

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

DREXEL BURNHAM LAMBERT INCORPORATED;
DREXEL BURNHAM LAMBERT GROUP
INCORPORATED;
MICHAEL R. MILKEN;
LOWELL J. MILKEN;
CARY J. MAULTASCH;
PAMELA R. MONZERT;
VICTOR POSNER;
STEVEN N. POSNER; AND
PENNSYLVANIA ENGINEERING
CORPORATION,

Defendants.

88 Civ. 6209 (MP)

FINAL JUDGMENT OF
PERMANENT INJUNCTION
AND OTHER RELIEF AS
TO DREXEL BURNHAM
LAMBERT INCORPORATED
AND THE DREXEL BURNHAM
LAMBERT GROUP INC.

Plaintiff SECURITIES AND EXCHANGE COMMISSION ("COMMISSION")
having filed a COMPLAINT FOR INJUNCTIVE AND OTHER EQUITABLE RELIEF
("COMPLAINT"), and Defendants DREXEL BURNHAM LAMBERT INCORPORATED
and THE DREXEL BURNHAM LAMBERT GROUP INC. (hereinafter referred to
as "DREXEL" and "GROUP," respectively) in the attached CONSENT AND
UNDERTAKINGS OF DREXEL BURNHAM LAMBERT INCORPORATED AND THE DREXEL
BURNHAM LAMBERT GROUP INC. ("CONSENT"), certain provisions of which
are expressly incorporated herein, having entered a general
appearance, having admitted the jurisdiction of this Court over
them and over the subject matter of this action, having waived the
entry of findings of fact and conclusions of law pursuant to Rule
52 of the Federal Rules of Civil Procedure, and, without admitting

or denying any of the allegations of the COMPLAINT, having consented to the entry of this FINAL JUDGMENT OF PERMANENT INJUNCTION AND OTHER RELIEF AS TO DREXEL BURNHAM LAMBERT INCORPORATED AND THE DREXEL BURNHAM LAMBERT GROUP INC. ("FINAL JUDGMENT"), and it further appearing that this Court has jurisdiction over the parties and the subject matter hereof, and the Court being fully advised in the premises:

I.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from violating or aiding and abetting violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)], and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by, directly or indirectly, using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange:

- (A) to employ any device, scheme, or artifice to defraud;
- (B) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(C) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from violating or aiding and abetting a violation of Section 14(e) of the Exchange Act [15 U.S.C. § 78n(e)] and Rule 14e-3 promulgated thereunder [17 C.F.R. § 240.14e-3], in connection with any tender offer, or any request or invitation for tenders, by: (A) purchasing or selling or causing to be purchased or sold the securities sought or to be sought by such tender offer or any security convertible into or exchangeable for any such security or any option or right to obtain or dispose of any of the foregoing securities, while in possession of material information relating to said tender offer which information they know or have reason to know is nonpublic and which information they know or have reason to know has been acquired directly or indirectly from

(1) a person who has taken a substantial step or steps

to commence, or has commenced, such a tender offer ("an offering person"),

- (2) the issuer of the securities sought or to be sought by such tender offer, or
- (3) any officer, director, partner, or employee or any other person acting on behalf of an offering person or such issuer,

unless

- (a) within a reasonable time prior to any such purchase or sale such information and its source are publicly disclosed by press release or otherwise;
- (b) DREXEL or GROUP purchases any such security while acting in the capacity of a broker or agent on behalf of an offering person; or
- (c) DREXEL or GROUP sells any such security to an offering person;

provided, however, that this provision shall not prohibit the purchase or sale (or causing the purchase or sale) of any such securities if (i) the individual or individuals making the investment decision on behalf of DREXEL or GROUP to purchase or sell such securities or to cause such securities to be purchased or sold by or on behalf of others did not know the material, nonpublic information, and (ii) DREXEL and GROUP have established and implemented one or a combination of policies and

procedures, reasonable under the circumstances, taking into consideration the nature of DREXEL's and GROUP's businesses, to ensure that the individual or individuals making investment decisions on behalf of DREXEL and GROUP would not violate this paragraph IIA, which policies and procedures may include, but are not limited to, (i) those which restrict any purchase, sale and causing any purchase and sale of any such security or (ii) those which prevent such individual or individuals from knowing such information;

(B) communicating material, nonpublic information relating to such tender offer, which information DREXEL or GROUP knows or has reason to know has been acquired directly or indirectly from

- (1) an offering person,
- (2) the issuer of the securities sought or to be sought in such a tender offer, or
- (3) any person acting on behalf of an offering person or on behalf of such issuer, to any other person under circumstances in which it is reasonably foreseeable that such communication is likely to result in the purchase or sale of securities in a manner which would violate paragraph IIA above of this FINAL JUDGMENT,

provided, however, that this subparagraph shall not apply to a communication made in good faith to

- (a) the officers, directors, partners or employees of an offering person, to its advisors or to other persons involved in the planning, financing, preparation or execution of such tender offer;
- (b) the issuer whose securities are sought or to be sought by such tender offer, to its officers, directors, partners, employees or advisors or to other persons, involved in the planning, financing, preparation or execution of the activities of the issuer with respect to such tender offer; or
- (c) any person pursuant to a requirement of any statute or rule or regulation promulgated thereunder.

III.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-6 promulgated thereunder [17 C.F.R. § 240.10b-6], directly or indirectly, by the use of any means or instrumentality of interstate commerce, of the mails, or of any

facility of any national securities exchange, either alone or with one or more other persons, by

- (A) bidding for or purchasing for any account in which DREXEL or GROUP has a beneficial interest, any security which is the subject of a distribution, or any security of the same class and series, or any right to purchase any such security, or
- (B) attempting to induce any person to purchase any such security or right,

while DREXEL or GROUP is

- (A) an underwriter or prospective underwriter in such distribution of securities, or
- (B) an issuer or other person on whose behalf such distribution is being made, or
- (C) participating or has otherwise agreed to participate in such distribution, or
- (D) directly or indirectly acting in concert with a distribution participant in connection with the acquisition or distribution of any security which is the subject of such distribution, or any security of the same class and series, or any right to purchase any such security, or
- (E) an affiliate of a distribution participant who, directly or indirectly, controls the purchases of such securities by a distribution participant, whose purchases are controlled by a distribution participant, or whose

purchases are under common control with those of a distribution participant, or

- (F) an affiliate of a distribution participant that is a broker or a dealer, unless the business of the broker or dealer consists solely of effecting transactions in exempted securities, or
- (G) an affiliate of a distribution participant (other than a broker or a dealer) that regularly purchases securities, through a broker-dealer or otherwise, for its own account or for the account of others, or recommends or exercises investment discretion with respect to the purchase or sale of securities, unless:
 - (1) the affiliate is a separate and distinct organizational entity from, with no officers (or persons performing similar functions) or employees (other than clerical, ministerial, or support personnel) in common with, the distribution participant;
 - (2) the affiliate and the distribution participant have separate employee compensation arrangements; and
 - (3) the affiliate's bids for, purchases of, and inducements to purchase the securities which are the subject of the distribution, any security in the same class and series, and any right to purchase any such security, are made in the ordinary course of its business,

until after DREXEL or GROUP has completed its participation in such distribution, in the absence of an applicable exception or exemption under Rule 10b-6 [17 C.F.R. § 240.10b-6].

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from, directly or indirectly, violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] by, in the offer or sale of any securities, using any means or instruments of transportation or communication in interstate commerce, or using the mails, directly or indirectly to:

- (A) employ any device, scheme, or artifice to defraud;
- (B) obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (C) engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser.

V.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from violating Section 13(d) of the Exchange Act [15 U.S.C. § 78m(d)] and Rule 13d-1 promulgated thereunder [17 C.F.R. § 240.13d-1] by failing or aiding and abetting a failure, within ten (10) days after acquiring, directly or indirectly, whether singly or as part of a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, voting or disposing of securities, the beneficial ownership of more than five (5) percent of

- (A) any equity security of a class which is registered pursuant to Section 12 of the Exchange Act, or
- (B) any equity security of an insurance company which would have been required to be so registered except for the exemption contained in Section 12(g)(2)(G) of the Exchange Act, or
- (C) any equity security issued by a closed-end investment company registered under the Investment Company Act of 1940 [15 U.S.C. § 80a-1, et seq.],

to file or cause to be filed with the COMMISSION, and to send or cause to be sent to the issuer of such equity security and to any national securities exchange where such equity security is traded,

the statements containing information required by Section 13(d) of the Exchange Act [15 U.S.C. § 78m(d)] and Rule 13d-1 promulgated thereunder [17 C.F.R. § 240.13d-1]; and are further permanently restrained and enjoined from violating Section 13(d) of the Exchange Act [15 U.S.C. § 78m(d)] and Rule 13d-2 promulgated thereunder [17 C.F.R. § 240.13d-2] by failing or aiding and abetting a failure, if any material change occurs in the facts set forth in such statements, promptly to file or cause to be filed with the COMMISSION and to send or cause to be sent to the issuer of such equity security and to any national securities exchange where such equity security is traded, the amendments to such statements required by Section 13(d) of the Exchange Act [15 U.S.C. § 78m(d)] and Rule 13d-2 promulgated thereunder [17 C.F.R. § 240.13d-2] and Schedule 13D [17 C.F.R. § 240.13d-101].

VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from, directly or indirectly, violating or aiding and abetting a violation of Section 7(c) of the Exchange Act [15 U.S.C. § 78g(c)] and Regulation T promulgated thereunder [12 C.F.R. § 220.1, et seq.], by extending or maintaining credit or arranging for the extension or maintenance of credit to or for any customer or broker-dealer on any security, other than an exempted security,

in contravention of the rules and regulations prescribed by the Board of Governors of the Federal Reserve System, or without collateral or on any collateral other than securities except in accordance with such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from, directly or indirectly, violating or aiding and abetting a violation of Section 17(a)(1) of the Exchange Act [15 U.S.C. § 78q(a)(1)] and Rules 17a-3 and 17a-4 promulgated thereunder [17 C.F.R. §§ 240.17a-3 and 240.17a-4] by failing or causing a failure to make and keep for prescribed periods such records, to furnish such copies thereof, and to make, disseminate and file the reports required by such section and the rules thereunder, which set forth requirements concerning records and reports required to be made and preserved by certain exchange members, brokers and dealers.

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and

each of them, be and they hereby are permanently restrained and enjoined from, directly or indirectly, violating Section 7(f) of the Exchange Act [15 U.S.C. § 78g(f)], and Regulation X promulgated thereunder [12 C.F.R. § 224.1, et seq.], by obtaining, receiving, or enjoying the beneficial use of a loan or other extension of credit from any lender, without regard to whether the lender's office or place of business is in a state or the transaction occurred in whole or in part within a state, for the purpose of (A) purchasing or carrying United States securities or (B) purchasing or carrying within the United States any other securities, if, under Section 7 of the Exchange Act [15 U.S.C. § 78g] or the rules and regulations promulgated thereunder, the loan or other credit transaction is prohibited or would be prohibited if it had been made or the transaction had otherwise occurred in the lender's office or other place of business in a state.

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from, directly or indirectly, violating or aiding and abetting a violation of Section 15(c)(3) of the Exchange Act [15 U.S.C. § 78o(c)(3)] and Rule 15c3-1 promulgated thereunder [17 C.F.R. § 240.15c3-1], by any broker or dealer by using the mails or any means or instrumentality of interstate commerce to effect any

transaction in, or to induce or attempt to induce the purchase or sale of, any security in contravention of such section and Rule 15c3-1 thereunder, which sets forth the net capital requirements for brokers and dealers.

X.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from, directly or indirectly, violating Section 14(a) of the Exchange Act [15 U.S.C. § 78n(a)], and Rule 14a-9 promulgated thereunder [17 C.F.R. § 240.14a-9], by using the mails or any means or instrumentality of interstate commerce or any facility of a national securities exchange or otherwise, to solicit or to permit the use of their names to solicit or cause a solicitation to be made by means of any proxy statement, form of proxy, notice of meeting, or other communication, written or oral, which contains any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which has become false or misleading.

XI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them, and each of them, be and they hereby are permanently restrained and enjoined from violating or aiding and abetting a violation of Section 9(a)(2) of the Exchange Act [15 U.S.C. § 78i(a)(2)] by, directly or indirectly, using the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or as a member of a national securities exchange, effecting, alone or with one or more other persons, a series of transactions in any security registered on a national securities exchange creating actual or apparent active trading in such security, or raising or depressing the price of such security, for the purpose of inducing the purchase or sale of such security by others.

XII.

RETENTION OF PAST RECORDS

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, for a period of ten years from the effective date of this FINAL JUDGMENT or such shorter or longer period as the Court may order, DREXEL and GROUP, their officers, directors, agents, affiliates, servants, employees, attorneys and assigns (if any), and those persons in active concert or participation with them, and each of them, be and they hereby

are enjoined from destroying, mutilating, concealing, altering, or disposing of any books, records, contracts, receipts, agreements, or other documents which relate or pertain to or reflect activities engaged in during the period from January 1, 1978 to January 24, 1989 (the "time period") by, through or in conjunction with DREXEL's High Yield and Convertible Bond Department ("HYBD"); provided, however, that DREXEL and GROUP need not retain duplicate identical copies of public documents filed with the COMMISSION. The requirements of this paragraph, insofar as they relate to computer databases, may be met by DREXEL and GROUP making and thereafter preserving a duplicate copy of such databases, as they existed on January 24, 1989 or, to the extent that is not feasible, as they exist on the effective date of this FINAL JUDGMENT, in a machine readable form acceptable to the COMMISSION or the Accountants, as defined in Section XX of this FINAL JUDGMENT, as the case may be, consistent with the manner in which such information has been maintained in the ordinary course of business by DREXEL and GROUP, which copy or requested portions thereof shall, upon request, be made available to the COMMISSION or to the Accountants, in such form. Insofar only as this Section of this FINAL JUDGMENT is concerned, except for documents located in or maintained by DREXEL's Los Angeles retail office, documents need not be maintained by the following departments or entities: Mortgage Backed Securities, Government Securities, Municipal Finance, Municipal Bonds, Commodities, and Retail.

XIII.

PAYMENT OF CIVIL PENALTIES UNDER THE
INSIDER TRADING SANCTIONS ACT OF 1984

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, as set forth in paragraphs 2 and 3 of the Letter Agreement dated January 24, 1989, between DREXEL and GROUP and the United States Attorney for the Southern District of New York ("Letter Agreement"), a copy of which is attached hereto as Exhibit A (which Letter Agreement, except to the extent provisions thereof are expressly referred to herein and in the CONSENT, shall not be deemed to be part of this FINAL JUDGMENT), on the date that DREXEL's and GROUP's pleas of guilty are accepted, they shall transfer to the Treasury of the United States the sum of \$15,150,010, representing treble the amount of profits alleged to have been obtained by DREXEL from insider trading in the COMPLAINT, plus interest as set forth in paragraph 3 of the Letter Agreement, as a civil penalty under the Insider Trading Sanctions Act of 1984 [Section 21A of the Securities Exchange Act of 1934, as amended, 15 U.S.C. § 78u-1] ("ITSA"). Said monies shall be paid exclusively from the \$300,000,000, plus interest, to be paid by DREXEL and GROUP in criminal and civil penalties as set forth in the Letter Agreement, and upon the payment of said criminal and civil penalties, DREXEL and GROUP shall have no further liability for ITSA penalties by reason of securities trading or transactions engaged in during the time period by, through or in conjunction with the HYBD.

XIV.

THE CIVIL DISGORGEMENT FUND

A. PAYMENT BY DREXEL

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP shall pay the sum of \$350,000,000 plus accrued interest as set forth below in cash to the Escrow Agent appointed by the Court pursuant to paragraph E.1 below. (The \$350,000,000 plus accrued interest required to be paid pursuant to this paragraph A, together with income generated through the investment of such monies, is hereinafter referred to as the "Fund"). Such monies shall be paid to the Escrow Agent in accordance with the following schedule: (1) \$200,000,000 shall be paid on the same date the ITSA penalties are required to be paid under Section XIII of this FINAL JUDGMENT (the "payment date"); (2) \$50,000,000 shall be paid on or before the first anniversary of the payment date, unless the Fund requires additional monies before that time; and (3) \$100,000,000 shall be paid on or before the third anniversary of the payment date, unless the Fund requires additional monies before that time. DREXEL and GROUP shall pay in cash to the Escrow Agent interest on the \$200,000,000 due under clause (1) of this paragraph A at the rate of 8.55 percent per annum from the date DREXEL and GROUP execute the CONSENT to the date that said \$200,000,000 is paid, which interest shall be paid on the date the \$200,000,000 is paid.

B. USES OF THE FUND

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Fund is to be utilized for payment as follows:

1. first, to pay fees and expenses of the Escrow Agent appointed pursuant to paragraph E.1 below incurred in connection with and incidental to the performance of the Escrow Agent's duties hereunder and under the Escrow Agreement; to pay fees and expenses of the Special Claims Master appointed pursuant to paragraph E.2 below incurred in connection with and incidental to the performance of the Special Claims Master's duties hereunder; and to pay any tax liability of the Fund as a separate tax paying entity resulting from income generated through the investment of monies in the Fund (DREXEL and GROUP shall make, and the Escrow Agent shall join in, a written request to the Internal Revenue Service for a ruling or closing agreement determining whether tax liability resulting from income generated through the investment of monies in the Fund is owed by DREXEL or GROUP or the Fund. Until such a final determination has been made by the Internal Revenue Service, DREXEL and GROUP shall be responsible for paying the taxes on the income generated through the investment of monies in the Fund and for reporting such income and taxes in reports or filings with appropriate tax authorities. The Escrow Agent, upon request, shall provide DREXEL and GROUP with such

information on the income generated through the investment of monies in the Fund as is necessary to prepare such reports or filings and to pay the tax. Following the receipt of the determination, taxes will be paid and all necessary reports or filings will be made in accordance with the determination. In the event the determination provides for the payment of taxes by the Fund, (1) the Fund shall pay such taxes as are required (including taxes for prior periods) from the Fund without further Court order; and (2) any penalties for late filing or deposit of taxes will be borne by the Fund.);

2. second, pursuant to the plan or plans of distribution to be submitted by the COMMISSION and approved by the Court described in paragraph F below and pursuant to paragraph G below, to claimants who the Court finds have valid claims, as defined in paragraph C below, against DREXEL or GROUP, arising under the federal securities laws by reason of securities trading or transactions engaged in during the period from January 1, 1978 to January 24, 1989 (the "time period") by, through or in conjunction with the HYBD (which trading and transactions include, without limitation, the securities trading and transactions alleged in the COMPLAINT);
3. third, if, after the fourth anniversary of the payment date, any portion of the Fund remains (other than as a reserve for any taxes imposed on the Fund as a separate

tax paying entity and for fees and expenses of the Escrow Agent and the Special Claims Master) and if DREXEL or GROUP has made, after the effective date of this FINAL JUDGMENT, a payment in good faith to a person or persons as compensatory damages pursuant to either a bona fide settlement or bona fide final judgment to resolve a valid claim, as defined in paragraph C below, DREXEL or GROUP, solely for the purposes of receiving reimbursement from the Fund, shall be deemed to be subrogated to the rights of the person or persons who received such payment from DREXEL or GROUP and shall be entitled as a subrogee to seek reimbursement from the Court from the monies remaining in the Fund, but in no event shall the amount of such reimbursement exceed the amount of the payment made to such person or persons by DREXEL and GROUP;

4. fourth, if, after the completion of or the setting aside of monies for all payments pursuant to the final plan of distribution, irrespective of when that occurs, any portion of the Fund remains (other than as a reserve for any taxes imposed on the Fund as a separate tax paying entity and for fees and expenses of the Escrow Agent and the Special Claims Master) and if DREXEL or GROUP has made, after the effective date of this FINAL JUDGMENT, a payment in good faith to a person or persons as compensatory damages pursuant to either a bona fide settlement or bona fide final judgment to resolve a valid

claim, as defined in paragraph C below, and DREXEL or GROUP has not already received reimbursement under subparagraph 3 above for the full amount of the settlement or final judgment, DREXEL or GROUP, solely for the purposes of receiving reimbursement from the Fund, shall be entitled as a subrogee to be reimbursed from the monies remaining in the Fund for the full amount of the settlement or the final judgment, but in no event shall the amount of such reimbursement exceed the amount of the payment made to such person or persons by DREXEL and GROUP; and

5. fifth, if any portion of the Fund remains after completion of payments pursuant to subparagraphs 1, 2, 3 and 4 above, the Fund shall be closed out by paying the balance to the Treasury of the United States.

C. VALID CLAIMS

For purposes of this FINAL JUDGMENT, a "valid claim" is each of the following: (i) any claim for compensatory damages arising under the federal securities laws that DREXEL or GROUP is required to pay in good faith as a result of any bona fide final judgment against either of them arising out of securities trading or transactions engaged in by, through or in conjunction with the HYBD during the time period; (ii) amounts that DREXEL or GROUP agrees in good faith to pay in bona fide settlement of any claim for compensatory damages arising under the federal securities laws arising out of securities trading or transactions engaged in by,

through or in conjunction with the HYBD during the time period; and (iii) such other claims for compensatory damages under the federal securities laws against DREXEL or GROUP, arising out of unlawful conduct by either of them in connection with securities trading or transactions engaged in by, through or in conjunction with the HYBD during the time period, as are identified by the COMMISSION in its plan or plans of distribution described in paragraph F below. The order in which various classes of claims are described above shall not be construed as according or denying priority to any class of valid claim.

D. RESTRICTION ON PAYMENT

Except as provided in paragraphs B.3 and B.4 above, or unless this FINAL JUDGMENT is vacated in accordance with paragraph 18, 19, 23 or 24 of the CONSENT, no portion of the Fund shall be paid or returned, through subrogation or otherwise, either directly or indirectly, to DREXEL or GROUP or any successor of either of them or to any present or former shareholder, officer, employee, agent or assign of DREXEL or GROUP, in his or her capacity as such, for a claim by or on behalf of any such person.

E. APPOINTMENT OF ESCROW AGENT AND SPECIAL CLAIMS MASTER

1. Morgan Guaranty Trust Company of New York is hereby appointed Escrow Agent and, prior to the payment date, will enter into an Escrow Agreement with the COMMISSION that is consistent with the terms of this FINAL JUDGMENT and that has been approved by DREXEL and GROUP, whose approval shall not be unreasonably withheld. The Escrow Agreement shall govern the conservation,

investment and disbursement of monies in the Fund. The Escrow Agreement shall be submitted to this Court for approval and shall be set forth in a supplemental order in this matter.

2. After consultation with DREXEL and GROUP, the COMMISSION shall recommend to the Court and the Court shall appoint a Special Claims Master to assist the COMMISSION in the formulation and implementation of the plan or plans of distribution described in paragraph F below, and to assist the Court in its evaluation of the validity of claims for payment from the Fund in accordance with this Section XIV.

3. At the request of the COMMISSION, the Escrow Agent or Special Claims Master may at any time be removed by the Court and, after consultation with DREXEL and GROUP, replaced with a successor recommended to the Court by the COMMISSION and approved by the Court. In the event the Escrow Agent or Special Claims Master decides to resign, it or he shall first give 60 days written notice to the COMMISSION, DREXEL and GROUP, and the Court of its or his intention, and such resignation shall not become effective until the Escrow Agent or the Special Claims Master has submitted its or his resignation in writing to the COMMISSION, DREXEL and GROUP, and the Court, and the Court has appointed a successor who has accepted such an appointment in writing.

F. PLAN OR PLANS OF DISTRIBUTION OF THE CIVIL DISGORGEMENT FUND

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that, within two years of the effective date of this FINAL JUDGMENT, which period may be extended to three years with the Court's approval, the

COMMISSION shall file with the Court and serve upon counsel for DREXEL and GROUP a proposed initial plan for the distribution of all or a portion of the monies in the Fund, consistent with the terms of this FINAL JUDGMENT. Said proposed initial plan and any subsequent proposed plan or plans of distribution shall be provided to DREXEL and GROUP at least 30 days prior to its submission to the Court. DREXEL and GROUP and their attorneys, accountants, representatives and agents shall not disclose the contents of any such plan to any other person unless and until said plan is filed with the Court. The Special Claims Master will assist the COMMISSION in the formulation of each plan of distribution and will assist the Court in its determination of whether particular claims are eligible for payment from the Fund pursuant to such plan. Within such time after the submission by the COMMISSION of a proposed plan to the Court as the Court shall determine, the Court shall convene a hearing upon said plan and determine the appropriate disposition of that portion of the Fund encompassed within said plan. DREXEL and GROUP shall have the right to be heard with respect to the Court's consideration of any proposed plan of distribution.

G. APPLICATION FOR PAYMENT OF BONA FIDE JUDGMENTS AND SETTLEMENTS

Commencing one year after the effective date of this FINAL JUDGMENT, DREXEL or GROUP, upon 30-days written notice to the COMMISSION and the Special Claims Master, may make application to the Court for the payment to claimants of valid claims as defined in clauses (i) and (ii) of paragraph C above. The Court shall

order the Escrow Agent to pay all or part of such claims provided that DREXEL and GROUP can demonstrate that the payment of the claim or claims at that time is reasonable under the circumstances in light of the amount of money in the Fund, the magnitude of pending and anticipated valid claims to the Fund, the nature of the claims underlying the settlement or judgment and any other facts or circumstances which the parties or other persons asserting claims believe are relevant. The COMMISSION shall have a right to be heard with respect to any such application. If the Court should determine that, although the claims are valid, it would be inappropriate to make full payment thereof from the Fund at that time, the Court may order that partial payment be made in an amount it deems appropriate.

H. STAY OF PROCEEDINGS AGAINST THE CIVIL DISGORGEMENT FUND

For the purposes of implementing and effectuating this FINAL JUDGMENT, and upon a finding hereby made that a stay of any proceedings against the Escrow Agent and the Fund during the pendency of the escrow is necessary to effectuate this FINAL JUDGMENT, all creditors or claimants of DREXEL and GROUP, and other persons and others acting on behalf of such creditors or claimants or other persons, including sheriffs, marshals, other officers, deputies, servants, agents, employees and attorneys, be and the same hereby are restrained and enjoined during the pendency of the existence of the Fund from:

1. commencing, prosecuting, continuing or enforcing any suit or proceeding against the Escrow Agent or the Fund;

2. using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any property owned by or in the possession of or to be transferred to the Fund, or the Escrow Agent pursuant to this FINAL JUDGMENT, wheresoever situated; and
3. doing any act or thing whatsoever to interfere with the taking control, possession or management by the Escrow Agent appointed herein of the property and assets owned, controlled or in the possession of DREXEL or GROUP that are or may be transferred to the Fund, or in any way to interfere with or harass said Escrow Agent, or to interfere in any manner with the exclusive jurisdiction of this Court over the Fund.

I. DUTIES OF DREXEL AND GROUP TO THE ESCROW AGENT AND SPECIAL CLAIMS MASTER

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP shall:

1. take such actions, provide such nonprivileged information and documents and execute and deliver such documents as the Escrow Agent and Special Claims Master request, at any time and from time to time, to enable the Escrow Agent and Special Claims Master to perform their

respective duties under this FINAL JUDGMENT and the Escrow Agreement;

2. indemnify and hold harmless the Escrow Agent and the Special Claims Master from and against any liabilities, including costs and expenses of defending claims, for which either of them may become liable or incur by reason of any act or omission to act in the course of performing their respective duties, except upon a finding by this Court of gross negligence or willful failure of the Escrow Agent or Special Claims Master to comply with the terms of this FINAL JUDGMENT, the Escrow Agreement or any other order of this Court. As applied to the Escrow Agent, this provision for indemnity shall apply to claims based on conduct during the term of the Escrow Agreement, even if such claims are filed after the termination of the Escrow Agreement. Similarly, as applied to the Special Claims Master, this provision shall apply to claims based on conduct during the term of any agreement that may be entered into with him, even if such claims are filed after the termination of any such agreement.

XV.

PERSONNEL AND STRUCTURAL CHANGES

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP shall make the following changes:

A. PERSONNEL CHANGES

1. Within 90 days after the effective date of this FINAL JUDGMENT and for a three-year period after each appointment is first made, DREXEL shall employ individuals, acceptable to the COMMISSION, in the positions of: (i) general counsel and (ii) director of compliance, who shall report at least every 60 days to the Oversight Committee. The general counsel and the director of compliance shall each have the authority to cancel or revoke securities transactions executed or effected by other DREXEL or GROUP personnel.
2. Within 90 days after the effective date of this FINAL JUDGMENT and for a three-year period after the appointment is first made, DREXEL shall create and fill with an individual acceptable to the COMMISSION a new position for a senior trading official, whose compensation shall be determined by the Compensation Committee of DREXEL; provided, however, that no member of the Compensation Committee who has any direct responsibility for trading shall be entitled

to vote in or make such determination. In addition to trading responsibilities, the person who fills this position shall be responsible for reviewing trading to assist the Legal and Compliance Department in determining whether DREXEL's trading activities are in compliance with the federal securities laws.

3. Within 90 days after the effective date of this FINAL JUDGMENT and for a three-year period after the third such appointment is made, DREXEL shall have at least three compliance officers in the offices of the High Yield Bond Department, all of whom shall report to DREXEL's director of compliance, and whose compensation shall be determined by the Legal and Compliance Department. At least two of such compliance officers, including the senior such compliance officer, shall not previously have been employed by or had offices located at the HYBD. These compliance officers, together with the senior trading official referred to in subparagraph 2 above, shall be responsible for reviewing trading by the High Yield Bond Department and shall assist the Legal and Compliance Department in determining whether DREXEL's activities in the High Yield Bond Department are in compliance with the federal securities laws and shall have the authority to

cancel or revoke securities transactions executed or effected by High Yield Bond Department personnel.

4. Within 90 days after the effective date of this FINAL JUDGMENT and for a three-year period thereafter, DREXEL and GROUP shall have a member of the Executive Committee of DREXEL, acceptable to the COMMISSION, reside in the Los Angeles, California area and supervise the operations of the High Yield Bond Department, Capital Markets Services Department and Corporate Finance Department in the Beverly Hills, California office.

B. RELOCATION AND RESTRUCTURING OF HYBD EQUITY AND CONVERTIBLE TRADING OPERATIONS

Within 90 days after the effective date of this FINAL JUDGMENT, DREXEL shall transfer to its offices in New York, New York, and shall thereafter conduct therein, the equity (other than non-convertible preferred stocks) and the convertible debt and convertible preferred (other than "busted converts" as such term is defined in paragraph 32(a) of the CONSENT) trading operations of its HYBD presently conducted in Beverly Hills, California, and for three years after such transfer is complete, shall conduct its principal equity and principal convertible trading operations in New York, New York, and shall not conduct any such trading operations in the Los Angeles, California area. For the three-year period after said transfer is complete, the transferred trading operations shall not be conducted as part of, or be supervised by

personnel employed in, or assigned to, the High Yield Bond Department.

C. MONITORING OF HYBD, CAPITAL MARKETS AND CORPORATE FINANCE OPERATIONS

For the three-year period commencing on the effective date of this FINAL JUDGMENT:

1. DREXEL and GROUP, upon request by the COMMISSION or the Accountants (as defined in Section XX of this FINAL JUDGMENT), shall furnish promptly to the COMMISSION or to the Accountants, as the case may be, all nonprivileged documents in the possession, custody or control of DREXEL or GROUP including, without limitation, daily trade runs, which relate or pertain to or reflect activities engaged in since January 24, 1989 by, through or in conjunction with the HYBD ("Post-January 24, 1989 Activities"). This information shall be provided in machine readable or other form acceptable to the COMMISSION and the Accountants, consistent with the manner in which such information is now maintained in the ordinary course of business by DREXEL and GROUP or, if changed, in such other manner as is acceptable to the COMMISSION and to the Accountants.

2. DREXEL and GROUP shall maintain in a readily accessible place and form and, upon request, promptly make available to the COMMISSION and the Accountants (a) all documents reflecting Post-January 24, 1989 Activities that are required to be maintained pursuant to Section 17 of the Exchange Act; (b) all logs or other documents reflecting monitor, restricted, or similar lists of securities used to effect compliance with the federal securities

laws; and (c) with respect to Post-January 24, 1989 Activities, all lists and other compilations reflecting indications of interest, proposed allocations and final allocations of securities prepared by DREXEL or GROUP in connection with public offerings led or co-managed by DREXEL or GROUP and private placements in which DREXEL or GROUP acted as placement agent for at least 50 percent of the amount of any such placement.

3. DREXEL and GROUP, upon request of the COMMISSION or the Accountants, shall furnish promptly to the COMMISSION or the Accountants a summary chronology which describes significant events and identifies the participants therein concerning Post-January 24, 1989 Activities which relate or pertain to (a) proposed or actual extraordinary corporate transactions which involve at least one company which has outstanding publicly traded securities (including, without limitation, mergers and acquisitions, tender offers, proxy contests, reorganizations, leveraged buyouts, recapitalizations and exchange offers), and (b) public offerings and redemptions and calls of publicly traded securities.

This paragraph C shall not be construed to limit the COMMISSION's or the Accountants' ability to obtain information from DREXEL, GROUP or any other person pursuant to other provisions of law or this FINAL JUDGMENT. For purposes of this paragraph C and for the purpose of defining "Post-January 24, 1989 Activities," the term "HYBD" shall include the functions and operations of the HYBD as they existed prior to the effective date of this FINAL JUDGMENT including, without limitation, those of the Capital Markets

Services Department and those required to be transferred to New York, New York pursuant to paragraph B above.

XVI.

LIMITATIONS ON TRADING AND INVESTMENTS

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP shall comply with the following provisions for a three-year period commencing on the effective date of this FINAL JUDGMENT:

- A. DREXEL and GROUP shall adopt, maintain and enforce written policies which prohibit the members of DREXEL's Executive, Underwriting Assistance and Commitment Committees and the officers and employees of DREXEL's Capital Markets Services Department, Corporate Finance Department, High Yield Bond Department, Research Department, Equity Trading Department, Legal and Compliance Department, or any successor or other committee, department or group performing the same or comparable services (each such member, officer and employee being herein referred to as an "Employee") from directly or indirectly acquiring for an account other than a firm proprietary account in any acquisition transaction in which such Employee has investment discretion, whether through partnerships, closely held corporations or otherwise, any below investment grade fixed income security, as defined below, (i) which has been underwritten in a public offering managed or co-

managed by DREXEL or GROUP or any of their affiliates or in any other public offering in which as an underwriter or selling group member DREXEL or GROUP or their affiliates sold in the aggregate in excess of 20 percent of the principal amount or number of shares of such security offered or (ii) which has been issued in a private placement in which DREXEL or GROUP or any of their affiliates acted as a placement agent, for six months (the "waiting period") following the commencement of the public offering or the closing of the private placement, as the case may be, and if an Employee purchases such security during the six-month period subsequent to the end of the waiting period, the Employee shall be prohibited from selling the security for a period of six months following the date of purchase, unless the sale is precleared in writing by the Legal and Compliance Department or is pursuant to a merger, tender offer, exchange offer or similar transaction. Any such preclearance will be a discretionary judgment based upon the facts, but will require some showing of personal hardship. The written policies adopted pursuant to this paragraph A shall not prohibit (i) the acquisition by an Employee of securities of DREXEL and GROUP or any of their subsidiaries or (ii) any acquisition of a security permitted by paragraph B below. For the purposes of this paragraph A, the term "below investment grade fixed

income security" shall mean any fixed income security (including, without limitation, pay-in-kind and zero coupon securities) that has not been rated or has received a rating below one of the rating categories signifying investment grade by a nationally recognized statistical rating organization (as that term is used in Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act).

- B. DREXEL and GROUP shall adopt, maintain and enforce written policies which prohibit Employees from acquiring directly or indirectly for any account other than a firm proprietary account in any acquisition transaction in which such Employee has investment discretion, whether through partnerships, closely held corporations or otherwise, for six months (the "waiting period") following the commencement of a public offering in which DREXEL or GROUP or any of their affiliates acts as managing underwriter or co-managing underwriter or any other public offering in which as an underwriter or selling group member DREXEL or GROUP or their affiliates sold in the aggregate in excess of 20 percent of the principal amount or number of shares of such security offered or the closing of a private placement in which DREXEL or GROUP or any of their affiliates acts as a placement agent or the consummation of any other transaction in which DREXEL or GROUP or any of their affiliates acts as a financial advisor, any equity security (or any other security which has a participation in the earnings and profits of the issuer or any right to acquire

such an equity security or participating security) issued in connection with such public offering, private placement or other transaction, or options or warrants therefor. If an Employee purchases such security during the six-month period subsequent to the end of the waiting period, the Employee shall be prohibited from selling the security for a period of six months following the date of purchase, unless the sale is precleared in writing by the Legal and Compliance Department or is pursuant to a merger, tender offer, exchange offer or similar transaction. Any such preclearance will be a discretionary judgment based upon the facts, but will require some showing of personal hardship. Provided, however, that neither the foregoing nor paragraph A above shall prohibit the acquisition in connection with such public offering, private placement or other transaction of any such security, or of any nonequity security acquired in connection with the acquisition of any such security, by DREXEL or GROUP, whether directly or through a partnership or other entity, for the benefit of Employees and/or by a partnership or other entity comprised of up to 15 Employees and other natural persons who are either consultants to or agents of DREXEL or GROUP or any of their affiliates and who agree in writing to be subject to the same restrictions on trading and investing as are Employees (an "Employee Partnership") if the following conditions are met:

1. any partnership or other entity so utilized (including any Employee Partnership) shall be directly supervised by a member or members of the Executive Committee of DREXEL, and either its Director of Compliance or General Counsel, in order to ensure that the activities of such partnership or other entity (including any Employee Partnership) in connection with such investment comply with applicable securities laws and internal DREXEL compliance policies and procedures;
2. no Employee or other natural person directly involved in the transaction pursuant to which the security was issued shall have any decision-making authority with respect to the acquisition or disposition of such security;
3. no Employee or other natural person may acquire directly or indirectly more than 10 percent of the aggregate ownership interest in any single investment acquired by DREXEL and GROUP and their affiliates and employees and Employee Partnerships; and
4. all acquisition and disposition decisions with respect to any such investment must be approved, in advance and in writing, by DREXEL's Legal and Compliance Department, as to their compliance with

applicable securities laws and internal DREXEL compliance policies and procedures.

In addition, neither this paragraph B nor paragraph A above shall prohibit (i) any specific acquisition, category of acquisitions or investment the COMMISSION's Division of Enforcement agrees in writing with DREXEL or GROUP need not be prohibited or (ii) the acquisition of securities purchased in a private placement by DBL Americas Development Association L.P. or First Britannia Mezzanine N.V., which securities are issued by a foreign entity or a U.S. subsidiary of a foreign entity, which foreign entity conducts substantially all of its consolidated operations and investments (other than in cash and cash equivalents) outside the United States.

XVII.

REPORTING OF OWNERSHIP OF SECURITIES
OF FINANCING OR INVESTING BUSINESSES

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP shall, commencing 90 days from the effective date of this FINAL JUDGMENT and for a three-year period following the commencement, comply with the following provisions:

A. Notwithstanding the provisions of Rule 13d-1(b) under the Exchange Act, DREXEL and GROUP shall disclose no less frequently than monthly on a Schedule 13D and in conformity with the provisions of Section 13(d) of the Exchange Act and Regulation 13D thereunder, investments in "equity securities" (as defined in Rule 13d-1(d) under the Exchange Act) of any company which, directly or

through majority owned subsidiaries, is engaged in the financing or investing business, as defined in paragraph D below, if, after giving effect to the aggregate "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act) of DREXEL, GROUP, their affiliates and Employees, such aggregate "beneficial ownership" exceeds five percent of such class of "equity security" irrespective of whether DREXEL, GROUP, their affiliates and Employees are a "group" (as defined in Section 13(d)(3) of the Exchange Act). If the "equity securities" are "beneficially owned" by a partnership (whether an Employee Partnership or otherwise) which is managed by or has as an advisor with respect to its investments DREXEL or GROUP, or an affiliate, officer, employee or agent of DREXEL or GROUP, or has as a general partner DREXEL or GROUP, or an affiliate, officer, employee or agent of DREXEL or GROUP, then, in addition to the information required by General Instruction C of Schedule 13D, the Statement on Schedule 13D shall identify each limited partner of such partnership who is an officer, employee or agent of DREXEL or GROUP and shall also include the information required by Item 2 for each such limited partner whose pro rata share of the underlying investment exceeds ten percent of the "equity securities" "beneficially owned," in the aggregate, by DREXEL, GROUP, their affiliates and Employees.

B. At least quarterly, DREXEL and GROUP shall disclose on its Statement on Form BD, and in the manner prescribed by Section 13(d) of the Exchange Act, Regulation 13D thereunder and Schedule 13D, investments in any class of voting securities of any company which

has total assets in excess of \$25,000,000 or, in the case of an investment adviser as that term is defined in Section 202(a)(11) of the Investment Advisers Act of 1940, has assets under management in excess of \$25,000,000 (other than one which is governed by paragraph A above) which, directly or through majority owned subsidiaries, is engaged in the financing or investing business if, after giving effect to the aggregate "beneficial ownership" of DREXEL, GROUP, their affiliates and Employees, such aggregate "beneficial ownership" exceeds five percent of such class of voting security irrespective of whether DREXEL, GROUP, their affiliates and Employees could be characterized as a "group" (as defined in Section 13(d)(3) of the Exchange Act). If the voting securities are "beneficially owned" by a partnership (whether an Employee Partnership or otherwise) which is managed by or has as an advisor with respect to its investments DREXEL or GROUP, or an affiliate, officer, employee or agent of DREXEL or GROUP, or has as a general partner DREXEL or GROUP, or an affiliate, officer, employee or agent of DREXEL or GROUP, then the Statement on Form BD shall identify each limited partner of such partnership who is an officer, employee or agent of DREXEL or GROUP and shall also include the information stated in Item 2 of Schedule 13D for each such limited partner whose pro rata share of the underlying investment exceeds ten percent of the voting securities "beneficially owned," in the aggregate, by DREXEL, GROUP, their affiliates and Employees.

C. In disclosing "beneficial ownership" under paragraphs A and B above, DREXEL and GROUP may, but are not required to, include securities "beneficially owned" by employees other than Employees.

D. For purposes of this Section XVII, "financing or investing business" shall mean any of the following entities (or any holding company owning or controlling any such entity): Any insurance company, as that term is defined by Section 2(13) of the Securities Act; any bank, as that term is defined in Section 3(a)(6) of the Exchange Act, savings and loan association, building and loan association, cooperative bank, homestead association or similar institution which is supervised and examined by State or Federal authority having supervision over any such institution; any broker or dealer registered with the COMMISSION or any self-regulatory organization pursuant to Section 15 of the Exchange Act; or any investment adviser as that term is defined in Section 202(a)(11) of the Investment Advisers Act of 1940. For purposes of paragraphs A and B above, an entity shall also be deemed to be engaged in the business of financing or investing if it is an investment company required to be registered under the Investment Company Act of 1940 (it being understood that a company entitled to rely on the provisions of Rule 3a-2 under the Investment Company Act of 1940 is not required to be so registered) or which would be required to be registered under such Act but for the exception set forth in Section 3(c)(1) of such Act, or if financial statements for its most recent fiscal year (if such financial statements are available to DREXEL or GROUP) or its Report on Form 10-K for its

most recent fiscal year show that 20 percent or more of its assets as of the end of such fiscal year consisted of "investment securities" as that term is defined in Section 3(a)(3) of the Investment Company Act of 1940 or that 20 percent or more of its gross revenues for such fiscal year were derived from investments in "investment securities." For the purposes of this Section XVII, none of the following shall be deemed to be a "financing or investing business": (a) an entity (other than an entity referred to in the first sentence of paragraph D above) which owns "investment securities" of a single issuer which issuer is not a financing or investing business, (b) a partnership more than 75 percent of the aggregate economic interest of which was owned, as of the date of execution of the CONSENT by DREXEL and GROUP, by DREXEL, GROUP, their affiliates and employees and which does not, at any time or from time to time after such date, invest or reinvest (other than in connection with the exercise or conversion of securities owned as of such date) more than \$1,000,000 in "investment securities" (other than commercial paper) or (c) an entity which is organized outside the United States and has no investments in securities issued by companies organized in the United States or traded in the United States.

E. In the event that any company regarding which disclosure is required pursuant to this Section XVII has a securities brokerage account at DREXEL, transactions in said account or accounts shall be monitored on a daily basis by DREXEL's Legal and Compliance Department.

F. The procedures of paragraphs A and B above shall not apply to any specific acquisition, category of acquisitions or investment which the COMMISSION's Division of Enforcement agrees in writing with DREXEL or GROUP need not be reported.

XVIII.

INDEPENDENT CONSULTANT

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that

A. Morgan, Lewis & Bockius is hereby appointed as Independent Consultant. DREXEL and GROUP shall pay the fees and expenses of the Independent Consultant incurred in connection with and incidental to the performance of its duties hereunder, including any fees or expenses of persons engaged by the Independent Consultant to assist it in the performance of its duties hereunder, and any fees and expenses incurred after its specific duties hereunder have been completed if such fees and expenses were incurred as a result of its serving as Independent Consultant under this FINAL JUDGMENT. The Independent Consultant shall review and report on the policies, procedures and practices of DREXEL and GROUP, and shall make recommendations for improved or additional policies, procedures and practices, in addition to those specifically required pursuant to this FINAL JUDGMENT, designed:

(1) to prevent and detect violations by DREXEL and GROUP, their officers, employees, affiliates, and their clients of the federal securities laws, the rules and regulations promulgated thereunder

and the rules and regulations of self-regulatory organizations, including, without limitation, those protecting the confidentiality of client information and preventing the misuse of material, nonpublic information; (2) to ensure the maintenance of accurate and adequate books and records; and (3) to ensure that the system of internal controls is sufficient to provide reasonable assurances that transactions are executed in accordance with the federal securities laws, the rules and regulations promulgated thereunder and the rules and regulations of self-regulatory organizations. The scope of the Independent Consultant's review shall include the following departments, groups and activities: High Yield Bond Department; Equity Trading Department; Corporate Finance Department (including the mergers and acquisitions function thereof); Capital Markets Services Department; Internal Audit Department; Accounting Department; and Legal and Compliance Department (or any successor or other department or group performing the same services or services substantially similar to those performed by any of the foregoing during the time period); and the underwriting, syndication, trading, sales, market making, compliance, audit, legal and accounting activities of such other departments or groups as the Independent Consultant deems necessary to conduct its review. In conducting its review of departments or groups other than High Yield Bond Department, Capital Markets Services Department and Legal and Compliance Department, and the

mergers and acquisitions function of the Corporate Finance Department (or any successor or other department or group performing the same services or services substantially similar to those performed by any of the foregoing during the time period), the Independent Consultant shall focus principally on the compliance policies and procedures of those other departments, groups and functions as those departments, groups and functions interrelated with the operations of the departments, groups and functions named in this sentence.

B. The Independent Consultant shall, taking into account policies and procedures which presently exist, recommend policies and procedures that, without limitation, provide for the following:

1. The centralization of compliance functions, including but not limited to reviews of high yield bond trading activities under the director of compliance in the New York headquarters office of DREXEL, and the establishment of lines of authority, specific duties of, and systems and procedures employed by individual Legal and Compliance Department personnel to ensure that the compliance system is reasonably designed to prevent and detect illegal conduct;

2. Special compliance reviews of securities trading in firm, officer, employee and employee-related accounts, in Employee Partnership accounts, in accounts of companies engaged in the financing or investing business which are covered by paragraph E of Section XVII of this FINAL JUDGMENT, and significant positions taken by the firm's customers, within 60 days before or after an announcement of any extraordinary corporate transaction, securities offering, exchange offer or other material event concerning which DREXEL or GROUP possessed material, nonpublic information. Such periodic compliance reviews shall include, as appropriate, analyses of the securities positions taken, and inquiries into the reasons the positions were taken and the information known to the person making the investment decision in question;
3. Periodic special reviews of trading in the accounts referred to in subparagraph 2 above and customer trading to determine whether there are any patterns of trading which may suggest insider trading, manipulation, "parking" transactions, violations of margin rules, violations of Exchange Act record

keeping requirements, breaches in confidentiality of information or "Chinese Wall" procedures or other improprieties;

4. Consistent with the limitations on trading and investments described in Section XVI of this FINAL JUDGMENT, such other policies and procedures governing trading activities by employees, officers, partnerships and other entities with which employees are affiliated (other than to prohibit trading or investment activities by Employees in new issues of securities underwritten or privately placed or sold by DREXEL or GROUP or any of their affiliates or in connection with which DREXEL or GROUP or any of their affiliates acted as a financial advisor, as set forth in Section XVI of this FINAL JUDGMENT, beyond any limitation or prohibition set forth therein, or to limit or prohibit trading or investments in companies engaged in the financing or investing business solely because those companies are engaged in such business) as the Independent Consultant deems necessary or appropriate to prevent future violations of the federal securities laws;
5. The establishment of policies and procedures regarding the recordation of fees and other income received from clients and others and the maintenance of appropriate supporting documentation;

6. The maintenance of adequate and accurate books and records by DREXEL and GROUP of firm, officer, employee, employee-related and affiliate trading and the accessibility of those trading records to DREXEL's director of compliance; and
7. Such other practices, policies and procedures as the Independent Consultant, in consultation with the COMMISSION's staff and in consultation with employees and representatives of DREXEL and GROUP, deems necessary or appropriate to ensure the establishment and maintenance of an effective compliance function.

C. In preparing for and conducting its review, reports and recommendations, the Independent Consultant may consult with the staff of the COMMISSION and with DREXEL and GROUP. The Independent Consultant shall provide copies of its proposed reports and recommendations to DREXEL, GROUP and the COMMISSION staff at least 15 business days prior to its submission thereof to the COMMISSION and shall afford DREXEL, GROUP and the COMMISSION staff an opportunity to comment thereon prior to their submission to the COMMISSION. DREXEL and GROUP and the COMMISSION staff shall exchange their written comments, if any.

D. If the Independent Consultant or any successor independent consultant resigns or is otherwise unable to serve, a successor independent consultant shall be chosen by the COMMISSION, after consultation with DREXEL and GROUP. All provisions in this FINAL

JUDGMENT that apply to the Independent Consultant shall apply to any successor independent consultant.

E. DREXEL and GROUP and their officers, employees, agents and attorneys shall cooperate in all respects with the Independent Consultant. Such cooperation shall include, without limitation, providing such nonprivileged (unless otherwise expressly provided in this FINAL JUDGMENT) information and documents as the Independent Consultant may request, making employees available for interviews by the Independent Consultant or such assistants as it may retain, access to computerized data, and access to DREXEL's and GROUP's premises. In connection with the Independent Consultant's inquiries, DREXEL and GROUP shall not assert any privilege with respect to communications (including documents) relating to compliance and internal audit activities; provided, however, that (i) the Independent Consultant shall take into account the existence of a privilege in assessing its need for access to privileged documents, shall keep any privileged information it obtains confidential and not disclose same to any person other than the COMMISSION or its staff, and (ii) the nonassertion of a privilege by DREXEL or GROUP shall not hereafter be argued to be precedent for a claim of waiver of privilege in any matter, action or proceeding, other than in connection with the enforcement and implementation of this FINAL JUDGMENT, the CONSENT, and the OFFER OF SETTLEMENT and FINDINGS AND ORDER (as defined in paragraph 10 of the CONSENT) and any matters, investigations or proceedings

referred to in paragraph 16a. of the APPLICATION (as defined in paragraph 10 of the CONSENT).

F. With respect to its activities under this FINAL JUDGMENT, the Independent Consultant shall not be in and shall not have an attorney-client relationship with DREXEL or GROUP, or any of the present or former officers, agents or employees of either of them.

G. The Independent Consultant shall not be liable for any action taken or omitted to be taken by the Independent Consultant, or its partners, employees or agents unless it shall be proven that the Independent Consultant or such other person was grossly negligent or acted or omitted to act in bad faith in connection with such action or omission.

H. The Independent Consultant shall not, as an agent of the Court, be subject to compulsory process except with the permission of this Court.

I. During its engagement and for a period of two years following the completion of the Independent Consultant's services pursuant to this FINAL JUDGMENT, unless the COMMISSION first consents in writing, neither the Independent Consultant nor any law firm which it may retain to assist it shall represent DREXEL or GROUP, or any officer or employee of either of them, or any agent of either of them acting in its capacity as such.

J. The Independent Consultant and any persons engaged to assist it in the performance of its duties under this FINAL JUDGMENT (a) shall not, without leave of this Court, disclose to

anyone other than DREXEL, GROUP, the COMMISSION or its staff any information they obtain in the course of performing their duties under this FINAL JUDGMENT, except to the extent that it may be necessary to disclose such information in any report or recommendations they prepare, and (b) unless the COMMISSION first consents to such disclosure, shall not disclose to any other person any information provided to them by the COMMISSION or its staff.

XIX.

REPORTS OF THE INDEPENDENT CONSULTANT

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that

A. The Independent Consultant shall complete its review and deliver its report and recommendations to the COMMISSION and DREXEL and GROUP within eight months of the effective date of this FINAL JUDGMENT, unless the COMMISSION grants the Independent Consultant one or more extensions of time not to exceed in the aggregate four months. The report shall state the objective and purpose for each recommendation made. DREXEL and GROUP may request that the COMMISSION afford any report and recommendations of the Independent Consultant confidential treatment in accordance with 17 C.F.R. § 200.83. In the event that the COMMISSION or the Independent Consultant is requested to produce any report or recommendation of the Independent Consultant to third parties pursuant to subpoena or otherwise, the person to whom the request is made will afford DREXEL and GROUP and, if the request is made to the Independent Consultant, the COMMISSION as well, five-business days' notice or,

if not practicable, reasonable notice to oppose such production. The COMMISSION, after reviewing the Independent Consultant's report, may propose such additional policies or procedures as the COMMISSION deems necessary or appropriate to ensure compliance with the federal securities laws (other than to prohibit trading or investment activities by Employees in new issues of securities underwritten or privately placed or sold by DREXEL or GROUP or any of their affiliates or in connection with which DREXEL or GROUP or any of their affiliates acted as a financial advisor, as set forth in Section XVI of this FINAL JUDGMENT, beyond any limitation or prohibition set forth therein, or to limit or prohibit trading or investments in companies engaged in the financing or investing business solely because those companies are engaged in such business). The COMMISSION shall state the objective and purpose for each policy or procedure it proposes and provide this statement to both the Independent Consultant and DREXEL and GROUP. The policies and procedures proposed by the COMMISSION shall thereafter be incorporated into those recommended by the Independent Consultant.

B. DREXEL and GROUP shall adopt, implement and maintain all policies and procedures recommended by the Independent Consultant in its report (including those proposed by the COMMISSION and incorporated pursuant to paragraph A above) and, within 45 days after the submission of the Independent Consultant's report, DREXEL's general counsel, its director of compliance or the chairman of GROUP's Oversight Committee shall certify to the

COMMISSION that such policies and procedures have been adopted and implemented; provided, however, that as to any recommendation in or incorporated in the Independent Consultant's report which DREXEL or GROUP determines is, in whole or in part, inappropriate or unduly burdensome, DREXEL or GROUP may, within 30 days after the submission of the Independent Consultant's report, with the approval of the Oversight Committee of GROUP, adopt and implement an alternative written policy or procedure ("Alternative") designed to achieve the same objective or purpose as the Independent Consultant's recommendation and submit to the COMMISSION and the Independent Consultant an affidavit setting forth a description of each such Alternative, a certification by DREXEL's general counsel, its director of compliance or the chairman of GROUP's Oversight Committee that such Alternative has been presented to and approved by the Oversight Committee of GROUP, and an explanation of how such Alternative achieves the same objective or purpose as the Independent Consultant's recommendation. The Independent Consultant shall, within 30 days after receipt of the affidavit, evaluate the Alternative and report to the COMMISSION and to DREXEL and GROUP upon the extent to which the Alternative has achieved and will achieve the objective or purpose of the Independent Consultant's recommendation(s). In the event that the Independent Consultant determines that the Alternative does not or will not accomplish the objective or purpose of the Independent Consultant's recommendation, DREXEL or GROUP shall, within 15 days after receiving notice of the Independent Consultant's determination,

either (1) implement a policy or procedure acceptable to the Independent Consultant, or (2) promptly adopt and implement the Alternative and provide written notice thereof to the COMMISSION staff and the Independent Consultant. If DREXEL or GROUP adopts and implements an Alternative pursuant to clause 2 of the preceding sentence, the Independent Consultant shall, 90 days thereafter, review the Alternative to determine whether it achieves the objective and purpose of the recommendation of the Independent Consultant it replaced and report its findings to the COMMISSION, DREXEL and GROUP. The Independent Consultant shall consult with DREXEL and GROUP before making its determination and DREXEL and GROUP shall have the right to make a written submission to the COMMISSION concerning such determination. If the COMMISSION thereafter determines that the Alternative achieves or will achieve the same objective or purpose, then DREXEL and GROUP need not adopt the Independent Consultant's recommendation but may continue to keep in place the Alternative. If the COMMISSION determines that the Alternative does not achieve the same objective or purpose sought to be achieved by the Independent Consultant's recommendation, then, within 30 days after receiving notice of such determination by the COMMISSION, DREXEL and GROUP shall (i) adopt and implement the Independent Consultant's recommendation and (ii) certify to the COMMISSION that the recommendation has been so adopted and implemented.

C. One year after the implementation of the recommendations

of the Independent Consultant and any Alternative approved by the Independent Consultant or the COMMISSION as described in paragraph B above, the Independent Consultant shall perform a review of DREXEL's operations to determine whether DREXEL and GROUP have adopted and implemented the Independent Consultant's recommendations and all approved Alternatives. The Independent Consultant shall report the results of its review in writing to the COMMISSION, DREXEL and GROUP. DREXEL and GROUP shall have the right to respond in writing within 10 business days of their receipt of the Independent Consultant's report. If the COMMISSION thereafter determines, subsequent to its receipt of the Independent Consultant's report and the written response of DREXEL and GROUP, if any, that either DREXEL or GROUP has failed to adopt or adequately implement any of the policies and procedures recommended by the Independent Consultant or any approved Alternative, then DREXEL and GROUP, upon written notice by the COMMISSION, shall be allowed a 30-day period in which to cure the failure and obtain a certification from the Independent Consultant (with copies sent to the COMMISSION and to DREXEL and GROUP) that it is cured. If DREXEL or GROUP fails to obtain such a certification, it shall be in violation of this FINAL JUDGMENT.

XX.

REVIEW BY ACCOUNTING OR CONSULTING FIRMS

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP shall pay the fees and expenses of one or more certified

public accounting firms and/or consulting firms (the "Accountants"), selected by the United States Attorney for the Southern District of New York and acceptable to the COMMISSION, or selected by the COMMISSION, to review DREXEL's and GROUP's Pre-January 24, 1989 Activities, as defined in Section XXI below, and Post-January 24, 1989 Activities, concerning areas to be specified to the Accountants by the COMMISSION, and to report the results of their work to the COMMISSION. DREXEL and GROUP may request that the COMMISSION provide confidential treatment to the work of the Accountants as set forth in 17 C.F.R. § 200.83. In the event that the COMMISSION or the Accountants are requested to produce the work of the Accountants to third parties pursuant to subpoena or otherwise, the person to whom the request is made will afford DREXEL and GROUP and, if the request is made to the Accountants, the COMMISSION as well, five business days' notice or, if not practicable, reasonable notice to oppose such production.

XXI.

COOPERATION BY DREXEL

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP, their officers, agents, servants, employees, attorneys and assigns (if any) and all persons in active concert and participation with them, and each of them, shall cooperate with investigations, administrative proceedings and litigation conducted by the COMMISSION and its staff and inquiries by the Accountants arising from or relating to (i) activities described or referred to

in paragraphs 1, 2, 4 and 5 in Annex A to the Letter Agreement ("Pre-January 24, 1989 Activities") and (ii) Post-January 24, 1989 Activities. Such cooperation shall include, but is not limited to, the following:

A. DREXEL and GROUP shall disclose to the COMMISSION, its staff and the Accountants, information with respect to Pre-January 24, 1989 Activities and Post-January 24, 1989 Activities about which the COMMISSION, its staff or the Accountants may inquire and shall not assert any objections as to the relevance of the requests.

B. Upon request, either written or subsequently confirmed in writing, and without the necessity of subpoena, DREXEL and GROUP shall promptly produce to the COMMISSION, its staff and the Accountants, documents requested by such persons or entities relating to Pre-January 24, 1989 Activities or Post-January 24, 1989 Activities, including, at the expense of DREXEL and GROUP, hard copy or computerized records as requested.

C. Upon request, DREXEL and GROUP shall promptly give the COMMISSION, its staff and the Accountants access to their premises.

D. DREXEL and GROUP shall make their officers, employees and agents available to the COMMISSION, its staff and the Accountants, for any interviews, depositions, court or administrative proceedings, or investigative testimony relating to Pre-January 24, 1989 Activities or Post-January 24, 1989 Activities.

E. It shall be the policy of DREXEL and GROUP to encourage

cooperation with the COMMISSION, its staff and the Accountants and consider whether and what disciplinary action may be appropriate if any officer, employee or agent willfully refuses (1) to cooperate in any interview or proceeding set forth in paragraph D above; (2) to answer fully and forthrightly any question posed to him or her by the COMMISSION, its staff or the Accountants or (3) to produce any document requested or subpoenaed by the COMMISSION, its staff or the Accountants.

F. Within 10 days after effective date of this FINAL JUDGMENT, DREXEL and GROUP shall distribute to all employees and officers a memorandum re: Cooperation in Governmental Investigations, a copy of which is attached as Exhibit B to this FINAL JUDGMENT.

G. DREXEL and GROUP shall advise each of their employees, officers and agents that he or she has the right to independent counsel of his or her own choice in connection with any COMMISSION investigation or court or administrative proceeding arising in whole or in part from Pre-January 24, 1989 Activities to which the COMMISSION or its staff is a party. DREXEL and GROUP shall not suggest or recommend any attorney to any employee, officer or agent unless, without any prior solicitation by DREXEL or GROUP, the individual employee, officer or agent requests DREXEL or GROUP to recommend an attorney. Should DREXEL or GROUP pay the attorney's fees of any present or former officer, employee or agent, in connection with any COMMISSION investigation or civil or administrative action arising in whole or in part from Pre-January

24, 1989 Activities to which the COMMISSION or its staff is a party, then it shall pay on comparable terms not inconsistent with this FINAL JUDGMENT the reasonable attorney's fees of any other officer, employee or agent who obtains legal counsel with respect thereto. Nothing herein, however, shall require DREXEL or GROUP to pay the attorney's fees incurred by any person after such person has been named as a defendant or respondent in a civil, administrative or criminal government action.

H. DREXEL and GROUP, their officers, agents, servants, employees and attorneys shall not (1) compel or require or attempt to compel or require any employee, officer or agent, or his or her counsel, to disclose to anyone what information or testimony the employee has provided to the COMMISSION, its staff, the Independent Consultant, or the Accountants, except pursuant to lawful process in a civil action as to which the employee's testimony is relevant; or (2) take any adverse employment or other action against any person based in whole or in any part on or because of (a) that person's decision to provide information or evidence to the COMMISSION, its staff, the Independent Consultant or the Accountants, or (b) his or her declination to disclose to DREXEL, GROUP, their counsel, other employees, officers or counsel for any present or former employee, officer or agent what information or evidence was given to such persons or entities.

I. With respect to any inquiry made by the COMMISSION, its staff, or the Accountants, DREXEL and GROUP shall not assert the attorney-client, work product or any other privilege with respect

to correspondence created or any communications occurring between January 1, 1978 (February 1, 1985 in the case of Philip Moss) and on or prior to November 14, 1986, by, to, through or copied to Lowell J. Milken or Philip Moss; provided, however, that with the exception set forth in paragraph E of Section XVIII of this FINAL JUDGMENT, DREXEL and GROUP may, if they so choose, continue to assert the attorney-client, work product or other privilege with respect to correspondence or communications by, to, through or copied to counsel other than the two persons listed above, as to which DREXEL and GROUP have asserted or may assert that a valid privilege exists independent of any privilege that may have existed with respect to these two persons. None of the provisions of this FINAL JUDGMENT shall prevent the assertion of any applicable constitutional or legally recognizable privilege by any natural person on his or her own behalf. Other than as set forth in paragraph E of Section XVIII of this FINAL JUDGMENT, and in this paragraph I, nothing herein shall require any waiver of privilege by DREXEL or GROUP. The COMMISSION shall have the right to have adjudicated in this Court any claim of privilege asserted or that may be asserted by DREXEL and GROUP, their officers, agents, servants, employees, attorneys and assigns (if any), with respect to this litigation, the inquiries described above, the implementation of this FINAL JUDGMENT or any COMMISSION inquiry relating to Pre-January 24, 1989 Activities or Post-January 24, 1989 Activities.

XXII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that DREXEL and GROUP shall, within ten days of the effective date of this FINAL JUDGMENT, deliver a true and accurate copy of this FINAL JUDGMENT (but need not deliver Exhibit A) to each of their current officers and employees and to those agents and/or consultants whom the COMMISSION shall designate, and to each officer, employee and designated agent or consultant hired or retained during the ten-year period following the effective date of this FINAL JUDGMENT, and shall obtain from each such officer, employee and designated agent or consultant a signed acknowledgment, available to the COMMISSION upon request, that he or she has received a copy of the FINAL JUDGMENT and has read it.

XXIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the annexed CONSENT be, and the same hereby is, with the exception of paragraphs 16 through 27, incorporated herein with the same force and effect as if fully set forth herein and that DREXEL and GROUP shall comply with all of the undertakings and agreements incorporated herein.

XXIV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that all notices hereunder shall be in writing and be deemed to have been duly given when delivered personally or by facsimile transmission, confirmed by mail, to the parties at the following addresses (or at such other address for a party as shall be designated by like notice):

If to the COMMISSION:

Securities and Exchange Commission
Attention: Director, Division of Enforcement
Mail Stop 4-1
450 Fifth Street, N.W.
Washington, D.C. 20549

If to DREXEL or GROUP:

The Drexel Burnham Lambert Group Inc.
Drexel Burnham Lambert Incorporated
60 Broad Street
New York, New York 10004
Attention: General Counsel

With a copy to:

Thomas F. Curnin, Esquire
Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005

XXV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this FINAL JUDGMENT shall become effective on the day that the guilty pleas of DREXEL and GROUP are accepted and entered pursuant to the Letter Agreement. If such guilty pleas are not accepted and entered prior to May 13, 1989, this FINAL JUDGMENT shall be vacated upon written

notice to the Court from either DREXEL and GROUP or the COMMISSION, if such notice is filed with the Court before such guilty pleas are entered and accepted.

XXVI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall vacate this FINAL JUDGMENT upon the joint application of DREXEL and GROUP and the COMMISSION, in accordance with paragraph 18, 19, 23 or 24 of the CONSENT.

XXVII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction of this action for all purposes, including implementation and enforcement of this FINAL JUDGMENT.

SENIOR UNITED STATES DISTRICT JUDGE

Dated: _____

New York, New York