

Compensation for Retirement Plan Losses

Trustees of retirement plans who have invested plan assets in any of the following stocks may be entitled to compensation for investment losses:

Adelphia Business Solutions, Inc., Amazon, America On Line, AT&T, Barnes and Noble, Focal Communications Corp., JDS Uniphase Corp., Digital Impact, Inc., Ebay, Global Crossing, Inktoni, Excite@Home, NewPower Holdings, Inc., Quest Communications, SBC Communications, Sprint, Verizon Communications, WorldCom, Veritas Software Corp., Williams Communications, and many others.

The SEC has entered into a global settlement agreement with ten brokerage houses providing a \$400 million fund to compensate investors for some of their losses from trading in the above and other securities. To qualify, you must have bought the stock in question from the brokerage house listed below which engaged in misconduct as to that security, the stock must have been purchased during the “relevant period” identified in the applicable SEC complaint, and you must have lost money on your stock investment. Individuals investing through self-directed 401(k) accounts will need to contact the plan administrator concerning any claim.

The brokerage houses involved in the settlement are:

- Bear, Stearns & Co. Inc.
- Credit Suisse First Boston LLC
- Goldman, Sachs & Co.
- Lehman Brothers Inc.
- J.P. Morgan Securities Inc.
- Merrill Lynch, Pierce, Fenner & Smith, Incorporated
- Morgan Stanley & Co. Incorporated
- Citigroup Global Markets Inc. f/k/a Salomon Smith Barney Inc.
- UBS Warburg LLC
- U.S. Bancorp Piper Jaffray Inc.

You do not need to do anything at this time to secure your rights to recover from the settlement funds. The brokerage houses themselves must provide the appropriate information on investors to identify those who are eligible for payment from these funds.

The qualifiers: If your investment was purchased through a broker other than a broker listed above, you will not be entitled to share in the settlement fund. Also, the settlement fund is too small to reimburse investors for all of their trading losses. Any payments will probably represent pennies on the dollar. However, the good news is that the SEC settlement expressly permits investors to pursue any other remedy they may have against the above brokerage houses. This means that you may be able to assert claims in an arbitration proceeding for a greater

portion, or even all of your losses, depending on your particular circumstances. For retirement plan and 401(k) investors, any arbitration will have to be filed in the name of the plan. Retirement plan trustees may have a fiduciary duty to pursue such claims in order to mitigate any losses to the plan.

Consider reviewing your trading activities over the past few years, particularly if you have dealt with any of the above brokerage firms. Although you are not required to do anything at this time to secure your rights to any recovery from the settlement fund, it may be advisable to consider seeking additional recovery in a separate arbitration proceeding. Start by reviewing a list of the stocks each broker was accused of fraudulently promoting as well as details from the applicable SEC complaint, including the relevant time period for the purchase of each such stock.

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