



State of Utah

DEPARTMENT OF COMMERCE
DIVISION OF SECURITIES

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Executive Director

Mark J. Griffin
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Salt Lake City, Utah 84145-0808
(801) 530-6600 • FAX (801) 530-6980

September 28, 1995

Ms. Jennifer Landefeld
Financial Network Investment Corp.
2780 Skypark Drive, Suite 300
Torrance, CA 90505

Re: Financial Network Investment Corp. Optical Storage File #~~004-8433-42/A44709-35~~ ^{005-0521-46/A44709-35}

Dear Ms. Landefeld:

This letter is in response to your letter dated August 23, 1995, regarding the use of optical storage technology to comply with the records retention requirements of SEC Rules 17-a3 and 17a-4 along with Utah Admin. Code §R164-5-1.

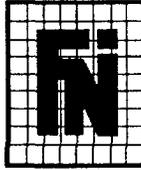
Based upon the representation made in your letter, the Division approves the use of Optical Storage Technology as a means to comply with SEC Rules 17-a3 and 17a-4 along with Utah Admin. Code §R164-5-1. Because this finding is based upon the representations made to the Division of Securities, it should be noted that any different facts or conditions of a material nature might require a different conclusion. Please note that this order relates only to the referenced transaction and shall have no value for future similar offerings.

Very truly yours,

MARK J. GRIFFIN, DIRECTOR
UTAH DIVISION OF SECURITIES

J. Matthew Jenkins
Director of Licensing





FINANCIAL NETWORK INVESTMENT CORPORATION

August 23, 1995

Mark J. Griffin, Director
P.O. Box 45808
Salt Lake City, Utah 84145-0808

Re: **REQUEST FOR NO-ACTION LETTER**

Dear Mr. Griffin:

This letter is written to request your consideration of a proposed method of operation for the Financial Network Investment Corporation and to solicit your opinion as to whether such operation would comply with state regulations. The proposed operation involves the use of optical storage technology (OST) to comply with the records retention requirements of SEC Rules 17a-3 and 17a-4.

We have also enclosed a copy of the NASD Notice to Members 93-47 containing the text of the SEC no-action letter relative to the use of OST for the retention of broker/dealer books and records and compliance with the aforementioned SEC Rules.

We believe that because of your state's general congruence to SEC and NASD securities regulations, that OST satisfies your state's broker/dealer books and records retention requirements so long as the conditions and restrictions for use, as outlined in the associated SEC no-action letter are met. In this regard, your concurrence is requested relative to the following.

Financial Network Investment Corporation (FNIC) is a broker/dealer registered with the SEC and is a member of the NASD. It is registered to conduct business in all 50 states. The broker/dealer currently offers a wide range of investment products including money market and mutual funds, certificates of deposit, stocks, bonds, options, unit investment trusts, variable annuities, and limited partnerships. The general securities business is conducted on a fully-disclosed basis through the Pershing Division of Donaldson, Lufkin & Jeanrette Securities Corporation. Mutual funds account for 60% of our business, variable annuities 25%, general securities 8%, and limited partnerships 2%.

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FNIC will notify its designated examining authority prior to employing OST for record retention purposes.

At all times, FNIC will have available at its home office for examinations of its records by the staffs of the Commission, the SROs of which FNIC is a member, and representatives of your office, facilities for immediate, easily readable projection of optical disks and for producing easily readable facsimile enlargements of such images.

FNIC will arrange the records and indexes, and file the optical disks in such a manner as to permit the immediate location of any particular record.

FNIC will be ready at all times to provide and immediately provide any facsimile enlargement which the staff's of the Commission, the SROs of which FNIC is a member, and representatives of your office may request.

FNIC will store separately from the original, in an off-site location, a duplicate copy of each optical disk used to store the required records, and stores such optical disk for the period required for the information preserved on the optical disk.

FNIC will employ OST that:

-preserves record exclusively in a non-rewritable, non-erasable format;

-verifies automatically the quality and accuracy of the optical storage recording process;

-duplicates in a separate optical disk all information originally preserved and maintained by means of OST.

-serializes original and duplicate optical disks containing records, and times-dates permanently the information placed on such optical disks, and

-has the capacity to download indexes and records preserved on optical disks into paper, microfilm, or microfiche.

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FNIC will organize and index accurately all information contained in every original and duplicate optical disk to ensure prompt access to records and:

-will have such indexes available at its home office at all times for examination by the staff's of the Commission, the SROs of which FNIC is a member, and representatives of your office;

-will duplicate each index and store the duplicate copies in an off-site location, separately from the original copy of each index;

-will preserve original and duplicate copies for the time required for the indexed records.

FNIC will have in place an audit system providing for accountability regarding all access to records maintained and preserved using OST and any changes made to every original and duplicate optical disk and:

-will have the results of such audit system available at its home office at all times for examination by the staffs of the Commission and the SROs of which FNIC is a member, and representatives of your office;

-will preserve the results of such audit system for the time required for the audited records.

FNIC will maintain, keep current and surrender promptly upon request by the staffs of the Commission or the SROs of which FNIC is a member, and representatives of your office, all information necessary to download records and indexes stored on optical disks; or place in escrow and keep current a copy of the physical and logical file format of the optical disks, the field format on all different types written on the optical disks and the source code, together with the appropriate documentation and all information necessary to download records and indexes.

At least one third party having the ability to download information from FNIC's optical unit to another acceptable medium, shall file with the Commission or its designee, a statement outlining its capability and agreement to do so upon request by the staff of the Commission.

Adherence to the above provisions represents general compliance to the rules regarding the use of OST as outlined

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in the referenced SEC no-action letter.

Thank you for your consideration of this proposed method of operation. If you need any additional information, please feel free to contact me.

Sincerely,



Jennifer Landefeld
Vice President of Regulation

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