

STATE OF ALASKA  
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT  
DIVISION OF BANKING, SECURITIES AND CORPORATIONS  
P.O. BOX D  
JUNEAU, ALASKA 99811-0800

<u>In the Matter of:</u>	)	
DREXEL BURNHAM LAMBERT INCORPORATED	)	Firm Alaska I.D. No.: 00043
60 Broad Street	)	BD CRD #007323
New York, New York 10004	)	ORDER #90-1 (Amended)
Respondent	)	
_____	)	

AGREEMENT

THIS AGREEMENT is entered into as of the 14th day of August, 1989 by and among Drexel Burnham Lambert Incorporated and The Drexel Burnham Lambert Group, Inc. (respectively, "Drexel" and "Group" and collectively, "DBL") and the Administrator (hereinafter "Administrator") of the [Alaska Division of Securities (hereinafter "Division")].

WHEREAS, on September 7, 1988, a Complaint for Permanent Injunction and Other Equitable Relief (hereinafter "SEC Complaint") was filed in the United States District Court for the Southern District of New York by the United States Securities and Exchange Commission (hereinafter "SEC") against Drexel, Group and others (88 Civ. 6209) which included allegations of acts, practices and courses of business by Drexel and Group which violated Section 17(a) of the Securities Act of 1933 (hereinafter "1933 Act") [15 U.S.C. §§ 77q(a)], Sections 7(c), 7(f), 9(a)(2),

10(b), 13(d), 14(a), 14(e), 15(c)(3) and 17(a)(1) of the Securities Exchange Act of 1934 (hereinafter "Exchange Act") [15 U.S.C. §§ 78g(c)], 78g(f), 78i(a)(2), 78j(b), 78m(d), 78n(a), 78n(e), 78o(c)(3) and 78q(a)(1)] and Regulations T and X and Rules 10b-5, 10b-6, 13d-1, 13d-2, 14a-9, 14e-3, 15c3-1, 17a-3, and 17a-4 [12 C.F.R. §§ 220.1 et seq. and 224.1 et seq., and 17 C.F.R. §§ 240.10b-5, 10b-6, 13d-1, 13d-2, 14a-9, 14e-3, 15c3-1, 17a-3 and 17a-4]; and

WHEREAS, on January 24, 1989, the United States Attorney for the Southern District of New York (hereinafter the "U.S. Attorney") filed a six-count information (89 Crim. 0041) (hereinafter the "Information") charging DBL with mail fraud and securities fraud in violation of Title 15, U.S.C. §§ 78j(b) and Rule 10b-5 thereunder, and § 78ff; and Title 18, U.S.C. §§ 1341 and 3571; and

WHEREAS, on January 24, 1989, a letter agreement was entered into between DBL and the U.S. Attorney (hereinafter the "Letter Agreement") pursuant to which Drexel and Group each agreed to plead guilty to the violations alleged in the charging paragraphs of the Information and DBL agreed to pay the sum of six hundred fifty million dollars (\$650,000,000) of which three hundred million dollars (\$300,000,000) would be criminal penalties and civil penalties under the Insider Trading Sanctions Act, 15 U.S.C. § 78u(d)(2)(A) hereinafter "ITSA") and three hundred fifty million dollars (\$350,000,000) would be paid into an escrow account to be used to compensate civil claimants as to which a plan or plans of distribution will be developed and submitted by the SEC; and

WHEREAS, on April 13, 1989, Drexel and Group executed a consent and undertaking in connection with the SEC Complaint (hereinafter the "Consent") in which Drexel and Group, without admitting or denying any of the allegations in the SEC Complaint, consented to the entry of a Final Judgment of Permanent Injunction and Other Relief (hereinafter the "Final Judgment") restraining and enjoining Drexel and Group from engaging in transactions, acts, practices and courses of business which constitute or would constitute violations of various Sections of the Exchange Act and the 1933 Act and providing for certain undertakings by Drexel and Group with respect to the structure of DBL, supervision and other matters as more fully set forth therein (hereinafter the Consent and Final Judgment are collectively referred to as the "SEC Settlement"); and

WHEREAS, upon Court approval of the SEC Settlement and the Letter Agreement the SEC Settlement will result in (i) the issuance of the Final Judgment which will enjoin DBL from engaging in or continuing any conduct or practice violating certain provisions of the federal securities laws; and (ii) the issuance of an SEC order which will suspend for a period of three (3) years from the effective date of the SEC Settlement any SEC administrative action against Drexel to revoke its broker-dealer's license so long as it is in compliance with the Final Judgment; and

WHEREAS, the Letter Agreement provides that DBL, upon reaching a settlement with the SEC and obtaining the requisite Court approval of the SEC Settlement and the Letter Agreement will plead guilty to six (6) counts of securities fraud and mail fraud which constitute felonies; and

WHEREAS, the Alaska Securities Act (hereinafter the "Act") allows the Administrator to suspend or revoke a registration if he finds that such order is in the public interest and the registrant has been convicted of any felony or the registrant is permanently or temporarily enjoined by any court of competent jurisdiction from engaging in or continuing any conduct or practice involving any aspect of the securities business; and

WHEREAS, the Administrator has issued Administrative Order 90-1, a Notice of Intent to Revoke or Suspend the License of Drexel Burnham Lambert Incorporated (hereinafter the "Notice"); and

WHEREAS, it is in the best interests of DBL and the Administrator to resolve the issues involved in the underlying matters pending approval by the Court of the SEC Settlement and the Letter Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Stipulations. In connection with this Agreement, DBL and the Administrator hereby stipulate to the following:

a. Drexel is a Delaware Corporation registered to transact business as a broker-dealer in this state pursuant to AS 45.55.030, et seq. of the Act.

b. Group is a Delaware corporation which owns all of the outstanding stock of Drexel.

c. Each of Drexel and Group is a corporation validly existing and in good standing under the laws of the State of Delaware and is duly authorized to execute and deliver this Agreement and to undertake and carry out all obligations and duties required hereunder.

d. The allegations in the SEC Complaint and in the Information concern the activities of Drexel's High Yield Bond Department (hereinafter "HYBD") located in Beverly Hills, California during the period from early 1984 through late 1986.

e. Certain of the allegations included in the SEC Complaint and in the Information may constitute violations of the Act had they occurred in this state.

f. There may be residents of this state who may have been injured by the activities of DBL alleged in the SEC Complaint or in the Information; however, certain of the allegations in the SEC Complaint and the Information include acts which could constitute a fraud on the market and accordingly it is difficult to ascertain all persons who may have been injured by such acts.

g. DBL has taken steps to substantially curtail its retail and mutual funds businesses (hereinafter collectively "Retail Securities Business") and at present intends no longer to conduct a significant retail sales or mutual fund operation in this state.

2. Compliant with the Act. Each of Drexel and Group hereby agrees that it shall comply with all provisions of the Act and the Rules and Regulations promulgated thereunder ("Rules") in any securities transactions by either party in and/or from this state.

3. Compliance with Consent and Final Judgment. Each of Drexel and Group hereby agrees that it shall comply with all provisions of the Consent and Final Judgment in all material respects. In the event the terms of the Consent and/or the Final Judgment are amended by any of Drexel, Group or the SEC, DBL shall promptly notify the Administrator of such amendment. The parties agree that if an amendment to the Consent or Final Judgment relates to any of the provisions in this Agreement the parties shall negotiate, in good faith, a corresponding amendment to this Agreement as may be required to carry out the purposes of this Agreement.

4. Independent Consultant. DBL hereby agrees to provide copies of all reports and recommendations prepared and submitted to the SEC pursuant to Sections XIX.A. and XIX.C. of the Final Judgment by the Independent Consultant named in Section XVIII of the Final Judgment (hereinafter "Independent Consultant"). The Administrator agrees to maintain the confidentiality of such reports and recommendations as authorized by the Act and other applicable provisions of state law. It is further agreed that the Independent Consultant, in addition to the duties required of it pursuant to the Final Judgment, shall be required to review and report on the policies, procedures and practices of DBL relating to the registration of its agents in this state, the registration of securities offered for purchase or sale by it in this state, the preparation and maintenance by DBL of appropriate books and records on transactions conducted or occurring in this state, timely filing by DBL in this state of required forms and reports, and maintenance of a registered principal in this state if required by state law (hereinafter "State Securities Issues"). In addition to any recommendations that may be made pursuant to the Final Judgment, the Independent Consultant shall, if necessary, make recommendations for improved or additional policies, procedures and practices to prevent future violations by DBL of State Securities Issues. The report and recommendations of the Independent Consultant concerning compliance with the State Securities Issues shall be provided to the Administrator within 30 days after the Independent Consultant is required to provide reports to the SEC pursuant to Section XIX.A. of the Final Judgment.

5. Implementation of Recommendations of Independent Consultant. If the recommendations of the Independent consultant for adoption of policies or procedures made pursuant to paragraph 4 hereof are the same as those made pursuant to Section XIX.A. of the Final Judgment, then the procedures for implementation of such proposals set forth in Section XIX.B. of the Final Judgment shall govern the implementation of those policies and procedures and the Administrator shall be provided copies of all certifications made by DBL to the SEC thereunder. In the event, however, the Independent Consultant makes recommendations for policies or procedures to be adopted by DBL that relate to compliance with the State Securities Issues as identified in paragraph 4 above that are not also contained in the recommendations submitted to the SEC pursuant to Section XIX.A. of the Final Judgment, DBL shall adopt, implement and maintain such policies and procedures, and shall certify to the Administrator that each such policy or procedure has been implemented within 45 days after receipt by DBL of the recommendations of the Independent Consultant. In the alternative, within 30 days after receipt by DBL of the Independent Consultant's recommendations, DBL may submit a proposed alternative policy or procedure designed to effect the same objective or purpose. 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, DBL, within 15 days after receiving notice of the Independent Consultant's determination, shall either (i) implement a policy or procedure acceptable to the Independent Consultant, or (ii) promptly adopt and implement the alternative and provide written

notice thereof to the Administrator and the Independent Consultant. If DBL adopts and implements an alternative pursuant to clause (ii) 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 Administrator and DBL. The Independent Consultant shall consult with DBL before making its determination and DBL shall have the right to make a written submission to the Administrator concerning such determination. If the Administrator thereafter determines that the alternative achieves or will achieve the same objective or purpose, then DBL need not adopt the Independent Consultant's recommendation but may continue to keep in place the Alternative. If the Administrator 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 Administrator, DBL shall adopt and implement the Independent Consultant's recommendation and certify to the Administrator that the recommendation has been so adopted and implemented.

6. Substitute Independent Consultant. In the event the Independent Consultant designated or hereafter designated by the SEC in the Final Judgment is unable or unwilling to carry out the provisions of the Final Judgment and paragraphs 4 and 5 of this Agreement, then in the event DBL and the SEC select a third party to act as Independent Consultant under the terms of the Final Judgment, such Independent Consultant

shall also serve hereunder. In the event, the Independent Consultant conducting the review under the provisions of the Final Judgment is unwilling or unable to carry out the provisions of paragraphs 4 and 5 of this Agreement then DBL shall select an independent consultant which shall be a nationally recognized accounting firm or law firm to carry out the provisions of paragraphs 4 and 5, hereunder. DBL shall pay all reasonable costs and expenses of such Independent Consultant or Consultants.

7. Restriction on Retail Securities Business. DBL hereby agrees that it shall not "cold-call" or itself initiate the opening of any new retail securities accounts from nonemployees or nonaffiliates of DBL in this state, nor shall it open any new retail securities office in this state, unless and until the following conditions have been met:

a. Notice is provided to the Administrator at least ten (10) days prior to any "cold-calling" program, or the opening of such accounts, or opening a retail sales office indicating DBL's intention to do so; and

b. DBL shall provide to the Administrator a written undertaking executed by the General Counsel and members of the Drexel's Oversight Committee stating that DBL has in place adequate compliance procedures and an adequate compliance manual for a retail operation and has in place the personnel necessary to adequately implement and effectuate the appropriate retail compliance procedures and to assure reasonable compliance with these procedures.

Nothing in this paragraph prohibits DBL from, among other things, either soliciting or servicing in this state institutional accounts; retail accounts of its employees, affiliates, relatives of employees as defined by NASD Rules of Fair Practice, Article III, Section 1; retail accounts presently and previously serviced by current DBL employees; retail accounts of individuals related to or affiliated with investment banking or institutional clients of DBL; and accounts of high net worth individuals (as defined pursuant to the "Accredited Investor" provisions of Regulation D of the Securities Act of 1933).

8. Conditions on Retail Securities Business. In the event Drexel decides to establish a significant retail sales business in this state, it shall be subject to the following additional conditions:

a. Within three (3) months of the first date on which the retail sales accounts referred to in paragraph 7 are "cold-called" or opened or a retail sales office is opened in this state, DBL shall retain a nationally recognized law firm that has a significant securities law practice or a nationally recognized accounting firm to commence a review of its retail compliance procedures and the implementation thereof.

b. After at least six (6), but no more than twelve (12) months of the first date on which the retail sales accounts referred to in paragraph 7 are "cold-called" or opened or a retail sales office is opened in this state, DBL shall provide to the Administrator a report prepared by the nationally recognized law firm or accounting firm referred to in subparagraph a of paragraph 8 reviewing the retail compliance procedures of DBL and concluding that DBL has in place adequate retail compliance procedures and the personnel necessary to adequately implement and effectuate these procedures and to assure reasonable compliance with these procedures.

c. In the event DBL is unable to provide the undertaking required under the provisions of subparagraph b of paragraph 7 or the report required by subparagraph b above, or in the event a report or undertaking is provided that indicates a failure to maintain adequate procedures or otherwise indicates a significant failure to maintain and follow reasonable compliance procedures, and DBL is unable to provide a satisfactory report that it has cured the failure or defect specified within forty-five (45) days after notice is given of such defect or failure, DBL shall promptly cease all retail sales activity in this state undertaken pursuant to the provisions of paragraph 7.

9. Reports on Form BD. Copies of all reports on Form BD filed with the SEC containing information required to be set forth therein pursuant to paragraph XVIIB of the Final Judgment or the Consent shall be sent simultaneously to the Administrator. To the extent applicable, filing such reports with the NASAA/NASD Central Registration Depository ("CRD") shall be deemed filing in this State.

10. Oversight Committee. In addition to those duties set forth in the Consent, the Oversight Committee created pursuant to Paragraph 30 of the Consent (hereinafter the "Oversight Committee") shall, for a period of three (3) years from the effective date of this Agreement (as hereinafter defined in Paragraph 25) or the effective date of the Consent and Final Judgment whichever is later, oversee internal controls and internal audit, accounting and compliance functions, and shall be responsible for reviewing presentations and recommendations regarding alleged conduct of DBL employees involving potential violations of the State Securities Issues.

11. Ombudsman. The Ombudsman selected pursuant to the provisions of Paragraph 31 of the Consent (hereinafter the "Ombudsman") shall be authorized and directed to receive information concerning violations of the Act, including but not limited to, information relating to the State Securities Issues, and to investigate such matters in consultation with the Oversight Committee.

12. Waiver of Disqualifiers. It is hereby agreed that neither DBL nor any successor shall request waiver of the disqualification provisions of the Regulation "D" Registration Provisions (3 AAC 08.500, Article 4) applicable in this state to become effective until after at least one year from the effective date of this Agreement. DBL may apply for such a waiver to become effective no sooner than one year after the effective date of this Agreement and any such application shall be given good faith consideration upon a showing of substantial compliance by DBL with the terms of this Agreement.

13. Restitution. DBL shall consent to and shall encourage the cooperation of the SEC with the Administrator in structuring the plan described in Section XIV.F. of the Final Judgment (hereinafter the "Plan") to provide, to the extent possible, restitution to residents of this state who were damaged by the conduct alleged in the SEC Complaint or the Information. In connection therewith, once the Plan has been developed by the SEC with input from the Administrator identifying the class or classes of investors who may have been injured by such conduct, DBL agrees, unless the Administrator has determined that appropriate notice will otherwise be given, to assist in notifying such investors by placing advertisements in newspapers designated by the Administrator at least weekly for a period of at least three (3) weeks but not more than six (6) weeks. Such advertisements shall identify the class or classes of persons who may have been injured by the activities of the HYBD and direct them to a source for obtaining more information. Such advertisements shall be reviewed by the Administrator prior to publication and

shall be approved by the Administrator if it is materially different from the class notice approved by a court of competent jurisdiction. DBL agrees to pay the expenses of publication and any reasonable expenses relating to providing additional information to such investors. In the event the Plan contemplates that investors shall be required to adjudicate their claims prior to receiving restitution, DBL agrees that with respect to the claims set forth in the SEC Complaint or the Information, it shall stipulate to the admission in evidence of the Final Judgment and Consent on the terms thereof, and to its pleas of guilty to the charging paragraphs in the Information.

14. Cooperation. DBL shall, consistent with paragraphs 10 and 17 of the Letter Agreement, cooperate with any investigation conducted by the Administrator in connection with the matters addressed by the SEC Complaint, the Information or with alleged violations of the Act as reported to DBL by the Administrator.

15. Examination. In addition to any examination rights under the Act, DBL agrees that the Administrator or his designee has the right to conduct an examination of the books and records of DBL located in the Compliance Department of DBL at its principal office in New York, New York and that such examination, if any, shall occur after the Independent Consultant specified in the Final Judgment has submitted its report(s) pursuant to paragraph XIVA of the Final Judgment to the SEC. Any such examination will, to the extent practical, be coordinated with the

examination of other State Administrators. Such examinations may be conducted annually during the term of this Agreement to determine if there has been compliance with the terms of this Agreement and with the State Securities Issues. The Administrator may delegate all or part of the right to examine under this Paragraph to the examiner of any other state executing a similar agreement with DBL or having similar authority to examine. DBL agrees to pay the expenses of such examination as provided for by statute and if reimbursement for expenses is not covered by a statutory provision, then DBL agrees to pay reasonable expenses as may be incurred.

16. State Liaison. DBL shall designate a senior official of DBL to serve as a liaison and maintain communication with the Administrator during the term of this Agreement ("State Liaison"). The State Liaison shall keep the Administrator informed of the following:

- a. any material claims asserted by any third parties alleging violations of the Act by Drexel or Group;
- b. any material changes which are to be implemented by DBL in its manner of doing business;
- c. any actions brought against Drexel or Group and, to the extent known to DBL, any actions brought against any employees of Drexel or Group relating to the activities of such employee as a member of the HYBD during the period from early 1984 to late 1986;

d. any amendment or modification of the SEC Settlement or the Letter Agreement;

e. any alleged breach of the provisions of the SEC Settlement or the Letter Agreement as submitted for determination to the court administering the SEC Settlement or the Letter Agreement; and

f. any significant procedural changes adopted by the Oversight Committee; and

g. any other significant activities of DBL that would affect its operations or its license in this state.

17. Meetings. After the Independent Consultant has submitted its report(s) under Section XIXA of the Final Judgment, representatives of DBL, including the State Liaison, the General Counsel, the Director of Compliance and a member of the Oversight Committee shall be available to meet with the State Administrators no less than twice a year to discuss:

a. the reports issued pursuant to Paragraphs 4, 5 and 9 hereof;

b. the results of examinations conducted pursuant to Paragraphs 11 and 15, hereof;

- c. continuing compliance with the terms of this Agreement;
- d. any of the items set forth in Paragraph 16 hereof; and
- e. any other items deemed relevant by the parties.

18. Representative. For purposes of Paragraphs 4, 5, 9, 10, 13, 15, 16 and 17 of this Agreement, the Administrator may designate an alternate (hereinafter "Representative") to receive notice, participate in meetings or otherwise interact with DBL. In designating a Representative, the Administrator shall ascertain that such Representative is able to maintain the confidentiality of all reports and information received hereunder to the same or greater extent as the Administrator and such Representative shall be bound by all the provisions of this Agreement that bind the Administrator hereunder including but not limited to provisions regarding confidentiality of documents. While such designation is effective, any notice provided to, meeting with, or other interaction with, the Representative pursuant to the terms of such Paragraphs shall be effective as if such notice, meeting or interaction was directly to or with the Administrator. [Until further written notice to DBL, Lawrence P. Carroll, Senior Securities Examiner, shall serve as the Representative for the Administrator.]

19. Education/Protection Fund. To provide a form of restitution for those investors in this state who may have been injured by the alleged activities of DBL, but who may not be aware of such injury or who may not receive notice of their right to restitution, and as a result make no financial claim, DBL hereby agrees to pay the amount of \$25,000 to an Alaska investor protection and education fund administered or to be administered by the Administrator.

19A. Alternative/Combination Payments. In settlement of any and all claims that may have occurred in this state by reason of the alleged conduct of the HYBD, DBL agrees to pay the amount of \$50,000 which shall be allocated as follows:

a. Fines and penalties in settlement of any violations of the Act, \$25,000;

b. \$25,000 to an Alaska Investor Protection Education fund to provide a form of restitution and other benefits as set forth in paragraph 19 above.

20. Renewal of License and Release. In consideration for the agreements of DBL set forth above, the Administrator hereby agrees, upon execution of this Agreement, to suspend all actions to revoke or suspend the license of DBL as set forth in the Notice and to issue the Amended Order of Registration in the form attached hereto as Exhibit A. The

Administrator agrees to take no further actions against DBL in connection with matters occurring during the period January 1, 1978 to January 24, 1989 arising out of or relating to the matters set forth in the SEC Complaint, the Information, the Letter Agreement, or any conduct involving the HYBD and the employees thereof involving securities trading or transactions in violation of the sections of federal law referenced in the SEC Complaint, the Information or the Letter Agreement; provided, however, should Drexel or Group fail to comply with (i) the terms of this Agreement as determined by an order of the Administrator after a hearing in which DBL shall have the right to participate and to seek judicial review, or (ii) the SEC Settlement or the Letter Agreement in any material respect as finally determined by a court of competent jurisdiction and the failure to comply has not been cured within a reasonable time (as provided for in paragraphs 5, 12 and 13 of the Letter Agreement), the Notice shall promptly be reinstated with the same force and effect as if it were then issued for the first time.

No action or proceeding by the SEC (except a revocation or suspension of DBL's license as a result of an SEC or NASD administrative proceeding), self-regulatory organizations, State regulators or State Attorneys General of another state against DBL and its present or former employees arising out of or relating to the matters alleged in the SEC Complaint or the Information, including but not limited to an action or proceeding alleging failure to supervise with regard to such matters, shall be the basis for vacating or modifying this Agreement or result in any action or proceeding to revoke or suspend the license of DBL in this state.

21. Waiver of Time Periods and Issues. In any hearing held as a result of an alleged breach of this Agreement as set forth in Paragraph 20 above, DBL shall not contest that it pleaded guilty to the violations set forth in the charging paragraphs of the Information or that it consented to the entry of the Final Judgment and Consent relating to the SEC Complaint on the terms thereof. It is further agreed that any time periods for setting a hearing shall commence at the time DBL receives written notice of the reinstatement of the Notice. It is further stipulated that the basis for such hearing would be facts not now known to the Administrator and accordingly the 30-day period set forth in AS 45.55.060(c) of the Act shall not be deemed to commence until the Administrator has actual notice of such breach.

22. Stipulation and Waiver of Privilege. DBL stipulates that until the effectiveness of the Final Judgment and the entry of guilty pleas pursuant to the Letter Agreement, the Administrator does not have knowledge of facts or transactions as contemplated by AS 45.55.060(c) of the Act. In the event the Notice is reinstated as provided in Paragraphs 20 and 21 hereof, it is hereby agreed that all statements made and information provided by DBL to the Administrator or the Independent Consultant, whether prior or subsequent to the effective date of this Agreement, and all evidence derived from such statements or information shall be admissible in evidence and neither Drexel nor Group shall assert any claim under the United States Constitution, any federal statute, any law of this state or otherwise, that such statements or information should be suppressed. It is the intent of the parties executing this Agreement to waive any and all such rights in the foregoing respects.

23. Voluntary Execution. Each of Drexel and Group acknowledges that it is executing this Agreement freely and voluntarily, and that no threats, offers, promises or inducements have been made by the Administrator or any member of his staff to induce Drexel or Group to enter into this Agreement other than those expressly set forth herein or incorporated herein by reference.

24. Expenses. DBL hereby agrees to pay all the reasonable expenses of the Administrator or his agent incurred in connection with the review and execution of this Agreement. Such costs and expenses may be reimbursed to the party paying such costs and expenses upon tender of appropriate documentation indicating the amount of expenses so incurred.

25. Effective Date. This Agreement shall be effective upon execution by DBL and the Administrator.

26. Term of Agreement. Once effective, this Agreement shall remain in effect for a period of three (3) years from the effective day of this Agreement or of the Consent and Final Judgment, whichever is later.

27. Limitations on Release. The agreements of the Administrator herein relate only to Drexel. This Agreement shall not affect the Administrator's right to take any action against any other party, including any employee of Drexel or Group with respect to the matters addressed

herein, nor shall it prevent the Administrator from bringing any action against Drexel or Group relating to any activities outside the matters for which a release is given under paragraph 20. Further, this Agreement is binding only on the Administrator and the Department and not on any other regulatory or law enforcement official or agency. Nothing herein shall prevent the Administrator from cooperating with any other regulatory or law enforcement official or agency in any action arising out of the matters addressed herein to the full extent authorized by law. In connection therewith, the Administrator may share information obtained hereunder as authorized by law; provided, any confidential information shall be shared only with authorities who can and will maintain the confidentiality of such information and who undertake to do so in compliance with the confidentiality provisions of paragraph 4 of this Agreement.

28. Construction. Nothing contained in any provisions of this Agreement shall be construed to limit the obligations of DBL to comply with the requirements of the Act or the rights of the Administrator under the Act. Drexel's and Group's cooperation under this Agreement does not and shall not require that either of them waive their privilege claims including attorney-client or work product privileges.

29. Amendments. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the transactions contemplated hereby and supersedes all prior agreements, arrangements and understandings of the parties related hereto, whether written or oral. This Agreement may be amended, modified, superseded, or cancelled, and any conditions or requirements contained herein may be waived, only by a written instrument executed by all parties hereto.

30. Notice. Any Notice required or permitted hereunder shall be given in writing and shall be sent by facsimile transmission, personally delivered or mailed, first-class, postage prepaid, to the respective addresses of the parties set forth below, or to such other addresses as any party may specify in writing to the other parties hereto. Any notice shall be deemed given and any time period shall run from the date such notice is delivered or placed in the mail postage prepaid.

Drexel or Group:

The Drexel Burnham Lambert Group Inc.  
Drexel Burnham Lambert Incorporated  
60 Broad Street  
New York, New York 10004  
Attention: Saul S. Cohen, Esq.  
General Counsel  
Fax No. 212/635-9270

Administrator:

Lawrence P. Carroll, Senior Securities Examiner  
Alaska Department of Commerce & Economic Development  
P.O. Box D  
Juneau, AK 99811  
Fax No. 907/465-2549

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

DREXEL BURNHAM LAMBERT INCORPORATED

By: /s/ Paul A. Merolla  
Title: Deputy General Counsel

THE DREXEL BURNHAM LAMBERT GROUP INC.

By: /s/ Paul A. Merolla  
Title: Deputy General Counsel

ADMINISTRATOR  
ALASKA DEPARTMENT OF SECURITIES

By: /s/ Willis F. Kirkpatrick  
Willis F. Kirkpatrick, Administrator

On this 14th day of August, 19 89, Willis F. Kirkpatrick, being known to me and who executed the foregoing Agreement, personally appeared before me and did duly acknowledge to me that he was authorized to execute the same on behalf of the Alaska Division of Banking and Securities.

/s/ Jo Ann Schultz  
Notary Public  
My Commission Expires: 2/13/93

On this 23rd day of August, 1989, Paul A. Merolla, being known to me and who executed the foregoing Agreement, personally appeared before me and did duly acknowledge to me that he was authorized to execute the same on behalf of Drexel Burnham Lambert Incorporated.

/s/ Mary Frances Farrell  
Notary Public  
My Commission Expires: 7/20/91

**MARY FRANCES FARRELL**  
Notary Public, State of New York  
No. 03-4901171  
Qualified in Bronx County  
Commission Expires on July 20, 1991

On this 23rd day of August, 1989, Paul A. Merolla, being known to me and who executed the foregoing Agreement, personally appeared before me and did duly acknowledge to me that he was authorized to execute the same on behalf of The Drexel Burnham Lambert Group, Inc.

/s/ Mary Frances Farrell

~~Notary Public~~  
My Commission Expires: 7/20/91

**MARY FRANCES FARRELL**  
Notary Public, State of New York  
No. 03-4901171  
Qualified in Bronx County  
Commission Expires on July 20, 1991