

At a Special Term, Part II of  
the Supreme Court of the State of  
New York, held in and for the  
County of New York, at the  
Courthouse, 60 Centre Street,  
Borough of Manhattan, State of  
New York, on the 28th day of  
October, 1985.

P R E S E N T :

HON. THOMAS J. HUGHES

Justice

----- X

THE STATE OF NEW YORK, :

Plaintiff, :

-against- :

E.F. HUTTON & COMPANY INC., :

Defendant. :

JUDGMENT OF  
PERMANENT INJUNCTION

Index No.  
43176/85

----- X

The plaintiff having duly brought this action by the service of a summons and verified complaint for a judgment of permanent injunction, and defendant E.F. Hutton & Company Inc. (“Hutton”) having appeared and admitted to the jurisdiction of the Court over it and over the subject matter of this action; having waived its right to a trial, argument or adjudication of any issues of law or fact herein; having admitted the allegations of the verified complaint and having consented to the entry of this judgment of permanent injunction;

Now, on reading and filing the summons and verified complaint herein and the consent of the defendant, and due deliberation having been had, it is hereby:

ORDERED, ADJUDGED AND DECREED,

(i) Within 120 days of the entry of the judgment of permanent injunction herein, Hutton shall change the central disbursing account from which payments to customers of branch offices within the State of New York are (unless otherwise requested by the customers) made from one at the Bank of America, California, to one at a bank within this State;

(ii) Within 30 days of the entry of the judgment of permanent injunction herein, Hutton shall issue a memorandum to all corporate directors, officers and employees setting forth and reiterating that it is Hutton's policy to remit funds to customers expeditiously and without undue delay upon valid requests for payment by customers including, but not limited to, requests for proceeds of securities transactions, bond redemptions, and payments of dividends and interest. Hutton shall take any and all steps necessary to insure that this policy is implemented and adhered to;

(iii) Hutton shall include within the memorandum described in paragraph (ii) above a statement that nothing contained in the memoranda annexed hereto as Exhibits 1 and 2 should be construed to condone or permit any departure from the policy described in paragraph (ii) above;

(iv) Within 30 days of the entry of the judgment of permanent injunction herein, Hutton shall design and institute controls to insure that any written communication from staff personnel to regional and branch office employees regarding Hutton policies or procedures has been approved in writing by the applicable division head or his designee;

(v) Within 90 days of the entry of the judgment of permanent injunction herein, Hutton shall complete a review of its internal audit procedures in order to identify any

deficiencies which may exist in Hutton's ability to detect practices which would be harmful to its customers, such as undue delays in honoring valid requests for the disbursement of funds or the delivery of securities to customers, undue delays in crediting funds received for deposit to customer accounts, and undue delays in responding to customer complaints. The results of this review shall be promptly reported to the Attorney General;

(vi) Within 90 days after the completion of the review described in paragraph (v) above, Hutton shall promulgate in writing revised formal internal audit procedures which address and eliminate such deficiencies as may be discovered during the review described in paragraph (v) above. A copy of the revised audit procedures shall be disclosed to the Attorney General. Hutton shall implement the revised audit procedures and shall thereafter monitor and review the procedures and update them when appropriate to insure that the audit subjects and methods are reasonably constructed and implemented to detect and remedy any practices which may be harmful to Hutton's customers;

(vii) During a period of between thirteen and thirty months after the entry of the judgment of permanent injunction herein, Hutton shall make special audits for the Attorney General of no fewer than five branch offices located in this state to determine the existence of any practices which might be harmful to Hutton's customers, including, without limitation, those described in paragraph (v) above. These special audits shall take place without prior notice to any branch personnel and at such times and at such branches as may be determined by Hutton and the Attorney General. Within 45 days of the completion of each such special audit, Hutton shall take appropriate measures to remedy and correct any practices harmful to customers which may be disclosed by the audits, including, without limitation, those practices described in paragraph (v) above, and shall report to the Attorney General the procedures employed by the

auditors, the auditors' findings and recommendations, and the nature and results of any corrective measures undertaken;

(viii) Within 90 days of the entry of the judgment of permanent injunction herein, Hutton shall augment its existing procedures (a) to require all employees who resolve operational customer complaints to maintain written records reflecting the nature of each such complaint, the date of its receipt, the date and nature of its resolution or other disposition and the employee's finding as to the validity and underlying cause of the complaint; (b) to require Hutton's internal auditors to undertake a systematic quarterly analysis and comparison of such records for the purpose of detecting and reporting to appropriate management any recurring or pervasive problems;

(ix) Hutton shall comply fully with each of the prohibitions and undertakings set forth in the Notice of Plea Agreement and Plea Agreement entered on May 2, 1985 in United States v. E.F. Hutton & Company Inc., Crim. No. 85-00083 (M.D. Pa.) and in the Final Judgment of Permanent Injunction and Ancillary Relief entered on the same day in the related civil action entitled United States v. The E.F. Hutton Group Inc. and E.F. Hutton & Company Inc., Civ. No 85-0601 (M.D. Pa.);

(x) Hutton shall expeditiously complete the implementation of the recommendations set forth in the report of Griffin Bell dated September 4, 1985;

(xi) Hutton shall provide its Regional Vice Presidents for the Northeast and Atlantic Regions with sufficient information regarding Hutton's cash concentration policies and practices so that they will be able to recognize and report significant branch or regional deviations therefrom in this state;

(xii) For a period of one year following the entry of the judgment of permanent injunction herein, Hutton shall submit a report in the first week of each calendar quarter concerning its compliance with and implementation of each element of the instant judgment;

(xiii) This judgment is not based on any finding of fraud or deceit in the sale of securities or in any activity in connection with the purchase or sale of any security and is not and shall not be construed as an injunction, order, judgment or decree which would cause any statutory disqualification or bar of Hutton or any of its affiliates in this state;

(xiv) Within two days of the entry of judgment herein Hutton shall reimburse the State of New York in the sum of (\$100,000).

E N T E R

SEAL

/s/ Thomas J. Hughes  
J.S.C.

Norman Goodman  
Clerk

FILED  
Oct 28, 1985  
COUNTY CLERK'S OFFICE  
NEW YORK





EF Hutton & Company Inc  
One Battery Park Plaza  
New York, New York 10004  
Tel. (212) 742-5153

*Memo from Thomas E. Lillis – Vice President & Assistant Controller*

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[Handwritten Note]

1/27/82

The attached memo was sent to all SE BOMs as shown.

We provided most of the suggestions. It was subsequently given to all the BOMs in the Midwest and Pacific South regions when they were in N.Y. at the end of last year.

Tom

P.S. PacSouth is worst for interest profits. Midwest is 2nd worst.

# Inter-Office Memorandum

EFHutton

TO All Branch and Satellite Managers

Page 1

FROM Joe McAdams/Gene Cahalan

SUBJECT Net Interest Profits

DATE October 21, 1980

Net interest profits are a vital aspect of every branch's profitability. In leaner times they sometimes represented the difference between a profit and a loss for a branch. Fortunately this is not true today, however, net interest profits still account for approximately 50% of the average branch's profits. And by paying insufficient attention to net interest profits, a branch may be ignoring potential revenue that would be brought directly to the "bottom line".

This memo gives an overview of the primary ways that net interest profits are generated, and it provides a list of suggestions that could improve a branch's net interest profits. This list is by no means all inclusive, and it would be appreciated greatly if any additional suggestions could be sent to us.

Interest profits are derived from four main categories:

1. Margin Accounts. The branch is credited with the charge to customer, which ranges from ½% to 2 ½% above the call loan rate. In turn, the office is charged with the call rate cost of the money.
2. Short Positions. The branch receives the full call rate on both the proceeds of the short sale and the additional margin, if any, put up in cash by customers as a result of the short. There is no charge to the branch. For example, if a customer sells short 100 shares at 50, and deposits in cash the required 50%, the office is credited with the call rate on \$7,500. However, where a customer sells short at 50 and uses SMA rather than depositing new money, the credit will be based on only \$5,000.
3. Free Credit Balances. These are customer net settled credit balances in cash and margin accounts. The branch is credited with the call rate on free credit balances, and is charged with cash account debit balances after settlement date.

4. Interest on General Ledger Balances. The branch earns interest on all credit balances in its general ledger and is charged for all debit balances, both at the call rate. The lion's share of the interest profit generated in this category is due to the float earned on BOA checks and overdrafting the branch's bank account.

(Note-For the first nine months of 1980, the first three of the preceding categories accounted for approximately 55% and the fourth for approximately 45% of the Southeast Region's net interest profits.)

The following are suggestions that could increase your interest profits:

1. Develop short sales. The profit impact of short sales, including shorts against the box, are obvious. The net interest profit impact of a short sale can be over ten times the impact of an equal dollar amount of a margin debit.
2. Develop more margin accounts. The branch earns the difference between the rate the customer is charged and the call rate.
3. Improve branch profitability. As noted earlier, the branch earns interest on all general ledger credit balances and is charged for all debit balances at the call-rate. Thus improved profitability, through either cost reduction (lower net debits) or increased production (higher net credits), will also lead to higher net interest profits.
4. Overdraft the branch's bank account. A memo on this subject was sent to all branch office managers on 10/7/80.
5. Insure that Cash Reserve is liquidated on settlement date, not on the extension day. If Cash Reserve is liquidated on the extension day, the customer has unjustly earned and the branch has been charged with two days interest.
6. Always pay BCA drafts rather than local checks. The branch earns interest until the BCA draft clears. The use of local checks also has an adverse effect on a branch's ability to overdraft its bank account.
7. Delivery vs. Payment (DVP). As a matter of policy, no DVP should be accepted for any individual customer's account, even though it may appear to be a bank DVP. DVP's continue to cost

each branch thousands of dollars in interest per year. The interest charges often are virtually equal to the commissions earned on these transactions.

The manager, before approving any account that qualifies for DVP, such as banks, investment companies, insurance companies, or corporations, should ascertain that the A/E has given the Margin Department proper standing instructions so that delivery vs. payment can be completed by settlement day.

8. Strengthen procedures to collect customer payments for cash accounts on, or before, settlement date. Try to convince the AE s that it is easier to call their customers with net figures on trades so as to avoid disagreements over net interest charges beyond settlement date, particularly when they know that:
  - a. Confirm will be late.
  - b. Customer is traditionally slow in paying.
  - c. Customer lives in an area with poor mail service.
  - d. There is a large amount of money due.
  - e. It is a Syndicate item.
  - f. CBOE options - - settle next day. The settlement date is the date interest is charged for inter-branch purpose.
  - g. Trade hits wrong account.
9. Review the branch's Type I Interest List. Determine what AE's are lax in getting their customers to settle on time and discuss the reasons for this with them.
10. Review the branch's Fixed Rate Interest List. Are the reasons these concessions were based on still valid? (i.e. lower rate in return for a certain level of expected production or balance in an account.)
11. Transfer free credit balances in "flat" commodity accounts to stock accounts. The branch earns nothing on free credits in commodity accounts, but it does on stock accounts.
12. Be hesitant to prepay commissions due an AE. Since the branch is charged interest at the call rate for this, you are making an interest-free loan to the AE.
13. Try to mail confirmations as early in the day as possible. (Before 10 A.M.)

14. Attempt to mail drafts late in the afternoon. The branch may earn an extra day of float by doing this.
15. Discourage automatic dividend payouts whenever possible in cash accounts and encourage automatic dividend payouts in margin accounts.
16. Suggest that the AE's mark cash account sales "XS" unless the customer specifically requests that the proceeds be mailed out on settlement date. This has the additional benefit of keeping funds in the account for reinvesting.
17. Convince AE's not to mail out small credit balances at the end of the month, unless the customer requests that they receive small credits, or if the account is flat on positions and the money is under \$\_\_\_\_\_. This will also save on postage. (Double savings.)
18. Be reluctant to write off debit interest for late payments, especially if an extension was obtained or CRM was sold late.
19. Be judicious in adjusting interest on Cash Reserve orders.

Joe

Gene

GC/kb

cc: R. Williams  
J. Daniel  
C. McIntire





EF Hutton & Company Inc  
One Battery Park Plaza  
New York, New York 10004  
Tel. (212) 742-5153

*Memo from Thomas E. Lillis – First Vice President  
Assistant Controller*

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[Handwritten]

Borris – Pacific North – Perhaps nothing new here, but certainly same timely reminders –

JPB

cc: Bob Mollis

November 1, 1982

Distribution:

Each region has offices which can use a few ways to increase interest income. With falling interest rates it is impossible to maintain interest profitability.

I have enclosed a collection of methods used to maximize interest income in the retail branches.

Tom

TL/amm  
/att.

Distribution:

T. Belshe  
P. Crabtree  
A. Dorse  
D. Frey  
H. Kawahara  
J. Latshaw  
J. Lichstein  
R. Williams  
R. Witt

## INTER-OFFICE MEMORANDUM

To \_\_\_\_\_  
FROM Louis Milazzo  
DATE October 19, 1982  
SUBJECT HOW TO INCREASE INTEREST INCOME

INTEREST ON CUSTOMER BALANCES

Customer Interest Income for the average retail office for the year to date (August, 1982) was earned as follows:

68% Free credits less the cost of cash debits  
17% Margin debits  
14% Short credits  
1% Interest charged to customers with cash  
debit balances

Interest Earned on Free Credits is combined with the Cost of Cash Debits on the P&L. Branches earn interest on free credits at the current call rate.

Free Credit Income can be increased by:

Expediting delivery of confirms to customers (non-margin) to increase payments made prior to settlement date; thus creating from credit balances.

Have large non-margin funds picked up directly from customers.

Pick up mail (checks received) from post office more frequently.

Limit type "T" trades.

Delay paying out customer credit balances; then suggest Money Market Fund (MMF).

Limit number of customers on automatic dividend.

Cost of Cash Debits can be reduced by:

Having AE stress to cash customers that purchases must be paid for on time or they will incur an interest charge.

Charge interest to customers when they fail to send in funds on time.

Charge AE if he waives interest charge to customer or when AE is at fault.

Make sure MMF is sold on or as of settlement date to cover buy trades.

Adjust customer interest when MMF is not sold on settlement date; or charge AE if he waives interest cost to customer.

Collect customer funds for cash debits as soon as possible.

Costs Other in most retail offices this represents interest due to late buys of MMF or late payout of credit balances. This cost is calculated at the MMF rate and is offset by free credit income earned at the call rate.

Charge AE a processing fee since he may have suggested that his customer claim interest or he may be at fault in generating adjustment.

Margin Interest is charged to the branch at the call rate. Branches charge customers at an average of 1.1% above the call rate and this spread represents their earnings on margin debits. Margin interest can be increased by:

Limiting the number of customers on fixed interest rates.

Offering customer loans at 1/2% over the call rate using margin account which is lower than any bank or consumer loan rate.

Short Credits Interest is earned by the branch at the call rate. As with free credits, if the call rate is 11%, branches earn 10 times more on short credits than on margin debits.

Suggest short trades where customer or market is bearish.

Many customers will not trade on margin due to high interest cost. No interest is charged to the customer on short balances except for weekly mark-to-market losses which are moved to the margin account. Mark-to-market profits are also moved to the margin account creating free credits for the branch which can be used to purchase MMF for the customer.

INTERST ON GENERAL LEDGER BALANCES

On General Ledger accounts branches are charged interest on debit balances and earn interest on credit balances at the call rate.

Interest on Bank Account:

A well-trained cashier can earn an office more than an AE when the firm's banking policy is followed and the bank account is properly managed.

Use a bank that will give you next-day Federal Funds on all customer check deposits.

Limit use of local bank checks.

Interest Earned on Outstanding Checks:

Use only firm disbursement checks (BCA or UST) for payouts.

Have customer deposit in his security account funds that are to be used for Insurance and Tax Shelter purchases, then issue a BCA check from the customer's account to make payment. Branch will earn interest on outstanding check balances until check clears Bank of America.

Review the fluctuations in interest income and expense on your branch P&L with the Regional Interest Coordinator or N.Y. Accounting.

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

----- X

THE STATE OF NEW YORK, :

Plaintiff, :

-against- :

SUMMONS

E.F. HUTTON & COMPANY INC., :

Index No.  
43176/85

Defendant. :

----- X

TO THE ABOVE NAMED DEFENDANT:

YOU ARE HEREBY SUMMONED to answer the Complaint in this action and serve a copy of your Answer, or if the complaint is not served with a Summons, serve a Notice of Appearance on the plaintiff's attorney within twenty (20) days after the service of this Summons, exclusive of the day of service. In case of your failure to appear or answer, judgment will be taken against you by default, for the relief demanded in the Complaint.

Dated: New York, New York  
October 28, 1985

ROBERT ABRAMS  
Attorney General of the  
State of New York  
Attorney for Plaintiff  
Office & P.O. Address  
Two World Trade Center  
New York, New York 10047  
(212) 488-7563

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

----- x

THE STATE OF NEW YORK, :

Plaintiff, :

-against- :

VERIFIED COMPLAINT

E.F. HUTTON & COMPANY INC., :

Index No.  
43176/85

Defendant. :

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Plaintiff, by Robert Abrams, Attorney General of the State of New York, complaining of the above-named defendant, alleges as follows:

1. This action is brought in the name of the State of New York by Robert Abrams, Attorney General of the State of New York with offices at Two World Trade Center, New York, New York 10047, pursuant to his authority under section 353(2) of the General Business Law.

2. The defendant, E.F. Hutton & Company Inc. (“Hutton”), is a Delaware corporation which maintains its principal place of business at 1 Battery Park Plaza, New York, New York 10004 and has 35 branch offices in this State.

3. Hutton is, and at all times relevant hereto has been, registered as a broker-dealer in securities with the New York Department of Law, as required by Article 23-A of the General Business Law.

4. Hutton is, and at all times relevant hereto has been, engaged in the offer and sale of securities to the public within and from this State.

5. On May 2, 1985, the United States of America filed a criminal information against Hutton in the United States District Court for the Middle District of Pennsylvania, alleging that Hutton had committed mail and wire fraud in violation of 18 U.S.C. §§ 1341 and 1343.

6. The information charged, in part:

SCHEME TO DEFRAUD

[A.] Beginning on or about July 1, 1980 and continuing through February 28, 1982, in the Middle District of Pennsylvania and elsewhere, the defendant Hutton Company devised and intended to devise a scheme and artifice to defraud and obtain money from various banks and financial institutions with which the defendant Hutton Company had established depository relationships, as more fully set forth below.

OBJECT OF THE SCHEME

[B.] The object of the defendant's scheme and artifice to defraud was to obtain interest free funds by means of intentional overdrafting of various of its depository bank accounts, in the manner and means more fully described herein.

MANNER AND MEANS OF EFFECTING  
THE SCHEME AND ARTIFICE TO DEFRAUD

[C.] It was part of said scheme and artifice to defraud that the defendant Hutton company would fraudulently misuse its depository bank accounts, for the purpose of obtaining the interest-free use of bank funds, by the following activities, including manipulating the check collection system and

procedures of the Federal Reserve System and causing repeated and substantial drawings against uncollected funds:

- (a) drawing down arbitrary amounts, unrelated to, and in excess of, the volume of customer funds deposited, and thereafter covering such excessive drawdowns by depositing checks drawn upon zero balance accounts of the defendant Hutton Company; and
- (b) causing funds to be successively transferred between various branch and regional depository bank accounts of the defendant Hutton Company, prior to their deposit in a prime depository bank, thereby inflating the funds drawn down so that they exceeded the amount of customer funds originally deposited; and (i) utilizing in conjunction therewith formulas and methods by which the actual amount of customer funds was excessively multiplied or otherwise arbitrarily increased and (ii) exploiting the opportunities for delayed clearing times of items deposited into the defendant's branch and regional depository banks.

During the period from July 1, 1980 through February 28, 1982, the defendant Hutton Company's drawings against uncollected funds aggregated well in excess of \$1 billion.

7. On the same day, in accordance with a plea agreement between Hutton and the United States, Hutton pleaded guilty to and was convicted of the 2,000 counts of mail and wire fraud contained in the information, felonies under federal law, and was ordered to make restitution to any banks affected by the conduct giving rise to the information and plea.

8. In a companion civil proceeding, Hutton and its corporate parent, The E.F. Hutton Group Inc., consented to entry of a permanent injunction pursuant to 18 U.S.C. § 1345, enjoining them from violations of the aforesaid mail and wire fraud statutes and of the bank fraud statute (18 U.S.C. § 1344). The injunction specifically prohibits the practices charged in the

information, and certain other banking practices, mandates certain disclosures by Hutton to the banks with which it does business and requires Hutton to institute revised corporate procedures and policies to preclude future violations and to instruct approximately 1,200 of its corporate officers and employees as to compliance with the permanent injunction.

9. Pursuant to Section 353(2) of the General Business Law, by reason of Hutton's felony convictions and the underlying fraudulent conduct directed against certain banks, a permanent injunction should be granted as set forth below.

10. Plaintiff has no adequate remedy at law.

11. This complaint is not based on any finding of fraud or deceit in the sale of securities or in any activity in connection with the purchase or sale of any security and the judgment entered hereon is not and shall not be construed as an injunction, order, judgment or decree which would cause any statutory disqualification or bar of Hutton or any of its affiliates in this state;

WHEREFORE, plaintiff demands entry of a permanent injunction against defendant:

(i) Within 120 days of the entry of the judgment of permanent injunction herein, Hutton shall change the central disbursing account from which payments to customers of branch offices within the State of New York are made (unless otherwise requested by the customers) from one at the Bank of America, California, to one at a bank within this State;

(ii) Within 30 days of the entry of the judgment of permanent injunction herein, Hutton shall issue a memorandum to all corporate directors, officers and employees setting forth and reiterating that it is Hutton's policy to remit funds to customers expeditiously and without undue delay upon valid requests for payment by customers including, but not limited to, requests for proceeds of securities transactions, bond redemptions, and payments of dividends and interest. Hutton shall take any and all steps necessary to insure that this policy is implemented and adhered to;

(iii) Hutton shall include within the memorandum described in paragraph (ii) above a statement that nothing contained in the memoranda annexed hereto as Exhibits 1 and 2 should be construed to condone or permit any departure from the policy described in paragraph (ii) above;

(iv) Within 30 days of the entry of the judgment of permanent injunction herein, Hutton shall design and institute controls to insure that any written communication from staff personnel to regional and branch office employees regarding Hutton policies or procedures has been approved in writing by the applicable division head or his designee;

(v) Within 90 days of the entry of the judgment of permanent injunction herein, Hutton shall complete a review of its internal audit procedures in order to identify any deficiencies which may exist in Hutton's ability to detect practices which would be harmful to its customers, such as undue delays in honoring valid requests for the disbursement of funds or the delivery of securities to customers, undue delays in crediting funds received for deposit to customer accounts, and undue delays in responding to customer complaints. The results of this review shall be promptly reported to the Attorney General;

(vi) Within 90 days after the completion of the review described in paragraph (v) above, Hutton shall promulgate in writing revised formal internal audit procedures which address

and eliminate such deficiencies as may be discovered during the review described in paragraph (v) above. A copy of the revised audit procedures shall be disclosed to the Attorney General. Hutton shall implement the revised audit procedures and shall thereafter monitor and review the procedures and update them when appropriate to insure that the audit subjects and methods are reasonably constructed and implemented to detect and remedy any practices which may be harmful to Hutton's customers;

(vii) During a period of between thirteen and thirty months after the entry of the judgment of permanent injunction herein, Hutton shall make special audits for the Attorney General of no fewer than five branch offices located in this state to determine the existence of any practices which might be harmful to Hutton's customers, including, without limitation, those described in paragraph (v) above. These special audits shall take place without prior notice to any branch personnel and at such times and at such branches as may be determined by Hutton and the Attorney General. Within 45 days of the completion of each such special audit, Hutton shall take appropriate measures to remedy and correct any practices harmful to customers which may be disclosed by the audits, including, without limitation, those practices described in paragraph (v) above, and shall report to the Attorney General the procedures employed by the auditors, the auditors' findings and recommendations, and the nature and results of any corrective measures undertaken;

(viii) Within 90 days of the entry of the judgment of permanent injunction herein, Hutton shall augment its existing procedures (a) to require all employees who resolve operational customer complaints to maintain written records reflecting the nature of each such complaint, the date of its receipt, the date and nature of its resolution or other disposition and the employee's finding as to the validity and underlying cause of the complaint; (b) to require Hutton's internal

auditors to undertake a systematic quarterly analysis and comparison of such records for the purpose of detecting and reporting to appropriate management any recurring or pervasive problems;

(ix) Hutton shall comply fully with each of the prohibitions and undertakings set forth in the Notice of Plea Agreement and Plea Agreement entered on May 2, 1985 in United States v. E.F. Hutton & Company Inc., Crim. No. 85-00083 (M.D. Pa.) and in the Final Judgment of Permanent Injunction and Ancilliary Relief entered on the same day in the related civil action entitled United States v. The E.F. Hutton Group Inc. and E.F. Hutton & Company Inc., Civ. No 85-0601 (M.D. Pa.);

(x) Hutton shall expeditiously complete the implementation of the recommendations set forth in the report of Griffin Bell dated September 4, 1985;

(xi) Hutton shall provide its Regional Vice Presidents for the Northeast and Atlantic Regions with sufficient information regarding Hutton's cash concentration policies and practices so that they will be able to recognize and report significant branch or regional deviations therefrom in this state;

(xii) For a period of one year following the entry of the judgment of permanent injunction herein, Hutton shall submit a report in the first week of each calendar quarter concerning its compliance with and implementation of each element of the instant judgment;

(xiii) This judgment is not based on any finding of fraud or deceit in the sale of securities or in any activity in connection with the purchase or sale of any security and is not and shall not be construed as an injunction, order, judgment or decree which would cause any statutory disqualification or bar of Hutton or any of its affiliates in this state;

(xiv) Within two days of the entry of judgment herein Hutton shall reimburse the State of New York in the sum of One Hundred Thousand Dollars (\$100,000).

Dated: New York, New York  
October 28, 1985

ROBERT ABRAMS  
Attorney General of the  
State of New York  
Office and P.O. Address  
Two World Trade Center  
New York, New York 10047  
(212) 488-7563

STATE OF NEW YORK    )  
                                  :  
COUNTY OF NEW YORK )    SS.:

Howard Newman, being duly sworn, deposes and says:

That I am an Assistant Attorney General in the office of Robert Abrams, Attorney General of the State of New York; and that I have read the foregoing complaint and know the contents thereof; that the same is true to my own knowledge except as to the matters therein stated to be alleged on information and belief and as to those matters I believe it to be true.

That the reason this verification is made by your deponent and not by the State of New York is that the State of New York is a body politic and sovereign acting through its officials and agents; that the source of your deponent's knowledge and the grounds of my belief are investigations caused to be made by the Department of Law of the State of New York and documents and records made available to it.

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HOWARD NEWMAN

Sworn to before me this  
25<sup>th</sup> day of October, 1985

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Assistant Attorney General  
of the State of New York

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK

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THE STATE OF NEW YORK,	:	
	:	
Plaintiff,	:	
	:	
-against-	:	<u>CONSENT</u>
	:	
E.F. HUTTON & COMPANY INC.,	:	Index No.
	:	43176/85
Defendant.	:	

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1. The defendant E.F. Hutton & Company Inc. (“Hutton”):
  - (i) admits the allegations of the complaint;
  - (ii) admits the jurisdiction of the Court over it and over the subject matter of this action;
  - (iii) admits the service upon it of the Summons, Verified Complaint and proposed judgment of permanent injunction in this action;
  - (iv) waives the filing of an Answer;
  - (v) waives all rights to a trial on the merits;
  - (vi) enters an appearance in this action; and
  - (vii) hereby consents to the entry of the proposed judgment of permanent injunction without further notice.
  
2. Hutton hereby waives any right it may have to appeal from the entry of the proposed judgment of permanent injunction.

3. Hutton enters into this Consent voluntarily.

Date: New York, New York  
October 28, 1985

E.F. HUTTON & COMPANY INC.

BY Scott Pierce  
(Name and Title)  
President

Witness:

CAHILL GORDON & REINDEL  
(a partnership including  
professional corporations)  
80 Pine Street  
New York, New York 10005  
Attorneys for Defendant

By \_\_\_\_\_  
Thomas J. Kavalier

