State of Utah

DEPARTMENT OF COMMERCE
DIVISION OF SECURITIES
Protecting Investors; Promoting Commerce

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July 13, 1998

Thomas M. Mierswa, Jr.
Associate General Counsel
Gruntal & Co., L.L.C.
Fourteen Wall Street
New York, NY 10005-2176

Re: Gruntal & Co., L.L.C. Continuing Compensation Plan for Retiring Registered Representatives
File #2-3072-20/B00073840

Dear Mr. Mierswa:

The Division of Securities ("Division") has reviewed your letter dated May 12, 1998, wherein you request a no-action letter pursuant to § 61-1-25(5) of the Utah Uniform Securities Act ("Act") and § R164-25-5 of the Utah Administrative Code, on behalf of Gruntal & Co., L.L.C. So as to avoid unnecessary restatement or summarization of the facts set forth in your letter, the Division's response is attached to a photocopy of your letter.

Based upon your factual representations, the Division will not recommend any enforcement action under § 61-1-3 of the Act, if the proposed Gruntal & Co., L.L.C. Continuing Compensation Plan for Retiring Registered Representatives ("Plan") is effected as described in your letter.

Inasmuch as this no-action letter is based upon the representations made to the Division, it should be noted that any different facts or conditions of a material nature might require a different conclusion. Furthermore, this no-action letter relates only to the referenced Plan and shall have no future value for future similar factual circumstances.

Very truly yours,

UTAH DEPARTMENT OF COMMERCE
DIVISION OF SECURITIES

J. Matthew Jenkins
Director of Licensing

SAA

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GRUNTAL & CO. L.L.C. ESTABLISHED 1880

MEMBER NEW YORK STOCK EXCHANGE

Over a Century of Service to Investors

Office of the General Counsel

May 12, 1998

Mr. S. Anthony Taggart
Assistant Director and Director of Corporate Finance
Utah Division of Securities
Herber M. Wells Building
P.O. Box 146760
Salt Lake City, Utah 84114-6760

Re: Gruntal & Co., L.L.C. Continuing Compensation Plan For Retiring Registered Representatives

Dear Mr. Taggart:

Please accept this letter as a request by Gruntal & Co., L.L.C. ("Gruntal"), a registered broker-dealer and member firm of the New York Stock Exchange, Inc. (the "NYSE") and of the National Association of Securities Dealers, Inc. (the "NASD"), for written confirmation by the Division of Securities (the "Division") that no enforcement action will be undertaken against Gruntal with regard to the implementation of a proposed retirement plan for registered representatives (the "Continuing Compensation Plan" or the "Plan"), as described in this letter.

Specifically, Gruntal seeks to confirm that the Division concurs with the view that retiring registered representatives who participate in the Plan (the "Participants") and who adhere to the Plan's eligibility and participation requirements will not need to remain actively registered after their retirement from Gruntal. I understand that, by letter dated October 19, 1995, from J. Matthew Jenkins, Director of Licensing, the Division previously has provided such assurance with regard to a similar retirement plan adopted and maintained by Salomon Smith Barney (previously Smith Barney, Inc.) ("Smith Barney") (the "Franchise Protection Plan"). I further note that the Securities & Exchange Commission (the "SEC") has provided assurance of no-action relative to the Smith Barney Franchise Protection Plan as well as to a similar broker retirement plan currently maintained by Prudential Securities, Inc. ("Prudential") (the "Client Continuity Program"). A copy of the Division's written assurance of no-action to Smith Barney and of the SEC no-action letters, as reported by the Lexis Reporting Service, are attached collectively hereto for your convenience.

The Continuing Compensation Plan which Gruntal proposes to adopt will permit the orderly and efficient transfer of client accounts from a retiring Participant to one or more actively registered receiving employees (individually and collectively, the "Recipient Broker"). The Plan will be administered and eligibility decisions will be made by a committee of senior employees (the "Plan Committee"). The Plan period will be for 3 years from the retirement date of the Participant. During a pre-retirement transition period, which will range from three to six months in duration, the subject client accounts (the "Core Accounts," as described below) will be serviced jointly by the Participant and the Recipient Broker to provide continuity and to permit the Recipient Broker to become acquainted with the investment needs of the respective clients.

Admission into the Plan as a Participant or as a Recipient Broker will be subject to certain eligibility criteria and the approval of the Plan Committee. Each retiring broker applicant must be at least 55 years of age and must agree to enter into a written contract with Gruntal and with the Recipient Broker (the "Agreement"). The Agreement, among other provisions, will set forth the terms of the Participant's eligibility and compensation and will incorporate a non-solicitation and non-compete covenant with Gruntal. A Participant must demonstrate that he/she has conducted himself/herself in a manner exhibiting appropriate standards of professional and ethical conduct, as may be determined by the Plan Committee, including (1) a low incidence of investment-related customer complaints, arbitrations or litigations, (2) a low error rate on customer transactions, and (3) that he/she is not subject to any sanctions imposed by regulatory or self-regulatory agencies or to any statutory disqualification. The continued participation and compensation under the Plan of a Participant will be contingent on his/her continued satisfaction of the eligibility criteria at the commencement of as well as throughout the Plan period.

The Participant may nominate one or more active employees to be Recipient Brokers. In order to be accepted into the Plan as a Recipient Broker, an actively registered employee must be approved by management and the Plan Committee. The Recipient Broker must meet certain eligibility criteria, including employment with Gruntal for a minimum of two years, at least three years tenure as a registered member of the securities industry and, in the determination of management and the Plan Committee, a clean legal and compliance history. Any exceptions to the eligibility criteria applicable to Participants or Recipient Brokers must be approved in the sole determination of the Plan Committee.

Starting with the effective date of the Plan Agreement and continuing for a period of three years following the Participant's actual retirement date, the Participant (or a designated beneficiary, upon the Participant's death) will share with the Recipient Broker eligible gross commissions derived from the Core Accounts. The Participant's percentage share of the commissions will decline annually over the duration of the Plan, as set forth in the Agreement. The Core Accounts that are subject to transfer under this Plan principally will include Gruntal retail client accounts for which, as of the effective date of the Agreement, the Participant appears as the listed Account Executive, regardless of whether client funds or securities are added to the account after the effective date.

As a condition of participating in the Plan, the Participant agrees to comply, to the extent applicable, with all federal, state and local statutes and regulations, all policies, procedures and rules of relevant regulatory and self-regulatory bodies, including, without limitation, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and the New York Stock Exchange, Inc., and all prevailing policies, procedures and rules of Gruntal. The Participant further agrees that, after the retirement date, he/she will not 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, will not discuss securities accounts or securities transactions with former clients, will not maintain any license as a registered person or otherwise be associated with Gruntal or any other broker, dealer, municipal securities dealer, government securities dealer, investment company or investment advisor or hold himself/herself out as being so associated and will not engage in the securities industry to any other extent or manner which would require the Participant to register with any regulatory or self-regulatory organizations, agencies, commissions or exchanges.

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The failure of a Participant to honor the restrictions contained in the Agreement and in the convenant not to solicit or compete can cause, in the determination of the Plan Committee, a forfeiture of all past compensation paid under the Plan as well as all rights to future compensation under the Plan. The Participant will be obligated to periodically certify that he/she has adhered to the requirements and conditions of the Plan. Likewise, the Recipient Broker will be obligated to periodically certify that, to the best of his/her knowledge, the Participant has not violated any requirement of the Plan. In addition, Gruntal periodically will contact the account holders of selected Core Accounts to confirm that the Participant has not provided investment advice or solicited trades in securities in any way.

The New York Stock Exchange, Inc., of which Gruntal is a member firm, and the National Association of Securities Dealers, Inc., which promulgated Rule IM-2420-2 authorizing the payment of continuing commissions to retiring brokers through bona fide contracts, have agreed to follow the no-action position of the SEC regarding the respective plans of Prudential and Smith Barney. Given the substantial similarities between Gruntal's proposed plan and these other plans, we believe that the retiring brokers who are accepted to participate in the Gruntal Plan similarly should not be required to maintain their registrations as representatives or associated persons with Gruntal.

I respectfully request that the Division confirm that it shares this view. Should the Division not concur with this opinion or believes that further information is required, I request an opportunity to confer with an appropriate representative of the Division before a written response to this letter is issued. In such latter case, please do not hesitate to contact me at the telephone number or the address listed above. Your prompt response to this request greatly will be appreciated.

Very truly yours,

Thomas M. Mierswa, Jr.
Associate General Counsel

TMM/pl

Attachment