

**NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. EAF0401490001**

TO: Department of Enforcement
NASD

RE: Credit Suisse Securities (USA), LLC, Respondent,
CRD No. 816

Pursuant to Rule 9216 of the NASD Code of Procedure, Respondent Credit Suisse Securities (USA), LLC (formerly known as Credit Suisse First Boston, LLC) ("Credit Suisse," "Respondent" or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. Credit Suisse submits this AWC to NASD on the condition that, if accepted, NASD will not bring any future actions against Credit Suisse alleging violations based on the same factual findings.

Credit Suisse understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
3. If accepted:
 - a. This AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Respondent;
 - b. This AWC will be made available through NASD's public disclosure program in response to public inquiries about our disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects the Firm's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Credit Suisse also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Credit Suisse has been a member of NASD since October 16, 1936. The Firm, headquartered in New York provides, among other things investment research to its customers. The Firm's U.S. Equity Research Department employs approximately 65-70 research analysts, five full-time supervisory analysts and seven editors. The Firm's U.S. Equity Research Department publishes on average more than 11,000 research reports per year. As of January 16, 2006, Credit Suisse First Boston, LLC was renamed Credit Suisse Securities (USA), LLC.

Credit Suisse has the following relevant history:

On April 21, 2003, pursuant to Letter of Acceptance, Waiver and Consent No. 030026, NASD made findings (which Credit Suisse neither admitted nor denied) that, among other things, Credit Suisse issued research reports on two companies in violation of Section 15(c) of the Securities Exchange Act of 1934 and Rule 15c1-2 thereunder and NASD Rules 2110 and 2210 and reports on certain other companies that violated NASD Rule 2210 and failed to establish and maintain adequate procedures to manage conflicts of interest created by the influence of investment banking over research analysts in violation of NASD Rule 2110. Credit Suisse consented to the entry of a censure and to pay a total of \$200,000,000, which consisted of a fine of \$75,000,000, disgorgement of \$75,000,000, and a payment of \$50,000,000 to fund the procurement of independent research.

I.

WAIVER OF PROCEDURAL RIGHTS

Credit Suisse specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against it;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Credit Suisse specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms

and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Credit Suisse further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

Credit Suisse hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

SUMMARY

From February 2003 to November 2005 (the "relevant period"), Credit Suisse regularly published research reports that violated NASD rules by using vague, generic or unclear language to describe its price target valuation methods and the risks that might impede achievement of the price targets. In certain research reports, Credit Suisse used generic lists of possible valuation methods without indicating which method was actually used to determine the price target. Other research reports stated that the price target was determined in part by using a proprietary valuation method, such as "CSFB's Embedded Expectations Framework," without further describing the valuation method or the factors considered in determining the price target. In other price target disclosures, Credit Suisse used language that made it difficult to discern the valuation method used. Credit Suisse's disclosures concerning risks that might impede achievement of the price target were comparably deficient. NASD's Advertising Regulation Department ("NASD Advertising") warned Credit Suisse in February 2003 and August 2004 that it had concluded that the Firm's research disclosures failed to comply with NASD rules, but the Firm continued to publish research reports containing defective disclosures in violation of NASD Rules 2711(h), 3010 and 2110.

A. CREDIT SUISSE'S DISCLOSURE FAILURES

During the relevant period, Credit Suisse violated Rules 2711(h)(7), 2711(h)(10) and 2110 by failing to disclose clearly and prominently in certain research reports the valuation methods used to determine price targets and the risks that might impede achievement of the price targets. NASD Rule 2711(h)(7) provides that members must "disclose in research reports the valuation methods used to determine a price target." This rule further states that price targets "must be accompanied by a disclosure concerning the risks that may impede achievement of the price target." NASD Rule 2711(h)(10) requires these disclosures to be "clear, comprehensive and prominent," and that any required disclosures appear on the front page of the report or the front page must refer to the page on which such disclosures are found.

Rule 2711, in part, was intended to provide investors a basis to understand a firm's method for calculating price targets, conclude that the method was based on objective factors and reasonable assumptions relating to the company's performance, and easily identify the risks that might impede achievement of the price target. The Firm's disclosures in certain research reports in the relevant period did not meet that standard.

1. Credit Suisse Used Vague and Generic Disclosures For Its Price Target Valuation Methods and Price Target Risks

During the relevant period, Credit Suisse failed to disclose clearly price target valuation methods and risks that might impede achievement of those price targets. In certain research reports, Credit Suisse used generic lists of possible valuation methods but failed to identify which valuation method was used to determine the price target. For example,

- One research report stated that the price target was based on "comparable analyses such as P/E, EV/free cash flow, and DCF valuation." (Emphasis added).
- Two other research reports stated that target prices were "based off of comparable ratio analysis, such as price to earnings and enterprise value to free cash flow, and discounted cash flow valuation." (Emphasis added).
- Another research report stated "Target prices are based on future earnings estimates, retail group performance expectations, discounted cash flow methodology, historic and/or relative valuation multiples." (Emphasis added).

Additionally, in some research reports, Credit Suisse indicated that the price target was determined by using proprietary valuation methods, without providing additional detail about the valuation method, or identifying the factors considered in using the valuation method to calculate the price target. For example,

- In three research reports, Credit Suisse used the following identical disclosure for three separate stocks: "[Credit Suisse] Value-Equation Framework, Multiple Analysis." These reports failed to explain the "[Credit Suisse] Value-Equation Framework" or "Multiple Analysis" or how these methodologies were used to determine the price targets.

- In another research report, the Firm identified "[Credit Suisse's] Embedded Expectations Framework" as one of the valuation methods used to determine the price target without further describing the valuation method or how it was used to determine the price target.

In other cases, the Firm's price target disclosures were vague and abbreviated. For example,

- In two research reports, Credit Suisse described the price target valuation methods as "EV/S, P/E Comps; HOLT" and "Cyclical multiples, DCF," respectively, without explaining the abbreviated terms, the different methods used to determine price targets, or whether the different methods were used separately or in combination.
- In a recent research report, Credit Suisse used the term "Relative Valuation" to describe the valuation method used to determine the price target without providing any explanation as to the meaning of the term.

Credit Suisse's disclosures concerning risks that might impede achievement of the price target suffered from comparable deficiencies. In some of these reports, Credit Suisse included a discussion of the valuation methods employed and risks attendant to these methods at various places in the body of the report; however, this analysis was not referenced on the front page of the report or adequately summarized in the disclosure appendix as required by the Rule.

2. Credit Suisse Failed to Correct Its Deficient Disclosures Despite Two Warnings From NASD Advertising

In November 2002, NASD Advertising initiated a spot-check review of the Firm's research reports to assess the Firm's compliance with Rule 2711(h)'s disclosure requirements. During this initial review, NASD Advertising concluded that the Firm's research reports failed to comply with Rules 2711(h)(7) and 2711(h)(10) because these reports used vague, generic or abbreviated language to describe the valuation methods used to determine price targets and the risks that might impede achievement of the price targets.

In February 2003, NASD Advertising notified the Firm of its conclusions, specifically noting that the use of "generic language to explain price target methodology and risks such as "Method: VBA, Risks: Market-related – Additional details available," do not comply with Rules 2711(h)(7) and 2711(h)(10). NASD Advertising further notified the Firm of its conclusion that "generic" valuation disclosures such as "Target prices can be based on future earnings estimates retail group performance expectation, discounted cash flow methodology, historic and/or relative valuation multiples" do not comply with Rule 2711(h)(7).

In May 2004, NASD Advertising initiated a second spot-check examination of the Firm's research report disclosure practices. During this second examination, NASD Advertising concluded that the Firm's research reports continued to include generic and abbreviated price target disclosures in violation of Rules 2711(h)(7) and 2711(h)(10). In August 2004, NASD Advertising notified the Firm of its conclusions.

Ultimately the Firm's efforts to comply with Rule 2711(h) price target disclosure requirements proved ineffective and Credit Suisse continued to issue research reports that failed to comply with NASD price target disclosure rules. As recently as November 2005, Credit Suisse issued research reports failing to comply with the requirements of Rules 2711(h)(7), 2711(h)(10), and 2110 by using vague, generic and abbreviated language to describe the valuation methods used to determine price targets and the risks that might impede achievement of the price targets.

B. CREDIT SUISSE FAILED TO IMPLEMENT SUPERVISORY SYSTEMS AND PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH RULE 2711

During the relevant period, Credit Suisse violated NASD Conduct Rules 3010 and 2110 by failing to establish and maintain a supervisory system reasonably designed to detect and prevent the violations described above. NASD Rule 3010 in pertinent part requires member firms to "establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the Rules of this Association." NASD Rule 3010(b) further requires in part member firms to "establish, maintain and enforce written procedures."

Credit Suisse violated Rule 3010 by failing to adequately enforce its written supervisory procedures concerning price target disclosures. Although the Firm established and maintained written supervisory procedures regarding compliance with NASD Rules 2711(h)(7) and 2711(h)(10), including express prohibitions against the use of generic or abbreviated language in price target disclosures, the Firm failed to adequately enforce its written procedures concerning these rules. As a result of these supervisory failures, the Firm published research reports containing price target valuation methods and risks that were not sufficiently clear, comprehensive or prominent in violation of NASD Rules 2711(h)(7) and 2711(h)(10), and 2110.

VIOLATIONS

1. Credit Suisse's Research Report Disclosure Violations

As described above, during the relevant period, Credit Suisse violated NASD Rules 2711(h)(7), 2711(h)(10) and 2110 by publishing research reports that failed to clearly and prominently disclose price target valuation methods and risks that might impede achievement of the price target.

2. Credit Suisse's Supervisory Violations

As described above, during the relevant period, Credit Suisse violated NASD Rules 3010(a) and 2110 by failing to enforce written supervisory procedures reasonably designed to ensure compliance with NASD Rules 2711(h)(7) and 2711(h)(10).

SANCTIONS

Credit Suisse also consents to the imposition, at a maximum, of the following sanctions:

1. *Censure; and*
2. Fine in the amount of \$225,000.

Credit Suisse further consents to undertake the following:

Review of Research Reports: Credit Suisse shall review a meaningful sample of its research reports (i.e., 50). Within 60 days of Notice of Acceptance of this AWC, the U.S. Director of Research of Credit Suisse shall describe the methodology used to review this sample of reports and certify in writing to NASD's Department of Enforcement that the Firm is in compliance with NASD Rules 2711(h)(7) and 2711(h)(10) with respect to such sample, including the requirement that price target valuation methods and risks that might impede achievement of the price target be disclosed in a clear, comprehensive and prominent manner. The Firm shall continue to review a meaningful sample of its reports, and certify as described above to the NASD Department of Enforcement every three months thereafter for one year from the date of its first certification. During this one-year period, for good cause shown and upon receipt of a timely request for an extension, the NASD staff may provide additional time for Credit Suisse to complete and submit the initial and quarterly certification.

The sanctions imposed herein shall be effective on a date set by the NASD staff.

III.

OTHER MATTERS

- A. Credit Suisse understands that it may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Credit Suisse understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. Credit Suisse agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable and have attached an Election of Payment form showing the method by which it proposes to pay any fine imposed.
- C. Credit Suisse specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondent Credit Suisse certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce it to submit it.

Credit Suisse Securities (USA), LLC

6/8/06
Date

By: Allen Meyer
Allen Meyer

Reviewed by:

Stephen M. Cutler, Esq.
Wilmer Cutler Pickering
Hale and Dorr LLP

**1875 Pennsylvania Avenue, NW
Washington, D.C. 20006**

Counsel for Respondent

Accepted by NASD:

Signed on behalf of the Director of
ODA by delegated authority

Date _____

**James E. Day, Chief Counsel
NASD Department of Enforcement**

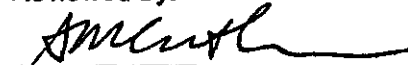
Respondent Credit Suisse certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce it to submit it.

Credit Suisse Securities (USA), LLC

Date

By: _____

Reviewed by:


Stephen M. Cutler, Esq.
Wilmer Cutler Pickering
Hale and Dorr LLP

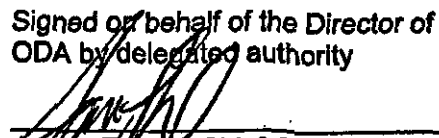
1875 Pennsylvania Avenue, NW
Washington, D.C. 20006

Counsel for Respondent

Accepted by NASD:

7/17/06
Date

Signed on behalf of the Director of
ODA by delegated authority


James E. Day, Chief Counsel
NASD Department of Enforcement