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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IRVING GORDON, on behalf of himself and
all others similarly situated,

Plaintiff,

-against-

MERRILL LYNCH & CO., INC., MERRILL
LYNCH INTERNET STRATEGIES FUND,
INC., MERRILL LYNCH FUNDS
DISTRIBUTOR, TERRY K. GLENN,
DONALD C. BURKE, and PAUL G.
MEEKS,

Defendants.

02 CV 3385
Index No. _____

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

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Plaintiff, individually and on behalf of all others similarly situated, by his attorneys, alleges the following based upon the investigation of his counsel, except as to allegations specifically pertaining to plaintiff and his counsel, which are based on personal knowledge. The investigation of counsel is predicated upon, among other things, a review of research reports authored and disseminated by analysts at Merrill Lynch & Co., Inc. ("Merrill Lynch"), press releases issued by defendant Merrill Lynch, media reports about Merrill Lynch, the Prospectus and Registration Statement dated March 14, 2000 (the "Prospectus") filed by the Internet Strategies Fund Inc. ("Internet Strategies Fund" or the "Company") with the United States Securities and Exchange Commission ("SEC"), for its initial offering, and a review of the Affidavit In Support of Application for An Order Pursuant to General Business Law Section 354, dated April 8, 2002, filed by the New York Attorney General's Office in its investigation of Merrill Lynch's stock recommendations issued by research analysts.

NATURE OF THE ACTION

1. The Internet Strategies Fund is an open-ended fund marketed primarily by Merrill Lynch to its customers. The Internet Strategies Fund invested primarily in internet-related common stocks. It began trading under the symbols MANTX, MBNTX, MCNTX, and MDNTX. The Internet Strategies Fund was merged by Merrill Lynch into its Global Technology Fund, effective October 15, 2001.

2. This class action alleges that Merrill Lynch and its lead internet research analyst, Henry Blodget, participated in a scheme to manipulate the market price of the internet stocks comprising the Internet Strategies Fund. The scheme was perpetrated by defendants through the issuance of inflated ratings and biased research reports for these companies. Defendants' scheme with regard to Internet Strategies was part of a larger scheme whereby Merrill Lynch research analysts in the internet group, under pressure from Merrill Lynch's investment bankers, would initiate, continue and/or manipulate research coverage to maintain and attract investment banking clients.

3. In the Prospectus issued in connection with the sale of shares of the Internet Strategies Fund, defendants failed to disclose that Merrill Lynch's research reports were biased or that the shares comprising the Internet Strategies Fund were then trading at inflated prices.

4. Defendants' practices came to light on April 8, 2002, when after a 10 month investigation, the New York State Attorney General concluded that since late 1999, internet research analysts at Merrill Lynch published ratings for internet stocks that were misleading because: (1) the ratings in many cases did not reflect the analysts' true opinions of the companies; (2) as a matter of undisclosed, internal policy, no "reduce" or "sell" recommendations were issued, thereby converting a published five category rating system into a

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three category system; and (3) Merrill Lynch failed to disclose to the public that Merrill Lynch's ratings were tarnished by research analysts who were acting as quasi-investment bankers rather than as independent and objective research reports on those companies.

JURISDICTION AND VENUE

5. This Court has jurisdiction over the subject matter of this action pursuant to Section 22 of the Securities Act of 1933 (the "Securities Act"), 15 U.S.C. § 77v and 28 U.S.C. § 1331.

6. Venue is proper in this District pursuant to Section 22 of the Securities Act, and 28 U.S.C. §1391(b) and (c). Many of the acts and transactions giving rise to the violations of law complained of herein, including the dissemination to the investing public of false and misleading information, occurred in this District. The defendants regularly conducted business in this District.

7. In connection with the acts, conduct and other wrongs alleged in this Complaint, the defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including the mails, telephone communications and the facilities of a national securities exchange.

THE PARTIES

8. As set forth in the attached Certification, plaintiff Irving Gordon purchased Internet Strategies Fund during the Class Period at artificially inflated prices and was damaged thereby.

9. Defendant Merrill Lynch is an investment firm that provides investment banking services to businesses, engages in retail and institutional sales to its customers, and publishes

research reports and ratings on stocks. It has its headquarters located at 4 World Financial Center, New York, NY 10080.

10. Defendant Merrill Lynch Internet Strategies Fund, Inc. is an open-ended fund that invests all of its assets in a corresponding “master” portfolio of the Master Internet Strategies Trust that has the same objective as the Internet Strategies Fund. Internet Strategies Fund’s objective is to invest in common stocks of internet companies or internet related companies in order to seek long term capital growth.

11. Defendant Merrill Lynch Funds Distributor, a division of Princeton Funds Distributor, Inc., an affiliate of Merrill Lynch, was, at all relevant times, responsible for distributing the shares of the Internet Strategies Fund.

12. Defendant Terry K. Glenn (“Glenn”) was, at all relevant times, the President and Director of the Internet Strategies Fund. He also signed the Prospectus.

13. Defendant Donald C. Burke (“Burke”) was, at all relevant times, the Vice President and Treasurer of the Internet Strategies Fund. He also signed the Prospectus.

14. Paul G. Meeks (“Meeks”) was, at all relevant times, the Senior Vice President and portfolio manager of the Internet Strategies Fund and had the primary responsibility for the day-to-day management of the Internet Strategies Fund.

CLASS ACTION ALLEGATIONS

15. Plaintiff brings this action as a class action pursuant to Rule 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of a class (the “Class”) of all persons and entities who acquired shares of Internet Strategies Fund from March 14, 2000 through October 15, 2001, inclusive (the “Class” and “Class Period,” respectively), to recover damages caused to the Class by defendants’ violations of the federal securities laws. Excluded from the Class are defendants

herein, members of the individual defendants' immediate families, any entity in which any of the defendants has a controlling interest, any person or entity affiliated with any of the defendants, and the legal representatives, heirs, successors or assigns of any of the defendants.

16. This action is properly maintainable as a class action for the following reasons:

(a) The Class is so numerous that joinder of all members is impracticable.

While the exact number of Class members is unknown to plaintiff at this time, and can only be ascertained through appropriate discovery, plaintiff believes that there are thousands of Class members located throughout the United States.

(b) Common questions of law and fact exist as to all Class members and predominate over any questions affecting only individual members of the Class. Among the common questions of law and fact are:

(i) Whether the federal securities laws were violated by defendants' acts as alleged herein;

(ii) Whether the Prospectus omitted and/or misrepresented material facts about the Internet Strategies Fund;

(iii) Whether defendants participated in the course of conduct complained of herein; and

(iv) Whether plaintiff and the other members of the Class sustained damages because of defendants' conduct, and the appropriate measure of recovery.

(c) Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the other Class members have sustained damages that arise from and were caused by defendants' unlawful activities alleged herein. Plaintiff does not have interests antagonistic to, or in conflict with, the other members of the Class.

(d) Plaintiff will fairly and adequately protect the interests of the other members of the Class and has retained competent counsel experienced in class and securities litigation to prosecute this action vigorously.

(d) A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Plaintiff knows of no difficulty to be encountered in the management of this action that would preclude its maintenance as a class action. Furthermore, since the damages suffered by individual members of the Class may be relatively small, the expense and burden of individual litigation make it impracticable for the members of the Class to seek redress individually for the wrongs they have suffered.

SUBSTANTIVE ALLEGATIONS

Background

17. During the late 1990's, high demand existed for the stock of internet and dot.com companies in their Initial Public Offerings ("IPO's"), whose stock routinely increased dramatically in price on their first day of trading.

18. Although Merrill Lynch was the largest securities firm in the world (measured by profits, revenue and headcount) in 1999, it lagged behind as an underwriter of technology companies. Indeed, Bloomberg News reported in an article dated January 28, 2000, that in 1999, Merrill Lynch ranked third in U.S. IPOs in 1999 with 11% of the market, about half the market share of number one ranked Goldman Sachs & Co. Merrill Lynch also lagged in technology underwriting. Technology companies accounted for more than one third of the \$69 billion of IPOs in 1999, with Merrill Lynch capturing only 8.9% of the market, behind Morgan Stanley which had 18%.

19. These technology IPOs were crucial for two reasons: big profits and the promise of future business. Fees for new stock sales could be as high as 7%, compared with 4% for secondary issues or less than 1% for investment grade bond sales. Also, internet companies offered the possibility of huge repeat business with its initial offering, and its subsequent offerings, often at prices much higher than its initial offering price.

20. After failing to arrange any IPOs for internet companies during the first three months in 1999, Merrill Lynch embarked on a program to close the gap between it and its competitors, and to increase its participation in the extremely lucrative technology underwriting market. In an article dated January 7, 2000 on the Bloomberg News, Mark Shafir, the head of the technology investment banking group at Merrill Lynch stated that the company hoped to add "at least 5-10 very senior bankers" and that if possible, Merrill Lynch would like to add 25-30 more people but could not because technology bankers are in high demand and in short supply.

21. In addition, Merrill Lynch had institutional sales people focus solely on technology stocks and technology mutual funds.

Merrill Lynch Hires Henry Blodget For His Reputation of Being Aggressively Bullish On Internet Stocks To Attract Technology Investment Clients

22. According to the same January 7, 2000 article on the Bloomberg News, one of the reasons for Merrill Lynch's lag and slow start in competing for high-technology companies was its internet analyst - Jonathan Cohen - who was bearish on the industry.

23. In contrast, Cohen's eventual replacement, Henry Blodget ("Blodget"), who was then working as an analyst for CIBC World Markets, became famous when he set a target price for Amazon.com at \$400 per share in December 1998. Meanwhile, Cohen had issued a "sell" recommendation for Amazon.com stock, stating that the stock was overvalued at \$240. As the

Washington Post, on April 2, 2000, in an article entitled "Analyst With a Knack for Shaking Up Net Stocks; Henry Blodget Is Wall Street's Link Between Online Firms, Investors," stated: Blodget is the "link between everyone starting Internet companies and everyone investing in them, the most prominent stock analyst at a moment when analysts have never been more powerful, more richly rewarded - or more beset by conflicting demands from the companies they cover and the wildly varied clients they serve."

24. The same article described Blodget's ascent into the highest ranks of Wall Street analysts by setting the target price for Amazon.com at \$400:

But it still took his bold move with Amazon to make him a household name in the world of Internet stockholders. The retailer was at its most controversial then, full of swaggering ambition and bleeding red ink. It was also a hot stock, one that had doubled and redoubled. Two months earlier Blodget had put a 12-month price target of \$150 on it. The stock quickly breezed by that to close on Dec. 15 at \$242.

So he set an "outlandish" new target - \$400. "I was trying to say, 'Stop asking me the price target. There's plenty of upside.'" he says. "But it was like I threw gasoline on a bonfire."

* * *

A Bloomberg News reporter got a tip on Blodget's aggressive forecast, and wrote a story about it. A couple of minutes later, CNBC picked up the story, noting Amazon stock was already up \$10 in early-hours trading. A few minutes after that it hit the chatboards, provoking hundreds of messages during the course of the day.

At 9:30 a.m., the market opened with Amazon at \$259, up \$17. It continued rising all day, the commentary making the stock climb, which in turn provoked more commentary. It was as if Blodget had been understood to say Amazon was going to go to \$400 that day.

The stock closed at \$289, up nearly 20 percent, on quadruple its normal volume. Those who thought Amazon was worthless seemed personally insulted by the rise. Jonathan Cohen, at the time the Merrill Lynch Internet analyst, said the stock was worth less than a quarter of its current price.

On January 6, 1999, Amazon closed at \$138. Since it had split three-for-one in the meantime, that works out to be \$414. The stock had done in three weeks what Blodget said would take a year.

25. The same article quoted Blodget: "The reason stocks move is not because they're cheap or expensive" but "because there's an imbalance of supply and demand. Stocks don't move on valuation." "Our job is not to be stock pickers, but to be correct on trends, and help investors pick stocks." He added that, "There's a significant difference."

26. In February 1999, Blodget replaced Cohen at Merrill Lynch, for a salary that was reported to be \$4 million. It was clear that Merrill Lynch hired Blodget for his high profile, bullish reports on internet stocks which Merrill Lynch believed would attract investment banking and underwriting business in the internet sector. From the time Blodget was hired by Merrill Lynch, the Company went on a campaign to promote Blodget as the star internet analyst on Wall Street who had the power to move stocks and who would be favorable to new business with his bullish ratings.

27. According to an article in the August 19, 1999 The Seattle Times, Blodget, after joining Merrill, predicted that revenue from online purchases and advertising could double or triple from the level of last year's holiday season, and that Amazon.com and top Internet service America Online stood to reap the biggest share. He recommended eight stocks that could trade 50 to 100% higher by the year's end, including e-Toys, Excite At Home, Lycos, Inktomi, and Barnesandnoble.com. The same article reported that the "stock of all eight companies climbed yesterday, with Amazon.com up \$3.875 to \$113.125 [on a post-split basis], Yahoo! up \$6.188 to \$145.063 and AOL up \$1.688 to \$99.188. Online bookseller Barnesandnoble.com was the biggest gainer, up \$2.50, or 14.9 percent, to \$19.25."

Merrill Lynch's Biased and Misleading Rating System

28. During the Class Period, Blodgett became the head of the Internet Group at Merrill Lynch. At that time, the research division had a five-category rating system of rating stocks: 1 - Buy (20% or more price growth expected); 2 - Accumulate (10% to 20% price growth expected); 3 - Neutral (10% price growth to 10% price drop expected of price); 4 - Reduce (10% to 20% price drop expected); and 5 - Sell (20% or more price drop expected). Each of the covered stock was rated for the intermediate or near-term (through the next twelve months) and long-term (beyond twelve months). Merrill Lynch represented to the public that these standards for rating stock followed by Merrill Lynch were independent, objective, and on the merits.

29. Despite the five categories of rating, Merrill Lynch never used "4 - Reduce" or "5 - Sell" in rating any of the internet companies that Merrill Lynch followed. When the prices of the stocks of these companies dropped too low to assign 1-3 ratings, instead of assigning a "Reduce" or "Sell" rating, Merrill Lynch ceased covering them altogether, without any explanation to the public. For instance, even when stocks such as Pets.com, Mypoints.com, Quokka Sports, Webvan, iVillage, Buy.com, 24/7 Media, E-Toys, Internet Capital Group, and InfoSpace plunged, at times to zero, Merrill Lynch never advised the public to sell these shares. Thus, the five category ratings system essentially became a three category ratings system.

30. Moreover, the ratings system used by Merrill Lynch research analysts did not represent the analyst's independent and objective assessment of the stock. For instance, while Merrill Lynch internet analysts were rating InfoSpace stock a "1-1" (buy), internally, they were describing the stock as a "powder keg" and a "piece of junk." Similarly, while rating Internet Capital stock a "2-1" (accumulate), the analysts were predicting that the stock was "going to 5" and that there was "No hopeful news to relate.... We see nothing that will turn around this near

term. The company needs to restructure its operations and raise additional cash, and until it does that, there is nothing positive to say.” Even as they were describing certain stocks such as Lifeminders and 24/7 Media, as “piece of shit,” they were recommending an “accumulate-buy” for these stocks.

31. As the Attorney General’s Office stated in its Affidavit In Support of Application for An Order Pursuant to General Business Law Section 354, Merrill Lynch purposefully maintained this de facto three category ratings system because by keeping the coverage of analyst companies mostly favorable - buy to neutral ratings - the bullish ratings appeased the existing investment clients whose companies were subjects of these favorable coverages, and helped attract new banking business. This was very desirable for the analysts because the banking business they generated or participated in would impact their compensation, and management encouraged them to produce investment banking business. This was clearly understood among the analysts and the bankers, one of whom suggested “aggressively linking coverage with banking - that is what we did with Go2Net” to lure investment banking business from a competitor.

Undisclosed Conflicts of Interest

32. The conflicts of interest that resulted as Merrill Lynch analysts felt pressured by the banking division to tailor their coverage to the needs of the investment banking business were never disclosed to the public. The “Chinese Wall” that is supposed to address the tension between the research and the investment banking division and keep investment bankers and their clients from influencing analysts was virtually non-existent at Merrill Lynch. The compensation structure at Merrill Lynch exacerbated this conflict.

33. As the Attorney General uncovered in his investigation, Merrill Lynch's Policies and Procedures Manual for the Research Department simply did not address the conflicts raised by the compensation structure. Consequently, research analysts actively involved themselves in investment banking transactions, activities that included participating in the bankers' sales pitch to potential clients; marketing transactions to institutional investors once the bankers had obtained assignments; and initiating and doing "follow-on" research coverage. They had an incentive to do so: their compensation (particularly their bonus) was tied to their efforts to generate investment banking business. Indeed, as the Attorney General's investigation found, in the fall of 2000, Deepak Raj, the co-head of global equity research, submitted a request to all equity analysts which read in part:

We are once again surveying your contributions to investment banking during the year.... Please provide complete details on your involvement in the transaction, paying particular attention the degree that your research coverage played a role in origination, execution and follow-up. Please note, as well, your involvement in advisory work on mergers or acquisitions, especially where your coverage played a role in securing the assignment and your follow-up marketing to clients. Please indicate where your research coverage was pivotal in securing participation in high yield offering.

34. There was pressure to satisfy both the existing and potential business investment clients. The existing investment bank clients were kept happy with favorable coverage that analysts gave, a favor that the client would return by giving banking business to the firm. Potential clients were recruited by being assured by Merrill Lynch investment bankers that the analysts would cover the stock. It was in turn tacitly understood that the coverage would be favorable.

35. Not surprisingly, Blodget, within weeks of joining Merrill Lynch, distributed a memorandum where he described his work schedule for a given week as being divided "85%

banking, 15% research,” and that he expected at least 50% of his team’s time in the internet group to be allocated to investment banking matters. In his testimony pursuant to the investigation conducted by the Attorney General, Blodget admitted that one way he “prioritize[d] research coverage for stocks was whether the company had an investment relationship with Merrill Lynch.”

36. None of these conflicts faced by the research analysts was disclosed to the public. The management at Merrill Lynch was clearly aware of these conflicts: one manager acknowledged that “we are off base on how we rate stocks and how much we bend backwards to accommodate banking, etc.” Analysts even remarked that “the whole idea that we are independent from banking is a big lie - - without banking this would be [rated] a 3-2.” Even Blodget himself, apparently dissatisfied with the pressure, at one point threatened, “to just start calling the stocks ... like we see them, no matter what the ancillary business consequences are.”

37. By failing to disclose these conflicts of interest, and their candid assessment of a company’s stock value, the internet analysts at Merrill Lynch, through their research reports, disseminated false and misleading information to the investing public.

38. According to the Attorney General’s investigation, investment ratings of research were available to financial consultants and retail brokers through Merrill Lynch’s QRQ Opinion System. The misleading information was also disseminated through morning calls where analysts discussed recent research reports before the market opened and where institutional and retail sales forces were allowed to participate. Research reports were also accessible to Merrill Lynch clients through Merrill Lynch’s on-line system. Services like Bloomberg and First Call who each had their respective subscribers were also allowed to access research reports through this on-line system.

Internet Strategies Fund

39. While these practices were on-going, on March 14, 2000, Merrill Lynch launched the Internet Strategies Fund, an open-ended, non-diversified fund whose primary objective was to invest primarily in common stocks of internet companies and internet related companies that were developing new or innovative products, services or processes likely to produce earnings growth.

40. According to the Prospectus filed on March 14, 2000:

[T]he Investment Adviser seeks to identify Internet and Internet related companies that are developing new or innovative products, services or processes that the Investment Adviser believes are likely to produce earnings or revenue growth or operating efficiencies. Specifically, Internet companies may produce, market or distribute products or services designed to secure, enhance, store, process, record, reproduce, retrieve or distribute information over the Internet. Many of these issuers focus on applications that utilize the World Wide Web (the "Web"). The Web is a widely used graphical interface publishing medium that may contain text, graphics, interactive feedback mechanisms and cross linking functions. The Fund also invests in Internet related companies that currently use or intend to use various other Internet applications – such as electronic commerce, e-mail and Intranet communications systems (systems that use Internet technology to share information within a company's internal computer network) – as integral parts of their business strategies.

41. The Internet Strategies Fund offered four different classes of shares - Class A to D, with different schedules of fees and expenses associated with each class.

42. According to the Prospectus, the Internet Strategies Fund would be managed by members of a team of investment professionals who would participate in the team's research process and stock selection. Defendant Meeks would be primarily responsible for the day-to-day management of the Internet Strategies Fund. These investment advisers would also have the discretion to invest worldwide in a portfolio consisting primarily of equity securities of issuers that they believe will use the internet as a component of their business strategies. The

Prospectus added that the investment advisers "may invest in Internet companies and Internet related companies that are not yet profitable but that the Investment Adviser believes are likely to produce earnings or revenue growth or operating efficiencies through the development of new or innovative products, services or processes." Under normal market conditions, at least 65% of the Internet Strategies Fund's total assets are to be invested in common stock issued by internet and internet related companies.

43. A person could purchase shares of the Internet Strategies Fund during the subscription period, from March 14, 2000 to March 17, 2000, with a minimum initial purchase for Class A, Class B, Class C or Class D shares of \$1,000, with certain exceptions for retirement plans.

44. At the time of the initial offering, Internet Strategies Fund was offered at \$10 per share. As a result of the initial offering, Merrill Lynch raised approximately \$1.1 billion from March 1 to March 17, 2000.

45. The statements in the Prospectus were false and misleading because Merrill Lynch failed to disclose that many of the companies that would comprise the Internet Strategies Fund would be chosen by Merrill Lynch analysts, who were internally harboring substantial doubt as to the valuations of internet stocks of the very companies that were to be included in the Internet Strategies Fund.

46. Just a few days after it began trading, the shares for the Internet Strategies Fund fell to \$7.98 (based on Net Asset Value) on April 3, 2000. It began a steady decline to close at \$5.96 on April 14, 2000, almost 50% of the initial offering price.

47. Six months later, in its Form N-30D, filed on September 22, 2000, Merrill Lynch issued its first semi-annual report on the Internet Strategies Fund. The filing contained a portfolio of the Internet Strategies Fund as of July 31, 2000 with the largest holders including, America Online, Inc. (AOL), and Yahoo! Inc..

48. According to the semi-annual report, since the inception of the Internet Strategies Fund from March 22, 2000 to July 31, 2000, the Fund's Class A, Class B, Class C, and Class D shares had total negative returns of - 30.70%, -30.90%, -30.90%, and -30.70%. In fact, Merrill Lynch described the Fund's performance and timing as "less than ideal."

49. Nevertheless, Merrill Lynch continued to tout its investment strategy for the Internet Strategies Fund by stating:

Investment Outlook

While it is fashionable to be anti-Internet at the moment, in our opinion this will change because the benefits offered by the Internet are immense and forces driving its growth are irreversible. Investors are always attracted back to great growth stories, even after they have fallen out of favor. Look for it to be no different this time. . . . Many companies that we viewed as attractive investments six months ago are now trading 80% below their previous levels; investors expect little in the way of success from these companies. If we as analysts have done a good job determining which of these companies will be successful in the long run, by adding to these positions at these prices or simply holding them until their merit is clear, we believe we will see significant appreciation from these levels.

50. At the same time, Merrill Lynch, through its internet bull, Blodget, continued to issue positive statements about key internet stocks, such as AOL, e-Bay and Yahoo, represented in the Internet Strategies Fund.

51. For instance, USA Today reported in an article dated February 24, 2000:

Comments from Henry Blodget, an influential analyst with Merrill Lynch, ignited the tech rally. Blodget called leading Internet firms America Online and eBay bargains, and predicted sharp gains in both stocks. He

said shares of AOL could be trading at \$90 in 12 to 18 months. AOL shares closed 7 7/16 higher at \$57 3/16.

52. On the same day, AFX European Focus reported that, "AOL was the day's most active issue, closing up 7-1/8 at 56-3/4 after Merrill Lynch analyst Henry Blodget said AOL is undervalued at current prices, and even after discounting for the risk of integration with TimeWarner should be trading in the 65-70 usd range."

53. Similarly, it was reported by The Los Angeles Times, on June 3, 2000, that Yahoo gained \$14.44 to \$134.50, and e-Bay rose \$9.81 to \$77.19, after being endorsed by Blodget.

54. TheStreet.com, in an August 29, 2000 article reported that, "Merrill Lynch netmeister Henry Blodget also came to Yahoo!'s defense, reiterating a buy rating and commenting that Merrill continues to think 'sentiment toward the leading consumer net stocks is gradually improving and that YHOO will have a solid finish to the year.'"

55. From the time of the September 22 filing to the end of the year, shares for the Internet Strategies Fund declined even further. From trading in the \$7 range in September, the shares decreased to trading in the \$6 range in October, and decreased to trading in the \$5 range in November. On December 1, 2000, shares for the Internet Strategies Fund closed at \$4.23. By March 2001, shares of the Internet Strategies Fund was trading below \$3. Around the time Merrill Lynch filed its annual report for the Internet Strategies Fund, shares of the Internet Strategies Fund reached an all time low to close at \$2.01 on April 4, 2001, 20% of the value at the initial offering.

56. Merrill Lynch filed its annual report for the Internet Strategies Fund, for the period ended January 31, 2001, on April 2, 2001. Once again, AOL and e-Bay were included in

list of top ten largest holders with AOL comprising 8% of the net assets of the Internet Strategies Fund.

57. The report also described the Internet Strategies Fund's performance from its inception to date:

As of January 31, 2001	6 Month Total Return	Since Inception Total Return
ML Internet Strategies Fund, Inc. Class A Shares	-38.82%	-57.60%
ML Internet Strategies Fund, Inc. Class B Shares	-39.07	-57.90
ML Internet Strategies Fund, Inc. Class C Shares	-39.22	-58.00
ML Internet Strategies Fund, Inc. Class D Shares	-38.96	-57.70

58. In commenting on the Internet Strategies Fund's performance, Merrill Lynch stated:

It has been a difficult year for Internet-related stocks. As such, investors have had a front-row seat to one of the most dramatic markets in recent history. The year was a disappointment to many, and we believe the reason is this: We see the future that Internet technology has to offer but it is not yet a true reality in terms of mature, publicly traded businesses. Nonetheless, we remain optimistic about the opportunity to generate returns for our shareholders over the long term by investing in Internet and Internet-related securities.

59. Despite the continuing negative returns of the Internet Strategies Fund, Merrill Lynch added:

Investment Outlook

After experiencing the volatility that accompanied the year 2000, we walk away with an optimistic outlook on the future of technology. Why? The information economy is still under construction and yet 80% of all corporate data is currently estimated to be stored in electronic form with more than 59% of corporate desktop personal computers having Internet access. Electronic data must be stored and managed. Productivity per employee within corporations has continued to rise in the face of skepticism toward corporate capital spending cycles, tax reform and US interest rates. Internet-based revenue currently is one-fifth the size of non-

Internet revenue - but has been growing three times as fast as corporate revenue as a whole.

60. Merrill Lynch filed the semi-annual report for the period ended July 31, 2001, on September 24, 2001. Once again, AOL and e-Bay were listed as one of the ten largest holders of the Internet Strategies Fund.

61. In that report, the Company also updated the Internet Strategies Fund's performance:

Recent Performance Results

As of July 31, 2001	6-Month Total Return	12-Month Total Return	Since Inception Total Return
ML Internet Strategies Fund, Inc. Class A Shares	-45.52%	-66.67%	-76.90%
ML Internet Strategies Fund, Inc. Class B Shares	-45.84	-67.00	-77.20
ML Internet Strategies Fund, Inc. Class C Shares	-45.71	-67.00	-77.20
ML Internet Strategies Fund, Inc. Class D Shares	-45.63	-66.81	-77.00

62. In addition to the negative performance reported above, the September 24 filing also reported that additional investments in the Internet Strategies Fund's investment for the six months ended July 31, 2001 were only \$311,241, compared to redemptions of \$46,944,432.

63. As a result of the flailing performance of the Internet Strategies Fund, on May 4, 2001, it was announced that Merrill Lynch had decided to close the Internet Strategies Fund which had lost 58% in one year and merge the \$215 million Internet Strategies Fund into the Global Technology Fund, Inc. ("Global Technology Fund"), whereby Global Technology Fund

will acquire all of the assets and will assume all of the liabilities of the Internet Strategies Fund in exchange for newly issued shares of Global Technology Fund.

64. Commenting on the announcement, one analyst in the industry stated, "It's kind of a capitulation. . . It's problematic to structure a fund around such a narrow segment to begin with, but also this slice of the technology sector had suffered from massive overvaluation."

65. By the time of the announcement on May 4, 2001, shares of Internet Strategies Fund was trading slightly below \$3, a sharp drop from its initial offering of \$10.00 per share.

66. Although at the time of the announced reorganization, defendant Meeks was supposed to continue managing the Global Technology Fund, it was announced in December 2001 that Merrill Lynch had replaced Meeks with a new value manager to erase its "desultory record." According to a December 11, 2001 Morningstar.com article, the Global Technology Fund had lost 42% of its value in 2001.

67. Investors who relied on the integrity and honesty of Merrill Lynch, Blodgett, and Merrill Lynch's other internet research analysts suffered millions of dollars of damages. As stated herein, at the time of Merrill Lynch's bullish buy and accumulate rating reports, defendants were internally harboring substantial doubt as to their valuations of internet stocks, including the internet stocks in the Internet Strategies Fund, but failing to change their ratings so as not to damage Merrill Lynch's underwriting relationship with those companies. As the New York Attorney General concluded after its investigation, Merrill Lynch failed to disclose to the public that its research analysts in the internet group, under pressure from the investment bankers, had initiated, continued and manipulated research coverage to maintain and attract investment banking clients, thereby producing misleading analyst reports of companies,

including internet stocks in the Internet Strategies Fund, with biased ratings and coverages, and artificially inflating the price of the shares of Internet Strategies Fund.

COUNT I
Against All Defendants for Violation
of Section 11 of the Securities Act

68. Plaintiff incorporates each of the foregoing paragraphs as if fully set forth herein. This Count is asserted against all defendants for violations of § 11 of the Securities Act, 15 U.S.C. § 77(k).

69. Internet Strategies Fund is the issuer of the shares of the Internet Strategies Fund sold via the Prospectus.

70. The Registration Statement, which contained the Prospectus for the Initial Offering, was inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose adequately material facts as described above.

71. Defendants participated in the preparation of, issued, caused to be issued, and participated in the issuance of, the materially false and misleading Prospectus, which was inaccurate and misrepresented or failed to disclose, inter alia, the material facts concerning the conflict of interest between the research and banking divisions at Merrill Lynch and the analyst reports which were biased as a result of the undisclosed conflict. None of the defendants made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Prospectus was true, without omissions of any material facts, and was not materially misleading.

72. Defendants assisted in the preparation of the Prospectus, and were required to investigate with due diligence the representations contained therein to confirm that they did not contain materially misleading statements or omit to state material facts. They did not perform this investigation with due diligence and, indeed, had a substantial direct interest in the success of the Initial Offering, as detailed above and, thus, are liable under Section 11 of the Securities Act.

73. Defendants were responsible for the preparation of the documents and failed to make a reasonable investigation or possess reasonable grounds for believing that the representations contained in those documents were true and that they disclosed all material facts. Defendants are primarily liable under Section 11 of the Securities Act.

74. Plaintiff and the other members of the Class acquired Internet Strategies Fund pursuant to, or traceable to, the Prospectus without knowing of untrue statements or omissions of material facts.

75. Plaintiff and the other Class members have sustained damages.

76. This action was brought within one year after the discovery of the untrue statements and omissions and within three years after Internet Strategies Fund was offered to the public. The price of Internet Strategies Fund on the date this action was filed was below the purchase price paid by plaintiff and the other members of the Class.

COUNT II

Against the All Defendants for Violation of Section 12(2) of the Securities Act

77. Plaintiff incorporates each of the foregoing paragraphs as if fully set forth herein. This Count is brought against all defendants for violation of section 12(2) of the Securities Act, 15 U.S.C. § 771(2).

78. By means of the Prospectus and sales campaigns, defendants were able to, and did, sell the Internet Strategies Fund's shares to plaintiffs and members of the Class. Merrill Lynch and Merrill Lynch Internet Strategies Fund, Inc., who orchestrated and controlled the sale and distribution process, provided the necessary expertise, prestige and marketing and distribution networks, without which the aforesaid shares could not have been sold.

79. Each defendant named in this Count solicited and/or was a substantial factor in the ability to sell the Internet Strategies Fund's shares to plaintiff and other Class members. These defendants were motivated, at least in part, by a desire to serve their own financial interests and/or the financial interests of each of the other defendants. Merrill Lynch and the Internet Strategies Fund, Inc. received substantial proceeds from the Internet Strategies Fund's sale of shares and Merrill Lynch Fund Distributor received substantial compensation for directing, managing and/or advising the Internet Strategies Fund.

80. Defendants did the following acts in furtherance of their sale of the Internet Strategies Fund's stock:

(a) Defendants actively and jointly drafted, revised and approved the Prospectus, selling materials and uniform sale practices (which included the oral imparting of information to prospective investors) by which the Internet Strategies Fund's shares were sold to the investing public. The Prospectus and other selling materials were "selling documents", calculated by

defendants to create interest in the Internet Strategies Fund's stock and were widely distributed by defendants named in this Count for that purpose.

(b) Defendants named in this Count jointly finalized the Prospectus, selling materials and selling practices, and caused the Prospectus to become effective by filing them with the SEC. But for defendants having drafted, filed, and/or signed the Prospectus, and approving the selling materials and practices, the sale of the Internet Strategies Fund's stock could not have been done.

(b) Defendants conceived and planned the continuing public offering and, together, jointly orchestrated all activities necessary to effect the sale of these securities to the investing public, including plaintiff and the other members of the Class, by issuing the securities, promoting the securities, supervising their distribution and ultimate sale to the investing public, and jointly drafting the misleading Prospectus and selling materials.

81. But for the solicitation by defendants, as set forth above, the offering could not and would not have been accomplished. At all relevant times, defendants knew, or in the exercise of reasonable care, should have known, of the misstatements and omissions of material fact contained in the Prospectus and selling materials, as set forth above.

82. This action has been brought within one year after the discovery of the untrue statements in and/or the omissions from the Prospectus and selling materials, or after such discovery could have been made by the exercise of reasonable diligence. Plaintiff had no reason or duty to question the accuracy or completeness of the Prospectus or selling materials, nor could he have reasonably discovered the misrepresentations and/or omissions of material fact therein.

83. This action was commenced within three years after the Internet Strategies Fund's shares were offered to the public.

84. By reason of the conduct alleged herein, defendants violated Section 12(2) of the Securities Act. As a direct and proximate result of defendants' violations of Section 12(2), plaintiff and the Class sustained substantial damage in connection with their purchases of the Internet Strategies Fund's shares.

WHEREFORE, plaintiff, on his own behalf and on behalf of the other members of the Class, demands judgment against the defendants as follows:

A. Determining that this action is properly maintainable as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure;

B. Certifying plaintiff as the Class Representative and his counsel as Class Counsel;

C. Declaring and determining that defendants violated the federal securities laws by reason of their conduct as alleged herein;

D. Awarding monetary damages against all defendants (including rescissory damages), jointly and severally, in favor of plaintiff and the other members of the Class for all losses and damages suffered as a result of the acts and transactions complained of herein, together with prejudgment interest from the date of the wrongs to the date of the judgment herein;

E. Awarding plaintiff the costs, expenses, and disbursements incurred in this action, including reasonable attorneys' and experts' fees; and

F. Awarding plaintiff and the other members of the Class such other and further relief as the Court may deem just and proper in light of all the circumstances of this case.

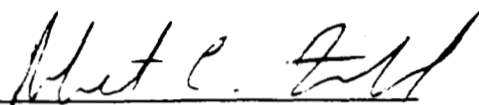
JURY DEMAND

Plaintiff demands a trial by jury.

Dated: New York, New York
May 2, 2002

Respectfully submitted,

WOLF POPPER LLP

By: 

Robert C. Finkel (RF 2373)
Soo H. Im (SI 3397)
845 Third Avenue
New York, NY 10022
(212) 759-4600

F. Awarding plaintiff and the other members of the Class such other and further relief as the Court may deem just and proper in light of all the circumstances of this case.

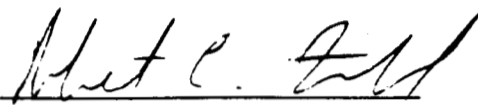
JURY DEMAND

Plaintiff demands a trial by jury.

Dated: New York, New York
May 2, 2002

Respectfully submitted,

WOLF POPPER LLP

By: 

Robert C. Finkel (RF 2373)
Soo H. Im (SI 3397)
845 Third Avenue
New York, NY 10022
(212) 759-4600

PLAINTIFF CERTIFICATION

I, Irving Gordon, hereby state:

a. I have reviewed the complaint against Merrill Lynch & Co., Inc., and have authorized its filing or the filing of a similar complaint or lead plaintiff motion on my behalf.

b. I did not purchase any shares of Internet Strategies Fund, at the direction of counsel or in order to participate in this private action.

3. I am willing to serve as a representative party on behalf of a class, including providing testimony at deposition and trial, if necessary.

4. The following includes all of my transactions in Internet Strategies Fund during the Class Period as alleged in the complaint.

<u>TRANSACTION</u>	<u>TRADE DATE</u>	<u>PRICE</u>	<u>QUANTITY</u>
PURCHASE	3-17-00	\$10/SH	1700 SH.
EXCHANGED ISF FOR ML GLOBAL TECH.	10-18-01	7.20/SH.	391.8 SH

5. I have not filed any action as a representative party on behalf of a class under the federal securities laws during the last three years except the following. NONE

6. I will not accept any payment for serving as a representative party on behalf of a class except to receive my pro rata share of any recovery, or as ordered or approved by the Court, including the award to a representative party of reasonable costs and expenses including lost wages relating to the representation of the class.

I declare under penalty of perjury that the foregoing is true and correct.
Executed this 2ND day of May, 2002.



IRVING GORDON