BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE AT NASHVILLE

In the Matter of:	)	
	)	
D.H.Blair & Co., Inc.		CASE NO. 99-002
	)	
Respondent.	)	

CONSENT ORDER

The Tennessee Securities Division (the "Division") and D.H.Blair & Company ("D.H.Blair") agree to the entry of this Consent Order in accordance with the T.C.A. §48-2-116 of the Tennessee Securities Act of 1980, as amended, T.C.A. §§48-2-101, et seq. (the "Act"), which states that the Commissioner from time to time may make such orders as are necessary to carry out the provisions of the Act.

I

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, T.C.A. §§48-2-101, et seq., places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance (the "Commissioner"). The Division is the lawful agent through which the Commissioner discharges this responsibility. T.C.A. §48-2-115.

2. D.H.Blair (CRD No. 06833) is a broker-dealer registered in Tennessee.

3. D.H.Blair has cooperated with the state securities officials conducting a multistate coordinated review (hereinafter the "Multi-state Committee") by, among other things, providing documentary evidence and other materials requested by the Multi-state Committee, and providing the Multi-state Committee access to the relevant facts relating to D.H. Blair.

4. D.H.Blair has agreed with the Multi-state Committee to resolve various concerns of the states through the entry of this Consent Order.

5. The Commissioner has inquired into this matter and considered the relevant information provided by D.H.Blair to the Multi-state Committee.

6. D.H.Blair has, without admitting or denying the matters set forth therein, submitted a Letter of Acceptance, Waiver and Consent No. C10970167, dated August 13, 1997, (hereinafter "AWC"), to the National Association of Securities Dealers Regulation, Inc. (hereinafter "NASDR").

7. The AWC resulted in a censure and fine in the amount of two million dollars ($2,000,000.00) along with restitution to retail customers in the amount of two million three hundred ninety-four thousand eight hundred fifty-seven dollars and twelve cents ($2,394,857.12) and certain other remedial measures and individual sanctions.

8. D.H.Blair entered into a Consent Order, Exchange Hearing Panel Decision No. 97-9, dated February 12, 1997, with the New York Stock Exchange, Inc. (hereinafter the "NYSE Consent Order").

9. The NYSE Consent Order was executed on December 23, 1996, without prior trial, presentation of any evidence and without D.H.Blair admitting or denying the matters set forth therein. The NYSE Consent Order provided that D.H.Blair agree to a censure, a two hundred fifty thousand dollar ($250,000.00) fine and an undertaking that it hire an independent consultant to review and prepare a report concerning D.H.Blair's systems and procedures to ensure compliance with the securities laws and exchange rules and that D.H.Blair adopt the recommendations of the report. This report was rendered on June 20, 1997, and D.H.Blair promptly incorporated the recommendations.

10. On April 17, 1998, D.H.Blair sold its assets, including transfer of certain brokers and client accounts, to Barington Capital Group L.P., a New York based broker-dealer. D.H.Blair has ceased broker-dealer activities and is in the process of winding up of its business.

11. On October 5, 1998, D.H.Blair entered into an agreement with the representatives of the Multi-state Committee, wherein D.H.Blair agreed to voluntarily segregate a claims fund in the amount of two million two hundred fifty thousand dollars ($2,250,000.00) to be deposited in escrow to resolve claims of certain investors pursuant to an NASDR mediation/arbitration process. A copy of this agreement is attached hereto and incorporated herein by reference as Exhibit A.

II.

CONCLUSIONS OF LAW

1. Pursuant to T.C.A. §48-2-115(a), the responsibility for the administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

2. D.H.Blair, without admitting or denying the matters set forth therein, consented to the entry of findings by the NASDR in the AWC that it improperly priced certain securities, and failed to make adequate disclosure in order to make statements to certain aftermarket purchasers of certain securities not misleading, among other things.

3. The foregoing constitutes a violation of Section 48-2-121 (a) of the Tennessee Securities Act as to paragraph II.2. above.

III.

ORDER

THEREFORE, on the basis of the foregoing, and D.H.Blair's waiver of its right to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, T.C.A. §4-5-101, et seq. and D.H.Blair's admission of jurisdiction of the Commissioner, the Commissioner finds that D.H.Blair, for the sole purpose of settling this proceeding and without admitting or denying the matters set forth herein? has consented to the entry of this Consent Order and that this Consent Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to T.C.A. §48-2-116(a) that

1. Upon signing of this Consent Order by the Commissioner, D.H.Blair shall make available to former clients, the above-referenced two million two hundred fifty thousand dollar ($2,250,000.00) fund and accrued interest, less escrow costs, for resolution of claims against D.H.Blair subject to the terms of Exhibit A attached hereto.

2. Following the conclusion of its broker-dealer business, D.H.Blair may file a Form BDW with the Commissioner, thereby voluntarily withdrawing its broker-dealer registration but in any event shall not renew its broker-dealer registration at year-end, thereby allowing such to expire on December 31, 1 998.

3. This Consent Order represents the complete and final resolution of, and discharge of any basis for any civil or administrative proceeding by the Commissioner against D.H.Blair, its officers, directors, shareholders, predecessors and subsidiaries, past and present, for violations arising as a result of or in connection with any actions or omissions by D.H.Blair, its officers, directors, shareholders, predecessors, subsidiaries and/or any of its associated or affiliated persons or entities, past and present; provided, however, this release does not apply to facts not known by the Commissioner or staff or not otherwise provided by D.H.Blair to the Multi-state Committee or the Commissioner or staff as of the date of this Consent Order; provided, further, that this release does not apply to the sales practices of an individual in relation to soliciting investors' trades or accounts, but does apply to any action or omission by any officer, director or shareholder in their capacity as such.

4. This Consent Order, except as to the parties hereto, does not limit or create any person's private remedies against D.H.Blair or others, or D.H.Blair's or others' defenses thereto.

5. Except as expressly provided in this Consent Order, nothing herein is intended to or shall be construed to have created, compromised, settled, or adjudicated any claim, cause of action, or right of any person, other than as between the Commissioner and D.H.Blair in accordance with this Consent Order.

6. This Consent Order constitutes and includes a waiver based on a finding of good cause by the Commissioner of any and all limitations and disqualifications that may ensue from the entry of this Consent Order, other state orders entered in this matter, the AWC and the NYSE

Consent Order that would otherwise affect, restrict or limit the business of D.H.Blair and its predecessors, subsidiaries and affiliated persons or entities, past and present, or their ability to participate in offerings or avail themselves of exemptions, including, without limitation, the Uniform Limited Offering Exemption, as and to the extent now or hereafter adopted in Tennessee.

7. This Consent Order shall become effective upon funding of the claims fund referenced in Exhibit A, attached hereto and incorporated herein by reference.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signature affixed below, D.H.Blair & Co. affirmatively states that it has freely agreed to the entry of this Consent order, that it has been advised by counsel in this matter, that it waives its right to a hearing on the matters underlying this Consent order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

BY ORDER OF THE COMMISSIONER

EXECUTED this the 9th day of February, 1999.

Douglas M. Sizemore, Commissioner
Department of Commerce and Insurance

Approved for entry:

D.H.Blair & Co., Inc.

By: John T. McGuire
General Counsel and Senior
Vice President

Daphne D. Smith
Assistant Commissioner for Securities

Maliaka Bass EssamelDin (BPR #015362)
Attorney for the Securities Division
State of Tennessee
Department of Commerce and Insurance
Tennessee Tower, 25th Floor
312 Eighth Avenue, North
Nashville, Tennessee 37243

EXHIBIT A

AGREEMENT

AGREEMENT

WHEREAS D.H.Blair & Co., Inc. (hereinafter "D.H.Blair"), and the undersigned state securities officials representing the securities divisions in their respective states of Indiana, Connecticut and Missouri, enter into this agreement and the related Consent Order resolving certain issues arising from certain concerns regarding D.H.Blair;

WHEREAS all parties to this agreement have consented to the terms set forth herein, as evidenced by their respective signatures, affixed hereto;

AND WHEREAS the specific terms of the parties' agreement are as follows

I NASDR MEDIATION/ARBITRATION PROCESS

Upon receipt of firm commitments of all states inclusive of the District of Columbia and Puerto Rico (hereinafter "States"), or a number acceptable to D.H.Blair, that all matters pending before such states will be resolved by the entry of a Consent Order and General Release in substantially the form of Exhibit A attached hereto (hereinafter "Model Consent Order"), D.H.Blair agrees to implement the following procedure for resolution of complaints and provide funding of two million two hundred fifty thousand dollars ($2,250,000.00) to be deposited into escrow for the NASDR-sponsored mediation/arbitration process (hereinafter "med/arb program") described hereinbelow:

A. Litigation and arbitrations filed with D.H.Blair prior to the date a state executes the Model Consent Order, will continue to be responded to by D.H.Blair and/or its counsel, resolving matters where appropriate. At the election of the claimant, pending litigation and arbitrations shall be eligible for the med/arb program described hereafter upon dismissal of the litigation or arbitration, provided, however that the claim will go directly

to the med/arb hearing without any further settlement opportunity such as that provided by subparagraph B.3. below, or as may otherwise be provided.

B. D.H.Blair agrees to participate in an NASDR-sponsored med/arb program, for a resident of a state that has entered the Model Consent Order and whose claim is based on trades made with D.H.Blair between January 1, 1996 and June 30, 1998, inclusive, and when such claim is first denied or not otherwise settled by D.H.Blair; provided, however, the Commissioner of a state that has entered the Model Consent Order may request that claims arising prior to January 1, 1996 and not previously settled by D.H.Blair be submitted to the med/arb program. Claims previously litigated, arbitrated or settled are not eligible in any event. Such claimants must be specific in their allegations, and each case shall be fairly resolved on the merits of the particular case. The NASDR Director of Mediation shall act as principal to this process, and shall conduct the med/arb program pursuant to the following conditions:

1 Within twenty (20) days after a state executes the Model Consent Order, subject to D.H. Blair having funded the escrow as provided hereinabove, notice will be sent to former clients of D.H. Blair in that state as set forth below in Section III. NOTICE TO CUSTOMERS. Said notice will be in substantially the Form of Notice attached hereto as "Exhibit C" (hereinafter the "Notice").

2. Customers who wish to participate in the med/arb program described herein must file a claim and execute an NASD Mediation/Arbitration Submission Agreement, a copy of which is attached hereto as "Exhibit D," within sixty (60) days from receipt of the Notice. Execution of an NASD Mediation/Arbitration Submission Agreement by a customer shall indicate acceptance of the med/arb program, and shall make the med/arb process binding on all parties thereto.

3. Thereafter, with the exception of the claims referenced in paragraph A. above, D.H. Blair will have thirty (30) days within which to settle the claim, subject to the customer's execution of an appropriate settlement and release.

4. If a claim is denied by D.H. Blair or is not settled, then the claim shall be referred to NASDR for the med/arb program. D.H. Blair will be provided an opportunity to respond to the claim within a reasonable time. The NASDR will appoint a mediator and schedule the med/arb hearing (hereinafter "med/arb"). med/arb program shall be conducted by the NASDR substantially as outlined in Exhibit B, attached hereto, provided that additional procedures where needed may be determined by NASDR.

5. No med/arb award will be paid to any claimant until every claim either is settled by the claimant and D.H. Blair or a med/arb award has been rendered. The NASDR will determine the pro-rata share

to each claimant receiving a med/arb award if the funds in the escrow account referenced herein are insufficient to pay all med/arb awards in full. The settlements and med/arb awards shall be paid exclusively from the escrowed funds.

6. Unless circumstances exist which would preclude doing so as determined by the NASDR, where practicable all med/arb should be conducted by telephone conference.

7. D.H. Blair will assume all administrative costs of the med/arb program.

8. D.H. Blair and claimants must accept the med/arb awards (as may be prorated) without a right of challenge or appeal.

9. There shall be no presumption of wrongdoing by D.H.Blair, or any of its current or former brokers, officers, directors or employees as a result of D.H.Blair entering into the Consent Order or Agreement with any state, the AWC, NYSE Consent Order or any other matter with the SEC, states or self regulatory organizations.

10. The two million two hundred fifty thousand dollar ($2,250,000.00) fund shall be deposited into escrow at a nationally recognized financial institution with interest earned to be applied first to escrow costs and secondly to be added to the sum available for claims. An officer of D.H.Blair will have authority to issue checks on the escrowed funds in payment of settled claims and, upon notice from the NASDR, claims resolved by med/arb.

11. D.H.Blair will provide its best efforts to timely perform its duties herein in order to facilitate the med/arb program to conclusion by June 30, 1999; however, no assurance can be provided that the med/arb program will close by that date. Any funds remaining after completion of the med/arb program shall revert to D.H.Blair.

II. CONDITION FOR PARTICIPATION IN MEDIATION/ARBITRATION

As a condition for claimants to participate in this med/arb program, the state securities regulatory agency for the state of residency of such claimants, at the time the facts underlying the allegation occurred, must have entered the Model Consent Order.

III. NOTICE TO CUSTOMERS

Upon entry of the Model Consent Order by a State (hereinafter "Participating State"), and funding of the escrow by D.H. Blair as provided in Section I., hereinabove, D.H.Blair will mail a notice to its accountholders as of record date December 31, 1997 at the address listed on the last monthly statement for accountholders with addresses of record in the Participating State, advising of the availability of the med/arb program for the residents of the Participating State, and explaining eligibility requirements, scope and procedures. D.H.Blair shall also send notice to counsel for claimants or directly to pro se claimants for pending litigation or arbitrations of the option to participate in the med/arb program. D.H.Blair shall forward this Notice to former accountholders who are residents of a Participating State upon referral by the Commissioner of the Participating State as provided by paragraph I.B. of this Agreement.

IV. BROKER-DEALER REGISTRATION

Upon entry of the Model Consent Order by a Participating State, D.H.Blair may voluntarily withdraw its broker-dealer registration from the Participating State by filing a Form BDW while allowing its registration to expire on December 31, 1998 in all states with effective broker-dealer registrations at that time.

THIS AGREEMENT MAY BE EXECUTED IN ONE OR MORE COUNTERPARTS AND DUPLICATES AND ALL SUCH COUNTERPARTS AND DUPLICATES SHALL TOGETHER CONSTITUTE ONE AND THE SAME BINDING AGREEMENT UPON EXECUTION BY ALL PARTIES.

_____ (SEAL)
Bradley W. Skolnik
Indiana Securities Commissioner

Date: 10-5-98

D.H.Blair & Co., Inc.

By: _____ (SEAL)
John T. McGuire
General Counsel and
Senior Vice President

Date: 10/2/98

_____ (SEAL)
Ralph A. Lambiase
Connecticut Securities Director

Date: October 5, 1998

_____ (SEAL)
Douglas F. Wilburn
Missouri Commissioner of Securities

Date: October 5, 1998

OTHR-6450-4-103383-04

EXHIBIT A
FORM OF MODEL CONSENT ORDER

BEFORE THE COMMISSIONER/ADMINISTRATOR
OF THE
(STATE) DIVISION/ DEPARTMENT OF SECURITIES

In the Matter of:	)	
	)	CASE NO.
D.H.Blair & Co., Inc.	)	
	)	CONSENT ORDER
	)	
Respondent.	)	
	)	

I.

FINDINGS OF FACT

1. The Commissioner/Administrator of Securities (the "Commissioner") has jurisdiction over this matter pursuant to the securities laws of (STATE), (CITE STATUTE), as amended (the "(STATE) Securities Act").

2. D.H.Blair & Co., Inc. (CRD No. 06833) ("D.H.Blair") is a broker-dealer registered in (STATE).

3. D.H.Blair has cooperated with the state securities officials conducting a multi-state coordinated review (hereinafter the "Multi-state Committee") by, among other things, providing documentary evidence and other materials requested by the Multi-state Committee, and providing the Multi-state Committee access to the relevant facts relating to D.H.Blair.

4. D.H.Blair has agreed with the Multi-state Committee to resolve various concerns of the states through the entry of this Consent Order.

5. The Commissioner has inquired into this matter and considered the relevant information provided by D.H.Blair to the Multi-state Committee.

6. D.H.Blair has, without admitting or denying the matters set forth therein, submitted a Letter of Acceptance, Waiver and Consent No. C10970167, dated August 13, 1997 (hereinafter "AWC"), to the National Association of Securities Dealers Regulation, Inc. (hereinafter "NASDR").

7. The AWC resulted in a censure and fine in the amount of two million dollars ($2,000,000.00) along with restitution to retail customers in the amount of two million three hundred ninety-four thousand eight hundred fifty-seven dollars and twelve cents ($2,394,857.12) and certain other remedial measures and individual sanctions.

8. D.H.Blair entered into a Consent Order, Exchange Hearing Panel Decision No. 97-9, dated February 12, 1997, with the New York Stock Exchange, Inc. (hereinafter the "NYSE Consent Order").

9. The NYSE Consent Order was executed on December 23, 1996, without prior trial, presentation of any evidence and without D.H.Blair admitting or denying the matters set forth therein. The NYSE Consent Order provided that D.H.Blair agree to a censure, a two hundred fifty thousand dollar ($250,000.00) fine and an undertaking that it hire an independent consultant to review and prepare a report concerning D.H.Blair's systems and procedures to ensure compliance with the securities laws and exchange rules and that D.H.Blair adopt the recommendations of the report. This report was rendered on June 20, 1997 and D.H.Blair promptly incorporated the recommendations.

10. On April 17, 1998, D.H.Blair sold its assets, including transfer of certain brokers and client accounts, to Barington Capital Group L. P., a New York based broker-dealer. D.H.Blair has ceased broker-dealer activities and is in the process of winding up of its business.

11. On October 5, 1998 D.H.Blair entered into an agreement with the representatives of the Multi-state Committee, wherein D.H.Blair agreed to voluntarily segregate a claims fund in the amount of two million two hundred fifty thousand dollars ($2,250,000.00) to be deposited in escrow to resolve claims of certain investors pursuant to an NASDR mediation/arbitration process. A copy of this agreement is attached hereto and incorporated herein by reference as Exhibit A.

II. CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over this matter pursuant to the (STATE) Securities Act.

2. D.H.Blair, without admitting or denying the matters set forth therein, consented to the entry of findings by the NASDR in the AWC that it improperly priced certain securities, and failed to make adequate disclosure in order to make statements to certain aftermarket purchasers of certain securities not misleading, among other things.

3. The foregoing constitutes a violation of Section (counterpart of USA §101) of the (STATE) Securities Act as to paragraph II. 2. above.

III. ORDER

THEREFORE, on the basis of the foregoing, and D.H.Blair's waiver of its right to a hearing and appeal under the (STATE) Securities Act with respect to this Consent Order, and D.H.Blair's admission of jurisdiction of the Commissioner, the Commissioner finds that D.H.Blair, for the sole purpose of settling this proceeding and without admitting or denying the matters set forth herein, has consented to the entry of this Consent Order and that this Consent Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, that upon signing of this Consent Order by the Commissioner, D.H.Blair shall make available to former clients, the above-referenced two million two hundred fifty thousand dollar ($2,250,000.00) fund and accrued interest less, escrow costs, for resolution of claims against D.H.Blair subject to the terms of Exhibit A attached hereto.

IT IS ORDERED that following the conclusion of its broker-dealer business, D.H.Blair may file a Form BDW with the Commissioner, thereby voluntarily withdrawing its broker-dealer registration but in any event shall not renew its broker-dealer registration at year-end, thereby allowing such to expire on December 31, 1998.

IT IS ORDERED, that this Consent Order represents the complete and final resolution of, and discharge of any basis for any civil or administrative proceeding by the Commissioner against D.H.Blair, its officers, directors, shareholders, predecessors and subsidiaries, past and present, for violations arising as a result of or in connection with any actions or omissions by D.H.Blair, its officers, directors, shareholders, predecessors, subsidiaries and/or any of its associated or affiliated persons or entities, past and present; provided, however, this release does not apply to facts not known by the Commissioner or staff or not otherwise provided by D.H.Blair to the Multi-state Committee or the Commissioner or staff as of the date of this Consent Order; provided, further, that this release does not apply to the sales practices of an individual in relation to soliciting investors' trades or accounts, but does apply to any action or omission by any officer, director or shareholder in their capacity as such.

IT IS ORDERED that this Consent Order, except as to the parties hereto, does not limit or create any person's private remedies against D.H.Blair or others, or D.H.Blair's or others' defenses thereto.

IT IS ORDERED that, except as expressly provided in this Consent Order, nothing herein is intended to or shall be construed to have created, compromised, settled, or adjudicated any claim, cause of action, or right of any person, other than as between the Commissioner and D.H.Blair in accordance with this Consent Order.

IT IS ORDERED that this Consent Order constitutes and includes a waiver based on a finding of good cause by the Commissioner of any and all limitations and disqualifications that may ensue from the entry of this Consent Order, other state orders entered in this matter, the AWC and the NYSE Consent Order that would otherwise affect, restrict or limit the business of D.H. Blair and its predecessors, subsidiaries and affiliated persons or entities, past and present, or their

ability to participate in offerings or avail themselves of exemptions, including, without limitation, the Uniform Limited Offering Exemption, as and to the extent now or hereafter adopted in (STATE).

(Note: to be deleted if escrow already established)

[IT IS FURTHER ORDERED, that this Consent Order shall become effective upon funding of the claims fund referenced in Exhibit A, attached hereto and incorporated herein by reference.]

BY ORDER OF THE COMMISSIONER

EXECUTED this the day of _____, 1998.

_____
(Commissioner)

CONSENT TO ENTRY OF ORDER BY RESPONDENT

D.H.Blair hereby acknowledges that it has been served with a copy of this Order, has read the foregoing FINDINGS OF FACT, CONCLUSIONS OF LAW and ORDER, is aware of its right to a hearing and appeal in this matter, and has waived same.

D.H.Blair admits the jurisdiction of the Commissioner, neither admits nor denies the FINDINGS OF FACT AND CONCLUSIONS OF LAW contained in the Order, and consents to entry of this Order by the Commissioner as settlement of the issues contained in this Order.

D.H.Blair states that no promise of any kind or nature whatsoever not contained in the Consent Order was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

John T. McGuire represents that he is General Counsel and Senior Vice President of D.H.Blair and that, as such, has been authorized by D.H.Blair to enter into this Order for and on behalf of D.H.Blair.

Dated this _____ day of _____, 1998.

D.H.BLAIR & CO., INC.

BY: _____
John T. McGuire
General Counsel and Senior Vice President

EXHIBIT B
MED/ARB PROGRAM PROCEDURES

- The D.H. Blair & Co., Inc. (hereinafter "D.H. Blair") med/arb program will employ a hybrid form of mediation known as **"med-arb"**. This process is designed to allow the parties to come to a mutually agreeable resolution of their differences; if they cannot do so, the process assures that the case nevertheless will reach a final resolution.

  - The NASDR will form a pool of mediators who are familiar with and have agreed to participate in this med/arb program. A given mediator may conduct up to 20 hearings in this med/arb program. The NASDR will appoint a mediator from the mediator pool to hear each case. The parties will receive a mediator disclosure report for the appointed mediator which lists the mediator's background, education, experience, areas of expertise and conflicts. Each party will have unlimited challenges for cause which can be exercised at any time, and one peremptory challenge, which must be exercised within 5 business days of receipt of the mediator's disclosure report.

    The Claimant in each case will be permitted to file a memorandum, not to exceed ten pages (exclusive of documentary evidence, which also may be filed), describing his/her case. This memorandum will be due approximately 3 weeks prior to the scheduled med/arb hearing. D.H. Blair will be permitted to file a memorandum, not to exceed ten pages (exclusive of documentary evidence, which also may be filed), in response to the Claimant's memorandum. This memorandum will be due approximately 2 weeks prior to the scheduled med/arb hearing.

    The first portion of the **"med-arb"** is the mediation portion. This portion is conducted like a regular mediation. The mediator will listen to each party discuss its position, will talk to the parties together and separately (in the mediator's discretion), will ask each party to describe evidence and testimony which supports its position, and will attempt to assist the parties in arriving at a mutually agreeable settlement.

    The mediation portion of the med/arb will last no more than four hours, and may last a shorter period , in the mediator's discretion. If the NASDR determines, at its sole discretion, that a case is unusually long or complex, it may alter the document length and time frames stated above. For these complex or lengthy cases, the format will be followed as stated above, except that the memoranda filed may be up to twenty pages in length; the "mediation" portion of the med/arb may be up to six hours in duration, and the "arbitration" portion of the med/arb may be up to two hours in length.

- At any time prior to the med/arb hearing, any Claimant may agree to settle his/her claim with D.H. Blair without proceeding to the hearing subject to execution of an appropriate settlement and release agreement, provided, however, a Claimant electing to participate in the med/arb program pursuant to Paragraph I.A. of the attached Agreement shall be required to proceed directly to the mediation portion of the med/arb hearing.

- If a settlement is reached by the parties in the mediation portion, the case is at an end. The settlement will be considered final and binding, and will be payable by the dedicated escrow fund (subject to proration) on a date (to be determined) after **all** the D.H. Blair med/arb awards have been determined.

- If the parties are unable to reach a mutually agreeable settlement, the mediator will ask the parties to submit, in sealed envelopes, their "last best offer". This figure is, for D.H. Blair, the highest amount it is willing to pay the Claimant; for the Claimant, it is the lowest amount s/he is willing to accept from D.H. Blair.

  The mediator will then look at the figures privately.

  If there is an overlap in the figures--that is, if the Claimant states that s/he is willing to accept from D.H. Blair less than D.H. Blair states that it is willing to pay Claimant--the mediator will explain the situation to the parties and work out a settlement between the parties (which presumably will be agreed upon).

- If D.H. Blair's last best offer is lower than the Claimant's, the mediator will reveal both numbers to the parties. The mediator will instruct the parties that, if the med/arb proceeds to the arbitration portion, s/he will select **one** of the two damage figures submitted by the parties, and that the figure chosen will be the amount awarded as damages in the case (subject to the pro-rata distribution).

  This method of arriving at a damages calculation is known as the "high/low" or "baseball" method. It is designed to insure that both parties have incentive to make the most reasonable estimate of the damages incurred by the Claimant. If the Claimant asks for damages which are too high and unsupported by the evidence presented in the summary proceeding , the mediator will likely choose D.H. Blair's damage figure instead; likewise, if D.H. Blair submits a figure which is unrealistically low, the mediator will be more likely to choose the Claimant's figure. A party submitting an unrealistic damage figure runs the risk of having his submission rejected.

  After the last best offers are revealed and the mediator re-instructs the parties on the fact that s/he will choose one of the two damages figures after the arbitration portion is conducted, the parties may decide to settle the case for an

amount in the range between the figures rather than proceed to the arbitration portion.

- If the parties do not settle, they will proceed to the arbitration portion of the med/arb. The arbitration portion will be conducted and decided by the same mediator who conducted the mediation portion.

- The arbitration portion will be a "modified" summary arbitration.

- Each party will have 30 minutes to present its initial case. No witnesses will be presented. Rather, each party will present a summary consisting of descriptions of testimony that witnesses would have provided, had they testified. Each party will also be permitted to submit and describe documentary evidence (which may already have been submitted for the mediation portion). While the rules of evidence will not strictly apply, and there will be no evidentiary objections, the mediator may take into consideration in making his/her decision the fact that certain testimony or documentary evidence may have been excluded in a "traditional" arbitration.

- Each side will then have 10 minutes to respond to the other side's presentation and to provide a closing statement.

- At the conclusion of the presentations, the mediator will choose one of the "last best offers". The mediator will then advise the parties which of the two figures s/he has chosen to award as damages. The amount awarded is recorded and set aside until a date after all of the med/arb awards have been determined and adjusted for pro-ration distribution, if necessary.

Everything that transpires in the med/arb hearing, and all documentation submitted therewith, will be considered confidential. There will be no records kept of the proceedings, except for the settlement amount or award rendered. Notwithstanding the foregoing, the parties agree and acknowledge that the provisions of this subsection shall not operate to shield from disclosure to NASDR or any other regulatory authority, documentary or other information that NASDR or any other regulatory authority would be entitled to obtain or examine in the exercise of its regulatory responsibilities.

All payments to mediators and all administrative fees paid to the NASDR will be paid by D.H. Blair. A Claimant will not be responsible for any fees. Each mediator will be paid $150.00 per hour for each hour of hearing conducted (or $750.00 for a normal five-hour med/arb hearing). Mediators will not be paid for preparation time. D.H. Blair will pay the NASDR an administrative fee of $ 500.00 for each claim administered under the med/arb program, whether or not the case goes to hearing. D.H. Blair will pay the NASDR a cancellation fee of $150.00 for each case which has a scheduled session, where D.H. Blair notifies the NASDR that the case has been settled later than five business days

prior to the hearing. Payments by D.H. Blair to the NASDR and the mediators will be in addition to, and will not come out of, the D.H. Blair mediation fund.

EXHIBIT C

FORM OF NOTICE

_____, 1998

Dear Former D.H. Blair Client:

D.H.Blair & Co., Inc. ("D.H.Blair") and certain state securities regulators acting through the auspices of the North American Securities Administrators Association, Inc. ("NASAA"), have agreed to an expedited mediation/arbitration process for customer disputes. This process makes available to residents of certain states which have entered a consent order against D.H.Blair, the opportunity to file a complaint with D.H.Blair, and to share in a pro-rata portion of a $2,250,000.00 fund established as a result of a Consent Order.

In order to be eligible to participate in a pro-rata share of this fund, a D.H.Blair client must base his or her complaint on trades, which the client claims were somehow inappropriate, between January 1, 1996 and June 30, 1998. You shall have the sole right to determine whether or not you wish to participate in this expedited mediation/arbitration process. You will be required to acknowledge that any award may be reduced to allow all other Claimants to participate in a pro-rata share of the settlement fund, and that such award (after proration if necessary) will be final.

Should you wish to participate in the mediation/arbitration process, you must file a claim and execute the enclosed Mediation/Arbitration Submission Agreement within sixty (60) days from receipt of this Notice. Execution of a Mediation/Arbitration Submission Agreement by you shall indicate acceptance of the mediation/arbitration process as described herein, and in the Mediation/Arbitration Submission Agreement, and shall make the mediation/arbitration process binding on all parties. Thereafter, D.H. Blair will have thirty (30) days within which to settle your claim. If you accept a settlement offer, you will be required to execute an appropriate settlement and release. If you have a litigation or arbitration pending against D.H. Blair, you may elect to participate in mediation/arbitration process subject to a dismissal of your pending claim.

However, your new mediation/arbitration claim will proceed directly to the mediation/arbitration hearing without further settlement opportunity.

In the event matters cannot be amicably resolved, your claim will be referred to mediation/arbitration sponsored by the National Association of Securities Dealers Regulation, Inc. ("NASDR"). D.H.Blair will bear all administrative costs associated with the mediation/arbitration. This mediation/arbitration program (hereinafter "Med/Arb Program") will employ a hybrid form of mediation known as **"med-arb"**. This process is designed to allow the parties to come to a mutually agreeable resolution of their differences; if you cannot do so, the process assures that the case nevertheless will reach a final resolution. The first portion of the "med-arb" is the mediation portion. This portion is conducted like a regular mediation. The mediator will listen to each party discuss its position, will talk to the parties together and separately (in the mediator's discretion), will ask each party to describe evidence and testimony which supports its position, and will attempt to assist the parties in arriving at a mutually agreeable settlement. The mediation portion of the med/arb will last no more than four hours, and may last a shorter period, in the mediator's discretion.

You will be permitted to file a memorandum, not to exceed ten pages (exclusive of documentary evidence, which also may be filed), describing your case. This memorandum will be due approximately 3 weeks prior to the scheduled mediation session. D.H. Blair will be permitted to file a memorandum, not to exceed ten pages (exclusive of documentary evidence, which also may be filed), in response to your memorandum. This memorandum will be due approximately 2 weeks prior to the scheduled mediation hearing. If the NASDR determines, at its sole discretion, that a case is unusually long or complex, it may alter the document length and time frames stated above. For these complex or lengthy cases, the format will be followed as stated above, except that the memoranda filed may be up to twenty pages in length; the "mediation" portion of the med/arb may be up to six hours in duration, and the "arbitration" portion of the med/arb may be up to two hours in length.

The NASDR will form a pool of mediators who are familiar with and have agreed to participate in this Med/Arb Program. A given mediator may conduct up to 20 D.H. Blair med/arb hearings. The NASDR will appoint a mediator from the mediator pool to hear each case. The parties will receive a mediator disclosure report for the appointed mediator which lists the mediator's background, education, experience, areas of expertise and conflicts. Each party will have unlimited challenges for cause which can be exercised at any time, and one peremptory challenged which must be exercised within 5 business days of receipt of the mediator's disclosure report.

At any time prior to the med/arb hearing, you may agree to settle your claim with D.H. Blair without proceeding to the hearing subject to an appropriate settlement and release agreement. This option will not be available to claimants of prior litigation or arbitration that opted into the mediation/arbitration program, as discussed above. If a settlement is reached by the parties in the mediation portion of the hearing, the case is at an end. The settlement will be considered final and binding, and will be payable by the

dedicated escrow fund, subject to proration as described hereinbelow. If the parties are unable to reach a mutually agreeable settlement, the mediator will ask the parties to submit, in sealed envelopes, their "last best offer". This figure is, for D.H. Blair, the highest amount it is willing to pay to you; for you, it is the lowest amount you are willing to accept from D.H. Blair.

The mediator will then look at the figures privately. If there is an overlap in the figures--that is, if you state that you are willing to accept from D.H. Blair less than D.H. Blair states that it is willing to pay you--the mediator will explain the situation to the parties and work out a settlement between the parties (which presumably will be agreed to). If D.H. Blair's last best offer is lower than yours, the mediator will reveal both numbers to the parties. The mediator will instruct the parties that, if the med/arb proceeds to the arbitration portion, s/he will select one of the two damage figures submitted by the parties, and that the figure chosen will be the amount awarded as damages in the case (subject to the pro-rata distribution, described below.)

This method of arriving at a damages calculation is known as the "high/low" or "baseball" method. It is designed to insure that both parties have incentive to make the most reasonable estimate of the damages incurred by you. If you ask for damages which are too high and unsupported by the evidence presented in the summary proceeding , the mediator will likely choose D.H. Blair's damage figure instead; likewise, if D.H. Blair submits a figure which is unrealistically low, the mediator will be more likely to choose your figure. A party submitting an unrealistic damage figure runs the risk of having his submission rejected. After the last best offers are revealed and the mediator re-instructs the parties on the fact that s/he will choose one of the two damages figures after the arbitration portion is conducted, the parties may decide to settle the case for an amount in the range between the figures rather than proceed to the arbitration portion. If the parties do not settle, they will proceed to the arbitration portion of the med/arb. The arbitration portion will be conducted and decided by the same mediator who conducted the mediation portion.

The arbitration portion will be a "modified" summary arbitration. Each side will have 30 minutes to present its initial case. No witnesses will be presented. Rather, each side will present a summary consisting of descriptions of testimony that witnesses would have provided, had they testified. Each side will also be permitted to submit and describe documentary evidence (which may already have been submitted for the mediation portion). While the rules of evidence will not strictly apply, and there will be no evidentiary objections, the mediator may take into consideration in making his/her decision the fact that certain testimony or documentary evidence may have been excluded in a "traditional" arbitration. Each side will then have 10 minutes to respond to the other side's presentation and to provide a closing statement. At the conclusion of the presentations, the mediator will choose one of the "last best offers". The mediator will then advise the parties which of the two figures s/he has chosen to award as damages. The amount awarded is recorded and set aside until a date (to be determined) after all of the D.H. Blair med/arbs have concluded.

All awards rendered by mediators to Claimants of the D.H. Blair med/arb program, will be paid **pro-rata** from the D.H. Blair escrow fund. The fund will consist of $2,250,000, to be deposited by D.H. Blair in an escrow account, and any interest accruing on that account until the date all of the D.H. Blair med/arb awards are paid, less any escrow costs and settlements. After all of the D.H. Blair med/arb awards have been determined and the award amounts recorded, these amounts will be totaled. If the fund is sufficient to pay all of the med/arb awards, each award will be paid in full. If the fund is insufficient to pay all of the med/arb awards in full, each claimant receiving an award will be paid a pro-rata share of the fund in full discharge of the med/arb award.

All awards and settlements made in the D.H. Blair med/arb program and paid from the D.H. Blair escrow fund, will be considered final and not subject to reconsideration or appeal. This med/arb program should conclude by June 30, 1999.

If you determine that there has been inappropriate trading in your D.H.Blair account, and you wish to participate in this voluntary med/arb program, you should prepare (either by yourself or with the participation of your attorney) a concise, detailed narrative that specifies (1) the nature of your claim against D.H.Blair; (2) the trades in questions; and (3) amount you claim you have lost as a result of the alleged wrongdoing by D.H.Blair. You should also include any and all documents that are pertinent to the issue and that you would like the mediator to review, along with the signed Mediation/Arbitration Submission Agreement. Those complaints must be postmarked no later than 60 days after your receipt of the notice and forwarded to D.H.Blair & Co., Inc., Mediation/Arbitration, 84 Williams Street, 5th Floor, New York, New York 10038. You will be contacted by a D.H.Blair representative within 30 days of receipt of your claim if it is appropriate to attempt an amicable resolution. If not, your matter will be forwarded to the NASDR and you will be notified of the scheduled med/arb hearing.

D.H.Blair is pleased to be able to offer this process to its former clients. Should have you have any questions, please feel free to contact National Association of Securities Dealers Regulation, Inc., 33 Whitehall Street, New York, New York, 10004, ATTENTION: Kenneth Andrichik, Mediation Director.

EXHIBIT D

NASD REGULATION, INC.
MEDIATION/ARBITRATION SUBMISSION AGREEMENT

NASD Regulation Arbitration Case Pending: Yes: No:

TERMS AND CONDITIONS

The undersigned mediating parties hereby submit the matter in controversy to mediation/arbitration with the undersigned mediator, selected in accordance with the D.H. Blair & Co., Inc. Mediation/Arbitration Program (hereinafter "D.H. Blair Med/Arb Program"). The mediating parties and the mediator hereby undertake to mediate such matter in controversy, in accordance with the Med/Arb, as described in the Notice letter provided with this Agreement.

2. Med/Arb is intended to be private and confidential. The parties and the mediator agree not to disclose, transmit, introduce, or otherwise use opinions, suggestions, proposals, offers, or admissions obtained or disclosed during the Med/Arb by any party or the mediator as evidence in any action at law, or other proceeding, including a lawsuit or arbitration, unless authorized in writing by all other parties to the Med/Arb or compelled by law, except that the fact that a Med/Arb has occurred shall not be considered confidential.

   Notwithstanding the foregoing, the parties agree and acknowledge that the provisions of this subsection shall not operate to shield from disclosure to NASD Regulation or any other regulatory authority, documentary or other information that NASD Regulation or any other regulatory authority would be entitled to obtain or examine in the exercise of its regulatory responsibilities.

   The mediator shall not transmit or otherwise disclose confidential information provided by one party to any other party unless authorized to do so by the party providing the confidential information.

   Neither NASD Regulation, nor its employees, nor any mediator named to mediate a matter under this Agreement shall be held liable for any act or omission in connection with the Med/Arb administered by the NASD Regulation under this Agreement.

3. The parties acknowledge that the mediator may engage in separate, ex-parte communications with either party during the Med/Arb phase of the process.

4. The mediating parties agree that any related NASD Regulation arbitration proceedings shall be stayed pending the resolution of this matter.

5. D.H. Blair & Co., Inc. (hereinafter "D.H. Blair") agrees to pay and to deposit with NASD Regulation the estimated amounts of mediator's fees and expenses at the execution of this Agreement and/or as requested by NASD Regulation. NASD Regulation shall refund to the parties concerned any excess amounts from the deposits.

6 The mediating parties and the mediator agree that the mediator fees shall be $150 per hour as specified in the description of the D.H.Blair Med/Arb Program - to be paid in full by D.H.Blair

7 D.H. Blair agrees to pay NASD Regulation the Administrative Fee specified in the description of the D.H. Blair Med/Arb Program in the Notice letter provided herewith, at the execution of this Agreement.

8 The mediating parties understand and agree that NASD Regulation has the right to cease providing the Med/Arb forum, and that the mediator may cease providing the Med/Arb services, if at any time any mediating party fails to submit the (advance) payments as requested by NASD Regulation. NASD Regulation may obtain the permission of the mediator to collect the payments on behalf of the mediator, and shall be reimbursed for any expenses incurred for the collection.

9 The undersigned parties covenant to comply with tax laws, as applicable.

10. The undersigned parties agree that any Settlement Agreement reached as a result of the Med/Arb shall be binding and enforceable. Any claimant receiving an award, which may be prorated, pursuant to the med/arb process ("Releasor") agrees to release, and forever discharge D.H. Blair, its officers, directors, shareholders, predecessors, subsidiaries and/or any of its associated or affiliated persons or entities, past and present (hereinafter referred to individually and collectively as "the Released Party"), from any and all claims, demands, actions, causes of action, damages, costs, suits, proceedings, debts, sums of money, accounts, bills, reckonings, covenants, contracts, disputes and controversies of any kind whatsoever, known or unknown, suspected or unsuspected, at law or in equity, which the Releasor may now have or hold, or may have had or held at any time on or prior to the date of this Release, against the Released Party, or any person or entity having a relationship to the Released Party as described above. Non-payment by D.H. Blair of any amount awarded by the mediator shall render this Settlement Agreement and Release null and void. The Releasor further covenants and agrees that s/he will not hereafter commence or act in any way to initiate, cause, facilitate or encourage the commencement of any investigation, action, proceeding, suit, claim or arbitration, whether judicial, administrative, regulatory, self-regulatory or otherwise, relating to or based upon any claim, dispute or controversy released pursuant to the terms of this Settlement Agreement and Release and will forthwith withdraw and discontinue with prejudice any and all pending actions or complaints. The Releasor acknowledges and agrees that payment of an award, if any, is not intended to be, and shall not be construed as or represented to be, an admission of liability or wrongdoing on the part of the Released Party in any manner, degree or amount; that payment of the award, if any, is understood as an amicable resolution of a genuinely disputed claim. The Releasor also agrees and represents that s/he will not discuss or disclose, or authorize anyone to discuss or disclose, directly or indirectly, orally or in writing, spontaneously or in response to inquiry, to any entity or person, the terms of the settlement hereof; provided, however, that this prohibition shall not apply to discussions restricted to the Releasor's immediate family, and provided further that either party may disclose such information in response to a request initiated by any state or federal regulatory agency, or the disciplinary or enforcement branch of any securities industry self-regulatory organization, or to tax advisors, accountants and government tax authorities in connection with the preparation or review of income tax returns. The Releasor also agrees to give the Released Party prompt

notice of any request, oral or written, by any person or entity for disclosure of the terms of this settlement.

11. This Agreement may be executed in one or more counterparts and duplicates, and all such counterparts and duplicates shall together constitute one and the same binding, original document. Parties may attach additional execution page addendum as necessary, and such execution page addendum shall be part of this Agreement.

12. IN WITNESS WHEREOF, the parties hereto have signed and acknowledged the foregoing MEDIATION/ARBITRATION SUBMISSION AGREEMENT.

1. _____ (Print name of mediating party) /s/ _____ (SEAL)/(Date)_____ _____ (Representative/attorney for Claimant) /s/ _____ (Date)_____	2. _____ (Print name of mediating party) /s/ _____ (SEAL)/(Date) (Representative/attorney for Respondent) /s/ _____ (Date)_____
3. _____ (Print name of mediating party) /s/ _____ (SEAL)/(Date)_____ - _____ (Representative/attorney for Respondent) /s/ _____ (Date)_____ -	4. _____ (Print name of mediating party) /s/ _____ (SEAL)/(Date)_____ _____ (Representative/attorney for Respondent) /s/ _____ (Date)_____

Mediator: _____
(Print name)

/s/ _____ (Date)

Acceptance by NASD Regulation Office of Dispute Resolution and Date of Receipt:

FOR PARTIES WHO ARE INDIVIDUALS

STATE OF)
) ss:
COUNTY OF)

On the day of _____, 19_ before me personally appeared

_____ to me known and known to me to be the person who executed the foregoing instrument, and s/he acknowledged to me that s/he executed the same.

_____
Notary Public

FOR PARTIES WHO ARE CORPORATIONS

STATE OF)
ss:
COUNTY OF)

On the day of _____, 19___, before me personally appeared

_____ to me know, who first being duly sworn by me, did depose and say that s/he is the _____ _____ of the corporation described in and which executed the foregoing instrument; that s/he has full and complete authority to file and execute the said instrument and all papers continued here, in the name of and on behalf of the said corporation; that s/he knows the seal of said entity; that it was so affixed by order of the Board of Directors of the said corporation; and that s/he signed her/his name thereto by like order.

_____
Notary Public

FOR PARTIES WHO ARE NEITHER CORPORATIONS NOR INDIVIDUALS

STATE OF)
) ss:
COUNTY OF)

On the day of _____, 19___, before me personally appeared

_____ to me know, who first being duly sworn by me, did depose and say that s/he is the _____ of _____, the entity described in and which executed the foregoing instrument; that s/he has full and complete authority to file and execute the said instrument and all papers continued here, in the name of and on behalf of the said entity; that s/he executed the same as an act and deed of the said entity for the specific uses and purposes stated and described therein.

_____
Notary Public