

Investor Protection Center

J. SAMUEL TENENBAUM, DIRECTOR



April 9, 2008

Honorable William H. Pauley III
Daniel Patrick Moynihan
United States Courthouse
500 Pearl Street, Room 2210 (Courtroom 11D)
New York, NY 10007

Re: Research Analyst Conflict of Interest Cases, Nos. 03 Civ. 2937-03 Civ. 2984; 04 Civ. 6909—
04 Civ. 6910, United States District Court, Southern District of New York

Dear Judge Pauley,

We have received a copy of the SEC's October 17, 2007, memorandum to the Court. After reviewing it, we, the Investor Protection Clinics, would like to comment on the SEC's current position as compared with the original terms of the Global Research Analyst Settlement. As I hope you recall, we appeared before the Court on July 7, 2006, and at our appearance, we requested that some of the excess funds be set aside for investor protection legal clinics. We believe that investor protection clinics firmly fall within the investor education objective.

The original settlements stressed the importance of investor education and set aside a portion of the settlement for that very purpose. The original Proposed Distribution Fund Plan, docket number 78, approved by the Court on April 25, 2005, provided that *any residual funds* would "be transferred to the Investor Education Fund."

The proposed distributions to the Treasury and the NYSE clearly do not meet the goal of investor education. The Treasury would add the funds to general revenues. The NYSE is now a profit making corporation, so a general distribution to the NYSE would amount to a gift to that corporation and its shareholders. A distribution to an NYSE charitable foundation would carry no guarantee that the funds would be used for investor education.

In its memorandum filed with the Court on October 17, 2007, the SEC now proposes that "[a]ny remaining balance should be distributed to the SEC (for remittance to the U.S. Treasury), NYSE, and the NASD."

Northwestern University School of Law
Investor Protection Center
357 East Chicago Avenue
Chicago, Illinois 60611-3069
312.503.0210; fax 312.503.8977
Bluhm Legal Clinic: 312.503.8576
Investor-Protection@law.northwestern.edu
www.law.northwestern.edu

The memo continues, "Such a disposition would be fully consistent with the terms of the settlement as reflected in the Final Judgments...." However, the original judgment from this Court dated January 31, 2005, makes clear, from the Proposed Distribution Fund Plan, that all excess funds should go towards investor protection initiatives. Furthermore, by its order on April 25, 2005, the Court concluded that "the [Distribution] Plan is fair and reasonable." This manifested a clear agreement and intent among the parties that residual funds would go to investor education.

After the difficulties in establishing an Investor Education Foundation, this Court modified the order on May 23, 2006, which has led to this ongoing process and our participation. There are limited monies available for the establishment or maintenance of investor protection clinics. Indeed, as we have previously pointed out, a funding crisis exists for these clinics. The grants the FINRA (formerly NASD) Investor Education Foundation ("FINRA IEF") dispenses with either its own funds or those of the Global Research Settlement are restricted by FINRA IEF guidelines (which were not part of the proposed foundation's limitations), which forbid the distribution of funds to support an already existing organization. These clinics further the "goals of independent research and investor education," and it is these same clinics that lack permanent funding.

The proposed distribution to the FINRA Investor Education Foundation would only be added to the funds already distributed to that foundation, and would fail to meet the great needs of Investor Protection Clinics. As we have previously pointed out, we feel the excess funds could do much good in the field of investor education and protection by supporting the clinics and hope that this Court will give our request favorable consideration. We remain more than willing to provide further information or answer any questions this honorable Court may have.

Sincerely yours,

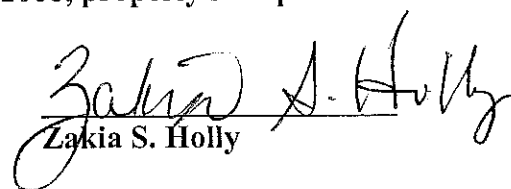


J. Samuel Tenenbaum
Bluhm Legal Clinic
Northwestern University School of Law
357 East Chicago Avenue
Chicago, IL 60611-3069
(312)503-4808
s-tenenbaum@law.northwestern.edu

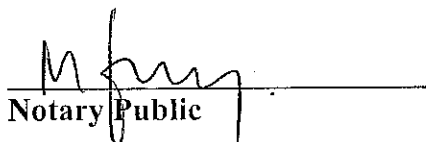
CERTIFICATE OF SERVICE

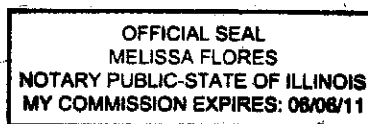
STATE OF ILLINOIS)
)
COUNTY OF COOK)

I, Zakia S. Holly, being duly sworn, state that I served the above mentioned Research Analyst Conflict of Interest Cases to the following parties by depositing same in the United States Mail on April 9, 2008, properly stamped with prepaid postage.


Zakia S. Holly

Subscribed and sworn before me
This 9th day of April, 2008.


Notary Public



Dennis J. Block, Esquire
Cadwalder, Wickersham & Taft
100 Maiden Lane
New York, NY 10038

Mark G. Cunha, Esquire
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, NY 10017-3954

Samuel J. Winer, Esquire
Marc Dorfman, Esquire
Foley & Lardner
3000 K Street NW, Suite 500
Washington, D.C. 20007-5143

Mark F. Pomerantz, Esquire
Paul, Weiss, Rifkind, Wharton & Garton
1285 Avenue of the Americas
New York, NY 10019-6064

Robert B. McCaw, Esquire
Wilmer, Cutler & Pickering
399 Park Avenue
New York, NY 10022

Dixie L. Johnson, Esquire
Fried Frank Harris Shriver & Jacobson
1001 Pennsylvania Avenue NW, Ste. 800
Washington, D.C. 20004

Carey R. Dunne, Esquire
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017

Stephanie Wheeler, Esquire
Sullivan & Cromwell
125 Broad Street
New York, NY 10004-2498

Lee S. Richards, Esquire
Arthur S. Greenspan, Esquire
Richards Spears Kibbe & Orbe
One World Financial Center
New York, NY 10281-1003

Carmen J. Lawrence, Esquire
Fried, Frank, Harris, Shriver &
Jacobson LLP
One New York Plaza
New York, NY 10004

Luis R. Mejia
US Securities & Exchange Commission
100 F Street NE
Washington, D.C. 20549

Maria Ginzburg, Esquire
Kirkland & Ellis
Citigroup Center
153 East 53rd Street
New York, NY 10022-4611

Mitchell Lowenthal, Esquire
Cara A. Chambers, Esquire
Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006

Dean Jeske, Esquire
Foley & Lardner
330 N. Wabash Avenue, Ste. 3300
Chicago, IL 60611-3608

Robert A. Sacks, Esquire
Sullivan & Cromwell
1888 Century Park East
Los Angeles, CA 900067