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June 15, 1999

Danial O'Connor, Esq.  
Dykema Gossett PLLC  
400 Renaissance Center  
Detroit, MI 48243-1668

RE: Data Systems Network Corporation  
R14-4-137

Dear Mr. O'Connor:

On the basis of the facts set forth in your letter of June 14, 1999, and in reliance upon your opinion as counsel, the Securities Division will not recommend enforcement action for violation of the Securities Act of Arizona should the transaction take place as set forth in your letter.

As this position is premised upon the facts set forth in your letter, it should not be relied on for any other set of facts or by any other person. Please also note that this position applies only to the registration requirements of the Act; the antifraud provisions of the Act continue to be applicable.

We have attached a photocopy of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

A handwritten signature in cursive script that reads "Mark Sendrow".

MARK SENDROW  
Director of Securities

MS:wc  
Attachment

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**DYKEMA GOSSETT**  
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**DANIEL M. O'CONNOR**

DIRECT DIAL: (313) 568-5497  
E-MAIL: [doconnor@dykema.com](mailto:doconnor@dykema.com)

June 14, 1999

VIA FACSIMILE AND FIRST CLASS MAIL

Ms. Wendy Coy  
Securities Division  
Arizona Corporate Commission  
1300 W. Washington St., Third Floor  
Phoenix, Arizona 85007-2996  
Fax: (602) 594-7418

Re: Data Systems Network Corporation

Dear Ms. Coy:

As covered in my letter of June 2, we are counsel to Data Systems Network Corporation (the "Company"), in connection with its issuance of common stock pursuant to a judicially approved class action settlement. Pursuant to my conversation with you on June 4 and subsequently on June 11, we respectfully request that the Arizona Securities Division amend our previous request and issue pursuant to section R14-4-137 of the Regulations of the Arizona Corporate Commission ("Section R14-4-137") an order exempting from sections 44-1841, 44-1842 and 44-3321 of the Arizona Securities Act (the "Act") the Company's offering of common stock pursuant to a judicially approved class-action settlement. As we discussed, please apply the check for \$200 that was enclosed with the June 2 letter.

The Company's issuance of common stock pursuant to the judicially approved class action settlement is exempt pursuant to Section R14-4-137. Section R14-4-137 exempts "an issuance of securities in exchange for bona fide claims or property interests within or from this State which is made pursuant to a final judgment or order, in either event no longer subject to appeal, of a federal or state court of competent jurisdiction or other governmental authority expressly authorized by law, and where the terms and conditions of such issuance are approved."

The Company meets the following requirements of Section R14-4-137 for the reasons stated:

- Section R14-4-137(A) provides an exemption for an issuance of securities in exchange for bona fide claims with Arizona, which is made pursuant to a final judgment or order by a federal or state court no longer subject to appeal.

DYKEMA GOSSETT PLLC

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As detailed in our June 2 letter to your office, the issuance of securities is in exchange for class action claims which are held in part by Arizona residents. The Plaintiffs have to this point notified us that there are 6 (six) Arizona residents participating in the class action and who will be receiving securities.

The issuance will be made pursuant to a settlement that was approved as fair in a judicial order (the "Judicial Order") by the United States District Court for the Eastern District of Michigan Southern Division, Consolidated File No. 98-70854. A copy of this Judicial Order is attached. Pursuant to the court approved settlement, neither party may appeal the settlement after June 11, 1999. As of June 11, 1999 neither party had filed an appeal of the settlement, therefore, it is no longer subject to appeal.

- Section R14-4-137(B)(2) requires that the fairness hearing held in connection with a judicial order be held after reasonable notice and opportunity to be heard is given to all interested parties.

The Company sent a notice of the judicial hearing to all persons reasonably identifiable as belonging to the plaintiff class and published a court approved summary notice of the judicial hearing in Investors Business Daily and the Detroit Free Press. Judge O'Meara states on page 2 of the Judicial Order that the notice was good and sufficient notice of the judicial hearing and all proceedings and matters in connection with it. Judge O'Meara also states on page 3 of the Judicial Order that the notice given to the members of the class "fully satisfied Rule 23 of the Federal Rules of Civil Procedure and due process and was the best notice feasible under the circumstances."

- Section R14-4-137(B)(3) requires that the court expressly find that the terms of the exchange are fair.

On page 3 of the Judicial Order, Judge O'Meara states that "[t]he Stipulation of Settlement is approved as fair, reasonable and adequate, and in the best interests of the Class, and was arrived at through arm's-length, good faith bargaining among the parties."

DYKEMA GOSSETT PLLC

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Ms. Wendy Coy  
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Section R14-4-137(B)(1) requires that the issuer file with the Arizona Corporate Commission a copy of a notice of fairness hearing no less than ten days prior to the hearing. Section R14-4-137(B)(4) requires that the issuer file with the Arizona Corporate Commission one copy of the final signed order of the court within ten days of its issuance. We request the waiver of the requirements under Section R14-4-137(B)(1) and (4). These deadlines were not met because at the time of the judicial hearing the Company believed that shares of common stock issued pursuant to Section 3(a)(10) of the Securities Act of 1933, as amended (the "Securities Act"), were covered securities under the National Securities Markets Improvement Act of 1996 ("NSMIA") and, therefore, the Securities Act and any state registration requirements were not applicable to such issuance.

Section 18(a)(2) of the Securities Act prohibits states from imposing any registration requirements upon the issuance of a covered security. Prior to November 3, 1998, Section 18(b)(4) of the Securities Act defined covered securities to include securities issued with respect to a transaction that is exempt from registration pursuant to Section 3(a) of the Securities Act, other than a transaction that is exempt pursuant to paragraphs (4) or (11) of such section. The shares of the Company's common stock to be issued pursuant to the Judicial Order are exempt from registration pursuant to Section 3(a)(10) of the Securities Act because they are being issued in exchange for an existing claim. Therefore, until November 3, 1998, the shares to be issued pursuant to the Judicial Order were covered securities that were exempt from registration under the Securities Act and from registration under any state law.

On November 3, 1998, the Securities Litigation Uniform Standards Act amended the definition of covered securities by also excluding exemptions pursuant to Section 3(a)(10) of the Securities Act. Therefore, the issuance of shares pursuant to Section 3(a)(10) of the Securities Act were no longer preempted by federal law. Nonetheless, all of the requirements of the judicial fairness hearing were complied with and approval was given by the United States Eastern District Court of Michigan. Also, pursuant to a preliminary disclosure provide by the plaintiff's only 6 out of the 868 class participants are residents of Arizona and will be part of the issuance.

We are hopeful that the foregoing request meets your criteria for a favorable recommendation under Section R14-4-137. If, however, any feature of the request strikes you or your colleagues as inappropriate, or if you would be interested in any further detail respecting any such feature, we are open to any insights and questions that would facilitate the granting of the requested exemption. Finally, due to the scheduled issuance of the securities on June 16, 1999 it is important that we get your approval as soon as possible. Please contact us if there will be any delay in approving our request.

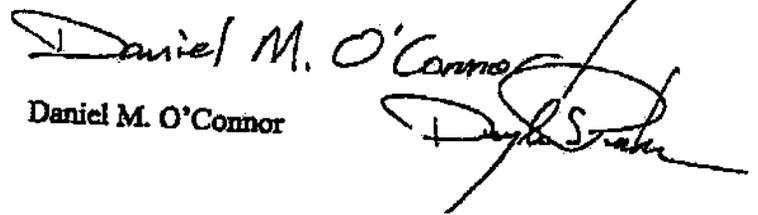
DYKEMA GOSSETT PLLC

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Ms. Wendy Coy  
June 14, 1999  
Page 4

Very truly yours,

DYKEMA GOSSETT PLLC

  
Daniel M. O'Connor

cc: Aleksandra Miziolek, Esq.

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LAW OFFICES  
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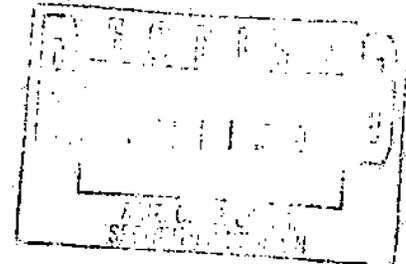
**DANIEL M. O'CONNOR**

**DIRECT DIAL: (313) 568-5497**  
**E-MAIL: doconnor@dykema.com**

June 7, 1999

VIA FACSIMILE AND FIRST CLASS MAIL

Ms. Sharleen A. Day  
Director of Registration  
Securities Division  
Arizona Corporate Commission  
1300 W. Washington St., Third Floor  
Phoenix, Arizona 85007-2996



Re: Data Systems Network Corporation

Dear Ms. Day:

As covered in my letter of June 2, we are counsel to Data Systems Network Corporation (the "Company"), in connection with its issuance of common stock pursuant to a judicially approved class action settlement. Pursuant to my conversation with you on June 4, we respectfully request that the Arizona Securities Division amend our previous request and issue pursuant to Section R14-4-137 of the Arizona Securities Act (the "Act") an order exempting from Sections 44-1841, 44-1842 and 44-3321 of the Act the Company's offering of common stock pursuant to a judicially approved class-action settlement. As we discussed, please apply the check for \$200 that was enclosed with the June 2 letter.

The Company's issuance of common stock pursuant to the judicially approved class action settlement is exempt pursuant to Section R14-4-137 of the Act. Section R14-4-137 exempts "an issuance of securities in exchange for bona fide claims or property interests within or from this State which is made pursuant to a final judgment or order, in either event no longer subject to appeal, of a federal or state court of competent jurisdiction or other governmental authority expressly authorized by law, and where the terms and conditions of such issuance are approved."

Furthermore, we request the waiver of the requirements under R14-4-137(B)(1) and (4). These deadlines were not met because at the time of the hearing the Company believed that shares of common stock issued pursuant to Section 3(a)(10) of the Securities Act of 1933, as amended ("33 Act"), were covered securities under the National Securities Markets Improvement Act of 1996 ("NSMIA") and, therefore, the 33 Act was not applicable to such issuance. However, after the latest amendments to NSMIA, the issuance of shares pursuant to section

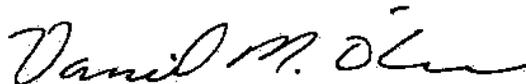
Ms. Sharleen A. Day  
June 7, 1999  
Page 2

3(a)(10) of the 33 Act is no longer preempted by federal law. Nonetheless, all of the requirements of the judicial fairness hearing were complied with and approval was given by the United States Eastern District Court of Michigan. Attached is a copy of the order. Also, pursuant to a preliminary disclosure provide by the plaintiff's only 6 out of the 868 class participants are residents of Arizona and will be part of the issuance.

We are hopeful that the foregoing request meets your criteria for a favorable recommendation under Section R14-4-137 of the Act. If, however, any feature of the request strikes you or your colleagues as inappropriate, or if you would be interested in any further detail respecting any such feature, we are open to any insights and questions that would facilitate the granting of the requested exemption. Finally, due to the scheduled issuance of the securities on June 16, 1999 it is important that we get your approval as soon as possible. Please contact us if there will be any type of delay in approving our request.

Very truly yours,

DYKEMA GOSSETT PLLC



Daniel M. O'Connor

cc: Aleksandra Miziolek, Esq.

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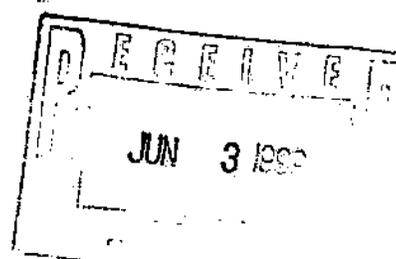
**DANIEL M. O'CONNOR**

**DIRECT DIAL: (313) 568-5497**  
**E-MAIL: doconnor@dykema.com**

June 2, 1999

**OVERNIGHT COURIER/MAIL**

Ms. Cheryl Farson  
Associate General Counsel  
Securities Division  
Arizona Corporate Commission  
1300 W. Washington St., Third Floor  
Phoenix, Arizona 85007-2996



Re: Data Systems Network Corporation

Dear Ms. Farson:

We are counsel to Data Systems Network Corporation (the "Company"), in connection with its issuance of common stock pursuant to a judicially approved class action settlement. On behalf of the Company, we respectfully request that the Arizona Securities Division issue pursuant to Section 44-1844(A)(6) of the Arizona Securities Act (the "Act") an order exempting from Sections 44-1841, 44-1842 and 44-3321 of the Act the Company's offering of common stock pursuant to a judicially approved class-action settlement. As required for such an order, enclosed is a check for \$200 made payable to the Securities Division, Arizona Corporation Commission

The Company is incorporated in Michigan and subject to the reporting requirements of the Securities Exchange Act of 1934. Its principal activities involve sales of microcomputer and network hardware and software and the performance of maintenance and advance services, such as network management, imaging and systems consulting, to major corporate and state and local government customers in the United States.

The Company intends to issue common stock pursuant to the settlement of a class action lawsuit against the Company and certain of its officers and directors in an action captioned, In Re: Data Systems Network Corporation Securities Litigation, Case No. 98-70854 (the "Action"). The Action, brought on behalf of all persons who bought the Company's stock during the period of May 15, 1996 through February 24, 1998, was brought in federal district court in Detroit, Michigan. Allegations were that the Defendants violated Sections 10(b) and 20 of the Securities Exchange Act and Rule 10b-5 of the Regulations promulgated thereunder in connection with certain financial reports of the Company distributed during the period in question, and, as a

Ms. Cheryl Farson.

June 2, 1999

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result, purchasers of the Company's common stock during this period paid more for the common stock than they otherwise might have paid.

On February 17, 1999, the Company announced that it had agreed to a stipulation of settlement of the Action and on May 12, 1999 the court held a hearing on the fairness of the settlement terms and gave approval of the settlement. The court held that the terms and conditions of the distributions of the Company's stock as part of the settlement was fair, reasonable, adequate, in the best interests of the Plaintiffs and exempt from Federal registration pursuant to Section 3(a)(10) of the Securities Act of 1933. Specifically, under the terms of the settlement the Company will create a gross settlement fund. The fund will be comprised of \$900,000 provided by the Company's insurer and 550,000 shares of the Company's common stock. In agreeing to the proposed settlement, the Company and individual defendants made no admission of any wrongdoing.

The Company's issuance of common stock pursuant to the judicially approved class action settlement is exempt pursuant to Section 44-1844(A)(6) of the Act from Sections 44-1841, 44-1842 and 44-3321 of the Act. Section 44-1844(A)(6) exempts those transactions "incident to a judicially approved reorganization in which a security is issued in exchange for one or more outstanding securities, claims or property interests, or partly in such exchange and partly for cash." Although the present issuance is not specifically a "reorganization" we believe it is contemplated by Section 44-1844(A)(6) for the following reasons: (i) there is an exchange of securities for outstanding claims, (ii) all interested parties, including all purchasers, were notified of the judicial fairness hearing, and (iii) the issuance and exchange was judicially approved subsequent as part of fairness hearing.

Furthermore, we believe any requirement of registration in connection with the present issuance is not necessary in the public interest or for the protection of investors for the following reasons: (i) the purchasers are protected by the judicial approval of the settlement and issuance subsequent to a judicial hearing in which notification was provided to all interested parties, including all purchasers, (ii) the offering is limited to a finite group who are all previous or present owners of the Company's stock, (iii) the purchasers are exchanging claims for stock and not providing any additional consideration, and (iv) no general solicitation is being utilized except for the required class notification.

Ms. Cheryl Farson.

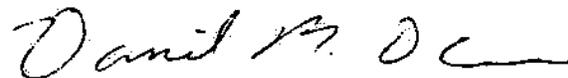
June 2, 1999

Page 3

We are hopeful that the foregoing request meets your criteria for a favorable recommendation under Section 44-1844(A)(6) of the Act. If, however, any feature of the request strikes you or your colleagues as inappropriate, or if you would be interested in any further detail respecting any such feature, we are open to any insights and questions that would facilitate the granting of the requested exemption. In any event, we hope to hear from you soon.

Very truly yours,

DYKEMA GOSSETT PLLC



Daniel M. O'Connor

cc: Aleksandra Miziolek, Esq.

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