

UNITED STATES DISTRICT COURT
DISTRICT OF MARYLAND

IN RE MUTUAL FUNDS INVESTMENT LITIGATION	MDL 1586
This Document Relates To: The Putnam Subtrack	Civil Action No. 04-MD-15863 Honorable J. Frederick Motz
Saunders, et al. v. Putnam American Government Income Fund, et al.	Civil Action No. 04-cv-00560

STIPULATION AND AGREEMENT OF SETTLEMENT

Lead Plaintiff Ohio Tuition Trust Authority (the “Lead Plaintiff”) and Joseph Shanis (collectively, together with the Lead Plaintiff, the “Class Plaintiffs”), and Defendant Prudential Securities Incorporated (n/k/a Prudential Equity Group, LLC)¹ in the above-captioned action, by the undersigned counsel, enter into this Stipulation and Agreement of Settlement (the “Stipulation”), subject to the approval of the United States District Court for the District of Maryland (the “Court”), pursuant to Rule 23(e) of the Federal Rules of Civil Procedure.

WHEREAS:

A. Beginning on October 21, 2003, putative class action complaints were filed in various federal and state courts throughout the United States alleging violations of certain federal securities laws and state laws and asserting claims against the Defendants. The great majority of these actions were transferred to the Court (collectively, together with the Lead Case, the “MDL Actions”), although certain of the state court actions were not transferred to this Court but instead remained venued in the

¹ Any capitalized term used herein, if not defined when first used, is defined below.

jurisdictions in which they were initially commenced (the “State Court Actions,” and together with the “MDL Actions,” the “Actions”). *See generally* Transfer Order, MDL 1586, Feb. 20, 2004 (Item No. 60). The Actions include, but are not limited to, the actions that are identified in Exhibit A hereto;

B. By Order entered on May 25, 2004, the Court appointed, pursuant to the Private Securities Litigation Reform Act of 1995, 15 U.S.C. § 78u-4(a)(3)(B), the Ohio Tuition Trust Authority as Lead Plaintiff. By Order entered August 16, 2006, the Court granted Lead Plaintiff’s Motion For Approval Of Waite, Schneider, Bayless & Chesley Co., L.P.A. as Lead Counsel.

C. On August 22, 2006, Class Plaintiffs filed the Second Consolidated Amended Complaint (the “Complaint”) in the Lead Case. In addition to Prudential Securities Incorporated, the Complaint names the Putnam Defendants as defendants;

D. The Complaint alleged *inter alia* that: (i) certain Prudential Securities Incorporated employees took advantage of stale prices by engaging in so-called market timing trading of shares of Putnam mutual funds, despite allegedly being aware that market timing was harmful to long term Putnam shareholders; and (ii) the prospectuses of the Putnam funds allegedly were false and misleading because they allegedly indicated that market timing would not be tolerated in the Putnam funds, and they allegedly omitted the material fact that certain Prudential Securities Incorporated employees were engaged in market timing in Putnam mutual funds and that the Putnam Defendants permitted certain shareholders to engage in market timing. The Complaint asserted, *inter alia*, claims under Section 10(b) of the Securities Exchange Act of 1934

(the “Exchange Act”) and SEC Rule 10b-5 promulgated thereunder against Prudential Securities Incorporated and against the Putnam Defendants;

E. Prudential Securities Incorporated denies any liability to Lead Plaintiff and/or any members of the Class or anyone else, asserts that it has meritorious defenses to the claims asserted against it, and asserts that the Actions against it have no merit.

F. Prior to any decision by the Court on Prudential Securities Incorporated’s motion for summary judgment, which was fully briefed as of November 5, 2008, counsel for the Lead Plaintiff and Prudential Securities Incorporated engaged in discussions and arm’s-length negotiations with respect to a compromise and settlement of the Actions;

G. Based upon their investigation, Lead Plaintiff and Lead Plaintiff’s Counsel have concluded that the terms and conditions of the Stipulation entered by the parties are fair, reasonable and adequate to Lead Plaintiff and the Class, and in their best interests, and have agreed to settle the claims raised in the Lead Case pursuant to the terms and provisions of this Stipulation, after considering (a) the procedural posture of the Lead Case and the attendant risks of further litigation, including prosecution of any appeal in the Court of Appeals, and (b) the desirability of permitting settlement to be consummated as provided under the terms of this Stipulation; and

H. Prudential Securities Incorporated, in light of the uncertainty and the risk inherent in any litigation, especially complex securities litigation, and the difficulties, expense and other burden necessary to defend the Lead Case in any further proceedings, has decided to enter into this Stipulation in order to settle the Actions on the

terms and conditions provided and to put the Released Claims to rest finally and forever, without in any way acknowledging any liability to Class Plaintiffs or the Class or anyone else.

NOW THEREFORE, without any admission or concession on the part of Class Plaintiffs of any lack of merit of the Lead Case whatsoever, and without any admission or concession of any liability or the lack of merit in any defense whatsoever by Prudential Securities Incorporated, it is hereby STIPULATED AND AGREED, by and among the parties to this Stipulation, through counsel, subject to approval of the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of the benefits flowing to the parties hereto from the Settlement, that all Released Claims against all Released Parties, as well as all of Prudential Securities Incorporated's Claims, shall be compromised, settled, released and dismissed with prejudice, upon and subject to the following terms and conditions:

A. DEFINITIONS

1. As used in this Stipulation, in addition to the terms defined elsewhere, the following terms shall have the meanings described:

(a) "Class" means all shareholders in the Putnam Funds between January 1, 1997 through December 31, 2003, inclusive. Excluded from the Class are any person or entity who files a timely and valid request for exclusion from the Class.

(b) "Class Member" means a member of the Class.

(c) "Class Period" means the period of time between and including January 1, 1997 and December 31, 2003.

(d) “Defendants” means the Prudential Securities Incorporated, Putnam Defendants, the Putnam Funds, and the Other Defendants.

(e) “Effective Date” means the date upon which the Settlement contemplated by this Stipulation shall become effective, as set forth in Section F of this Stipulation.

(f) “Escrow Account” means the escrow account specified in paragraph 4 having the Escrow Agent specified in paragraph 5 of this Stipulation.

(g) “Final” means, as to the judgment or any order, that the time has expired to file an appeal, motion for reargument or petition for writ of certiorari with respect to such judgment or order with no timely appeal, motion for reargument or petition for writ of certiorari having been filed. “Final Order” means an order that has become Final.

(h) “Lead Case” means *Saunders, et al. v. Putnam Am. Gov. Income Fund, et al.*, Civil Action No. 1:03-12086, originally filed in the United States District Court for the District of Massachusetts and transferred to this Court pursuant to 28 U.S.C. § 1407, and reassigned as Civil Action No. 04-cv-00560.

(i) “Lead Plaintiff’s Counsel” means the law firm of Waite, Schneider, Bayless & Chesley Co., L.P.A..

(j) “Net Settlement Fund” has the meaning set forth in paragraph 5 hereof.

(k) “Other Defendants” means all persons and entities ever named as a defendant in any of the Actions — other than Prudential Securities Incorporated and the Putnam Defendants — as well as all of such persons’ or entities’

present and former partners, directors, principals, employees, agents, attorneys, parent companies, subsidiaries, affiliates, predecessors and successors, and any of their or its heirs, successors and assigns. The Other Defendants include, without limitation, the persons and entities enumerated in Exhibit B hereto, each of whom was named as a defendant in the Complaint or in one or more complaints filed in the Actions.

(l) “Order and Final Judgment” means an order and final judgment in the Lead Case substantially in the form attached hereto as Exhibit C.

(m) “Parties” means Class Plaintiffs, the Class, and Prudential Securities Incorporated.

(n) “Plaintiffs’ Counsel” means Lead Plaintiff’s Counsel and all other counsel representing Class Members in the Lead Case.

(o) “Plan of Allocation” means the distribution of the Net Settlement Fund in accordance with paragraph 9 hereof.

(p) “Plaintiffs” means Class Plaintiffs and the Class.

(q) “Preliminary Approval Order” means an Order Preliminarily Approving Settlement and Providing for Notice of Settlement Fairness Hearing, substantially in the form attached hereto as Exhibit D.

(r) Prudential Securities Incorporated means Prudential Equity Group, LLC, the formal successor to the entity known as Prudential Securities Incorporated, as well as all of its present and former partners, directors, principals, employees, agents, attorneys, parent companies, subsidiaries, affiliates, predecessors and successors, and any of their or its heirs, successors and assigns.

(s) “Putnam Defendants” means Putnam Investment Management, LLC, Putnam Investments Trust, Putnam, LLC, Putnam Investment Management Trust, Putnam Retail Management Limited Partnership, Irene M. Esteves, Lawrence J. Lasser, Robert F. Lucey, Stephen M. Oristaglio and Gordon H. Silver, as well as all of their or its present and former partners, directors, principals, employees, agents, attorneys, parent companies, subsidiaries, affiliates, predecessors and successors, and any of their or its heirs, successors and assigns.

(t) “Prudential Securities Incorporated’s Counsel” means the law firm of Cahill Gordon & Reindel LLP.

(u) “Prudential Securities Incorporated’s Claims” means all claims, including but not limited to claims for contribution, indemnification or reimbursement, whether known or unknown (including Unknown Claims), and whether arising under federal, state, or any other law, which have been, or could have been, asserted in any of the Actions, by Prudential Securities Incorporated, or its successors and assigns against any of the Plaintiffs, including Plaintiffs’ Counsel, which arise out of or relate in any way to the institution, prosecution or settlement of any of the Actions (except for claims to enforce the Stipulation or the Settlement).

(v) “Putnam Funds” means all open-end mutual funds or variable trusts presently or previously managed by Putnam Investment Management, LLC, including but not limited to those that are enumerated in Exhibit E hereto.

(w) “Released Claims” means all direct, indirect, individual, representative or class claims, rights or causes of action or liabilities whatsoever, including but not limited to claims for contribution, indemnification or reimbursement,

whether known or unknown (including Unknown Claims), and whether arising under federal, state, local, statutory, common or any other law, rule, or regulation, against any of the Released Parties, which have been, or could have been, asserted in the Lead Case, any of the Actions (including, without limitation, the cases enumerated in Exhibit A hereto), or in any court or forum by the Class Members or any of them individually (or any of their heirs, executors, successors or assigns, in their capacities as such, or any person or entity whom any Class Member represents as the holder of shares of the Putnam Funds), based upon, relating to or arising from the acts, facts, matters or occurrences, errors, representations or omissions, transactions and circumstances that were or could have been alleged in the Complaint or predecessor complaints in the Lead Case and which relate to or arise in any way, directly or indirectly, from any transactions relating to shares of the Putnam Funds during the Class Period.

(x) “Released Parties” means Prudential Securities Incorporated, the Putnam Defendants, the Putnam Funds, and the Other Defendants, collectively or individually, as well as all of their or its present and former partners, directors, principals, employees, agents, attorneys, parent companies, subsidiaries, affiliates, predecessors and successors, and any of their or its heirs, successors and assigns.

(y) “Settlement” means the settlement contemplated by this Stipulation.

(z) “Prudential Securities Incorporated Settlement Amount” means the amount specified in paragraph 4 hereof.

(aa) “Settlement Fund” has the meaning set forth in paragraph 4 hereof.

(bb) “Unknown Claims” means any and all Released Claims which any Plaintiff or Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any and all Claims of Prudential Securities Incorporated which Prudential Securities Incorporated does not know or suspect to exist in its favor, which (in either case) if known by it might have affected its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Prudential Securities Incorporated’s Claims, the parties stipulate and agree that upon the Effective Date, Class Plaintiffs and Prudential Securities Incorporated shall expressly waive, and each Class Member shall be deemed to have waived, and by operation of the Order and Final Judgment in the Lead Case shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is or is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Class Plaintiffs and Prudential Securities Incorporated acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims and Prudential Securities Incorporated’s Claims was separately bargained for and was a key and necessary element of the Settlement.

B. THE SETTLEMENT

2. The obligations incurred pursuant to this Stipulation shall be in full and final disposition and settlement of any and all of the Released Claims and Prudential Securities Incorporated's Claims.

3. (a) Upon the Effective Date, Class Plaintiffs and every Class Member on behalf of themselves, their heirs, executors, administrators, successors and assigns, shall, with respect to each and every Released Claim, be deemed to fully, finally and forever release, relinquish and forever discharge each and every Released Claim (including Unknown Claims) against any and all of the Released Parties, and forever shall be enjoined from prosecuting any such Released Claim. In addition, the Order and Final Judgment shall provide that Class Plaintiffs and every Class Member shall, upon the Effective Date, be deemed to have covenanted not to sue any of the Released Parties in any individual, class or other representative capacity with respect to any Released Claim.

(b) Upon the Effective Date, Prudential Securities Incorporated, on behalf of itself and its successors and assigns shall be deemed to fully, finally and forever release, relinquish and forever discharge each and every one of Prudential Securities Incorporated's Claims (including Unknown Claims), and forever shall be enjoined from prosecuting any such claim.

(c) Prudential Securities Incorporated will provide similar releases to the Putnam Defendants and any other person or entity with whom Lead Plaintiff reaches settlement, contingent upon the Putnam Defendants and such other person or entity with whom Lead Plaintiff reaches settlement providing Prudential Securities Incorporated with mirror image releases. Prudential Securities Incorporated's

Counsel will cooperate with Plaintiffs' Counsel's attempts, if any, to obtain similar releases from each of the Other Defendants.

4. (a) Pursuant to a Confidential Memorandum of Understanding dated February 17, 2009 among Ohio Tuition Trust Authority, Joseph Shanis, and Prudential Securities Incorporated, \$450,000 (four hundred fifty thousand dollars) in cash (the "Prudential Securities Incorporated Settlement Amount") was paid on March 6, 2009 on behalf of Prudential Securities Incorporated into an interest-bearing escrow account (identified as such) at The Huntington National Bank² (together with any other interest-bearing escrow accounts (identified as such) as shall be established at qualified financial institutions by the Escrow Agent with the written consent of the Prudential Securities Incorporated's Counsel, the "Escrow Account"). The Prudential Securities Incorporated Settlement Amount, together with any income or interest earned on all such amounts after they have been deposited into the Escrow Account, and together with any amounts paid by or on behalf of the Putnam Defendants and/or Other Defendants, together with any income or interest earned on all such amounts, shall be the "Settlement Fund."

(b) The funds held in the Escrow Account shall be held in custodia legis and shall remain subject to the jurisdiction of the Court until such time as such funds shall be distributed as set forth in this Stipulation.

(c) The payment previously made on behalf of Prudential Securities Incorporated of the Prudential Securities Incorporated Settlement Amount into the Escrow Account shall be the sole and exclusive obligation of Prudential Securities

² Lead Plaintiff's Counsel informed Prudential Securities Incorporated's Counsel that Lead Plaintiff's Counsel had selected The Huntington National Bank as the depository where the escrow account would be located and instructed that the Settlement Amount should be paid to an account at The Huntington National Bank.

Incorporated to make any payment in connection with the Settlement of the Lead Case, excluding (1) its own legal fees and expenses; and (2) its share of court costs (with each party to bear its own costs). Other than the payment of the Prudential Securities Incorporated Settlement Amount into the Escrow Account as provided above, Prudential Securities Incorporated shall have no responsibility for maintaining, preserving or investing the Prudential Securities Incorporated Settlement Amount or the Settlement Fund, for administering the Plan of Allocation, for the establishment or maintenance of the Escrow Account, for the reporting or payment of taxes due on the interest earned on or by the Settlement Fund, for the selection of Huntington National Bank or any successor depository (including without limitation for any diminution of the Prudential Securities Incorporated Settlement Amount that results from the failure of Huntington National Bank or any successor depository), for the distribution of the Settlement Fund or the administration thereof, or for the fees of any counsel except Prudential Securities Incorporated's Counsel.

5. (a) Lead Plaintiff's Counsel shall serve as escrow agents of the Escrow Account (the "Escrow Agent"). The Escrow Agent shall cause the amounts deposited into the Escrow Account to be invested in short term United States Agency or Treasury Securities (or a mutual fund invested solely in such instruments), and shall collect and reinvest all interest accrued thereon.

(b) Funds may be disbursed from the Escrow Account to the Escrow Agent in payment of reasonable and necessary costs of administration of the Settlement, estimated taxes due on the income of the Settlement Fund, if any, and other reasonable and necessary costs or expenses incurred in carrying out the terms and

conditions of this Stipulation or arising from the administration, management or distribution of the Escrow Account or the Settlement Fund. Prudential Securities Incorporated shall have no liability or responsibility for any such costs, or disbursements

(c) All (i) taxes on the income of the Settlement Fund and (ii) expenses and costs incurred in connection with the taxation of the Settlement Fund (including, without limitation, expenses of tax attorneys and accountants) (collectively “Taxes”) shall be paid out of the Settlement Fund, shall be considered to be a cost of administration of the Settlement and may be timely paid by the Escrow Agent without prior Order of the Court.

(d) The remainder of the Settlement Fund, after deduction of the amounts set forth above in paragraphs (b)-(c), shall constitute the “Net Settlement Fund.”

(e) The parties hereto agree that the Settlement Fund is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation §1.468B-1 and that Lead Plaintiff’s Counsel, as administrator of the Settlement Fund within the meaning of Treasury Regulation §1.468B-2(k)(3), shall be responsible for filing tax returns for the Settlement Fund and paying from the Settlement Fund any Taxes owed with respect to the Settlement Fund. The parties hereto agree that the Settlement Fund shall be treated as a Qualified Settlement Fund from the earliest date possible and agree to any relation-back election required to treat the Settlement Fund as a Qualified Settlement Fund from the earliest date possible. Prudential Securities Incorporated’s Counsel agrees to provide promptly to the Escrow Agent the statement described in Treasury Regulation §1.468B-3(e).

C. PRELIMINARY COURT APPROVAL

6. On or before March 31, 2010, or on or before another date set by the Court, Lead Plaintiff's Counsel shall apply to the Court for entry of a Preliminary Approval Order, substantially in the form attached hereto as Exhibit D:

(a) preliminarily approving the Settlement;

(b) setting the date and time for a settlement hearing (the "Settlement Hearing") at 10:00 a.m. on August 1, 2010, or at another date and time set by the Court, at which Settlement Hearing the Court will: (1) determine whether the proposed Settlement is fair, reasonable and adequate and should be approved, and whether the Order and Final Judgment should be entered; (2) confirm that the requirements for certification of the Class under Federal Rule of Civil Procedure 23(e) have been satisfied; (3) determine whether the proposed Plan of Allocation should be approved; and (4) consider such other matters as the Court may deem appropriate;

(c) providing that notice of the Settlement Hearing be given, in the name of the Clerk of the Court, to all Class Members, as follows:

(i) Lead Plaintiffs' Counsel shall cause a copy of the Settlement Notice, substantially in the form annexed as Attachment 2 to Exhibit D of the Putnam Stipulation and Agreement of Settlement, along with other documents pertinent to this Settlement with the exception of the Supplemental Agreement, to be posted on a publicly-accessible website created and maintained by Lead Plaintiffs' Counsel in connection with this Settlement;

(ii) Lead Plaintiffs' Counsel shall cause a copy of the Settlement Notice, substantially in the form annexed as Attachment 2 to Exhibit D to the Putnam Stipulation and Agreement of Settlement, to be mailed by U.S. Mail, First Class, to all named plaintiffs who filed any of the lawsuits listed in Exhibit A to the Putnam Stipulation and Agreement of Settlement; and

(iii) Lead Plaintiffs' Counsel shall cause to be published the Publication Notice, substantially in the form annexed as Attachment 1 to Exhibit D to the Putnam Stipulation and Agreement of Settlement, once in the national edition of both The New York Times and the Wall Street Journal.

(d) Determining that the notice prescribed above constitutes the best notice practicable under the circumstances and constitutes due and sufficient notice of the Settlement Hearing and the proposed Settlement to all persons entitled to participate in, or affected by, the Settlement;

(e) Setting forth that the persons and entities who requested exclusion from the Class in response to the notice are excluded from the Class;

(f) Setting forth a period of time during which Class Members may serve written objections to the Settlement or the Plan of Allocation or the request for an award of expenses to Plaintiffs' Counsel; and

(g) Preliminarily barring and enjoining the institution and prosecution of any Released Claims against any Released Parties by Class Members pending final approval of the Settlement.

D. ORDER AND FINAL JUDGMENT

7. If the Settlement contemplated by this Stipulation is approved by the Court after notice to the Class and the Settlement Hearing, counsel for the parties shall jointly request that the Court enter an Order and Final Judgment substantially in the form annexed hereto as Exhibit C.

E. ADMINISTRATION OF THE SETTLEMENT

8. The Escrow Agent shall administer the Settlement and disburse the Settlement Fund, subject to the jurisdiction of the Court. Prudential Securities

Incorporated shall have no responsibility for the administration of the Settlement and shall have no liability to the Class in connection with such administration. Prudential Securities Incorporated's Counsel shall cooperate in the administration of the Settlement to the extent reasonably necessary to effectuate its terms.

9. The Escrow Agent shall distribute the Net Settlement Fund, less Court ordered reimbursement, if any, as set forth in Section G of this Stipulation, to the Putnam mutual funds that are identified in Exhibit F hereto (the "Selected Funds"). The Net Settlement Fund shall be distributed to the Selected Funds pro rata based on the restitution amounts calculated by Professor Peter Tufano in his capacity as the Independent Assessment/Distribution Consultant, as provided in his Reports to the United States Securities Exchange Commission and the Massachusetts Securities Division, dated March 2, 2005. The Net Settlement Fund shall be distributed to the Selected Funds only after (i) all matters with respect to Lead Plaintiff's Counsel's expenses have been resolved by the Court, all appeals therefrom have been resolved or the time to file any such appeal has expired without any such appeal being filed, and (ii) all costs of administration have been paid.

F. EFFECTIVE DATE: TERMINATION

10. The "Effective Date" of the Settlement shall be the first date when all the following shall have occurred:

(a) the Court shall have approved the Settlement after notice to the Class and a hearing, as prescribed by Rule 23 of the Federal Rules of Civil Procedure;

(b) the Court shall have entered the Order and Final Judgment, substantially in the form annexed hereto, or another form of judgment providing for

dismissal of the Lead Case with prejudice (an “Alternative Judgment”); and

(c) the Order and Final Judgment or the Alternative Judgment shall have become Final and, in the case of an Alternative Judgment, no party to this Stipulation shall have elected to terminate the Stipulation.

11. Prudential Securities Incorporated and the Lead Plaintiff each shall have the right to terminate the Stipulation and abandon the Settlement by providing written notice of their election to do so to the other party to this Stipulation within thirty (30) days after: (a) the Court declines to enter the Preliminary Approval Order in any material respect; (b) the Court declines to approve this Stipulation or any material part of it; (c) the Court declines to enter the Order and Final Judgment in any material respect; or (d) the date of entry of a decision by the Court of Appeals or the U.S. Supreme Court modifying or reversing the Order and Final Judgment or an Alternative Judgment in any material respect.

12. If the Stipulation is terminated, then the parties to this Stipulation shall be deemed to have reverted to their respective status in the Lead Case prior to the execution of this Stipulation and prior to the execution of the February 17, 2009 Confidential Memorandum of Understanding and shall proceed in the Lead Case in all respects as if the Stipulation, the February 17, 2009 Confidential Memorandum of Understanding, and any related orders had not been entered, and any order entered by the Court pursuant to the terms of this Stipulation shall be treated as vacated nunc pro tunc. In such event, the fact of this Stipulation, the fact of the February 17, 2009 Confidential Memorandum of Understanding, or the terms contained in either document shall not be admissible in any proceeding for any purpose.

G. APPLICATION FOR REIMBURSEMENT OF EXPENSES

13. After the Effective Date, Lead Plaintiff's Counsel may apply to the Court for the reimbursement from the Net Settlement Fund of actual and reasonable expenses subject to appropriate documentation in an amount not to exceed \$1,600,000 (one million, six hundred thousand dollars). Prudential Securities Incorporated shall have no responsibility for payment of any part of such or any other expenses but will not oppose Lead Plaintiff's Counsel's request for reimbursement of such expenses. Interest on any such reimbursement shall be deemed to run at the annual rate of one (1) percent per annum between and including the date the Court first orders reimbursement of expenses and the date such expenses become payable as specified in the next sentence. Expenses reimbursed by the Court shall be payable from the Net Settlement Fund only after all matters with respect to Lead Plaintiff's Counsel's expenses have been resolved by the Court, all appeals therefrom have been resolved or the time to file any such appeal has expired without any such appeal being filed.

STIPULATION NOT AN ADMISSION

14. This Stipulation, whether or not consummated, and any proceedings taken pursuant to it:

(a) shall not be offered or received against Prudential Securities Incorporated as evidence of, or be construed as or deemed to be evidence of, any presumption, concession, or admission by Prudential Securities Incorporated of the truth of any fact alleged by any of the Plaintiffs or the validity of any claim that has been or could have been asserted in the Lead Case, any of the Actions (including, without limitation, the cases enumerated in Exhibit A hereto), or in any litigation, or the

deficiency of any defense that has been or could have been asserted in any of the Actions or in any litigation, or of any liability, negligence, fault, or wrongdoing on the part of Prudential Securities Incorporated;

(b) shall not be offered or received against Prudential Securities Incorporated as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by Prudential Securities Incorporated;

(c) shall not be offered or received against Prudential Securities Incorporated as evidence of a presumption, concession or admission with respect to any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against Prudential Securities Incorporated, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; provided, however, that if this Stipulation is approved by the Court, Prudential Securities Incorporated may refer to it to effectuate the liability protection granted to it hereunder;

(d) shall not be construed against Prudential Securities Incorporated as an admission or concession that the consideration to be given hereunder represents the amount which could or would have been recovered after trial of the Lead Case; and

(e) shall not be construed as or received in evidence as an admission, concession or presumption against Lead Plaintiff or any of the Class Members that any of their claims is without merit, or that any of the defenses asserted by Prudential

Securities Incorporated has any merit, or that damages recoverable under the Complaint would not have exceeded the Settlement Fund.

H. MISCELLANEOUS

15. The exhibits to this Stipulation are integral parts of the parties' agreement and are incorporated by reference as if set forth herein.

16. Prudential Securities Incorporated represents that it is not insolvent and that the payments to be made under paragraph 4 will not render it insolvent within the meaning of or for the purposes of the United States Bankruptcy Code, including §§ 101 and 547 thereof.

17. (a) If a case is commenced under Title 11 of the United States Code (Bankruptcy) in respect of Prudential Securities Incorporated contributing to the Prudential Securities Incorporated Settlement Amount (or any other person or entity contributing funds to the Prudential Securities Incorporated Settlement Amount on behalf of Prudential Securities Incorporated), or a trustee, receiver or conservator is appointed as to any such person or entity under any similar law, and in the event of the entry of a Final Order of a court of competent jurisdiction determining the transfer of money to the Prudential Securities Incorporated Settlement Amount or any portion thereof by Prudential Securities Incorporated (or any other person or entity contributing funds to the Prudential Securities Incorporated Settlement Amount on behalf of Prudential Securities Incorporated) to be a preference, voidable transfer, fraudulent transfer or similar transaction and any portion thereof is required to be, and is capable of being, disgorged by the Settlement Fund and is so disgorged, and replacement funds are not promptly

deposited into the Settlement Fund, then, at the election of Lead Plaintiff's Counsel, the parties shall jointly move the Court to vacate and set aside the releases given and Judgment entered in favor of Defendants pursuant to this Stipulation, which releases and Judgment shall be null and void, and the parties shall be restored to their respective positions in the litigation as of the execution of this Stipulation.

(b) If the releases and Judgment are vacated and set aside by the Court as set forth above, then no later than ten (10) business days after any such Order of the Court the Prudential Securities Incorporated Settlement Amount, plus interest but less Taxes due, and less all reasonable costs of administration that have been disbursed or incurred in accordance with this Stipulation prior to the date that the releases and Judgment are vacated and set aside, shall be refunded by the Escrow Agent to Prudential Securities Incorporated or to such other person or entity in accordance with written instructions to be provided by Prudential Securities Incorporated's Counsel (the "Written Instructions"), which shall state among other things that amounts owed to such other person or entity shall be returned directly, together with interest earned thereon on a proportionate basis, and any administration costs shall be deducted from the amount returned. In such event, Prudential Securities Incorporated and such other person or entity (to the extent of their ratable contributions to the Settlement Fund) shall be entitled to any tax refund then owed on the Prudential Securities Incorporated Settlement Amount. Further, no later than five (5) business days after such written notification and before the Prudential Securities Incorporated Settlement Amount has been returned pursuant to the Written Instructions, Lead Plaintiff's Counsel shall refund to the

Settlement Fund all amounts paid to Plaintiffs' Counsel from the Settlement Fund prior to that time for any reimbursement of expenses.

18. The Order and Final Judgment will contain a statement that during the course of the Lead Case, all parties and counsel at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure. The parties agree that the amount paid and the other terms of the Settlement were negotiated at arm's-length and in good faith by the parties and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

19. Lead Plaintiff's Counsel and Prudential Securities Incorporated's Counsel agree to cooperate fully with one another in seeking Court approval of the Preliminary Approval Order, the Stipulation and the Settlement, and to promptly agree upon and execute all such other documentation as may be reasonably required to obtain Final court approval of the Settlement.

20. The persons executing this Stipulation represent that they have been duly authorized to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation in order to effectuate its terms.

21. This Stipulation, all of the exhibits appended hereto, and the Supplemental Agreement referenced in Section J hereof constitute the entire agreement of the parties with respect to their subject matter and supersede any prior agreement, whether written or oral, as to that subject matter. No representations or inducements have been made by any party hereto concerning this Stipulation or its exhibits other than those contained and memorialized in such documents. The provisions of the Stipulation and its

exhibits may not be modified or amended, nor may any of their provisions be waived, except by a writing signed by all parties hereto or their successors-in-interest.

22. The waiver by any party of a breach of this Stipulation by any other party shall not be deemed a waiver of any other breach of this Stipulation.

23. This Stipulation shall be binding upon, and inure to the benefit of, the parties and their successors and assigns.

24. This Stipulation shall not be construed more strictly against one party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the parties, it being recognized that the Stipulation is the result of arm's-length negotiations between the parties and all parties have contributed substantially and materially to its preparation.

25. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

26. The Stipulation and all documents necessary to effectuate it shall be governed by the internal laws of the Commonwealth of Massachusetts without regard to conflicts of laws, except to the extent that federal law requires that federal law governs.

27. The Court shall retain jurisdiction with respect to the implementation and enforcement of the terms of the Stipulation and the parties to the Stipulation submit to the jurisdiction of the Court for those purposes.

28. This Stipulation may be executed in one or more counterparts and may be executed by facsimile signature. All executed counterparts and each of them

shall be deemed to be one and the same instrument provided that counsel for the parties to this Stipulation shall exchange among themselves signed counterparts.

I. SUPPLEMENTAL AGREEMENT

29. (a) Simultaneously herewith, Lead Plaintiff's Counsel and Prudential Securities Incorporated's Counsel are executing a "Supplemental Agreement" setting forth certain conditions under which this Stipulation may be withdrawn or terminated by Prudential Securities Incorporated if a certain number of Class Members exclude themselves from the Class, or based upon the financial risk resulting from such exclusions. The Supplemental Agreement shall not be filed unless a dispute arises as to its terms. In the event of a withdrawal from this Stipulation pursuant to the Supplemental Agreement, this Stipulation shall become null and void and of no further force and effect. Notwithstanding the foregoing, the Stipulation shall not become null and void as a result of the election by the Defendants to exercise their option to withdraw from the Stipulation pursuant to the Supplemental Agreement unless the conditions set forth in the Supplemental Agreement have been satisfied.

(b) The Escrow Agent shall, upon receiving any requests for exclusion, send copies of all such requests for exclusion to Prudential Securities Incorporated's Counsel by fax or overnight express within two (2) days of their receipt.

Date: April 21, 2010

ATTORNEY GENERAL FOR THE
STATE OF OHIO RICHARD CONRDRAY

By: Albert G. Lin
Albert G. Lin
General Counsel
30 East Broad Street, 17th Floor
Columbus, Ohio 43215
Telephone: (614) 728-5454
Facsimile: (614) 995-0246

OF COUNSEL:

STRAUSS & TROY, L.P.A.

Richard S. Wayne
Nicole M. Lundrigan
John M. Levy
The Federal Reserve Building
150 East Fourth Street
Cincinnati, Ohio 45202
Telephone: (513) 621-2120
Facsimile: (513) 629-9426

Additional Counsel to Lead Plaintiff Ohio
Tuition Trust Authority and the Putative
Class

WAITE, SCHNEIDER, BAYLESS, &
CHESLEY CO., L.P.A.

By: Robert M. Chesley
Stanley M. Chesley
James R. Cummins
Terrance L. Goodman
Robert Heuck II
Jean M. Geoppinger
1513 Fourth & Vine Tower
One West Fourth Street
Cincinnati, Ohio 45202
Telephone: (513) 621-0267
Facsimile: (513) 621-0262

Lead Counsel to Lead Plaintiff Ohio
Tuition Trust Authority and the Putative
Class

BERGER & MONTAGUE, P.C.

By: _____
Sherrie R. Savett
Lawrence Deutsch
Glen L. Abramson
1622 Locust Street
Philadelphia, Pennsylvania 19103
Telephone: (800) 424-6690
Facsimile: (215) 875-4604

Counsel to Additional Named Plaintiff

Date: April 21, 2010

ATTORNEY GENERAL FOR THE
STATE OF OHIO RICHARD CONRDRA Y

By: _____

Albert G. Lin
General Counsel
30 East Broad Street, 17th Floor
Columbus, Ohio 43215
Telephone: (614) 728-5454
Facsimile: (614) 995-0246

OF COUNSEL:

WAITE, SCHNEIDER, BAYLESS, &
CHESLEY CO., L.P.A.

STRAUSS & TROY, L.P.A.

By: _____

Richard S. Wayne
Nicole M. Lundrigan
John M. Levy
The Federal Reserve Building
150 East Fourth Street
Cincinnati, Ohio 45202
Telephone: (513) 621-2120
Facsimile: (513) 629-9426


Stanley M. Chesley
James R. Cummins
Terrance L. Goodman
Robert Heuck II
Jean M. Geoppinger
1513 Fourth & Vine Tower
One West Fourth Street
Cincinnati, Ohio 45202
Telephone: (513) 621-0267
Facsimile: (513) 621-0262

Additional Counsel to Lead Plaintiff Ohio
Tuition Trust Authority and the Putative
Class

Lead Counsel to Lead Plaintiff Ohio
Tuition Trust Authority and the Putative
Class

BERGER & MONTAGUE, P.C.

By: _____


Sherrie R. Savett
Lawrence Deutsch
Glen L. Abramson
1622 Locust Street
Philadelphia, Pennsylvania 19103
Telephone: (800) 424-6690
Facsimile: (215) 875-4604

Counsel to Additional Named Plaintiff

Joseph Shanis and Additional Counsel to
the Putative Class

CAHILL GORDON & REINDELL LLP

By: 

Thomas J. Kavalier

Jonathan D. Thier

Jason M. Hall

80 Pine Street

New York, New York 11201

Telephone: (212) 701-3000

Facsimile: (212) 269-5420

Duly Authorized on Behalf of Prudential
Securities Incorporated (n/k/a/ Prudential
Equity Group, LLC)