

June 7, 1999

Daniel M. O'Connor
DYKEMA GOSSETT
400 Renaissance Center
Detroit, Michigan 48243-1668

Re: Data Systems Network Corporation

No-Action: 99-005

Dear Mr. O'Connor:

The staff of the Arkansas Securities Department ("Staff") has reviewed your letter of June 2, 1999, wherein you state your firm represents Data Systems Network Corporation (the "Company") in connection with its issuance of common stock pursuant to a judicially approved class action settlement (the "Issuance"). You request that the Staff recommend that the Arkansas Securities Commissioner take no action to enforce the registration provisions of the Arkansas Securities Act, Ark. Code Ann. § 23-42-101 *et seq.*, with regard to the Issuance, in that, it is your opinion that no "Sale" or "Offer" within the meaning of Ark. Code Ann. § 23-42-102(13)(B)(iv) has occurred.

You state that 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. The lawsuit, brought on behalf of all persons who bought the Company's stock during the period of May 15, 1996 through February 24, 1998, was initiated in federal district court in Detroit, Michigan. On February 17, 1999, the Company announced that it had agreed to a stipulation of settlement and on May 12, 1999, the court held a hearing on the fairness of the settlement and gave its approval. Under the terms of the settlement, the Company will issue 550,000 shares of its stock and pay out \$900,000 through its insurer.

It is your opinion that the Company's issuance of common stock pursuant to the judicially approved class action settlement does not involve the "sale" or "offer" of a security within the meaning of Section 23-42-102(13)(B)(iv). You believe that the Issuance is contemplated by Section 23-42-102(13)(B)(iv) because it involves: (i) an exchange of securities for outstanding claims; (ii) a limited offering to a finite group who are all previous or present shareholders of the Company; (iii) purchasers who are exchanging claims for stock and providing additional consideration; and (iv) no solicitation is involved other than that required by class notification.

Based upon these facts, as well as your opinions, the Staff will recommend that the Commissioner take no action to enforce the registration provisions of the Arkansas Securities Act with regard to the Issuance. Please note that the position of the Staff is based solely upon the representations made in your letter and applies only to the transaction identified therein. Different facts or circumstances might, and often would, require a different response. The position expressed deals only with anticipated enforcement action by the Department and does not purport to be a legal opinion.

Should you have any questions regarding this matter, please contact me at my direct line indicated above.

Sincerely,

BRUCE H. BOKONY
CHIEF COUNSEL