

**SEC ANNOUNCES EXAMINATIONS FOCUSING ON THE DISSEMINATION OF
FALSE INFORMATION INTENDED TO MANIPULATE STOCK PRICES**

The Securities and Exchange Commission (the “SEC”) announced over this past weekend that it is commencing an immediate and intensive examination of a wide variety of financial services firms. The examinations, which are focusing on hedge fund managers and broker-dealers among other institutions, are targeting the spread of false information intended to manipulate securities prices, particularly of issuers that may be subject to credit market-related volatility. We have reason to believe that examinations have begun in earnest and subpoenas have been issued. The examinations are being conducted by the SEC’s Office of Compliance Inspections and Examinations, as well as by the Financial Industry Regulatory Authority and New York Stock Exchange Regulation, Inc. Compliance programs and supervision relating to the dissemination of material, nonpublic information will be examined. Recent speeches by SEC staff reflect a concern that compliance programs existing on paper but lacking rigorous implementation and review do not satisfy regulatory requirements.

In announcing the examination sweep, the SEC referenced the Division of Enforcement’s ongoing investigations into “alleged intentional manipulation of securities prices through rumor-mongering and abusive short selling,” signaling that the exam will be conducted with a view toward referring potential violations of the securities laws to the Division of Enforcement. The SEC has recently instituted enforcement actions against hedge funds and their managers for manipulative acts, including insider trading, misrepresentations to the investing public and misuse of material, nonpublic information.

Regulated entities would be well advised to consider the broad restrictions regulating the dissemination of information into the marketplace. In addition to the general antifraud provisions of the federal securities laws, such as Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 (the “Exchange Act”), Section 15(f) of the Exchange Act requires registered broker-dealers to establish, maintain and enforce written policies and procedures to prevent the misuse of material, nonpublic information by the broker-dealer and its associated persons. Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”) contains a similar requirement for registered investment advisers, and Rule 206(4)-8, the general antifraud rule issued under the Advisers Act, provides an additional jurisdictional basis for the SEC to proceed against illegal conduct identified in the examinations. Firms should also be aware of prohibitions in NYSE Rule 435(5) and NASD Rule 5120(e) against the circulation in any manner of sensational rumors that might reasonably be expected to affect market conditions, as well as the firms’ obligations under NYSE Rule 476 and NASD Rule 2110 to refrain from any conduct or activity inconsistent with just and equitable principles of trade.

If you have any questions regarding this memorandum, please contact Gregory S. Bruch (202-303-1205, gbruch@willkie.com), Elizabeth P. Gray (202-303-1207, egray@willkie.com), Julie A. Smith (202-303-1209, jasmith@willkie.com), Barry P. Barbash (202-303-1201, bbarbash@willkie.com), Margery K. Neale (212-728-8297, mneale@willkie.com), or the attorney with whom you regularly work.

Willkie Farr & Gallagher LLP is headquartered at 787 Seventh Avenue, New York, NY 10019-6099 and has an office located at 1875 K Street, NW, Washington, DC 20006-1238. Our New York telephone number is (212) 728-8000 and our facsimile number is (212) 728-8111. Our Washington, DC telephone number is (202) 303-1000 and our facsimile number is (202) 303-2000. Our website is located at www.willkie.com.

July 15, 2008

Copyright © 2008 by Willkie Farr & Gallagher LLP.

All Rights Reserved. This memorandum may not be reproduced or disseminated in any form without the express permission of Willkie Farr & Gallagher LLP. This memorandum is provided for news and information purposes only and does not constitute legal advice or an invitation to an attorney-client relationship. While every effort has been made to ensure the accuracy of the information contained herein, Willkie Farr & Gallagher LLP does not guarantee such accuracy and cannot be held liable for any errors in or any reliance upon this information. Under New York's Code of Professional Responsibility, this material may constitute attorney advertising. Prior results do not guarantee a similar outcome.