised regulators of its agreement to resolve the issues raised in the investigations relating to its research and stock allocation practices; and

WHEREAS, CSFB agrees to implement certain changes with respect to its research and stock allocation practices, and to make certain payments; and

WHEREAS, CSFB elects to permanently waive any right to a hearing and appeal under the Act with respect to this Administrative Consent Order (the "Order").

NOW, THEREFORE, the Administrator of the Oklahoma Department of Securities (the "Department") hereby enters this Order:

I.

FINDINGS OF FACT

CSFB admits the jurisdiction of the Administrator of the Department, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to the entry of this Order by the Administrator of the Department.

1. Summary

From July 1998 through December 2001 (the "relevant period"), CSFB used its equity research analysts to help solicit and conduct investment banking business. By providing incentives for equity research analysts to assist in the generation of investment banking revenues, CSFB created and fostered an environment with conflicts of interest that, in some circumstances, undermined the independence of research analysts and affected the objectivity of the reports they issued.

The conflicts of interest and pressure on equity research analysts to contribute to investment banking revenue were particularly present in CSFB's Technology Group, headed by Frank Quattrone, where research analysts' supervision and compensation were closely aligned with investment banking. CSFB's investment banking revenue, driven mostly by technology stocks, steadily and significantly increased, from $1.79 billion in 1998, to $2.32 billion in 1999, and to $3.68 billion in 2000. The sphere of influence and authority that Quattrone exercised at CSFB remained significant throughout the technology boom.

CSFB's efforts to attract potential and continued investment banking business created pressure on equity research analysts to initiate and maintain favorable coverage on investment banking clients. This pressure at times undermined equity research analyst objectivity and independence. CSFB's marketing, or "pitch," materials in some instances implicitly promised that a company would receive favorable research if it agreed to use CSFB for its investment banking business. In addition, companies, in some instances, pressured analysts to continue coverage or maintain a certain rating or else risk losing the company as an investment-banking client. In certain instances, these factors compromised the independence of equity research analysts and impaired the objectivity of research reports.

The independence of some of CSFB's equity research analysts was also impaired by the fact that they were evaluated, in part, by investment banking professionals and that their compensation was influenced by their contribution to investment banking revenues. Indeed, the vast majority of their overall compensation, in the form of bonuses, was based on the investment banking revenues generated by the firm. In many instances, bonuses for non-technology equity research analysts were directly linked to revenue generated by the firm on specific investment banking transactions. The fact that an equity research analyst's bonus was in part related to revenue from investment banking business created pressure on analysts to help generate more investment banking revenue.

The undue and improper influence imposed by CSFB's investment bankers on the firm's technology research analysts caused CSFB to issue fraudulent research reports on two companies: Digital Impact, Inc. ("Digital Impact") and Synopsys, Inc. ("Synopsys"). The reports were fraudulent in that they expressed positive views of the companies' stocks that were contrary to the analysts' true, privately held beliefs. In these instances, investment bankers pressured research analysts to initiate or maintain positive research coverage to obtain or retain investment banking business, and the analysts were pressured or compelled to compromise their own professional opinions regarding the companies at the direction of the firm's investment bankers. In addition, as to Numerical Technologies, Inc. ("Numerical Technologies"), Agilent Technologies, Inc. ("Agilent"), and Winstar Communications, Inc. ("Winstar"), the pressure on analysts resulted in the issuance of research reports that lacked a reasonable basis, failed to provide a balanced presentation of the relevant facts, made exaggerated or unwarranted claims, or failed to disclose material facts. As to NewPower Holdings, Inc. ("NPW"), CSFB issued research reports which, at times, failed to disclose that CSFB and the research analysts covering NPW had proprietary interests in NPW.

CSFB also engaged in improper IPO "spinning" activities. From 1999 until April 2001, CSFB, through its Technology Private Client Services Group, a department within the Technology Group, allocated shares in CSFB's lead-managed technology IPOs to executive officers of its investment banking clients who were in a position to provide investment banking business to CSFB. This group engaged in such spinning with the belief and expectation that the executives would steer investment banking business for their companies to CSFB. CSFB opened discretionary trading accounts on behalf of these executives. Since most of the IPOs offered by CSFB were "hot" (i.e., they began trading in the aftermarket at a premium), and since portions of the allocations were typically "flipped" out (i.e., sold almost immediately) once the aftermarket opened, the spinning produced large, instantaneous profits for those executives who participated in these arrangements. By having CSFB brokers control trading in these accounts, the executives who owned some of these accounts were able to realize profits in excess of $1 million through this IPO activity.

2. CSFB's Structure and Procedures Created Conflicts of Interest for Equity Research Analysts and, in Certain Circumstances, Undermined Their Independence and Affected the Objectivity of Their Reports

a. Overview of CSFB

CSFB, or a predecessor firm thereof, has been an NASD member since 1936. CSFB, headquartered in New York, is part of the Credit Suisse First Boston business unit, a global investment bank whose businesses include securities underwriting, sales and trading, investment banking, private equity, financial advisory services, investment research, and asset management. The Credit Suisse First Boston business unit is a subsidiary of Credit Suisse Group, which is headquartered in Switzerland. On November 3, 2000, Credit Suisse Group acquired Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"), another NASD member firm. As of December 31, 2002, the Credit Suisse First Boston business unit had approximately 23,400 employees worldwide.

b. The Supervisory Structure of CSFB's Technology Group Created Conflicts of Interest for Equity Research Analysts and Lacked Sufficient Supervision of the Technology PCS Group

Until June 1998, all of CSFB's equity research was issued through research analysts who worked in the Equity Research Department and who reported to the Director of Equity Research. Until that time, no equity research analysts were supervised by or had any reporting obligations to anyone in any investment banking department.

In June 1998, CSFB recruited Frank Quattrone, who was then in a senior position at Deutsche Bank Securities (also known as Deutsche Morgan Grenfell Inc. or "DMG") to head a distinct unit of the Technology Group at CSFB that would provide an array of services to technology companies. Quattrone became the Managing Director of the CSFB Technology Group's Investment Banking Division, and negotiated a contract with CSFB to maintain the Technology Group as a semi-autonomous, "firm-within-a-firm" unit within CSFB through December 2001.

Quattrone established separate departments within the Technology Group for corporate finance (investment banking), mergers and acquisitions, equity research, and a department devoted to private client services ("PCS"), each of which reported to him. One of the purposes of the PCS department was to provide personal brokerage services to officers of investment banking clients of the Technology Group. The directors of the Technology Group Research Department and PCS Department had dual reporting obligations to Quattrone and to department directors in the firm's Equities Division, but as a practical matter, the principal reporting line was to Quattrone until a change in procedures instituted in June 2001.

CSFB hired individuals who had worked closely with Quattrone at DMG to fill many senior level positions, including each of the department directors, within the Technology Group. Many of the people whom CSFB hired to work in the Technology Group had worked together previously at DMG. In fact, many of the equity research analysts and investment bankers whom CSFB employed from July 1998 through 2001 were recruited or merged into CSFB from other firms. The first infusion of those professionals came in July and August 1998, when the directors and others from DMG formed the Technology Group at CSFB. Given the wholesale move of the personnel, including senior management in research and investment banking, the reporting structure, work ethic, and future expectations of their roles likewise carried over to their new positions at CSFB.

As a result of the structure set forth above, Quattrone exercised his authority to apply an overall Technology Group strategy in his supervision of the Group's research analysts. He used that authority for "resource allocation" to influence the determination of those sectors, and in some cases the particular companies on which Technology Group research would initiate or maintain coverage. As a consequence of Quattrone's influence, Technology Group investment bankers were, at times, able to influence the sectors, and in some cases the particular companies, for which CSFB technology research analysts initiated or maintained coverage. At times, this determination was based on the level of CSFB's actual or anticipated investment banking business with a particular company.

c. Investment Banking Revenue Was a Major Source of Revenue and Influence at CSFB

From 1998 to 2000, CSFB's income from investment banking rose dramatically, fueled primarily by the technology sector offerings completed under Quattrone's leadership. In 1998, driven in large part from the revenue generated by the newly formed Technology Group, CSFB's investment banking revenue increased from approximately $1.47 billion to approximately $1.79 billion or 21 percent. In 1999, the importance of investment banking as a major source of revenue continued to grow, as did its revenue and number of employees. That year, revenue from investment banking grew to approximately $2.318 billion, a 22 percent increase over 1998. Also in 1999, largely through the efforts of the Technology Group, CSFB managed more domestic IPOs than any other investment banking firm. By 2000, CSFB's investment banking revenue had mushroomed to approximately $3.681 billion, a full 59 percent increase over the previous year. Investment banking revenue in 2000 represented the largest percent increase in revenue for CSFB, constituting its second largest revenue source behind equity trading and sales and accounting for 30 percent of the firm's total revenues.

d. CSFB's Equity Research Analysts' Bonuses Were Determined, in Part, by the Degree to which They Assisted Investment Banking, Thereby Compromising Research Independence

Non-Technology Research

From July 1998 until May 2001, equity research analysts in non-technology sectors at CSFB received bonuses that were, directly and indirectly, based on the amount of investment banking revenue they helped generate. This created a conflict of interest for research analysts who had an incentive to help win investment banking deals for CSFB while they were also expected to issue objective research regarding those companies.

Specifically, equity research analysts were paid up to three percent of the net revenue generated by an investment banking deal, with a maximum bonus of $250,000 per deal. Some equity research analysts were also guaranteed a minimum bonus of either $15,000 or $20,000 for the investment banking deals on which they worked, depending on whether CSFB was lead or co-manager of the deal. This compensation was not part of the annual bonus, but was pursuant to employment contracts, paid on a quarterly basis. This program was initiated to provide an incentive for research analysts to assist in winning investment banking business. According to the Director of Equity Research:

> the head of equity capital markets and investment banking, felt that they needed some help in '98 in generating additional ... help on investment banking transactions or at least ... having analysts feel that it was somewhat part of their compensation.

The actual amount paid to a research analyst was based on the level of contribution that the research analyst made in connection with investment banking deals, as decided with input from the investment bankers. The conflict was evident in the reviews performed by investment bankers as well as self-reviews prepared by research analysts.

In evaluating the performance of equity research analysts to determine their compensation, investment bankers used a form that judged the analyst by origination of the deal, execution of the deal, and follow-through. Each section allowed for handwritten comments and called for the investment banker to rank the research analyst from one to three.

In one such evaluation, an investment banker wrote that the research analyst's "input and track record was critical to winning this business.... [The analyst] performed at her normal high level making a lot of investor calls.... [The analyst's] initiation of research coverage was timely and insightful. She has been a supporter of the stock despite difficult Internet environment."

Technology Group Research

From July 1998 until December 2001, equity research analysts employed in the Technology Group were compensated, in part, based on their contribution to investment banking deals. The vast majority of equity research analysts' compensation was derived from the bonus received rather than the base salary. At CSFB, it was not uncommon for a more senior level Technology Group research analyst to have a salary of $100,000 - $250,000, and also receive a bonus of $5,000,000 - $10,000,000 or higher. The Technology Group bonus pool was funded by fifty percent of technology-related investment banking revenues minus select expenses (including mergers and acquisitions) as well as a percentage of revenue generated by secondary sales and trading in technology stocks, and a percentage of Technology PCS revenues. In determining the allocation for each analyst, the Director of Technology Research stated that he would review revenue generated with respect to each company followed by the analyst, including revenues relating to banking, sales, trading, derivatives, high yield, private placements, and specialty gains on the desk. That amount of revenue formed the "starting point" of determining an individual's bonus, after which additional factors such as the analyst's rating in polls were considered. The Director of Technology Research made an initial recommendation regarding the bonus component of a research analyst's compensation. The final decision was made by three people: Quattrone, and the heads of the Technology Group Mergers and Acquisitions and Corporate Finance departments.

The influence of investment banking revenue to the bonus is evidenced in an e-mail from Quattrone to Technology Group officers, including officers in the research department. The subject line of the e-mail included "Please submit your revenue sheets if you want the highest bonus possible." In the e-mail, Quattrone wrote in part, "Your trusty management team is meeting ... to determine compensation for the group...." The message then urged all the officers to submit a list of the banking deals they participated in so as to ensure a complete list for determining compensation. The emphasis on a research analyst's contribution to investment banking revenues, along with the influence of Quattrone and other department head in determining compensation, created a conflict of interest for analysts who were charged with the responsibility of preparing and issuing objective research reports.

e. Investment Bankers Evaluated Research Analysts' Performance, Thereby Influencing Their Bonuses and Compromising Research Analysts' Independence

From July 1998 through 2001, investment bankers who worked with equity research analysts on investment banking deals, in both the Equity and Technology Groups, participated in the analysts' annual performance evaluations, which in turn affected analysts' bonuses. This input from investment bankers provided a further incentive to equity research analysts to satisfy the needs of investment bankers and their clients, and placed additional pressure on research analysts to compromise their independence.

In 2000, CSFB investment bankers used a specific form in order to evaluate equity research analysts, entitled "Evaluation By Banking and Equity Capital Markets Professionals." On the form, investment bankers reviewed the work of specific research analysts under different categories and provided an overall ranking for the analysts.

As an example, in one section called "Business Leadership," an investment banker wrote of a research analyst: "Coordinates ideas in support of Banking Business; good commercial instinct. Develops and utilizes relationships with client Senior Management, including CEO's, in pursuing business. Represents firm well."

The conflict between conducting objective research and attracting and retaining investment banking clients was also evidenced in analysts' self-reviews. For example, one analyst wrote in his self-evaluation: "Trying to manage the research/banking balance. Particularly challenging for me given the amount of banking we do and our dominant banking franchise that has deep roots at CSFB."

f. CSFB's Technology Research Analysts Played a Key Role at Investment Banking "Pitches" to Help CSFB Win Investment Banking Deals – Including at Times the Implicit Promise of Favorable Research

Between July 1998 and 2001, Technology Group research analysts played a key role in helping to win investment banking business for CSFB. Once CSFB's technology bankers – with the assistance of the technology research analysts – determined that a company was a strong candidate for an offering, a technology research analyst assisted in CSFB's sales "pitch" to the company, in which CSFB would explain why it should be chosen as the lead managing underwriter for the offering. Quattrone described the relationship between the technology research analysts and investment bankers as follows: "[I]n many of the things that we did with our clients, both groups [Technology Banking and Technology Research] were involved. And the clients experienced CSFB, and in some sense both bankers and analysts worked together in a collaborative fashion to deliver service to a client."

As part of the sales pitch, technology research analysts prepared selling points regarding their research to be included in the pitch books presented to the company. They also routinely appeared with investment bankers at the pitches to help sell CSFB to the potential client. The Director of Research for the Technology Group, described the technology research analyst as the "star of the show" at pitches. CSFB pitch books to potential clients included representations about the role the technology research analyst would play if CSFB obtained

the business. The analyst's written and oral presentations, and the presence of a research analyst at the pitch, strongly implied, and at times implicitly promised, that CSFB would provide positive research if awarded the investment banking business.

For example, in the pitch book for Numerical Technologies, the discussion regarding research coverage headlined "Easy Decision...Strong Buy," implicitly promising that CSFB would issue a "strong buy" rating upon initiation of coverage. In another example, in a Fall 1999 pitch to a different technology company, CSFB's pitch book stated that the particular CSFB technology research analyst who would cover the company "[g]ets it," would "pound the table" for the company, and would be the company's "strongest advocate." In addition, the pitch book stated that research analyst would engage in "pre-marketing one-on-one meetings [with potential investors] prior to launch."

In describing the "Role of Research," the pitch book provided a roadmap for the amount and type of coverage that the equity research department would issue in the first year after initiating research, including some research issued at least monthly, and inclusion of the company's stock as a "focus stock." The pitch book noted that CSFB's equity research department would also provide (a) "[s]ignificant 'front-end' effort to position the company's story in a prospectus and at roadshows"; (b) a "[s]ales force 'teach-in' to begin communicating the [company's] opportunity to investors"; (c) "active involvement on roadshow"; (d) "[d]irect follow-up with key investors after one-on-one meetings"; and (e) "standalone" company reports.

In another pitchbook, CSFB highlighted that it maintained the highest post-IPO trading volume in a company whose public offering it led while noting that other investment banks did not maintain similar trading volume for their banking clients. At the same time, CSFB highlighted that its research analysts maintained a "strong buy" rating even though the company announced results below estimates. In the pitchbook, CSFB distinguished itself from other deal managers who were shown to have reduced their ratings based upon that financial information. CSFB implied through this pitchbook that the firm would maintain positive research for companies that have entered into investment banking deals with CSFB.

g. Equity Research Analysts Were at Times Pressured by Investment Bankers to Initiate or Maintain Positive Research Coverage

CSFB investment bankers, including senior bankers, at times pressured research analysts to initiate or maintain coverage on companies to further ongoing or potential investment banking relationships. Bankers at times applied undue pressure on equity research analysts to initiate research on companies they otherwise would not have covered, maintain ratings they otherwise would have lowered, and maintain coverage of companies they otherwise would have dropped, but for the investment banking relationship.

In June 1999, CSFB's Technology Group investment bankers learned from a corporate official at Gemstar-TV Guide International, Inc. ("Gemstar") that the company was interested in conducting a secondary offering of its stock. Company officials informed the CSFB investment bankers that publication of research by CSFB was a prerequisite to CSFB being named the investment banker for the planned offering. A Technology Group investment banker informed the company official that CSFB would initiate coverage by July.

The investment banker then informed the analyst of the potential investment banking business and noted that it was conditioned on CSFB initiating research for the company. When the research analyst informed the investment banker that other obligations, including administrative responsibilities, would keep him from conducting the necessary research in the time frame mentioned by the banker, Quattrone challenged the research analyst's priorities and directed that he conduct the review of the company on a more aggressive schedule.

On June 15, 1999, an investment banker in the Technology Group wrote an e-mail to the research analyst with a copy to Quattrone, stating that one of Gemstar's representatives had:

> adamantly stated that there will be no [investment banking] transaction without prior research. As you know [another Gemstar representative] has also expressed this same sentiment with regards to working on CSFB. We informed [the Gemstar representative] that you intend to initiate coverage by July, which would facilitate a September offering. ... The main takeaway from the meeting was that there is an opportunity for a very large secondary offering in the second half of this year. We need research for this to happen.

Later that day, the research analyst e-mailed the investment banker, with a copy to Quattrone, stating that he could not even look at the matter for almost another three weeks, given his need to study for an examination. In response to that e-mail, Quattrone instructed the research analyst by e-mail to "take a day off from your test prep and go down this week or next." Quattrone then e-mailed the chain of messages to the heads of other Technology Group departments and another individual, noting that Quattrone was "trying to shame" the research analyst into conducting the due diligence and ultimately initiating research coverage of the company without delay.

Another example of this kind of conduct relates to Allaire Corp. ("Allaire"), which develops and supports software for a variety of web applications. In January 1999, CFSB acted as the lead manager for Allaire's IPO, earning more than $3.5 million from the offering. CSFB was also the lead manager of a secondary offering for Allaire in September 1999. The total fees for that offering exceeded $10 million. On February 19, 1999, CSFB initiated coverage of Allaire with a "buy" rating. CSFB continued to cover and issue research on Allaire until the research analyst covering the company left CSFB in April 2000. At the time of his departure when the stock was trading at approximately $130 per share, the research analyst had a "buy" rating on the company. Another research analyst was tapped to assume coverage of Allaire at that time.

The new research analyst's assumption of coverage was delayed and, as of early July 2000, the analyst assigned to cover Allaire had issued no new research on the company. In a July 17, 2000 e-mail to Quattrone, the Head of Technology Research, and others, a CSFB investment banker insisted that "[w]e need to do everything in our power to ensure that" the new research analyst "initiates coverage on Allaire." In that e-mail, the investment banker noted, among other things, that CSFB had received favorable fees and splits in connection with its underwriting services for the IPO, the secondary and another transaction and that Allaire's CEO was unhappy with CSFB's research sponsorship of Allaire since late 1999. In a responsive e-mail, Quattrone stated: "We need to make this happen asap." On August 14,

2000, a new research analyst assumed coverage of Allaire, maintaining the previous analyst's "buy" rating while the stock was trading between $30 - $35 per share. A month later, on September 18, 2000, once the stock had dropped below $10 per share, the research analyst downgraded the stock to a "hold" rating.

On one occasion, Quattrone urged certain bankers and research analysts to threaten to drop coverage of a company in an effort to obtain the lead manager position for an investment banking offering. In January 2000, CSFB was attempting to obtain a lead manager position for Aether Systems, Inc. ("Aether"). When Quattrone was informed that Aether had offered CSFB only the co-manager role, and not the bookrunner position for the offering, Quattrone attempted to use his authority by stating in a January 29, 2000 e-mail to investment bankers and research analysts:

> [N]o ...way do we accept this proposal. [P]lease discuss with me [and others] first thing in the morning. [W]e have agreed on the script, which is books or walk and drop coverage.

h. CSFB Technology Group's Practice of Allowing Equity Research Analysts to Discuss a Proposed Rating with Company Executives in Advance of Publishing the Rating Caused Undue Pressure to Initiate or Maintain Positive Research Coverage, and at Times Compromised Equity Research Analyst Independence

CSFB Technology Group allowed its research analysts to provide executives of companies for whom they were about to issue research, with copies of analyses and proposed ratings of their reports for editorial comment prior to dissemination. Technology Group research analysts provided this information, in part, in an attempt to maintain their good standing with the company. This type of direct interaction between analysts and issuers provided additional pressure on the equity research analysts and at times compromised the independence of the research analysts.

For example, on October 29, 1999, while preparing to re-initiate coverage for Razorfish, Inc. ("RAZF"), a Technology Group research analyst wrote to the RAZF CEO:

> With icube about to close, we need to think about resuming coverage of the fish. I want your opinion on rating. We would have taken you to a strong buy but given the recent stock run, does it make sense for us to now keep the upgrade in our back pocket in case we need it? Either way, I don't care. You guys deserve it, I just don't want to waste it.

The CEO of RAZF responded to the research analyst, stating: "I think we should re-initiate with a buy and a higher price target and keep the upgrade for a little while.... Although its [sic] getting hard to justify the valuations."

In this case, the research analyst re-initiated coverage on November 3, 1999, with a "strong buy" rating when the stock was trading at $34. He reiterated and maintained that "strong buy" from January 12, 2000, when the stock was trading at $39 per share, until October 27, 2000, when he finally lowered his rating to a "buy" rating when the stock was trading at $4.

The research analyst maintained that "buy" rating until May 4, 2001, when RAZF was trading at just $ 1.14. At that time, he once again downgraded to a "hold" rating.

3. CSFB Issued Fraudulent Equity Research Reports on Two Companies in the Technology Sector: Digital Impact and Synopsys. Those Reports Were Unduly Influenced by Investment Banking Considerations

The undue, improper influence that investment banking exerted over research analysts caused technology research analysts to issue fraudulent research reports on two companies, Digital Impact and Synopsys. Specifically, investment bankers pressured research analysts to initiate or maintain positive research coverage of these two companies in order to obtain or retain investment banking business. The analysts were pressured or compelled to compromise their own professional opinions regarding companies at the direction of the firm's investment bankers.

a. Digital Impact, Inc.

Digital Impact, Inc. ("DIGI") is a company involved in online direct marketing. CSFB acted as the lead manager for the DIGI IPO in November 1999, earning more than $5 million from the offering. Following the IPO, a CSFB technology research analyst initiated coverage with a "buy" rating. At that time, DIGI traded for just under $50 per share. Between January 2000 and April 2001, as the stock price declined to less than $2 per share, CSFB maintained either a "buy" or a "strong buy" rating on the stock.

In May 2001, after the original analyst had left CSFB, a senior research analyst in the Technology Group was assigned coverage of DIGI. At that time, DIGI was trading for less than $2 per share. CSFB assumed coverage and "buy" ratings in June and July 2001. Thereafter, the senior research analyst then met with the company and determined that he wanted to drop coverage of DIGI, noting that DIGI's "market opportunity was just very competitive ... and ... they were going to have ... a difficult time thriving in that environment."

The senior research analyst attempted to drop coverage of DIGI on two occasions. On both attempts, the senior research analyst acceded to requests from an investment banker in the Technology Group that he not drop coverage. In a September 4, 2001 e-mail, the senior research analyst informed two investment bankers of his continued desire to drop coverage of DIGI. That day, one of the investment bankers responded:

> I think [the other investment bankers] will ask for continued cov'g on DIGI given ongoing relationship, good [venture capitalists] and CSFB led IPO.

Despite his own desire to drop coverage of the stock, the research analyst acceded to the desires of the investment banker and did not drop coverage on DIGI. The research analyst maintained coverage, and left the "buy" rating unchanged until October 2, 2001, when CSFB downgraded DIGI to a "hold" rating.

b. Synopsys, Inc.

Internal e-mail correspondence among research analysts regarding Synopsys shows that the pressure imposed by investment bankers on research analysts to initiate or maintain favorable coverage was not an isolated problem at CSFB. In May 2001, a technology research analyst wrote an e-mail to the Head of Technology Research, complaining of:

> Unwritten Rules for Tech Research: Based on the following set of specific situations that have arisen in the past, I have 'learned' to adapt to a set of rules that have been imposed by Tech Group banking so as to keep our corporate clients appeased. I believe that these unwritten rules have clearly hindered my ability to be an effective analyst in my various coverage sectors.

The research analyst wrote that, after downgrading a company in 1998, his investment banking counterpart "informed [him] of unwritten rule number one: that 'if you can't say something positive, don't say anything at all.'" Regarding a second company about which he had reported in 1999, the analyst wrote that he:

> issued some cautionary comments in the Tech Daily. ... CEO completely lost his composure and swore to the banker, ... that [second company] would never do any business with CSFB (another GS client we were trying to court). At the time, [the investment banker] informed me of unwritten rule number two: 'why couldn't you just go with the flow of the other analysts, rather than try to be a contrarian?'

The technology research analyst applied these "unwritten rules" to Synopsys, which he had rated as a "strong buy" from July 1999 through June 2000. Specifically, the technology research analyst wrote that he

> [s]uspected a down-tick in guidance coming and wanted to moderate rating from strong buy to buy. However, banking felt this might impact CSFB's ability to potentially do business with the company downstream. ... By following rules 1 & 2, I had successfully managed not to annoy the company, or banking.

Based on these incidents, the analyst concluded that he was "not naïve enough to lack a sense of appreciation of the role of investment banking (and banking fees) for the franchise."

4. CSFB Issued Research on Four Companies that Lacked a Reasonable Basis, Made Exaggerated or Unwarranted Claims, was Imbalanced, or Lacked Full and Accurate Disclosures

As to four companies, CSFB's equity research analysts issued research that lacked a reasonable basis for the claims made, made exaggerated or unwarranted claims, failed to provide a balanced presentation of the relevant facts, and/or failed to disclose important information about the company or the relationship of CSFB and its research analysts to the company.

a. Numerical Technologies, Inc.

In April 2000, CSFB acted as lead manager on the IPO of Numerical Technologies for which it received a fee of more than $5.4 million. Following the IPO, a Technology Group research analyst informed a company official that he planned to initiate coverage with a "buy" rating. The official complained about the proposed rating to an investment banker at CSFB. According to the analyst, the investment banker successfully urged the analyst, "against [the analyst's] better judgment," to initiate coverage with a "strong buy" rating.

b. Agilent Technologies, Inc.

In certain instances, CSFB equity research analysts maintained positive ratings in published research reports, while conveying a more negative outlook regarding the stock to their institutional customers within the text of the written research reports. In describing the ratings used from July 1998 through 2001 and beyond, research analysts did not use the same description of the rating as CSFB's published description. According to one senior research analyst:

> Different analysts have different ways they would interpret a hold rating ... And I think it's probably fair to say that for a number of analysts, particularly because of the fear of backlash that we get from a company ... or ... that we get from institutional investors, there would be a hesitancy to use the "sell" rating. So analysts did have a tendency to somehow use a hold with more of a negative slant to it.
>
> [T]he monthly review and comment we would verbally describe what we meant by each of the four ratings that I mentioned before. But there was a lot of latitude left to the individual analyst to kind of use the rating I don't want to say in a custom tailored way, but certainly there would be some judgment applied by the analyst in terms of how they would use this specific rating to their sector.

This approach manifested itself with regard to Agilent Technologies, Inc. CSFB was the co-manager for the November 17, 1999 IPO, earning more than $5.7 million in fees. A technology research analyst initiated coverage of the company with a "buy" rating on December 13, 1999. On July 21, 2000, the analyst reiterated his "buy" rating, while also describing in his research report that the company had announced that its healthcare business was likely to have an operating loss at least as wide as the previous quarter's loss of $30 million. The report reiterating the "buy" rating also disclosed in the body of the report that the company announced that third quarter earnings would be 18-22 cents per share, compared to the 35 cents average estimate of analysts polled.

The report also indicated that:

> Agilent is rated Buy, only in the most generous sense, though in the short term we would only buy it on extreme weakness, with a 12-24 month time horizon. Our near-term concern is that problems are not typically resolved in one or two quarters.

CSFB maintained its "buy" rating until February 2001 when it finally downgraded to "hold." This came only after Agilent preannounced second quarter revenues and suspended earnings guidance for the remainder of the year, citing a "dramatic slowdown in customer demand." CSFB's positive rating of Agilent for an extended period of time despite negative news was cited by a research analyst in CSFB as an example of maintaining a positive rating while signaling negative news to large institutional clients.

Following the July 21, 2000 report on Agilent, a CSFB technology research analyst cited the coverage of Agilent to another CSFB research analyst who was facing some "tough decisions" on rating two companies that CSFB had helped take public. The first analyst noted that he wanted to give one of the companies a neutral rating but was "wondering how to approach this based on banking sensitivities." The other analyst responded suggesting that the analyst "ask [the analyst who covered Agilent for the July 21, 2000 report] about the 'Agilent Two-Step'. That's where in writing you have a buy rating (like we do on [the other company], and thank God it's not a strong buy) but verbally everyone knows your position."

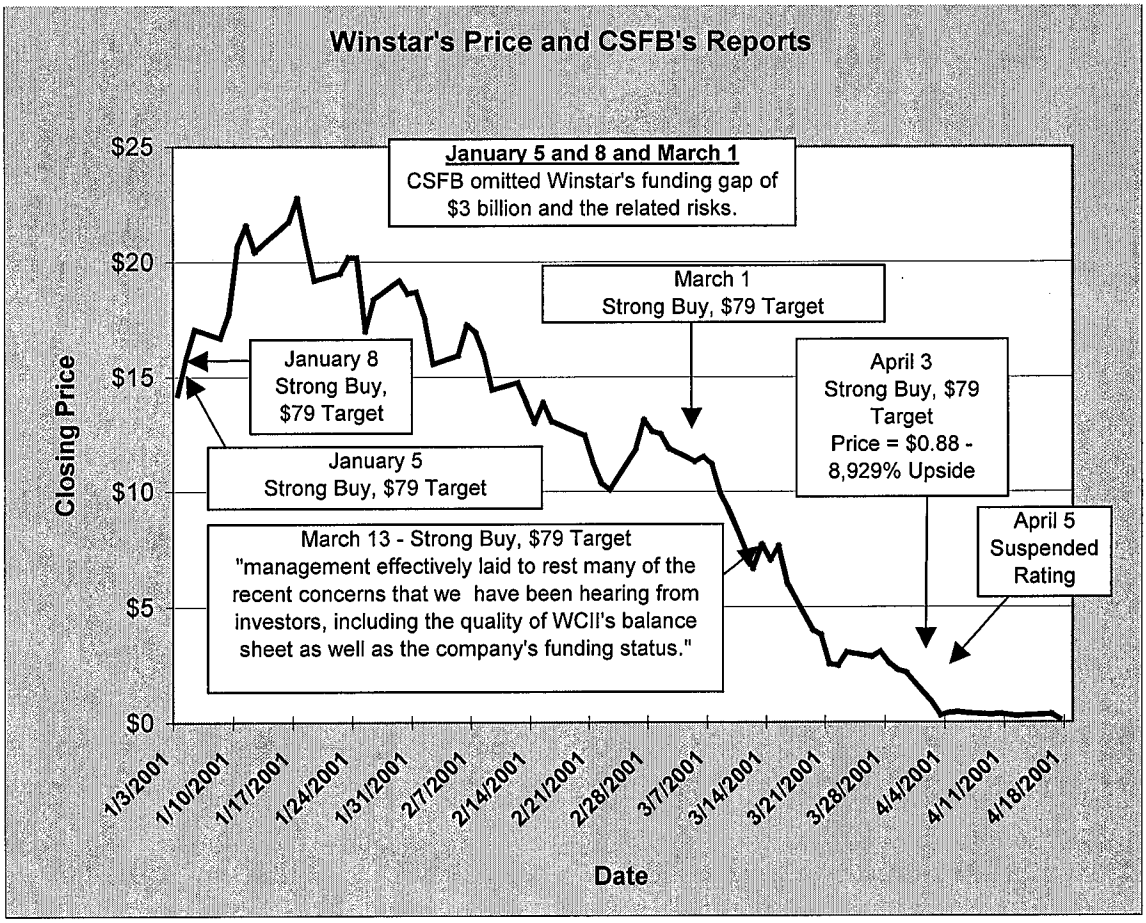
c. Winstar

Winstar Communications, Inc. ("Winstar"), a provider of broadband telecommunications services, traded on the Nasdaq National Market System using the symbol WCII. Winstar competed in the capital-intensive competitive local exchange carrier ("CLEC") industry with much larger, established regional Bell operating companies to provide "last-mile" networks to businesses.

Winstar never operated at a profit, suffered significant losses, and needed large amounts of capital to survive. As of September 30, 2000, it had more than $2 billion in accumulated deficits. For the year ended December 31, 2000, Winstar had revenue of $759.3 million, a net loss of $894.2 million, and ($9.67) in earnings per share. Net loss to common stockholders totaled more than $1 billion. On April 5, 2001, Winstar announced a scaled-back business plan and the layoff of 2,000 employees - 44 percent of its work force. On April 18, 2001, Winstar filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

CSFB, acting through two research analysts in its Equity Research Department, wrote and issued research reports during 2001 that lacked a reasonable basis for its target price and failed adequately to disclose risks of investing in Winstar. Indeed, CSFB's reports during this period did not indicate that investing in Winstar was risky. The firm had initiated equity research coverage of Winstar in May 2000, with a "strong buy" rating and a 12-month target price of $79. CSFB retained the $79 target price from January 5, 2001, through April 3, 2001, even as the stock plummeted from approximately $17 to $0.31 per share and the market capitalization collapsed more than 99%, from $1.6 billion to $30 million.

The following graph demonstrates how CSFB maintained a " strong buy" rating while Winstar's stock price fell:



CSFB Lacked a Reasonable Basis for the $79 Target Price

In three reports between March 1, 2001 and April 5, 2001, when CSFB suspended its rating for Winstar, CSFB's $79 target price for the company was not reasonable. The target price failed to reflect Winstar's deteriorating stock price, extensive funding needs, likely changes in fundamentals, and over-leveraged balance sheet, as well as the bleak capital markets environment. The target price of $79 per share represented unreasonably high returns:

- 3/01/01 -- actual price: $12.5000 % Upside: 632%
- 3/13/01 -- actual price: $ 7.6875 % Upside: 1028%
- 4/03/01 -- actual price: $ 0.3125 % Upside: 25,280%

From March 1, 2001 forward, CSFB's target price was more than 50 percent higher than the target price of any other firm covering Winstar.

Reports issued in 2001 also failed to disclose that the terms "target price," "price objective," or "percentage upside" did not represent the price at which CSFB believed Winstar stock would be trading in 12 months. Instead, CSFB used those terms to reflect the theoretical value of Winstar's worth in 12 months if a buyer valued Winstar using CSFB's valuation methodology. CSFB, however, failed to disclose that it was using the terms in this manner.

CSFB Failed Adequately to Disclose Significant Risks of Investing in Winstar

The January 5, 2001, January 8, 2001, and March 1, 2001 reports failed adequately to disclose the risks of investing in Winstar, particularly the risks related to funding, including

Winstar's need to raise more than $3 billion to fund its business plan to reach a free cash flow positive status and the risk that Winstar might not be able to raise the necessary funds. In a March 13, 2001 research report, CSFB again failed adequately to disclose the risks of investing in Winstar. While disclosing for the first time that Winstar needed to raise more than $3 billion, the report significantly downplayed the risk that Winstar might not be able to do so:

> [W]e maintain our forecast that WCII is funded into 1Q02 . . . . While we currently forecast that WCII needs over $3B of additional capital to reach a free cash flow positive status, ... WCII management effectively laid to rest many of the recent concerns that we have been hearing from investors, including the quality of WCII's balance sheet as well as the company's funding status.

While CSFB research reports identified certain issues relating to funding, those reports did not adequately disclose funding risks or other concerns regarding funding that CSFB equity analysts discussed in internal e-mails. On February 8, 2001, a CSFB equity analyst sent an e-mail with a chart showing Winstar's cash flows. The e-mail stated:

> this is FYI ... I worked this up to convince myself that wcii was indeed funded through FY01... I've included everything I know about for them over the next year, and it looks like they have $185M left at the end of the year.

Such analysis should have been included in CSFB's disseminated research in order to present a balanced picture of the risks of investing in Winstar.

On March 22, 2001, CSFB's senior Winstar equity research analyst e-mailed a customer, who had raised questions about investor concerns and funding in the CLEC sector. The analyst acknowledged in his e-mail that there were funding concerns.

On April 5, 2001 when Winstar's price closed at $0.44, CSFB issued a report suspending its rating. In the report, CSFB explained that the suspension was:

> following the announcement of a major scale back in the firm's expansion plans but without any positive developments on the much anticipated drive to secure additional sources of funding – both equity and network capacity sales. Given WCII's lack of balance sheet flexibility due to approximately $360M of cash interest obligations in FY01 (growing to over $400M in FY02) and the current bleak capital markets environment, we believe that a significant balance sheet restructuring is one of the only situation under which the company can avoid more draconian scenarios.

CSFB had not adequately disclosed in earlier reports the concerns mentioned in the April 5, 2001 report.

d. NPW

CSFB at times had a proprietary interest in NPW that was not disclosed in research reports issued by the firm. Further, CSFB research analysts covering NPW also had personal proprietary interests in the company but the firm failed to disclose those interests in the published reports. The ownership interests of the firm and the research analysts created a conflict of interest that should have been disclosed.

NPW was incorporated in November 1999 as EMW Energy Services Corporation, a division of Enron Energy Services (a division of Enron Corporation ("Enron")). Until January 6, 2000, Enron held all issued and outstanding shares of NPW. NPW's business was to provide natural gas and electricity to retail customers in newly deregulated state markets while obtaining the gas and electricity wholesale from Enron. In January and July 2000, DLJ assisted with two private placements for NPW and received approximately $1 million in investment banking revenues. DLJ invested $42.5 million in the two private placements through its affiliated partnerships, known as the "DLJ Merchant Banking Partnerships," in return for approximately 9.7 percent of NPW.

On October 5, 2000, NPW conducted an IPO and offered 24 million shares at $21 per share. DLJ and CSFB were the joint lead underwriters and earned approximately $15.7 million in fees. After the IPO, CSFB, through its acquisition of DLJ, owned 7.9 percent of NPW, while Enron owned 44 percent of the company. In 2000, CSFB and DLJ combined received approximately more than $12.4 million in investment banking revenues from Enron. In 2001, CSFB received approximately $21.6 million in investment banking revenues from Enron. From October 2000 to November 2001, CSFB issued 18 "Buy" or "Strong Buy" research reports on NPW. CSFB failed to disclose its proprietary interest in NPW in four of these research reports issued to the public during that period.

Also during that period, the senior research analyst covering NPW held undisclosed investments in NPW. The senior analyst invested approximately $21,000 of his own money, which was leveraged 5:1 by CSFB, in NPW through DLJ partnerships that owned NPW shares. In addition, an associate research analyst who assisted in preparing the reports, and whose name appeared on the reports, held 200 shares of NPW from November 7, 2000, to June 14, 2001. From October 2000 to November 2001, CSFB did not disclose either of the research analysts' financial interests in NPW in the 18 NPW research reports issued to the public.

5. CSFB's Technology PCS Group Engaged In Improper IPO "Spinning" Allocations to Corporate Executives of Investment Banking Clients

Quattrone established the Technology PCS (Private Client Services) Group to be part of the Technology Group. The Director of Technology PCS had a primary and direct reporting responsibility to Quattrone with a secondary "dotted-line" reporting responsibility to the Director of CSFB's PCS Department. Technology PCS focused exclusively on the technology sector. Technology PCS operated independently of CSFB's other PCS brokers. The Technology PCS client base consisted, almost exclusively, of officers of investment banking clients of the Technology Group.

From approximately March 1999 through April 2001, Technology PCS improperly allocated "hot" IPO stock to executives of investment banking clients and improperly managed the purchase and sale of that stock through discretionary trading accounts. CSFB's Technology Group gave improper preferential treatment to these company executives with the belief and expectation that the executives would steer investment banking business for their companies to CSFB.

These executives profited from their allocations of "hot" IPO stock. During this time period, the share value of the technology-related IPOs in which CSFB served as bookrunning manager increased dramatically, with the average share price increase in the immediate aftermarket exceeding 99 percent. In some instances, the aftermarket trading was significantly higher. On December 9, 1999, for example, IPO shares of VA Linux Systems stock, which had a public offering price ("POP") of $30 per share, closed after the first day of aftermarket trading at $239.25 per share, representing a 698 percent increase over the offering price. Technology PCS began selling its clients' VA Linux IPO shares on a discretionary basis when the stock was at $227 per share. Technology PCS allocated 92,000 VA Linux IPO shares to 110 discretionary accounts. Within one day of the offering, the Technology PCS brokers sold 41,400 shares (representing approximately 45 percent of the Technology PCS allocation) out of the discretionary accounts, resulting in one-day realized profits of almost $6.4 million.

a. Discretionary Accounts were Established for "Strategic" Executive Officers of Issuers

Pitchbooks used by the Technology Group to win an issuer's investment banking business referenced the discretionary accounts. Consistent with those references and representations made at "pitches," an issuer had to award CSFB its investment banking mandate before the issuer's officers were afforded the opportunity to open discretionary accounts and given access to IPO shares by CSFB. Likewise, CSFB considered ways to reduce or eliminate IPO allocations to executives who changed employment and were no longer affiliated with those companies.

Once Technology Group received a mandate, Technology PCS established discretionary accounts for executives who were considered to be "strategic." "Strategic" was commonly understood by Quattrone and Technology PCS managers to refer to the overall business relationship CSFB had with the issuer, including potential future investment banking business. The head of Technology PCS defined "strategic" as "senior decision makers" at existing or prospective investment banking clients of the Technology Group who could influence their companies' choice of investment banker. The accounts were ranked based on the executive's perceived influence in this regard, and "hot" IPO shares were allocated based on the ranking. Allocations ranged from 1200 shares for accounts ranked one, to 300 shares for accounts ranked 4.

Technology PCS did not apply standard CSFB qualification standards (i.e. assets under management, trading revenue production, length of the brokerage relationship, etc.) for the opening of these discretionary accounts. Instead, the decision was based largely on the executive's position and influence at the company. Technology PCS established a minimum

funding level of $100,000 that was subsequently raised to $250,000. Technology PCS also set $250,000 as the maximum level of funds with which customers could fund the discretionary accounts. These discretionary accounts were limited to the purchase and sale of stock purchased through CSFB IPOs. The account holders were not permitted to buy or sell other securities in these accounts, as a result of which Technology PCS turned away millions of dollars of potential customer investments. The number of discretionary accounts serviced by Technology PCS reached a peak in 2000 of approximately 285.

b. Technology PCS Allocated Shares in Every IPO to the Discretionary Accounts and "Flipped" Stock out of the Accounts, Generating Large Trading Profits for the Favored Executives

The Technology PCS Group allocated shares to the discretionary accounts in every IPO in which the Technology Group was involved. Senior Technology Group managers participated in determining allocations to discretionary accounts and deciding for whom such accounts were to be opened. The overwhelming majority of those IPOs were "hot." Technology PCS personnel decided when and how many IPO shares to sell from the discretionary accounts. In some cases, all the shares allocated to discretionary accounts were sold for a profit on the IPO's first day of trading in the secondary market. In other cases, half the shares were sold within one or two days of the offering and the remaining half sold sometime later. In virtually all instances, the "flipping" of IPO shares out of the discretionary accounts resulted in the account holders receiving substantial profits with no individual effort and minimal market risk.

The table below provides examples of the extraordinary gains realized in these discretionary accounts and correlates them with the investment banking fees paid to CSFB by the companies with which the accountholders were associated:

Account #	Company	Position	Rank	Life of Acct. (in years)	Total Gain	Internal Rate of Return	IB fees to CSFB
RD1210	Egreetings	CFO	3	1.4	$585,000	335.98%	$4,678,000
RD1260	El Sitio	Co-founder	1	1.31	$1,015,000	950.24%	$4,911,000
RD1660	Next Level Comm.	CFO	2	1.25	$710,000	470.45%	$9,860,000
RD1930	Phone.com	Chairman & CEO	1	1.0	$1,285,000	268.71%	$80,720,000
RD2040	iPrint.com	CEO	2	1.15	$353,000	240.46%	$1,297,000

c. Unofficial "Performance Reports" were Developed and Distributed by Technology PCS Group Personnel to the Account Holders

Technology PCS prepared unofficial "Performance Reports" measuring the extraordinary performance of these discretionary accounts and furnished the reports to the discretionary account holders. These reports, distributed monthly, showed, among other things, the length of time the account had been open, the amount of contributions to the account, the total gain in the account (before fees) and the account's rate of return. These unofficial reports were meant to ensure that the discretionary account holders were aware of the extraordinary gains being generated for them through the flipping of IPO shares. Some show total gains over the

life of the account exceeding $1 million. One report shows that in little more than a year and a half (September 19, 1999 to June 8, 2001), the account had a rate of return in excess of 3,800%.

II.

CONCLUSIONS OF LAW

1. The Administrator of the Department has jurisdiction over this matter pursuant to the Act.

2. The Administrator of the Department finds that the above conduct is in violation of the Act and the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules") relating to dishonest or unethical practices in the securities industry and failure to supervise.

3. The Administrator of the Department finds the following relief appropriate and in the public interest.

III.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and CSFB's consent to the entry of this Order, for the sole purpose of settling this matter, prior to a hearing and without admitting or denying any of the Findings of Fact or Conclusions of Law,

IT IS HEREBY ORDERED:

1. This Order concludes the investigation by the Administrator of the Department and any other action that the Administrator of the Department could commence under applicable Oklahoma law on behalf the State of Oklahoma as it relates to CSFB and certain research or banking practices at CSFB.

2. CSFB will CEASE AND DESIST from violating the Act and Rules and will comply with the Act and Rules in connection with the research practices referenced in this Order and will comply with the undertakings of Addendum A, incorporated herein by reference.

3. Upon execution of this Order, CSFB shall pay the sum of $797,630 to the Department as a as a civil monetary penalty, to be deposited in the Oklahoma Department of Securities Investor Education Revolving Fund pursuant to Section 412 of the Act. CSFB agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to payment made pursuant to any insurance policy, with regard to all penalty amounts that CSFB shall pay pursuant to

Section II of the Final Judgment in the SEC's action against CSFB in a related proceeding (the "SEC Final Judgment"), regardless of whether such penalty amounts or any part thereof are added to the Distribution Fund Account referred to in the SEC Final Judgment or otherwise used for the benefit of investors. CSFB further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any penalty amounts that CSFB shall pay pursuant to this Order or Section II of the SEC Final Judgment, regardless of whether such penalty amounts or any part thereof are added to the Distribution Fund Account referred to in the SEC Final Judgment or otherwise used for the benefit of investors. CSFB understands and acknowledges that these provisions are not intended to imply that the State of Oklahoma would agree that any other amounts CSFB shall pay pursuant to the SEC Final Judgment may be reimbursed or indemnified (whether pursuant to an insurance policy or otherwise) under applicable law or may be the basis for any tax deduction or tax credit with regard to any state, federal or local tax.

4. If payment is not made by CSFB or if CSFB defaults in any of its obligations set forth in this Order, the Administrator of the Department may vacate this Order, at its sole discretion, upon 10 days notice to CSFB and without opportunity for administrative hearing.

5. This Order is not intended by the Administrator of the Department to subject any Covered Person to any disqualifications under the laws of any state, the District of Columbia or Puerto Rico (collectively, "State"), including, without limitation, any disqualifications from relying upon the State registration exemptions or State safe harbor provisions. "Covered Person" means CSFB, or any of its officers, directors, affiliates, current or former employees, or other persons that would otherwise be disqualified as a result of the Orders (as defined below).

6. The SEC Final Judgment, the NYSE Stipulation and Consent, the NASD Letter of Acceptance, Waiver and Consent, the Order and the order of any other State in related proceedings against CSFB (collectively, the "Orders") shall not disqualify any Covered Person from any business that they otherwise are qualified, licensed or permitted to perform under the applicable law of the State of Oklahoma and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.

7. For any person or entity not a party to this Order, this Order does not limit or create any private rights or remedies against CSFB including, without limitation, the use of any e-mails or other documents of CSFB or of others regarding research practices, limit or create liability of CSFB or limit or create defenses of CSFB to any claims.

8. Nothing herein shall preclude the State of Oklahoma, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations, other than the Administrator of the Department and only to the extent set forth in paragraph 1 above, (collectively, "State Entities") and the officers, agents or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against CSFB in connection with certain research ands banking practices at CSFB.

WITNESS my Hand and the Official Seal of the Oklahoma Department of Securities this 12 day of **September**, 2003.

Irma L. Faught
Administrator

CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY CREDIT SUISSE FIRST BOSTON LLC, F/K/A CREDIT SUISSE FIRST BOSTON CORPORATION

Credit Suisse First Boston LLC, f/k/a Credit Suisse First Boston Corporation ("CSFB") hereby acknowledges that it has been served with a copy of this Administrative Consent Order ("Order"), has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

CSFB admits the jurisdiction of the Administrator of the Oklahoma Department of Securities, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order; and consents to entry of this Order by the Administrator of the Oklahoma Department of Securities as settlement of the issues contained in this Order.

CSFB states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Gary G. Lynch represents that he/she is Vice Chairman of CSFB and that, as such, has been authorized by CSFB to enter into this Order for and on behalf of CSFB.

Dated this 4th day of September, 2003.

Credit Suisse First Boston LLC

By: _____

Title: Vice Chairman

SUBSCRIBED AND SWORN TO before me this 4th day of September, 2003.

_____
Notary Public

My Commission expires: 10/28/06
My Commission number: 01MA5067911

CAROLINE R. MARQUARDT
Notary Public, State of New York
No. 01MA5067911
Qualified in New York County
Commission Expires 10/28/06

Addendum A

Undertakings

The firm shall comply with the following undertakings:

I. Separation of Research and Investment Banking

1. Reporting Lines. Research and Investment Banking will be separate units with entirely separate reporting lines within the firm – i.e., Research will not report directly or indirectly to or through Investment Banking. For these purposes, the head of Research may report to or through a person or persons to whom the head of Investment Banking also reports, provided that such person or persons have no direct responsibility for Investment Banking or investment banking activities.

    a. As used throughout this Addendum, the term "firm" means the Respondent, Respondent's successors and assigns (which, for these purposes, shall include a successor or assign to Respondent's investment banking and research operations), and their affiliates, other than "exempt investment adviser affiliates."

    b. As used throughout this Addendum, the term "exempt investment adviser affiliate" means an investment adviser affiliate (including for these purposes, a separately identifiable department or division that is principally engaged in the provision of investment advice to managed accounts as governed by the Investment Advisers Act of 1940 or investment companies under the Investment Company Act of 1940) having no officers (or persons performing similar functions) or employees in common with the firm (which, for purposes of this Section I.1.b, shall not include the investment adviser affiliate) who can influence the activities of the firm's Research personnel or the content of the firm's research reports; provided that the firm (i) maintains and enforces written policies and procedures reasonably designed to prevent the firm, any controlling persons, officers (or persons performing similar functions), or employees of the firm from influencing or seeking to influence the activities of Research personnel of, or the content of research reports prepared by the investment adviser affiliate; (ii) obtains an annual independent assessment of the operation of such

policies and procedures; and (iii) does not furnish to its customers research reports prepared by the investment adviser affiliate or otherwise use such investment adviser affiliate to do indirectly what the firm may not do directly under this Addendum.

c. As used throughout this Addendum, the term "Investment Banking" means all firm personnel engaged principally in investment banking activities, including the solicitation of issuers and structuring of public offering and other investment banking transactions. It also includes all firm personnel who are directly or indirectly supervised by such persons and all personnel who directly or indirectly supervise such persons, up to and including Investment Banking management.

d. As used throughout this Addendum, the term "Research" means all firm personnel engaged principally in the preparation and/or publication of research reports, including firm personnel who are directly or indirectly supervised by such persons and those who directly or indirectly supervise such persons, up to and including Research management.

e. As used throughout this Addendum, the term "research report" means any written (including electronic) communication that is furnished by the firm to investors in the U.S. and that includes an analysis of the common stock, any security convertible into common stock, or any derivative thereof, including American Depositary Receipts (collectively, "Securities"), of an issuer or issuers and provides information reasonably sufficient upon which to base an investment decision; provided, however, that a "research report" shall not include:

    i. the following communications, if they do not include (except as specified below) an analysis, recommendation or rating (e.g., buy/sell/hold, under perform/market perform/outperform, underweight/market weight/overweight, etc.) of individual securities or issuers:

        1. reports discussing broad-based indices, such as the Russell 2000 or S&P 500 index;

2. reports commenting on economic, political or market (including trading) conditions;

3. technical or quantitative analysis concerning the demand and supply for a sector, index or industry based on trading volume and price;

4. reports that recommend increasing or decreasing holdings in particular industries or sectors or types of securities; and

5. statistical summaries of multiple companies' financial data and broad-based summaries or listings of recommendations or ratings contained in previously-issued research reports, provided that such summaries or listings do not include any analysis of individual companies; and

ii. the following communications, even if they include information reasonably sufficient upon which to base an investment decision or a recommendation or rating of individual securities or companies:

1. an analysis prepared for a current or prospective investing customer or group of current or prospective investing customers by a registered salesperson or trader who is (or group of registered salespersons or traders who are) not principally engaged in the preparation or publication of research reports; and

2. periodic reports, solicitations or other communications prepared for current or prospective investment company shareholders (or similar beneficial owners of trusts and limited partnerships) or discretionary investment account clients, provided that such communications discuss past performance or the basis for previously made discretionary investment decisions.

2. Legal/Compliance. Research will have its own dedicated legal and

compliance staff, who may be a part of the firm's overall compliance/legal infrastructure.

3. Budget. For the firm's first fiscal year following the entry of the Final Judgment in the SEC's action against Respondent in a related proceeding ("Final Judgment") and thereafter, Research budget and allocation of Research expenses will be determined by the firm's senior management (e.g., CEO/Chairman/management committee, other than Investment Banking personnel) without input from Investment Banking and without regard to specific revenues or results derived from Investment Banking, though revenues and results of the firm as a whole may be considered in determining Research budget and allocation of Research expenses. On an annual basis thereafter, the Audit Committee of the firm's holding/parent company (or comparable independent persons/group without management responsibilities) will review the budgeting and expense allocation process with respect to Research to ensure compliance with this requirement.

4. Physical Separation. Research and Investment Banking will be physically separated. Such physical separation will be reasonably designed to prevent the intentional and unintentional flow of information between Research and Investment Banking.

5. Compensation. Compensation of professional Research personnel will be determined exclusively by Research management and the firm's senior management (but not including Investment Banking personnel) using the following principles:

    a. Investment Banking will have no input into compensation decisions.

    b. Compensation may not be based directly or indirectly on Investment Banking revenues or results; provided, however, that compensation may relate to the revenues or results of the firm as a whole.

    c. A significant portion of the compensation of anyone principally engaged in the preparation of research reports (as defined in this Addendum) that he or she is required to certify pursuant to the U.S. Securities and Exchange's Regulation Analyst Certification

("Regulation AC") (such person hereinafter a "lead analyst") must be based on quantifiable measures of the quality and accuracy of the lead analyst's research and analysis, including his or her ratings and price targets, if any. In assessing quality, the firm may rely on, among other things, evaluations by the firm's investing customers, evaluations by the firm's sales personnel and rankings in independent surveys. In assessing accuracy, the firm may use the actual performance of a company or its equity securities to rank its own lead analysts' ratings and price targets, if any, and forecasts, if any, against those of other firms, as well as against benchmarks such as market or sector indices.

d. Other factors that may be taken into consideration in determining lead analyst compensation include: (i) market capitalization of, and the potential interest of the firm's investing clients in research with respect to, the industry covered by the analyst; (ii) Research management's assessment of the analyst's overall performance of job duties, abilities and leadership; (iii) the analyst's seniority and experience; (iv) the analyst's productivity; and (v) the market for the hiring and retention of analysts.

e. The criteria to be used for compensation decisions will be determined by Research management and the firm's senior management (not including Investment Banking) and set forth in writing in advance.

f. Research management will document the basis for each compensation decision made with respect to (i) anyone who, in the last 12 months, has been required to certify a research report (as defined in this Addendum) pursuant to Regulation AC; and (ii) anyone who is a member of Research management (except in the case of senior-most Research management, in which case the basis for each compensation decision will be documented by the firm's senior management).

On an annual basis, the Compensation Committee of the firm's holding/parent company (or comparable independent persons/group without management responsibilities) will review the compensation process for Research personnel. Such review will be reasonably

designed to ensure that compensation decisions have been made in a manner that is consistent with these requirements.

6. Evaluations. Evaluations of Research personnel will not be done by, nor will there be input from, Investment Banking personnel.

7. Coverage. Investment Banking will have no input into company-specific coverage decisions (i.e., whether or not to initiate or terminate coverage of a particular company in research reports furnished by the firm), and investment banking revenues or potential revenues will not be taken into account in making company-specific coverage decisions; provided, however, that this requirement does not apply to category-by-category coverage decisions (e.g., a given industry sector, all issuers underwritten by the firm, companies meeting a certain market cap threshold).

8. Termination of Coverage. When a decision is made to terminate coverage of a particular company in the firm's research reports (whether as a result of a company-specific or category-by-category decision), the firm will make available a final research report on the company using the means of dissemination equivalent to those it ordinarily uses; provided, however, that no final report is required for any company as to which the firm's prior coverage has been limited to purely quantitative analysis. Such report will be comparable to prior reports, unless it is impracticable for the firm to produce a comparable report (e.g., if the analyst covering the company and/or sector has left the firm). In any event, the final research report must disclose: the firm's termination of coverage; and the rationale for the decision to terminate coverage.

9. Prohibition on Soliciting Investment Banking Business. Research is prohibited from participating in efforts to solicit investment banking business. Accordingly, Research may not, among other things, participate in any "pitches" for investment banking business to prospective investment banking clients, or have other communications with companies for the purpose of soliciting investment banking business.

10. Firewalls Between Research and Investment Banking. So as to reduce further the potential for conflicts of interest or the appearance of conflicts of interest, the firm must create and enforce firewalls between Research

and Investment Banking reasonably designed to prohibit all communications between the two except as expressly described below:

a. Investment Banking personnel may seek, through Research management (or an appropriate designee with comparable management or control responsibilities ("Designee")) or in the presence of internal legal or compliance staff, the views of Research personnel about the merits of a proposed transaction, a potential candidate for a transaction, or market or industry trends, conditions or developments. Research personnel may respond to such inquiries on these subjects through Research management or its Designee or in the presence of internal legal or compliance staff. In addition, Research personnel, through Research management or its Designee or in the presence of internal legal or compliance staff, may initiate communications with Investment Banking personnel relating to market or industry trends, conditions or developments, provided that such communications are consistent in nature with the types of communications that an analyst might have with investing customers. Any communications between Research and Investment Banking personnel must not be made for the purpose of having Research personnel identify specific potential investment banking transactions.

b. In response to a request by a commitment or similar committee or subgroup thereof, Research personnel may communicate their views about a proposed transaction or potential candidate for a transaction to the committee or subgroup thereof in connection with the review of such transaction or candidate by the committee. Investment Banking personnel working on the proposed transaction may participate with the Research personnel in these discussions with such committee or subgroup. However, the Research personnel also must have an opportunity to express their views to the committee or subgroup outside the presence of such Investment Banking personnel.

c. Research personnel may assist the firm in confirming the adequacy of disclosure in offering or other disclosure documents for a transaction based on the analysts' communications with the company and other vetting conducted outside the presence of Investment Banking personnel, but to the extent communicated to Investment Banking personnel, such communication shall only be made in the presence of

underwriters' or other counsel on the transaction or internal legal or compliance staff.

d. After the firm receives an investment banking mandate, or in connection with a block bid or similar transaction, Research personnel may (i) communicate their views on the structuring and pricing of the transaction to personnel in the firm's equity capital markets group, which group's principal job responsibility is the pricing and structuring of transactions (including by participating with the firm's equity capital markets group in the preparation of internal-use memoranda and other efforts to educate the sales force), and (ii) provide to such personnel other information obtained from investing customers relevant to the pricing and structuring of the transaction.

e. Research personnel may attend or participate in a widely-attended conference attended by Investment Banking personnel or in which Investment Banking personnel participate, provided that the Research personnel do not participate in activities otherwise prohibited herein.

f. Research and Investment Banking personnel may attend or participate in widely-attended firm or regional meetings at which matters of general firm interest are discussed. Research management and Investment Banking management may attend meetings or sit on firm management, risk or similar committees at which general business and plans (including those of Investment Banking and Research) and other matters of general firm interest are discussed. Research and Investment Banking personnel may communicate with each other with respect to legal or compliance issues, provided that internal legal or compliance staff is present.

g. Communications between Research and Investment Banking personnel that are not related to investment banking or research activities may take place without restriction.

11. Additional Restrictions on Activities By Research and Investment Banking Personnel.

a. Research personnel are prohibited from participating in company or Investment Banking-sponsored road shows related to a public offering or other investment banking transaction.

b. Investment Banking personnel are prohibited from directing Research personnel to engage in marketing or selling efforts to investors with respect to an investment banking transaction.

12. Oversight. An oversight/monitoring committee or committees, which will be comprised of representatives of Research management and may include others (but not personnel from Investment Banking), will be created to:

a. review (beforehand, where practicable) all changes in ratings, if any, and material changes in price targets, if any, contained in the firm's research reports;

b. conduct periodic reviews of research reports to determine whether changes in ratings or price targets, if any, should be considered; and

c. monitor the overall quality and accuracy of the firm's research reports;

provided, however, that Sections I.12.a and I.12.b of this Addendum shall not be required with respect to research reports limited to purely quantitative analysis.

II. Disclosure/Transparency and Other Issues

1. Disclosures. In addition to other disclosures required by rule, the firm must disclose prominently on the first page of any research report and any summary or listing of recommendations or ratings contained in previously-issued research reports, in type no smaller than the type used for the text of the report or summary or listing, that:

a. "[Firm] does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report."

b. With respect to Covered Companies as to which the firm is required to make available Independent Research (as set forth in Section III below): "Customers of [firm] can receive independent,

third-party research on the company covered in this report, at no cost to them, where such research is available. Customers can access this independent research at [website address/hyperlink] or can call [toll-free number] to request a copy of this research."

c. "Investors should consider this report as only a single factor in making their investment decision."

2. Transparency of Analysts' Performance. The firm will make publicly available (via its website, in a downloadable format), no later than 90 days after the conclusion of each quarter (beginning with the first full calendar quarter that commences at least 120 days following the entry of the Final Judgment), the following information, if such information is included in any research report (other than any research report limited to purely quantitative analysis) prepared and furnished by the firm during the prior quarter: subject company, name(s) of analyst(s) responsible for certification of the report pursuant to Regulation AC, date of report, rating, price target, period within which the price target is to be achieved, earnings per share forecast(s), period(s) for which such forecast(s) are applicable (e.g., 3Q03, FY04, etc.), and definition/explanation of ratings used by the firm.

3. Applicability. Except as specified in the second and third sentences of this Section II.3, the restrictions and requirements set forth in Sections I [Separation of Research and Investment Banking] and Section II [Disclosure/Transparency and Other Issues] of this Addendum will only apply in respect of a research report that is both (i) prepared by the firm, and (ii) that relates to either (A) a U.S. company, or (B) a non-U.S. company for which a U.S. market is the principal equity trading market; provided, however, that such restrictions and requirements do not apply to Research activities relating to a non-U.S. company until the second calendar quarter following the calendar quarter in which the U.S. market became the principal equity trading market for such company. Notwithstanding the foregoing, Section I.7 [Coverage] of this Addendum will also apply to any research report (other than the Independent Research made available by the firm pursuant to Section III [Independent, Third-Party Research]of this Addendum) that has been *furnished* by the firm to investors in the U.S., but not prepared by the firm, but only to the extent that the report relates to either (A) a U.S. company, or (B) a non-U.S. company for which a U.S. market is the

principal equity trading market. Also notwithstanding the foregoing, Section II.1 [Disclosures] of this Addendum will also apply to any research report (other than the Independent Research made available by the firm pursuant to Section III of this Addendum) that has been *furnished* by the firm to investors in the U.S., but not prepared by the firm, including a report that relates to a non-U.S. company for which a U.S. market is not the principal equity trading market, but only to the extent that the report has been furnished under the firm's name, has been prepared for the exclusive or sole use of the firm or its customers, or has been customized in any material respect for the firm or its customers.

a. For purposes of this Section II.3, the firm will be deemed to have furnished a research report to U.S. investors in the U.S. if the firm has made the research report available to investors in the U.S. or has arranged for someone else to make it available to investors in the U.S.

b. For purposes of this Section II.3, a "U.S. company" means any company incorporated in the U.S. or whose principal place of business or headquarters is in the U.S.

c. For purposes of this Section II.3, the calendar quarter in which a non-U.S. company's "principal equity trading market" becomes the U.S. market is a quarter when more than 50% of worldwide trading in the company's common stock and equivalents (such as ordinary shares or common stock or ordinary shares represented by American Depositary Receipts) takes place in the U.S. Trading volume shall be measured by publicly reported share volume.

4. General.

a. The firm may not knowingly do indirectly that which it cannot do directly under this Addendum.

b. The firm will adopt and implement policies and procedures reasonably designed to ensure that its associated persons (including but not limited to the firm's Investment Banking personnel) cannot and do not seek to influence the contents of a research report or the activities of Research personnel for purposes of obtaining or retaining investment banking business. The firm will adopt and

implement procedures instructing firm personnel to report immediately to a member of the firm's legal or compliance staff any attempt to influence the contents of a research report or the activities of Research personnel for such a purpose.

5. Timing. Unless otherwise specified, the restrictions and requirements of this Addendum will be effective within 120 days of the entry of the Final Judgment, except that Sections I.5 [Compensation], I.6 [Evaluations], I.7[Coverage], I.8[Termination of Coverage], I.9 [Prohibition on Soliciting Investment Banking Business], I.11 [Additional Restrictions on Activities by Research and Investment Banking Personnel], and II.4(a) [General subpart a)] and II.7 [Superseding Rules and Amendments] of this Addendum will be effective within 60 days of the entry of the Final Judgment, and Sections II.1.b [Disclosures (subpart b)] and III [Independent, Third-Party Research]of this Addendum will be effective within 270 days of the entry of the Final Judgment.

6. Review of implementation.
   a. The firm will retain, at its own expense, an Independent Monitor acceptable to the Staff of the SEC, the NYSE, the NASD, the President of NASAA, and the New York Attorney General's Office to conduct a review to provide reasonable assurance of the implementation and effectiveness of the firm's policies and procedures designed to achieve compliance with the terms of this Addendum. This review will begin 18 months after the date of the entry of the Final Judgment. The Independent Monitor will produce a written report of its review, its findings as to the implementation and effectiveness of the firm's policies and procedures, and its recommendations of other policies or procedures (or amendments to existing policies or procedures) as are necessary and appropriate to achieve compliance with the requirements and prohibitions of this Addendum. The report will be produced to the firm and the Staff of the SEC, the NYSE and the NASD within 30 days from the completion of the review, but no later than 24 months from the date of entry of the Final Judgment. (The SEC Staff shall make the report available to the President of NASAA and the New York Attorney General's Office upon request.) The Independent Monitor shall have the option to seek an extension of time by making a written request to the Staff of the SEC.

b. The firm will have a reasonable opportunity to comment on the Independent Monitor's review and proposed report prior to its submission, including a reasonable opportunity to comment on any and all recommendations, and to seek confidential treatment of such information and recommendations set forth therein to the extent that the report concerns proprietary commercial and financial information of the firm. This report will be subject to the protections from disclosure set forth in the rules of the SEC, including the protections from disclosure set forth in 5 U.S.C. § 552(b) (8) and 17 C.F.R. § 200.80(b) (8), and will not constitute a record, report, statement or data compilation of a public office or agency under Rule 803(8) of the Federal Rules of Evidence.

c. The firm will adopt all recommendations contained in the written report of the Independent Monitor; provided, however, that as to any recommendation that the firm believes is unduly burdensome or impractical, the firm may demonstrate why the recommended policy or procedure is, under the circumstances, unreasonable, impractical and/or not designed to yield benefits commensurate with its cost, or the firm may suggest an alternative policy or procedure designed to achieve the same objective, and submit such explanation and/or alternative policy or procedure in writing to the Independent Monitor and to the Staff of the SEC. The firm and the Independent Monitor shall then attempt in good faith to reach agreement as to any policy or procedure as to which there is any dispute and the Independent Monitor shall reasonably evaluate any alternative policy or procedure proposed by the firm. If an agreement on any issue is not reached, the firm will abide by the determinations of the Staff of the SEC (which shall be made after allowing the firm and the Independent Monitor to present arguments in support of their positions), and adopt those recommendations the Staff of the SEC deems appropriate.

d. The firm will cooperate fully with the Independent Monitor in this review, including making such non-privileged information and documents available, as the Independent Monitor may reasonably request, and by permitting and requiring the firm's employees and agents to supply such non-privileged information and documents as the Independent Monitor may reasonably request.

e. To ensure the independence of the Independent Monitor, the firm (i) shall not have the authority to terminate the Independent Monitor without the prior written approval of the SEC staff; and (ii) shall compensate the Independent Monitor, and persons engaged to assist the Independent Monitor, for services rendered pursuant to this Order at their reasonable and customary rates.

f. For the period of engagement and for a period of three years from completion of the engagement, the Independent Monitor shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with the firm, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any entity with which the Independent Monitor is affiliated or of which he/she is a member, and any person engaged to assist the Independent Monitor in performance of his/her duties under this Order shall not, without prior written consent of the Staff of the SEC, enter into any employment, consultant, attorney-client, auditing or other professional relationship with the firm, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of three years after the engagement.

g. Five years after the date of the entry of the Final Judgment, the firm shall certify to the Staff of the SEC, the NYSE, the NASD, the President of NASAA, and the New York Attorney General's Office, that the firm has complied in all material respects with the requirements and prohibitions set forth in this Addendum or, in the event of material non-compliance, will describe such material non-compliance.

7. Superseding Rules and Amendments. In the event that the SEC adopts a rule or approves an SRO rule or interpretation with the stated intent to supersede any of the provisions of this settlement, the SEC or SRO rule or interpretation will govern with respect to that provision of the settlement and such provision will be superseded. In addition, the SEC, NYSE, the NASD, the New York Attorney General's Office and any State that incorporates this Addendum into its settlement of related proceedings against the Respondent agrees that the SEC Staff may provide interpretive guidance with respect to the terms of the settlement, as requested by the firm and that, subject to Court approval, the SEC and

the firm may agree to amend or modify any term of the settlement, in each case, without any further action or involvement by any other regulator in any related proceeding. With respect to any term in Section I or II of this Addendum that has not been superseded (as set forth above) within five years of the entry of the Final Judgment, it is the expectation of Respondent, the SEC, NYSE, NASD, New York Attorney General's Office and the States that the SEC would agree to an amendment or modification of such term, subject to Court approval, unless the SEC believes such amendment or modification would not be in the public interest.

8. Other Obligations and Requirements. Except as otherwise specified, the requirements and prohibitions of this Addendum shall not relieve the firm of any other applicable legal obligation or requirement.

III. Independent, Third-Party Research

1. Obligation to Make Available. Each year, for the period ending five years after the effective date of this Section III (as set forth in Section II.5 [Timing] of this Addendum), the firm will be required to contract with no fewer than three independent providers of research ("Independent Research Providers") at a time in order to procure and make available Independent Research (as defined below) to the firm's customers in the U.S. as set forth below. There is, however, no requirement that there be at least three Independent Research Providers for the Common Stock of each Covered Company (as those terms are defined below):

    a. For common stock and equivalents (such as ordinary shares or common stock or ordinary shares represented by American Depositary Receipts) listed on a U.S. national securities exchange or quoted in Nasdaq (such securities hereinafter, collectively, "Common Stock") and covered in the firm's research reports (other than those limited to purely quantitative analysis) (an issuer of such covered Common Stock hereinafter called a "Covered Company"), the firm, through an Independent Consultant (as discussed below) will use its reasonable efforts to procure, and shall make available to its customers in the U.S., Independent Research on such Covered Company's Common Stock. (If the Independent Research

Providers drop coverage or do not timely pick up coverage of the Common Stock of a Covered Company, the firm will not be in violation of any of the requirements in this Section III, and may continue to disseminate its own research reports on the Common Stock of the Covered Company without making available any Independent Research on the Common Stock of the Covered Company, if the firm takes reasonable steps to request that the Independent Consultant procure such coverage promptly.)

i. For purposes of this Section III, the firm's research reports include research reports that have not been prepared by the firm, but only to the extent that such reports have been furnished under the firm's name, have been prepared for the exclusive or sole use of the firm or its customers, or have been customized in any material respect for the firm or its customers.

ii. A non-U.S. company for which a U.S. market is not the principal equity trading market shall only be considered a Covered Company if in the calendar quarter ended March 31, 2003, or in any subsequent calendar quarter during the period that the firm's obligations to procure and make available Independent Research under this Section III are effective, the publicly reported, average daily dollar volume of U.S. trading in such company's Common Stock (measured by multiplying the publicly reported, average daily share volume of U.S. trading during the quarter by the closing price per share of the Common Stock on the last day of the quarter), exceeded $2.5 million, and (b) the outstanding total public float of the Common Stock as of the last day of such calendar quarter exceeded $150 million. Further, the firm's obligation to procure and make available Independent Research with respect to such company shall become effective at the later of: (a) 90 days after the end of the calendar quarter in which the company met the foregoing trading and public float tests; or (b) the effective date of this Section III.

b. For purposes of this Section III, Independent Research means (i) a research report prepared by an unaffiliated person or entity, or (ii) a statistical or other survey or analysis of research reports (including ratings and price targets) issued by a broad range of persons and entities, including persons and entities having no association with investment banking activities, which survey or analysis has been prepared by an unaffiliated person or entity.

c. The firm will adopt policies and procedures reasonably designed to ensure that, in connection with any solicited order for a customer in the U.S. relating to the Common Stock of a Covered Company, and if Independent Research on the Covered Company's Common Stock is available, the registered representative will have informed the customer, during the solicitation, that the customer can receive Independent Research on the Covered Company's Common Stock at no cost to the customer (the "Notice Requirement").

d. Notwithstanding the foregoing, the Notice Requirement will not apply to (i) the solicitation of an institutional customer (an entity other than a natural person having at least $10 million invested in securities in the aggregate in its portfolio and/or under management) unless such customer, after due notice and opportunity, has advised the firm that it wishes to have the Notice Requirement apply to it (any customer who has not so advised the firm is hereinafter referred to as a "Non-Participating Institutional Customer"); (ii) orders as to which discretion was exercised, pursuant to a written discretionary account agreement or written grant of trading authorization; or (iii) a solicitation by an entity affiliated with the Respondent if such entity does not furnish to its customers research reports under the firm's name, prepared by the firm for the exclusive or sole use of the firm or its customers, or research reports that have been customized in any material respect for the firm or its customers.

e. Each trade confirmation sent by the Respondent to a customer with respect to an order as to which the Notice Requirement applies will set forth (or will be accompanied by a separate statement, which shall be considered part of the confirmation,

that will set forth), as of the time the trade confirmation is generated, the ratings, if any, contained in the firm's own research reports and in Independent Research procured for the firm with respect to the Common Stock of the Covered Company that is the subject of the order.

f. Each periodic account statement sent by the Respondent to a customer in the U.S. that reflects a position in the Common Stock of a Covered Company will set forth (or will be accompanied by a separate statement, which shall be considered part of the periodic account statement, that will set forth), as of the end of the period covered by the statement, the ratings, if any, contained in the firm's own research reports and in the Independent Research made available by the firm on the Common Stock of each such Covered Company; provided, however, that this requirement will not apply to Non-Participating Institutional Customers or discretionary accounts.

g. Notice of the availability of Independent Research on Covered Companies' Common Stock will also be included prominently in the periodic account statements of the Respondent's customers in the U.S., in the firm's research reports, and on the firm's website.

h. The firm will make the Independent Research available to its customers in the U.S. using, for each customer, the means of dissemination equivalent to those it uses to provide the customer with the firm's own research reports, unless the firm and customer agree on another means of dissemination; provided, however, that nothing herein shall require or authorize the firm to comply with the Notice Requirement or make available or disseminate Independent Research at a time when doing so would violate Section 5 of the Securities Act of 1933 or the other provisions of the federal securities laws or the rules and regulations thereunder. If and to the extent the firm is able to make available or disseminate its own research reports on the Common Stock of a Covered Company pursuant to Rule 137, Rule 138(a) or Rule 139(a) under the Securities Act of 1933 and in reliance on Regulation M under the Securities Exchange Act of 1934, then the firm is also authorized and

required to make available or disseminate Independent Research on the Common Stock of such Covered Company (even if the Independent Research does not meet the requirements of such Rule). Notwithstanding this Section III.1.h, if the firm determines, because of legal, compliance or similar concerns, not to furnish or make available its own research reports on the Common Stock of a Covered Company for a limited period of time, it shall not be required to make available the Independent Research on such Covered Company for such period of time.

i. If, during the period that the firm's obligations to procure and make available Independent Research under this Section III are effective, the firm terminates coverage of the Common Stock of a Covered Company, the firm, through its Independent Consultant, will make reasonable efforts to continue to procure and make available Independent Research on the Common Stock of such company for a period of at least 18 months after termination of coverage (subject to expiration of the firm's obligations under this Section III).

j. The firm will not be responsible or liable for (i) the procurement decisions of the Independent Consultant (as discussed in Section III.2 [Appointment of Independent Consultant to Oversee the Procurement of Independent Research] of this Addendum) with respect to the Independent Research, (ii) the Independent Research or its content, (iii) customer transactions, to the extent based on the Independent Research, or (iv) claims arising from or in connection with the inclusion of Independent Research ratings in the firm's confirmations and periodic account statements, to the extent such claims are based on those ratings. The firm will not be required to supervise the production of the Independent Research procured by the Independent Consultant and will have no responsibility to comment on the content of the Independent Research. The firm may advise its customers of the foregoing in its discretion.

k. The Independent Consultant will not be liable for (i) its procurement decisions, (ii) the Independent Research or its

content, (iii) customer transactions, to the extent based on the Independent Research, or (iv) claims arising from or in connection with the inclusion of Independent Research ratings in the firm's confirmations and periodic account statements, to the extent such claims are based on those ratings, unless the Independent Consultant has carried out such duties in bad faith or with willful misconduct. The firm will indemnify the Independent Consultant for any liability arising from the Independent Consultant's good-faith performance of its duties as such.

2. Appointment of Independent Consultant to Oversee the Procurement of Independent Research. Within 30 days of the entry of the Final Judgment, an Independent Consultant acceptable to the SEC Staff, the NYSE, the NASD, the President of NASAA, the New York Attorney General and the firm shall be named to oversee the procurement of Independent Research from Independent Research Providers. The Independent Consultant will have the final authority (following consultation with the firm and in accordance with the criteria set forth in Section III.3 [Selection of Independent Research Providers] of this Addendum) to procure the Independent Research. The Independent Consultant will not have had any significant financial relationship with the firm during the prior three years and may not have any financial relationship with the firm for three years following his or her work as the Independent Consultant. The Independent Consultant's fee arrangement will be subject to the approval of the Staff of the SEC, the NYSE, the NASD, the President of NASAA, and the New York Attorney General's Office. In the event that an Independent Consultant must be replaced, the replacement shall be acceptable to the Staff of the SEC, the NYSE, the NASD, the President of NASAA, the New York Attorney General's Office and the firm, and shall be subject to these same conditions.

3. Selection of Independent Research Providers. The Independent Consultant will seek to procure research reports on the Common Stock of all Covered Companies from Independent Research Providers. Independent Research Providers may not perform investment banking business of any kind and may not provide brokerage services in direct and significant competition with the firm. In addition, the Independent Consultant will use the following criteria in selecting and contracting with Independent Research Providers to provide Independent Research.

a. whether and to what extent the Independent Research Provider or any of its affiliates or associated persons is engaged in activities (including, but not limited to, activities involving Covered Companies or their securities), or has a business or other relationship with the firm or any of its affiliates or associated persons, that may conflict or create the appearance of conflict with its preparation and publication of the Independent Research;

b. the desirability of multiple coverage of certain Covered Companies (e.g., by size of company, industry sector, companies underwritten by the firm, etc.);

c. the extent to which the Independent Research Provider has a client base and revenue stream broad enough to ensure its independence from the firm;

d. the utility of the Independent Research Provider's Independent Research to the firm's customers, including the inclusion of ratings and price targets in such research and the extent to which the firm's customers actually use the research; and with respect to surveys or analyses described above in Section III.1.b(ii), the extent to which the Independent Research provides customers with a means of comparing the firm's research reports to those published by other persons and entities, including persons and entities having no association with investment banking activities;

e. the quality and accuracy of the Independent Research Provider's past research, including during the term of the Independent Consultant's tenure;

f. the experience, expertise, reputation and qualifications (including, as appropriate, registrations) of the Independent Research Provider and its personnel; and

g. the cost of the Independent Research, especially in light of the five-year period set forth in Section III.1 above for the firm to

make Independent Research available to its investing customers.

4. Disclosure Language. Language substantially to the effect set forth below may be used by the firm and its registered representatives to inform the firm's customers of the availability of Independent Research:

    a. {Disclosure to customers as required by Section III.1.c [Obligation to Make Available subpart c] of this Addendum.}

    "There is also independent, third-party research available on this company, which you can get at no cost [from our website/hyperlink] or by calling [toll-free number], or which I can arrange to send to you if you would like."

    b. {General website and periodic customer account statement disclosure as required by Section III.1.g. [Obligation to Make Available subpart g] of this Addendum].}

    "Independent, third-party research on certain companies covered by the firm's research is available to customers of [firm] at no cost. Customers can access this research at [our website/hyperlink] or can call [toll-free number] to request that a copy of this research be sent to them."

5. Annual Reporting. The Independent Consultant will report annually to the Staff of the SEC, the NYSE, the NASD, the President of NASAA, and the New York Attorney General's Office on its selection of Independent Research Providers, the Independent Research it has procured, the cost of the Independent Research it has procured to date, and the Independent Consultant's fees and expenses to date.