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ARIZONA CORPORATION COMMISSION

JAMES MATTHEWS
EXECUTIVE SECRETARY

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
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May 23, 1996

Wayne Kazan, Esq.
Mitchell, Silberberg & Knupp LLP
Trident Center
11377 W. Olympic Blvd.
Los Angeles, CA 90064-1683

RE: Harvey Universal, Inc.
A.A.C. R14-4-137
Our file no. S-49956-NOAC

Dear Mr. Kazan:

On the basis of the facts set forth in your letter of May 14, 1996, 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 anti-fraud 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, appearing to read "Dee Riddell Harris".

DEE RIDDELL HARRIS
Director of Securities

DRH:PHG
Attachment

LAW OFFICES
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WAYNE KAZAN
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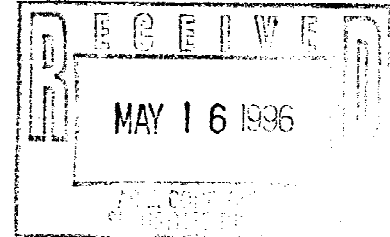
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FILE NO: 28979-1-B
DOC. NO: W1K_L014.HAR

May 14, 1996

VIA FEDEX

Securities Division of the
Arizona Corporation Commission
1300 W. Washington Street, 3rd Floor
Phoenix, Arizona 85007
Attn: Richard Weinroth, General Counsel



Re: Request For A No-Action Position In Connection With
An Issuance Of Securities By Harvey Universal, Inc.

Dear Mr. Weinroth:

This letter is written on behalf of our client, Harvey Universal, Inc., a Delaware Corporation (the "Company"), in connection with the issuance of 200,000 shares of common stock (the "Stock") as described below. The Stock will be issued to individuals or entities residing or having their principal place of business in a number of states, including up to 11 individuals or entities in Arizona. Any Stock distributed in Arizona would be exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), by virtue of Section 3(a)(10) thereof. We hereby respectfully request that you issue a "no-action letter" or similar interpretative opinion in connection with the issuance of the above-mentioned stock in reliance on the exemption provided by Rule 14-4-137 of the Arizona Corporation Commission ("Rule 14-4-137").

The Company is to issue the Stock in connection with its settlement of a class-action proceeding (the "Settlement"). The Settlement was approved by the United States District Court for the Central District of California on January 10, 1996 pursuant to an Order of Final Approval of Settlement, Entry of Final Judgement and Dismissal of Action (the "Final Judgement") and provides for, among other things, the issuance to the class members of the Stock. In the Final Judgement, the Court approved the issuance of the Stock pursuant to Section 3(a)(10) of the 1933 Act under which a security is exempt from registration when it is "issued in exchange for one or more bona fide . . . claims . . . where the terms and conditions of such issuance and exchange are approved . . . by any court. . .". The Company will be issuing and distributing the Stock. We have enclosed for your review (i) the Final Judgement, in which the court approved the

issuance and judged the Settlement to be "fair, reasonable and adequate" and (ii) the Stipulation of Settlement (the "Stipulation") outlining the terms and conditions of the Settlement.

Rule 14-4-137 exempts from registration both the securities and the dealer involved in:

"[a]n 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."

Thus, because (i) the Stock is being issued pursuant to a settlement that has been approved and deemed "fair, reasonable and adequate" under a final Judgment of a federal court, and (ii) the Final Judgment is no longer subject to appeal, Rule 14-4-137 would appear to apply, and, accordingly, exempt the Company and the Stock from registration.

However, Rule 14-4-137 also provides that to qualify for the exemption, certain conditions must be met, including:

"1. The issuer shall file with the Commission one copy of a notice of the hearing upon the fairness of the terms of the issuance, no less than ten calendar days prior to the hearing


4. The issuer shall file with the Commission one copy of the final signed order of the court or other governmental authority within ten calendar days of the issuance of such order."

Neither of these ten day requirements has been or can be met in this case as the Final Judgment was rendered on January 10, 1996, long before the Company even contemplated contacting the Arizona Corporation Commission. But while the Rule may not have been complied with in a technical sense, we respectfully submit that the manner of issuance of the Stock satisfies the intent of Rule 14-4-137. Furthermore, in a prior No-Action Letter, dated January 25, 1994 (CCH Blue Sky Law Reports ¶19684), the Securities Division took a no-action position in a situation very similar to the Company's. In said situation, a company issued warrants in connection with a

judicially approved settlement. The Securities Division stated that even though the company did not file the required documents within the required time period, the Securities Division would not recommend enforcement action. We should note further that in another prior No-Action Letter, dated May 14, 1992 (CCH Blue Sky Law Reports ¶19637), the Commission opined that the exemption provided in Rule 14-4-137 was applicable even though the final order had not yet been filed with the Commission and it had been much longer than ten days since the issuance of the final judgment approving the settlement. In said No-Action Letter, the Commission stated simply that "[i]n order to perfect [the Rule 14-4-137] exemption, the Issuer would be required to file with the Commission one copy of the final signed order of the court." As mentioned above, the Company, in the instant case, has enclosed such final signed order herewith. The above-mentioned No-Action Letters are also enclosed.

Based upon the foregoing, we respectfully request that the Commission confirm that the Company is not obligated to register the Stock or to register as a dealer in Arizona in connection with its forthcoming issuance of Stock in reliance upon the exemption set forth under Rule 14-4-137. The \$200 fee is enclosed.

Very truly yours,



Wayne Kazan
for

MITCHELL, SILBERBERG & KNUPP LLP

Enclosures

WK/dc

cc: Harvey Universal, Inc.