UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, : ORDER

Plaintiff, :

-against- : 03 Civ. 2937 (WHP)

BEAR, STEARNS & CO. INC., :

Defendant. :

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2938 (WHP)

JACK BENJAMIN GRUBMAN, :

Defendant. :

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2939 (WHP)

J.P. MORGAN SECURITIES INC., :

Defendant. :

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2940 (WHP)

LEHMAN BROTHERS INC., :

Defendant. :

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2941 (WHP)

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED :

Defendant. :

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2942 (WHP)

U.S. BANCORP PIPER JAFFRAY INC., :

Defendant. :

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2943 (WHP)

UBS SECURITIES LLC, f/k/a UBS WARBURG LLC, :

Defendant. :

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2944 (WHP)

GOLDMAN, SACHS & CO., :

Defendant. :

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2945 (WHP)

CITIGROUP GLOBAL MARKETS INC., :
f/k/a SALOMON SMITH BARNEY,
:
Defendant.
:

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2946 (WHP)

CREDIT SUISSE FIRST BOSTON LLC, :
f/k/a CREDIT SUISSE FIRST BOSTON
CORPORATION, :

Defendant. :

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2947 (WHP)

HENRY McELVEY BLODGET, :

Defendant. :

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
- - - - - - - - - - - - - - - - - - - -X

SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- : 03 Civ. 2948 (WHP)

MORGAN STANLEY & CO. INCORPORATED, :

Defendant. :

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WILLIAM H. PAULEY III, District Judge:

By Orders dated June 2 and July 3, 2003, respectively, this Court directed the SEC and the defendants to respond to certain questions concerning the proposed consent judgments in these actions challenging equity research analyst practices at ten major investment banks.[1] After a review of those responses and further discussions with the parties, this Court concluded that the consent judgments, as originally proposed on April 28, 2003, would involve the Court and the as-yet unnamed Distribution Fund Administrator(s) in protracted proceedings to the detriment of injured investors with claims against the Distribution Fund(s). As a result, this Court encouraged the parties to renegotiate the proposed decrees and identify the relevant securities and time periods in each Complaint that would serve as

[1] All defined terms from this Court's prior Orders in these actions apply to this Order.

the basis for recovery against each defendant investment bank.

On October 15, 2003, the parties submitted revised consent judgments incorporating the Court's suggestions. Thereafter, on October 22, 2003, the parties submitted proposed supplemental orders identifying the relevant securities and time periods for each defendant investment bank.[2] Finally, on October 24, 2003, the parties submitted proposed orders regarding investor education that include refinements in the SEC's approach on this issue and the Court's administrative suggestions. The net effect is to facilitate a swifter resolution of claims against the various Distribution Funds and the creation of a not-for-profit investor education entity with a continuing national mission.

On an administrative level, the revised decrees dispel the potential conflict of interest inherent in requiring payment to the Court Registry Investment System ("CRIS") highlighted in this Court's June 2, 2003 Order. Through the extraordinary cooperation of the Federal Reserve Bank of New York ("FRB-NY"), this Court established Distribution Fund Accounts and Investor Education Accounts at the FRB-NY pursuant to Section 15 of the Federal Reserve Act.[3] This unprecedented relationship reduces

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[2] There is no Distribution Fund arising from the Merrill Lynch action.

[3] 12 U.S.C. § 391. This Court acknowledges the assistance of Secretary of the Treasury John W. Snow and the

the costs of administration and increases the income earned, thereby maximizing the funds available for distribution to aggrieved investors and education of the public.

DISCUSSION

A court reviews a proposed settlement to determine whether it is fair, reasonable and adequate. SEC v. Wang, 944 F.2d 80, 85 (2d Cir. 1991); United States v. Cannons Eng'g Corp., 899 F.2d 79, 84 (1st Cir. 1990); SEC v. Worldcom, Inc., 273 F. Supp. 2d 431, 436 (S.D.N.Y. 2003). This review is particularly deferential when the SEC, in its role as parens patriae, is one of the settling parties. SEC v. Randolph, 736 F.2d 525, 530 (9th Cir. 1984) ("The initial determination whether the consent decree is in the public interest is best left to the SEC and its decision deserves our deference."); SEC v. Bear, Stearns & Co., No. 03 Civ. 2937 (WHP), 2003 WL 22000340, at *3 (S.D.N.Y. Aug. 25, 2003) (the SEC "is presumed to represent the interests of the investing public aggressively and adequately"); Worldcom, 273 F. Supp. 2d at 436 ("[W]here one of the settling parties is a public agency, its determinations as to why and to what degree the settlement advances the public interest are entitled to

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senior management of the FRB-NY, in facilitating this new account relationship, and Leonidas Ralph Mecham, Director of the Administrative Office of the United States Courts, in reducing the registry fund fees pursuant to 28 U.S.C. § 1914.

substantial deference."); SEC v. Canadian Javelin Ltd., 64 F.R.D. 648, 651 (S.D.N.Y. 1974) ("Congress has entrusted the SEC with the responsibility for protecting the public interest.").

In considering the revised consent judgments through the lens of deferential review, this Court concludes that the settlements in these research analyst actions are fair, adequate, and in the public interest. The decrees now provide an architecture for distributing the $399 million federal payment to aggrieved investors who purchased securities tainted by conflicted research. In addition, these judgments do not close off any avenue of recovery against any of the defendants by any aggrieved investor. Moreover, the injunctive relief will effect sweeping institutional reform of equity research in the investment banking industry in the United States. Finally, at a time when increasing numbers of American households are investing in the equity markets, the investor education initiatives launched under these consent decrees will benefit the entire nation.

Accordingly, the proposed consent judgments are approved, and this Court will enter them as Final Judgments. The Clerk is directed to file copies of this Order in all of the related actions: (1) SEC v. Bear Stearns and Co. Inc., 03 Civ. 2937 (WHP); (2) SEC v. Jack B. Grubman, 03 Civ. 2938 (WHP); (3) SEC v. J.P. Morgan Securities Inc., 03 Civ. 2939 (WHP); (4) SEC

v. Lehman Brothers Inc., 03 Civ. 2940 (WHP); (5) SEC v. Merrill Lynch Pierce Fenner & Smith, Inc., 03 Civ. 2941 (WHP); (6) SEC v. U.S. Bancorp Piper Jaffray, Inc., 03 Civ. 2942 (WHP); (7) SEC v. UBS Securities LLC, 03 Civ. 2943 (WHP); (8) SEC v. Goldman, Sachs and Co., 03 Civ. 2944 (WHP); (9) SEC v. Citigroup Global Markets Inc., 03 Civ. 2945 (WHP); (10) SEC v. Credit Suisse First Boston LLC, 03 Civ. 2946 (WHP); (11) SEC v. Henry M. Blodget, 03 Civ. 2947 (WHP); and (12) SEC v. Morgan Stanley & Co. Incorporated, 03 Civ. 2948 (WHP).

Dated: October 31, 2003
New York, New York

SO ORDERED:

/S/ William H. Pauley III /S/
WILLIAM H. PAULEY III
U.S.D.J.