

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

Litigation Release No. 12061 /April 13, 1989

SECURITIES AND EXCHANGE COMMISSION v. DREXEL BURNHAM LAMBERT  
INCORPORATED, DREXEL BURNHAM LAMBERT GROUP INCORPORATED, ET AL.,  
88 CIV. 6209 (MP) (S.D.N.Y. 1988)

The Securities and Exchange Commission ("Commission") today announced that it has approved a settlement with defendants Drexel Burnham Lambert Incorporated and The Drexel Burnham Lambert Group Inc. (jointly referred to as "Drexel") of the Commission's civil injunctive action filed in September 1988. \*/ The settlement provides for the entry of a Final Judgment of Permanent Injunction ("Final Judgment"), three administrative orders to be issued by the Commission, and the submission by Drexel of its Consent and Undertakings ("Consent").

SUMMARY OF PROVISIONS

Drexel will consent, without admitting or denying the allegations in the Commission's Complaint, to:

- o be permanently enjoined with respect to every violation of the federal securities laws alleged in the Commission's civil injunctive action, including antifraud provisions;
- o be placed by the Commission on administrative probation for three years (applicable to Drexel Burnham Lambert Incorporated);
- o pay \$350 million into a fund for the benefit of persons injured by Drexel's violations of the federal

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\*/ See Litigation Release No. 11859. Simultaneous with this announcement, the Commission also announced that it has approved a settlement that resolves the Commission's civil injunctive action as to codefendant Cary J. Maultasch. See Litigation Release No. 12062. The Commission's civil injunctive action against codefendants Michael R. Milken, Lowell J. Milken, Pamela R. Monzert, Victor Posner, Steven N. Posner and Pennsylvania Engineering Corporation is continuing. The Commission and Drexel will file a joint motion requesting the United States Court of Appeals for the Second Circuit to modify, for the limited purpose of entering and administering the Final Judgment, the stay previously entered in this case.

securities laws, in accordance with Drexel's agreement with the United States Attorney;

- o pay \$15 million as a civil penalty under the Insider Trading Sanctions Act of 1984, as part of \$300 million in civil and criminal penalties agreed to with the United States Attorney;
- o cooperate in the Commission's continuing investigations; and
- o retain an independent special reviewer to review investment company related operations of Drexel.

In order to improve its compliance with the federal securities laws, Drexel will:

- o elect three independent directors acceptable to the Commission to the board of directors and establish an independent Oversight Committee which will oversee compliance functions;
- o elect or appoint persons who are acceptable to the Commission to the positions of Chairman of the Board of Directors of The Drexel Burnham Lambert Group Inc., general counsel, director of compliance, senior trading official and member of the Executive Committee of Drexel Burnham Lambert Incorporated who will reside in the Los Angeles area and be responsible for the operations of the Beverly Hills office;
- o transfer the equity and convertible securities trading functions from the Drexel Beverly Hills office to Drexel's New York headquarters office;
- o provide internal monitoring of Drexel's Beverly Hills high yield securities activities through supervisors acceptable to the Commission;
- o permit the Commission and an independent accounting firm selected by the Commission to monitor high yield securities activities for the next three years;
- o disassociate Michael R. Milken and certain other individuals from Drexel's business;
- o implement investment limitations and disclosure requirements for key personnel;
- o appoint an Ombudsman for employees; and

- o cooperate in a review by independent consultants of compliance related policies and investment company activities and adopt and implement recommendations made by the consultants and the Commission for additional changes in policies and procedures.

### THE CIVIL INJUNCTIVE ACTION

In its Complaint in the civil injunctive action, the Commission alleges that from early 1984 through late 1986, Drexel and others devised and carried out a fraudulent scheme involving insider trading, stock manipulation, fraud on Drexel's own clients, failure to make required disclosures of beneficial ownership of securities and violations of the margin rules, as well as other violations. According to the Complaint, Drexel and Michael R. Milken had a secret arrangement with Ivan F. Boesky pursuant to which at least sixteen transactions were made in contravention of the federal securities laws. The Complaint also alleges that on at least two other occasions, in transactions not involving Boesky, Drexel and Milken traded while in possession of material nonpublic information obtained through misappropriation or in breach of a fiduciary duty owed to a client of Drexel.

The settlement of the civil injunctive action includes the submission by Drexel of its Consent, entry by the Court of the Final Judgment, an administrative proceeding under the Exchange Act and the issuance by the Commission of orders relating to the Investment Company Act of 1940 ("1940 Act") and the Investment Advisers Act of 1940 ("Advisers Act").

### THE FINAL JUDGMENT AND THE CONSENT

Drexel will consent to the entry of the Final Judgment by the United States District Court for the Southern District of New York. The Final Judgment will become effective after Drexel enters guilty pleas pursuant to the letter agreement dated January 24, 1989, between Drexel and the United States Attorney for the Southern District of New York ("Letter Agreement"), a copy of which is attached to the Final Judgment as Exhibit A. (Consent ¶ 7, p. 3; Final Judgment Section XXV, p. 63) The following terms are included in the Final Judgment and Drexel's Consent and Undertakings:

#### A. STATUTORY INJUNCTION PROVISIONS

Drexel will be enjoined from violating or aiding and abetting violations of the following provisions of the federal securities laws:

1. Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder --

- antifraud in connection with the purchase or sale of securities (Final Judgment Section I, p. 2);
2. Section 14(e) of the Exchange Act and Rule 14e-3 thereunder -- antifraud in connection with a tender offer (Final Judgment Section II, p. 3);
  3. Section 10(b) of the Exchange Act and Rule 10b-6 thereunder -- antifraud in connection with a distribution of securities (Final Judgment Section III, p. 6);
  4. Section 17(a) of the Securities Act of 1933 -- antifraud in connection with the offer or sale of securities (Final Judgment Section IV, p. 9);
  5. Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 thereunder -- disclosure of beneficial ownership of securities (Final Judgment Section V, p. 10);
  6. Section 9(a)(2) of the Exchange Act -- antimanipulation (Final Judgment Section XI, p. 15);
  7. Section 14(a) of the Exchange Act and Rule 14a-9 thereunder -- proxy solicitation disclosure requirements (Final Judgment Section X, p. 14);
  8. Sections 7(c) and 7(f) of the Exchange Act and Regulations T and X thereunder -- margin requirements (Final Judgment Sections VI and VIII, pp. 11 and 12);
  9. Section 17(a)(1) of the Exchange Act and Rules 17a-3 and 17a-4 thereunder -- recordkeeping requirements (Final Judgment Section VII, p. 12); and
  10. Section 15(c)(3) of the Exchange Act and Rule 15c3-1 thereunder -- net capital rules (Final Judgment Section IX, p. 13).

**B. PERSONNEL CHANGES**

Under the terms of the settlement, Drexel will make the following changes in firm personnel and structure:

1. Drexel will add to its Boards of Directors, and maintain for a period of at least three years, at least three independent directors acceptable to the Commission, who are not now and have not

previously been employed by or been an associated person of Drexel. (Consent ¶ 28, p. 22)

2. For a period of three years, the Chairman of the Board of Directors of The Drexel Burnham Lambert Group Inc. (of which Drexel Burnham Lambert Incorporated is a wholly owned subsidiary) will be an individual who is acceptable to the Commission. (Consent ¶ 29, p. 23)
3. Drexel will create and maintain for a period of at least three years an Oversight Committee of the Board of Directors of The Drexel Burnham Lambert Group Inc., at least a majority of the members of which will be independent directors. The Oversight Committee will have oversight responsibility for internal controls and internal audit, accounting and compliance functions. It will also review presentations and recommendations regarding alleged federal securities laws violations by employees, failures by employees to cooperate with governmental authorities or persons appointed pursuant to the Final Judgment to conduct reviews of Drexel's business, and violations of Drexel's compliance procedures, and determine whether and what disciplinary action may be appropriate. (Consent ¶ 30, pp. 23-24)
4. For a period of three years, Drexel will employ individuals acceptable to the Commission in the positions of general counsel and director of compliance. These individuals will report at least every 60 days to the Oversight Committee and will each have the authority to cancel or revoke securities transactions executed by other Drexel personnel. (Final Judgment Section XV, paragraph A.1, p. 29)
5. Drexel will create a new position for a senior trading official and, for a period of three years, will appoint an individual to that position who is acceptable to the Commission. The senior trading official will be responsible for reviewing trading to assist Drexel's Legal and Compliance Department to determine whether Drexel's trading activities are in compliance with the federal securities laws. (Final Judgment Section XV, paragraph A.2, p. 29)
6. For a period of three years, a member of the Executive Committee of Drexel Burnham Lambert Incorporated who is acceptable to the Commission

will reside in the Los Angeles area and will supervise the operations of the High Yield Bond Department, the Capital Markets Services Department and the Corporate Finance Department in the Beverly Hills office. (Final Judgment Section XV, paragraph A.4, p. 31)

7. For a period of three years, Drexel will have at least three compliance officers in the offices of the High Yield Bond Department, all of whom will report to Drexel's director of compliance, and whose compensation will be determined by the Legal and Compliance Department. At least two of these compliance officers, including the senior compliance officer, will be persons who have not previously been employed by or had offices located at the High Yield and Convertible Bond Department. These compliance officers will have the authority to cancel or revoke securities transactions executed by personnel of the High Yield Bond Department. (Final Judgment Section XV, paragraph A.3, p. 30)
8. Drexel will no longer employ Michael R. Milken and either will no longer employ Lowell J. Milken or will keep him on leave of absence from the firm. Drexel will not be directly or indirectly involved with either Michael R. Milken or Lowell J. Milken in any business transactions or activities conducted by or on behalf of Drexel, except to the extent necessary to resolve matters in regard to existing shared investments. Drexel will purchase Michael R. Milken's equity interest in Drexel, and will purchase Lowell J. Milken's equity interest in Drexel if he is no longer employed by Drexel. (Consent ¶¶ 16, 17, 21 and 22, pp. 10-11 and 15-16)
9. Drexel will no longer employ or will place on leave of absence from the firm any officer or employee who has been named, or who within five years is named, as a defendant in a civil injunctive action brought by the Commission alleging that such person is a primary violator or aider and abettor of violations of any of the antifraud provisions of the federal securities laws arising in whole or in part out of securities trading or transactions engaged in by, through or in conjunction with the High Yield and Convertible Bond Department. Drexel will not be directly or indirectly involved with any such person in any business transactions or activities conducted by

or on behalf of Drexel, except to the extent necessary to resolve matters in regard to existing shared investments. The Oversight Committee may, with respect to Pamela R. Monzert, or within 15 days after any other officer or employee is named as a defendant in a civil action of the type described above, request from the Commission a waiver of these provisions. (Consent ¶ 26, pp. 19-22)

10. Drexel will hire an individual acceptable to the Commission, who has not previously and personally been employed by, been an associated person of, or rendered services to Drexel, to serve as Ombudsman. The Ombudsman will report directly to the Oversight Committee, will have direct access to the Chief Executive Officer and General Counsel of Drexel, and will be available to receive from any Drexel employee information concerning possible violations of law or firm policies. The Ombudsman will have authority, in consultation with the Oversight Committee, to conduct an independent investigation, and, if he finds that there is cause to believe a violation of law or firm policy has occurred, he will be consulted regarding any action proposed by the Committee. If matters brought to the Ombudsman's attention suggest Drexel's policies or procedures should be changed, the Ombudsman will make a recommendation to the Oversight Committee. (Consent ¶ 31, pp. 24-25)

C. STRUCTURAL CHANGES

1. Drexel will transfer the equity, convertible debt and convertible preferred trading operations of its High Yield and Convertible Bond Department from Beverly Hills, California, to its offices in New York, and, for three years after that transfer, Drexel will conduct its principal equity and convertible trading operations in New York under the supervision of personnel outside of the High Yield Bond Department. (Final Judgment Section XV, paragraph B, p. 31)
2. Drexel's Capital Markets Services Department, formerly a part of the High Yield and Convertible Bond Department, will become a separate department, and will have offices physically separate from the High Yield Bond Department. In communications with the High Yield Bond Department, members of the Capital Markets

Services Department and the Corporate Finance Department will act in accordance with procedures designed to preserve the confidentiality and prevent misuse of material nonpublic information. The Capital Markets Services Department will not be supervised by anyone at that time employed in or by the High Yield Bond Department or the Corporate Finance Department. (Consent ¶ 32(b), pp. 27-29)

3. For a three year period, Drexel will furnish to the Commission, or to the accounting firm designated by the Commission to review Drexel's records, information concerning the ongoing business and operations involving the High Yield Bond Department, the Capital Markets Services Department and, when applicable, the Corporate Finance Department. (Final Judgment Section XV, paragraph C.1, p. 32)

D. INVESTMENT LIMITATIONS AND DISCLOSURES

Drexel will adopt and implement the following limitations and disclosure requirements in connection with employee investments:

1. 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 and Legal and Compliance Department will be prohibited from acquiring, for six months following the commencement of a public offering or the closing of a private placement, below investment grade fixed income securities and equity securities underwritten or placed by Drexel. If that type of security is purchased by any of these persons within six months following the six month prohibition period, it must be held for at least another six months. Drexel may acquire such securities for the benefit of the persons whose trading is restricted only if the investments are subject to the direct supervision of senior management and either the director of compliance or the general counsel. (Final Judgment Section XVI, pp. 34-39)
2. Drexel will make monthly disclosure (on Form 13D for public companies and on Form BD for private companies) of investments in equity securities of companies engaged in the financing or investing



business where the aggregate ownership by Drexel, its affiliates and the agents and employees who are subject to the investment limitations described in paragraph 1 above exceeds five percent. Under the Final Judgment, "financing or investing business" will include any bank, savings and loan association or similar institution, insurance company, any securities broker or dealer, any investment adviser, any investment company required to be registered as such, and any entity with 20 percent or more of its assets invested in or gross revenues derived from investments in securities. Drexel's Legal and Compliance Department will monitor on a daily basis any securities brokerage account maintained at Drexel by any company regarding which the foregoing disclosure is required. (Final Judgment Section XVII, pp. 39-44)

E. INDEPENDENT CONSULTANT

1. The Final Judgment proposes the appointment by the Court of the law firm of Morgan, Lewis & Bockius as an Independent Consultant. The Independent Consultant, whose fees and expenses will be paid by Drexel, will review the activities of the High Yield Bond, Equity Trading, Corporate Finance, Capital Markets Services, Internal Audit, Accounting, and Legal and Compliance Departments for the purpose of developing recommendations regarding policies, procedures and practices to prevent and detect violations of the federal securities laws. Among other things, the Independent Consultant's review will recommend policies and procedures regarding: centralization of compliance functions; special compliance reviews of firm, employee and customer trading; detection of insider trading, misuse of confidential information, parking, and other violations; policies regarding employee and firm trading; and policies regarding recordation of fee income and the maintenance of accurate books and records. (Final Judgment Section XVIII, pp. 44-52)
2. Within eight months after the effective date of the Final Judgment, the Independent Consultant will deliver to the Commission and to Drexel a report and recommendations. The Commission may then propose any additional policies and procedures it deems necessary or appropriate, which will be incorporated into those recommended

by the Independent Consultant. Drexel must adopt and implement the resulting recommendations except to the extent the Oversight Committee approves alternatives and, after implementation of the alternatives, the Independent Consultant and the Commission determine that the alternatives are adequate. The Independent Consultant will perform a follow-up review one year after implementation of the recommendations to ensure that the procedures are in place and are working, and will report to the Commission and Drexel the results of its review. (Final Judgment Section XIX, pp. 52-56)

F. COOPERATION BY DREXEL IN COMMISSION INVESTIGATIONS

1. Cooperation in Commission Investigations. Drexel will cooperate in Commission investigations relating to past, present and future activities of the High Yield and Convertible Bond Department during the period from 1978 to three years following the effective date of the Final Judgment. Its cooperation will be broad-based and will include: provision of information; production of documents; making employees available for interviews, testimony and depositions; encouraging cooperation by employees and considering disciplinary action against those who fail to cooperate; facilitating the retention of independent counsel by employees; not attempting to compel employees to disclose what was told to government investigators conducting the investigations; and not retaliating against employees who cooperate or who do not disclose to Drexel the information they provided to those conducting the investigations. In addition, Drexel will distribute a memorandum to employees explaining the firm's policy encouraging cooperation (Exhibit B to the Final Judgment). (Final Judgment Section XXI, pp. 57-61)
2. Cooperation with Accountants. Drexel will pay one or more certified public accounting firms and/or consulting firms selected by the United States Attorney's Office or the Commission to review activities of the High Yield and Convertible Bond Department during the period from 1978 to 1989, in connection with the ongoing investigations by the Commission and the Office of the United States Attorney for the Southern District of New York, and during the three year period after the effective date of the Final Judgment, in order to

ensure continued compliance with the federal securities laws in connection with the Commission's ongoing investigation. Drexel will cooperate in the review by that firm or firms. (Final Judgment Section XX, pp. 56-57; Section XXI, pp. 57-61)

3. Retention of Records. For a period of ten years, Drexel will retain all documents relating to activities engaged in from January 1, 1978 to January 24, 1989 by, through or in conjunction with the High Yield and Convertible Bond Department. (Final Judgment Section XII, pp. 15-16) For a period of three years, Drexel will maintain documents relating to the preservation of confidentiality of nonpublic information and relating to public offerings and private placements, involving the High Yield Bond Department and certain other departments, in which Drexel is a significant participant. Drexel will also provide on request by the Commission or the accounting firm designated by the Commission to review Drexel's records a summary chronology which describes significant events, and identifies the participants therein, concerning proposed and actual extraordinary corporate transactions and financings or refinancings conducted by, through or in conjunction with the High Yield Bond Department and certain other departments. (Final Judgment Section XV, paragraph C, pp. 32-34)

G. DISGORGEMENT AND CIVIL PENALTIES

1. Civil Disgorgement Fund. Over a three year period, Drexel will pay \$350,000,000 to Morgan Guaranty Trust Company of New York, the Escrow Agent proposed in the Final Judgment to be appointed by the Court. The payments and the income generated from the payments ("the Fund") will be used to pay claimants who have claims against Drexel for compensatory damages arising under the federal securities laws because of unlawful securities trading or transactions engaged in by, through or in conjunction with the High Yield and Convertible Bond Department during the period from January 1, 1978 to January 24, 1989, and to pay the fees and expenses of the Escrow Agent and a Special Claims Master to be appointed by the Court. The claims can be established through judgments and bona fide settlements, and the Commission may identify additional claims in a plan or plans filed with

the Court, the first of which will be filed within two years after the effective date of the Final Judgment. The Special Claims Master will assist the Commission in formulating its plan or plans of distribution and will assist the Court in its determination of whether particular claims are eligible for payment from the Fund. If, after four years, any portion of the Fund remains, Drexel can seek reimbursement for any payments they have made pursuant to judgments and bona fide settlements relating to the type of claims described above. If any portion of the Fund remains after the completion of all payments, the balance will be paid to the Treasury of the United States. (Final Judgment Section XIV, pp. 18-28)

2. Civil Penalties. On the date that Drexel's guilty pleas pursuant to the Letter Agreement are accepted, Drexel will transfer to the Treasury of the United States \$15,150,010 as a civil penalty under the Insider Trading Sanctions Act of 1984, as amended, which represents three times the profit gained or loss avoided by Drexel or others in the securities of Storer Communications, Lorimar, National Gypsum and Viacom, as alleged in the Commission's Complaint. Those monies will be paid from the \$300,000,000 to be paid by Drexel in criminal and civil penalties pursuant to the Letter Agreement. (Final Judgment Section XIII, p. 17)

#### H. CONTINUING COMMISSION LITIGATION AND INVESTIGATIONS

The Final Judgment and the Administrative Proceedings resolve all actions which the Commission has brought or could bring against Drexel for activities of the High Yield and Convertible Bond Department during the period from January 1, 1978 to January 24, 1989, with the exception of possible administrative proceedings under the 1940 Act and the Advisers Act. The Commission's civil action against Michael R. Milken, Lowell J. Milken, Pamela Monzert, Victor Posner, Stephen Posner and Pennsylvania Engineering Corporation is continuing. The Commission will continue its investigations concerning the conduct of any and all Drexel employees, and the settlement does not limit the Commission's ability to bring any actions it deems appropriate for violations of the federal securities laws or for a failure to supervise other employees who have violated the federal securities laws. With respect to the investment management operations of Drexel, the Commission is reserving the right to conduct any investigations of or administrative proceedings against Drexel and certain affiliates pursuant to the

1940 Act or the Advisers Act with respect to their investment company operations. (Consent ¶¶ 11 and 12, pp. 6 and 7)

#### THE EXCHANGE ACT ADMINISTRATIVE PROCEEDING

On the effective date of the Final Judgment, the Commission will institute public administrative proceedings against Drexel pursuant to Section 15(b)(4) of the Exchange Act. Simultaneous with the institution of those proceedings, Drexel will submit an Offer of Settlement for the purpose of resolving the issues raised by the proceedings.

Drexel has consented to a finding by the Commission that Drexel has been permanently enjoined by the United States District Court for the Southern District of New York from future violations of 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 Exchange Act, Rules 10b-5, 10b-6, 13d-1, 13d-2, 14a-9, 14e-3, 15c3-1, 17a-3, and 17a-4 and Regulations X and T thereunder and Section 17(a) of the Securities Act and that Drexel has pleaded guilty to an information filed by the United States Attorney for the Southern District of New York. Based upon these findings, the Commission will order that a hearing on the appropriate administrative sanction be suspended for three years. The administrative proceedings may be resumed if Drexel fails to comply with any provision contained in the Final Judgment or fails or is unable to comply with certain provisions of the Consent and Undertakings, or if the Commission obtains evidence of willful and unlawful conduct occurring subsequent to the entry of the permanent injunction involving Drexel's High Yield Bond Department, which conduct involves, among other things, fraud in the sale of securities, unlawful parking of securities for Drexel's benefit or for the benefit of a client or agent or employee of the client or others; market manipulation; insider trading by Drexel, directly or through others for Drexel's benefit; threatening persons or entities to encourage them to do business with Drexel or to discourage them from doing business with others; violations of hot issue rules; or violations of "Chinese Wall" and monitor and restricted list procedures.

If it is not proven in the resumed administrative proceedings that Drexel did not comply with the Final Judgment or certain paragraphs of the Consent and Undertakings, or that willful and unlawful conduct of the type described above occurred, then the administrative proceedings will be further suspended without prejudice to the Commission again resuming the proceedings if it again appears that any of the events described above may have occurred.

## THE 1940 ACT AND ADVISERS ACT ORDERS

The Commission has agreed to exempt Drexel and certain of its affiliated persons from the disqualifications of Section 9(a) of the 1940 Act and to exempt Drexel from the disqualifications of Rule 206(4)-3(a)(1)(ii) under the Advisers Act for a period of up to one year, and to issue a notice of Drexel's application for permanent exemptions.

Drexel has agreed in the Letter Agreement to enter pleas of guilty to six felony violations of the federal securities laws and the federal mail fraud statutes. As noted above, Drexel has also consented to the entry of a permanent injunction restraining and enjoining it from violating various provisions of the federal securities laws. Under Section 9(a) of the 1940 Act, the convictions and the entry of the permanent injunction would disqualify Drexel and its affiliated persons from acting as investment adviser, depositor or principal underwriter of any open-end investment company or unit investment trust, absent an exemption. In addition, Rule 206(4)-3(a)(1)(ii) under the Advisers Act would prohibit registered investment advisers from paying cash fees to Drexel for client solicitation services.

Drexel has represented that the conduct resulting in the convictions and the permanent injunction did not involve or affect the registered investment companies for which it serves as investment adviser, depositor or principal underwriter. In connection with the foregoing assertion, Drexel has agreed to retain a Special Reviewer, acceptable to the Commission, to determine whether there were violations of any law, rule or regulation involving or affecting those investment companies at any time since January 1, 1984. In addition, the Special Reviewer will review and report on the compliance policies and procedures related to investment company operations of Drexel and its affiliated persons.

During the period of the temporary exemptions, Drexel and its affiliated persons: (i) may not act as sole managing underwriter, lead co-managing underwriter or promoter for any closed-end investment company; and, (ii) except insofar as they act in such capacities as of the date of the application, may not act as principal underwriter, investment adviser or promoter for any open-end investment company, investment adviser for any closed-end investment company, or sole sponsor or lead co-sponsor for any unit investment trust. The temporary exemptions will expire upon the earlier of one year from their entry or the Commission's disposition of the application for permanent exemptions. The Commission's issuance of the temporary exemptions is without prejudice to the disposition of the application for permanent exemptions.

### FURTHER STEPS

The settlement is contingent upon the entry of the Final Judgment by the United States District Court for the Southern District of New York and the acceptance of Drexel's guilty pleas as provided in the Letter Agreement. While proceedings in the Commission's action have been stayed by the United States Court of Appeals for the Second Circuit in connection with the motion by certain defendants to disqualify the Honorable Milton Pollack, Drexel has agreed to join with the Commission in seeking to modify the stay for the purpose of entering and administering the Final Judgment. (Consent ¶ 34, p. 30)