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ARIZONA CORPORATION COMMISSION

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EXECUTIVE SECRETARY

MICHAEL G. BURTON, SR.  
DIRECTOR

SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007-2896  
TELEPHONE: (602) 542-4242  
FAX: (602) 594-7470

November 7, 1997

C. Michael Harrington  
Vinson & Elkins L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, Texas 77002-6760

RE: Alcatel Alsthom Compagnie Generale d'Electricite ("Alcatel")  
1997 Group Company Plan for Employees of U.S. Subsidiaries

Dear Mr. Harrington:

Based on the facts set forth in your letters of November 5 and November 6, 1997, the letters' attachments, and in reliance upon your opinion as counsel, the Securities Division will not recommend enforcement action for violation of the Arizona Securities Act (the "Act") with respect to the dealer and salesmen requirement under Rule 14-4-104 should the transaction as set forth in your letters take place.

In this particular circumstance, the Division interprets the "*employee of an issuer*" language in Rule 14-4-104 to include employees of wholly owned subsidiaries of an issuer provided that such subsidiaries have not been created solely to avoid the dealer and salesman registration requirements of the Rule. In reaching this position, the Division relies on your representations that: (i) the securities being offered are listed on the New York Stock Exchange and are therefore exempt from registration under the Act pursuant to A.R.S. §44-1843(A)(7); (ii) the securities will be offered to employees of Alcatel's wholly owned subsidiaries; (iii) no commissions or other remuneration will be paid for the solicitation of employees to participate in the offering other than normal salaries; and (iv) the employees are employed by companies whose financial statements are consolidated for financial reporting purposes under The Exchange Act of 1934 on Alcatel's Form 20-F.

As this position is premised upon the facts set forth in your letters, it should not be relied on for any other set of facts or by any other person. Further, future expansive interpretations of "*employees of an issuer*" will be considered only for specific transactions on a case-by-case basis and will not be issued based on the general interpretive opinion issued on July 1, 1993 appearing in the Commerce Clearing House Blue Sky Reporter at ¶9673. Please also note that this position applies only to the registration provisions of the Act and that the anti-fraud provisions of the Act continue to be applicable.

We have attached a photocopy of your letters and attachments for your reference.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael G. Burton, Sr.", written in a cursive style.

MICHAEL G. BURTON, SR.  
Director of Securities

MGB:sjd  
Attachment

# Vinson & Elkins

ATTORNEYS AT LAW

VINSON & ELKINS L.L.P.  
2300 FIRST CITY TOWER  
1001 FANNIN STREET

HOUSTON, TEXAS 77002-6760

TELEPHONE (713) 758-2222  
FAX (713) 758-2346

WRITER'S TELEPHONE  
(713) 758-2148

WRITER'S FAX  
(713) 651-5306

November 6, 1997

**VIA TELEFAX (602) 594-7420**  
**AND FEDERAL EXPRESS**

Ms. Serri Davila  
Corporation Commission, Securities Division  
1300 West Washington Street, Third Floor  
Phoenix, Arizona 85007

Re: Alcatel Alsthom Compagnie Générale d'Electricité ("Alcatel Alsthom" or the "Company") - Alcatel Alsthom 1997 Group Company Plan for Employees of U.S. Subsidiaries (the "Plan")

Dear Ms. Davila:

Pursuant to your request, we have been advised by the Company that:

- (1) Persons eligible to participate in the Plan that reside in the State of Arizona are employees of wholly owned subsidiaries of Alcatel Alsthom. There are approximately 255 employees residing in Arizona.
- (2) These persons are eligible to purchase up to a maximum of \$1,931,550 of the securities. This amount is based upon 25% of their annual income.
- (3) The Plan is not qualified under the Internal Revenue Code, as amended, because it is not an on going plan. The Plan offers a one time opportunity to purchase the Company's securities.
- (4) The employees are employed by companies whose financial statements are consolidated for financial reporting purposes under The Exchange Act of 1934 on Alcatel Alsthom's Form 20-F.

As evidence of receipt, please stamp the receipt copy of this letter and return to the undersigned in the enclosed business reply envelope.

Ms. Serri Davila  
Securities Division  
November 6, 1997  
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If you should have any questions, please call the undersigned at the above number or Wendy Conrad, Legal Assistant, at (713) 758-4538.

Very truly yours,

*C. Michael Harrington*  
C. Michael Harrington

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Enclosures

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November 5, 1997

**VIA TELEFAX (602) 594-7420**  
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Ms. Serri Davila  
Corporation Commission, Securities Division  
1300 West Washington Street, Third Floor  
Phoenix, Arizona 85007

Re: Alcatel Alsthom Compagnie Générale d'Electricité ("Alcatel Alsthom" or the "Company") - Alcatel Alsthom 1997 Group Company Plan for Employees of U.S. Subsidiaries (the "Plan")

Dear Ms. Davila:

The purpose of this letter is to request that the Arizona Corporation Commission issue an interpretative letter with regard to language appearing in Rule 14-4-104 of the regulations promulgated pursuant to the Arizona Securities Act (the "Act").

The Company, its officers and employees, as issuer of the deposited securities, and the legal entity created by the Deposit Agreement between the Company and The Bank of New York (the "Depository") intend to offer and sell the Company's American Depositary Shares ("ADSs") to eligible employees of the Company's participating U.S. subsidiaries that reside in the State of Arizona in accordance with the Plan.

The Company's shares, nominal value 40 french francs, are not traded in the United States; rather, any such shares that would otherwise be so traded are deposited with the Depository in exchange for ADSs. The ADSs, including the ADSs to be issued pursuant to the Plan, are or will be listed on the New York Stock Exchange and are therefore "federally covered securities". The ADSs to be issued pursuant to the Plan are exempt from securities registration pursuant to Section 14-1843.A(7) of the Act.

Participants in the Plan will acquire ADSs rather than shares, on the basis of five ADSs for each Share. The ADSs will be evidenced by American Depositary Receipts ("ADRs"). The ADRs will be held by a bank acting in a custodial capacity for the accounts of the participants during the pendency of the restrictions against sale or other disposition of the ADSs set forth in the Plan and described in the Prospectus.

Ms. Serri Davila  
Securities Division  
November 5, 1997  
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No commissions or other remuneration will be paid for the solicitation of employees to participate in the Plan, other than normal salaries.

We have noted that Rule 14-4-104 requires dealers and salesmen to be registered as such under the Act in transactions involving securities exempt from the registration requirements pursuant to Section 44-1843.A.(7) of the Act. The Rule further states that:

"No dealer or salesman shall, however, be required to be registered for the purpose of selling or offering to sell that portion of an offering of securities so listed, designated or approved for listing which is directed to securities holders or **employees of an issuer** when the offering is made by the issuer, or is made by a dealer or salesman acting without compensation other than a reasonable standby charge applicable to such securities by virtue of a distribution agreement relating to any balance of the offering remaining unsubscribed by existing securities holders or employees of the issuer."

We have been informed by persons on staff at the Division that the Commission has previously interpreted the boldface language above to include employees of wholly-owned subsidiaries of an issuer when

- (I) the securities being offered are exempt securities;
- (ii) the offering is made to specified groups of persons who have a preexisting relationship with the issuer; and
- (iii) such classes of offerees would not appear to need the additional protection of requiring dealer and salesman registration.

A no action letter to this effect dated July 1, 1993 appears in the Commerce Clearing House Blue Sky Reporter at ¶9673. The letter states that clarification beyond wholly-owned subsidiaries will be considered only for specific transactions on a case-by-case basis.

As previously stated in our letters dated October 24, 1997 and November 5, 1997, Alcatel Alsthom is a French company. We have been advised by the Company that the participants in the Plan residing in the State of Arizona are employees of three Alcatel Alsthom subsidiaries. These subsidiaries are Alcatel Network Systems, Inc., Radio Frequency Systems, Inc. and Alcatel Vacuum Products, Inc. As indicated on the enclosed organizational chart, each subsidiary is a wholly-owned subsidiary of the Company.

We have also enclosed for your information a copy of the Company's Registration Statement on Form S-8 with respect to the ADSs to be issued under the Plan, as filed with the Securities and Exchange Commission (the "SEC") on October 23, 1997, together with a copy of the related Prospectus, which describes the Plan.

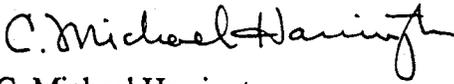
Ms. Serri Davila  
Securities Division  
November 5, 1997  
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In light of the foregoing, we respectfully request that the Commission confirm in writing to the undersigned that "employees of the issuer", as used in Rule 14-4-104, is interpreted to include employees of wholly-owned subsidiaries of the issuer, as the Commission has done in the past.

As evidence of receipt, please stamp the receipt copy of this letter and return to the undersigned in the enclosed business reply envelope.

If you should have any questions, please call the undersigned at the above number or Wendy Conrad, Legal Assistant, at (713) 758-4538.

Very truly yours,

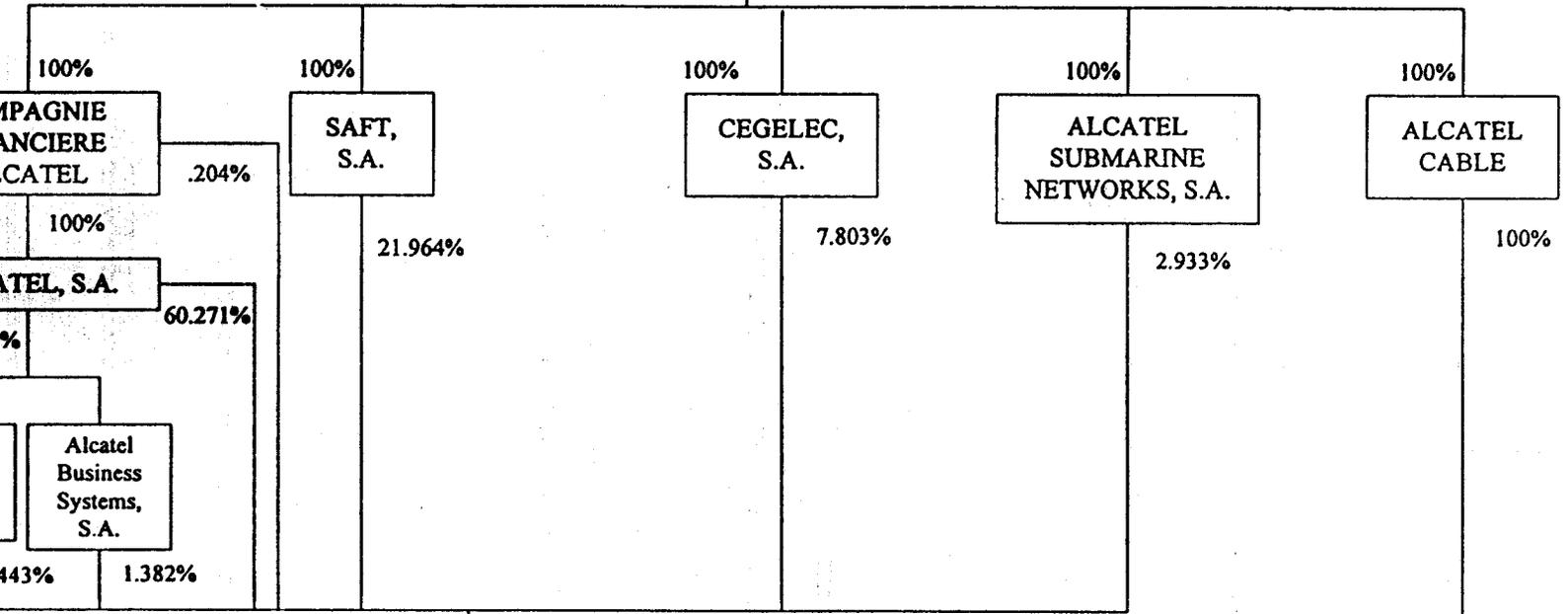
  
C. Michael Harrington

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Enclosures

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**ALCATEL ALSTHOM**



**ALCATEL USA, CORP.**

