

RENZ D. JENNINGS
CHAIRMAN

MARCIA WEEKS
COMMISSIONER

CARL J. KUNASEK
COMMISSIONER



ARIZONA CORPORATION COMMISSION

Head Data
JAMES MATTHEWS
EXECUTIVE SECRETARY

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
FAX: (602) 542-3583

July 17, 1996

Neil S. Belloff, Esq.
Rosenman & Colin LLP
575 Madison Avenue
New York, NY 10022-2585

RE: Prudential Securities Incorporated Retirement Program for Financial Advisors
A.R.S. §§ 44-1801(19), 44-1842

Dear Mr. Belloff:

On the basis of the facts set forth in your letters of April 4, 1995, July 27, 1995, December 13, 1995 and May 23, 1996 and all accompanying attachments thereto, 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 letters.

Because this position is premised upon the facts set forth in your letters, and strict adherence thereto by Prudential Securities, Inc., and the retired and receiving salesmen, 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 anti-fraud provisions of the Act continue to be applicable. Moreover, be advised that any act or conduct which will bring the retired salesman within the definition of "salesman" under the Act or the definition of "offer for sale" or "sale" of securities in violation of the Act will result in administrative sanctions against all parties including the retired and receiving salesmen and the supervisory dealer.

As a condition of granting your request, we will require Prudential Securities Inc., to submit to the Division the names and CRD numbers of every retired salesman who will participate in the Program and who would otherwise be required to register in Arizona, together with the date of retirement, the date of implementation of the Program, together with semiannual reports of the amounts distributed to the retired salesman, and a final summary report when the Program has concluded. Further, we will also require that initial notification to clients about the Program disclose the fee sharing arrangement between the retiring and receiving salesmen. The Director of Securities reserves the right to impose further standards. Additionally, the Director reserves the

W. S. Belloff, Esq.

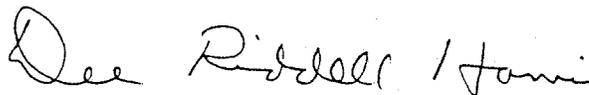
July 17, 1996

Page 2

right to retract applicability of this letter to the extent that the Division determines that there is a pattern of failure on the part of Prudential Securities, Inc., in selecting qualified candidates for participation in the Program.

We have attached photocopies of your letters. 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 "Dee Ridzell Harris".

DEE RIDDELL HARRIS
Director of Securities

DRH:lb
Attachments

ROSENMAN & COLIN

575 MADISON AVENUE, NEW YORK, NY 10022-2585

TELEPHONE (212) 940-6800
CABLE ROCOKAY NEWYORK
TELECOPIER (212) 940-8776
(212) 935-0679
TELEX 427571 ROSCOL (ITT)
971520 RCFLC NYK (W.U.)

SAMUEL I. ROSENMAN (1896-1973)
RALPH F. COLIN (1900-1985)

WASHINGTON OFFICE
1300 19TH STREET, N. W.
WASHINGTON, D. C. 20036
TELEPHONE (202) 463-7177

April 4, 1995

WRITER'S DIRECT DIAL NUMBER
(212) 940-6644

VIA COURIER

Arizona Corporation Commission
Securities Division
1300 West Washington St., 3rd Floor
Phoenix, Arizona 85007

Attention: Ms. Leslie Block, Associate General Counsel

Dear Ms. Block:

On behalf of our client Prudential Securities Incorporated ("PSI"), we respectfully request the written advice of the Arizona Securities Division (the "Division") that it will not recommend any enforcement action if PSI implements its Retirement Program for Financial Advisors (the "Client Continuity Program" or the "Program") as hereinafter described. In connection with this request, we have enclosed a check in the amount of \$200.00 as required by Section 44-1861L of the Blue Sky Law of Arizona.

In particular, we seek the concurrence of the Division in our view that retiring PSI Financial Advisors (the "Participants") participating in the Program and adhering to the Program requirements need not maintain their status as registered representatives or registered associated persons of PSI upon retirement. We call your attention to the Prudential Securities Incorporated, SEC No-Action Letter, available October 11, 1994 (the "Prudential Letter") in which the Staff of the Securities and Exchange Commission took a no-action position with respect to the Client Continuity Program implemented by PSI and the Shearson Lehman Brothers Inc. ("Shearson"), SEC No-Action Letter, available March 25, 1993 (the "Shearson Letter") with respect to a retirement/franchise protection program implemented by Shearson which is similar to PSI's Client Continuity Program. Copies of the Client Continuity Program, the Prudential Letter and the Shearson Letter are attached hereto.

A Participant will qualify to participate in the Program if (i) the Participant is a registered Financial Advisor (not a branch manager) who has been with PSI at least five years and is

55 years of age or older, (ii) the Participant satisfies certain quality criteria, including (a) a low incidence of investment-related customer complaints, pending arbitration or litigation, or arbitration or litigation settled by the parties for less than \$5,000; (b) a low error rate on customer transactions; (c) an absence of investment-related arbitration or litigation decided against the Participant or settled by the parties for \$5,000 or more; and (d) the Participant not being subject to any sanctions imposed by regulatory or self-regulatory organizations or any other statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934; (iii) except at the initiation of the Program, the Participant has provided PSI with at least six months' advance notice of retirement, (iv) the Participant enters into an agreement with PSI and with one or more persons each of whom (the "Receiving FA") is a current PSI Financial Advisor or a current PSI Financial Advisor's assistant who is a registered person and who has been recommended by the Participant, setting forth the terms of the Participant's participation in the Program, and (v) the Participant enters into a non-competition agreement with PSI. Each Participant's continued participation in the Program is contingent on the Participant continuing to satisfy the above-described quality criteria during the three-year period designated below.

Pursuant to the Program, each Participant will recommend a Receiving FA who will service the Participant's client accounts following the Participant's retirement. Such recommendation will be subject to approval by the Receiving FA's branch manager, regional director and PSI's committee administering the Program. In addition, for the Receiving FA to be eligible to participate in the Program, the Receiving FA must have no history of legal or compliance problems and must have a minimum of three years' industry experience and two years' experience with PSI as a Financial Advisor or as a Financial Advisor's registered assistant.

The agreement entered into between PSI, the Participant and the Receiving FA will provide that all of the Participant's existing client accounts and subsequent additions to existing client accounts, together with other accounts carried by PSI evidencing a change by an existing account in its account category within PSI (e.g., from regular securities account to COMMAND account) but not a change in beneficial ownership (collectively, the "Eligible Accounts"), will be eligible for inclusion in the Program. During the transition period (six to twelve months except at the initiation of the Program), the Participant will introduce the Receiving FA to his client accounts in order to effect a smooth, uninterrupted transition in

the servicing of the clients' accounts upon the Participant's retirement.

Following the transition period, the Participant (or, upon his or her death, the Participant's designated beneficiary) and the Receiving FA will share all gross commissions, excluding service fees, attributable to the Eligible Accounts for a three-year period on a declining scale as follows:

<u>Year</u>	<u>Participant</u>	<u>Receiving FA</u>
1	50%	50%
2	40%	60%
3	30%	70%
<u>thereafter</u>	<u>0%</u>	<u>100%</u>

In addition, PSI's asset accumulation awards and PSI's performance and longevity awards derived from Eligible Accounts will be divided in the same proportions between the Participant and the designated Receiving FA during the three-year period; after the three-year period, no further asset accumulation awards or performance and longevity awards will be paid to the Participant. All payments under the Program will be made by PSI.

The Participant will receive no compensation for new account referrals after retirement, and the Participant will agree that, during the three-year period, he or she will not (a) contact former clients, directly or indirectly, for the purpose or with the effect of soliciting them to maintain securities accounts or to engage in securities transactions, (b) discuss securities accounts or securities transactions with former clients, (c) maintain any license as a registered or associated person of, or otherwise be associated with, PSI or any other broker, dealer, municipal securities dealer, government securities dealer, investment adviser, or investment company, or hold himself or herself out as being so associated, or (d) engage in the securities business in any other manner. The Participant will, nevertheless, receive a monthly report of activity in the Eligible Accounts, omitting the names of individual Eligible

PSI's performance and longevity awards to its Financial Advisors are calculated under a formula based on the Financial Advisor's length of service in the securities industry, length of service at PSI and gross commission production. PSI's asset accumulation awards to its Financial Advisors are calculated under a formula based on assets under management, minimum commission production levels and length of service in the securities industry.

Accounts, for purposes of verification of amounts remitted by PSI.

If a Participant does not adhere to the restrictions above summarized as well as to the other terms of the agreement and the non-competition agreement entered into under the Program, the Participant (or the Participant's beneficiary upon death) will not be entitled to receive further payments under the Program and will be required to forfeit all payments previously received. The agreements between PSI and the Participants will so provide, with a view to assuring that each Participant has in fact retired from the securities business and does not remain engaged in the securities business to any extent or in any manner.

PSI's Committee administering the Program will monitor compliance with the requirements of the Program, including, without limitation, the Participants' and the Receiving FAs' compliance with the obligations they have undertaken under the Program. In order to reduce any risk to the public to negligible levels, these monitoring procedures will include (a) written notification to clients that their Financial Advisor is retiring (with specification of the applicable retirement date in such notification), that he or she is precluded from contacting former clients either directly or indirectly, after retirement, to discuss securities accounts or securities transactions, and that clients should contact PSI's branch manager if they have any questions in that regard or in the event of what they consider improper contact by the Participant; (b) periodic (at least annual) written confirmation by Participants, during the three-year period after retirement and as a condition of receiving payments under the Program, that they are in compliance with all requirements of the Program, including confirmation that they have not been in contact, directly or indirectly, with former clients to discuss securities accounts or securities transactions; (c) confirmation on these subjects by Receiving FAs, to the extent of their knowledge, and, where appropriate, similar confirmation by clients, (d) specific instructions to, and reports from, branch managers, (e) regular ongoing supervision of the activities of Receiving FAs, and (f) monitoring by the administering Committee, and annual reports on monitoring to the Compliance Committee of PSI's Board of Directors. PSI will, on a regular periodic basis, contact clients who were formerly clients of a Participant to verify that such clients have not been improperly contacted by the Participant.

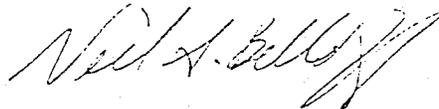
Arizona Corporation Commission
April 4, 1995
Page 5

On the basis of our review of the Program, and taking into account the Prudential Letter and the Shearson Letter (among other matters), it is our view that the receipt by Participants of payments under the Program does not require the Participants to maintain their status as registered representatives or registered associated persons of PSI. Please confirm that the Division shares this view.

If the Division does not concur with our view, we would appreciate the opportunity to confer with the Division prior to any written response to this letter. Of course, if you have any questions regarding this matter or desire additional information, please do not hesitate to call me at the number listed above.

Your prompt attention to this matter will be greatly appreciated.

Very truly yours,



Neil S. Belloff

NSB:pal
Enclosures

cc: Donald R. Levine, Esq.
Senior Vice President and
Associate General Counsel
Prudential Securities Incorporated

ROSENMAN & COLIN

575 MADISON AVENUE, NEW YORK, NY 10022-2585

PHONE (212) 940-8800
ROCKAWAY NEW YORK
FAX (212) 940-8776
(212) 935-0679
427571 ROSCOL (ITT)
3 RCFLE NYK (W.U.)

SAMUEL I. ROSENMAN (1896-1973)
RALPH F. COLIN (1900-1985)

WASHINGTON OFFICE
1300 19TH STREET, N. W.
WASHINGTON, D. C. 20036
TELEPHONE (202) 463-7177

July 27, 1995

WRITER'S DIRECT DIAL NUMBER

(212) 940-6454

VIA COURIER

Arizona Corporation Commission
Securities Division
1300 West Washington St., 3rd Floor
Phoenix, Arizona 85007

Attention: Ms. Suzanne McKee

Dear Ms. McKee:

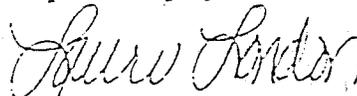
This letter responds to your request made to Neil S. Belloff during a telephone call last week. In connection therewith, on behalf of our client Prudential Securities Incorporated ("PSI"), I am enclosing the following documents:

- (a) Client Continuity Plan Agreement;
- (b) Covenant not to Compete Agreement;
- (c) Letter proposed to be sent to clients of PSI prior to the retirement of the financial advisor currently servicing such clients.

With respect to your request for an estimated number of financial advisors in the United States generally, and in Arizona in particular, who may become participants in the Client Continuity Program, such information will be forwarded to your attention upon receipt thereof from PSI.

If you have any questions regarding the enclosed documents or you desire additional information, please do not hesitate to call me at the number listed above.

Very truly yours,



Lauri B. London

NSB:pal
Enclosures
cc: Neil S. Belloff, Esq.

Rosenman

ROSENMAN & COLIN LLP
575 MADISON AVENUE
NEW YORK, NY 10022-2585

TELEPHONE: (212) 940-8800
FACSIMILE: (212) 940-8776
WEB SITE: <http://www.rosenman.com>

December 13, 1995

WASHINGTON OFFICE
1300 19TH STREET, N.W.
WASHINGTON, D.C. 20036

NEW JERSEY OFFICE
ONE GATEWAY CENTER
NEWARK, NJ 07102-5397

FEDERAL EXPRESS

DIRECT DIAL
(212) 940-6454

Suzanne McKee
Arizona Corporation Commission
Securities Division
1300 West Washington Street, 3rd Floor
Phoenix, AZ 85001

Re: Prudential Securities Incorporated

Dear Ms. McKee:

In response to your request for additional information with respect to the above referenced company, I am enclosing copies of responses received from other states, as well as a chart summarizing such responses.

In addition, PSI has advised me that there are 929 Financial Advisors employed by PSI which are currently eligible for the Client Continuity Program, 18 of which reside in Arizona.

With respect to your inquiry regarding Longevity Awards, we will review the program in detail and send you a description of how such awards are granted.

If you have any other questions, or I can be of any further assistance, please call me at the above number.

Very truly yours,

Lauri B. London
Lauri B. London

LBL/kd
Enclosures

cc: Donald Levine, Esq. (w/out enclosure)
Eric Schwimmer, Esq. (w/out enclosure)
Howard Schneider, Esq. (w/out enclosure)
Neil Belloff, Esq. (w/out enclosure)

Rosenman

ROSENMAN & COLIN LLP
575 MADISON AVENUE
NEW YORK, NY 10022-2585

TELEPHONE: (212) 940-8800
FACSIMILE: (212) 940-8776
WEB SITE: <http://www.rosenman.com>

May 23, 1996

WASHINGTON OFFICE
1300 19TH STREET, N.W.
WASHINGTON, D.C. 20036

NEW JERSEY OFFICE
ONE GATEWAY CENTER
NEWARK, NJ 07102-5397

DIRECT DIAL
(212) 940-6454

BY FEDERAL EXPRESS

Arizona Corporation Commission
Securities Division
1300 West Washington St., 3rd Floor
Phoenix, Arizona 85007

Attention: Ms. Suzanne McKee

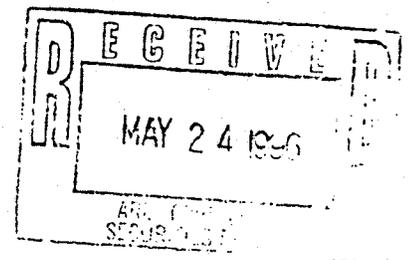
Re: Prudential Securities Incorporated ("PSI")

Dear Ms. McKee:

This letter will respond to questions raised by you during several telephone conversations in connection with PSI's Client Continuity Plan (the "Plan") and our no action request to you dated April 4, 1995 regarding the Plan.

With respect to your inquiries regarding Performance and Longevity awards, we advise as follows:

- (1) The period that a Plan participant receives benefits under the Plan is not counted toward years of service for Longevity Award purposes. See the Client Continuity Plan Agreement, page 15, paragraph 2. (attached hereto);
- (2) A summary of the calculation of performance and longevity awards which is derived from the "Financial Advisor Compensation Program" booklet is attached hereto as Exhibit A; and
- (3) The average performance and longevity awards for all financial advisors of PSI (including those participating in the Plan) for 1993, 1994 and 1995 were approximately \$12,000, \$10,000 and \$11,000, respectively.



Arizona Corporation Commission
May 23, 1996
Page 2

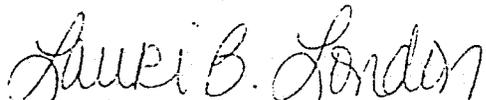
Please note that performance and longevity awards paid to retired FAs under the Plan are calculated based on the commissions earned by such retired FAs after giving effect to the applicable discount, (i.e. 50%, 40% or 30%) required under the Plan.

In addition, please note that although performance and longevity awards are additional compensation for retired FAs, the retired FAs have agreed to retroactively forfeit all compensation received under the Plan if they violate the Plan Agreement or the Covenant Not to Compete. Further, we would require the retired FAs to personally attest that they have not provided investment advice to any PSI clients. Accordingly, we do not believe that receipt of performance and longevity awards at the reduced rate provides incentive to retired FAs to violate the terms of the Plan documents.

In addition, attached as Exhibit B, is a letter which will be sent to clients of prospective retiring FA's explaining the Plan and disclosing the commissions to be received by retiring FAs.

I hope this letter has been responsive to your questions. If you have any additional questions or require further information, please do not hesitate to call me at the number listed above.

Very truly yours,



Lauri B. London

LBL:mh
Enclosures

cc: Eric Schwimmer, Esq.
Neil S. Belloff, Esq.