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ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION
(602) 542-4242

February 28, 1991

Mr. Charles R. Berry, Esq.
Titus, Brueckner & Berry
Suite B-252, Scottsdale Centre
7373 North Scottsdale Road
Scottsdale, Arizona 85253

44-1844(6)

RE: Santan Arizona Avenue Partners No-Action Request;
A.R.S. §§ 44-1844(A)(6), (7)

Dear Mr. Berry:

On the basis of the facts set forth in your letter of February 18, 1991 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, subject to the following caveat. The Division cannot take a no-action position as to the offer of securities to persons who are not currently holders of the Partnership's securities.

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 photocopies of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

DEE RIDDELL HARRIS
Director of Securities

DRH:sw

Enclosure

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February 18, 1991

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Mr. Dee Riddell Harris
Securities Division
Arizona Corporation Commission
1200 West Washington, Suite 201
Phoenix, Arizona 85007

Re: No-Action Request for Santan Arizona
Avenue Partners, a Limited Partnership

Dear Mr. Harris:

On behalf of Santan Arizona Avenue Partners, A Limited Partnership (the "Partnership"), we respectfully request your assurance that no enforcement action will be taken by Securities Division of the Arizona Corporation Commission (the "Division") on the basis of the transactions described herein. A check in the amount of \$200 is enclosed to cover your filing fee.

The Partnership is planning a reorganization and restructuring which is crucial to its ongoing viability and to enable it to retain ownership of the real property currently held by the Partnership. The contemplated transaction involves the exchange, transfer or sale of securities in transactions which we believe are exempt under Sections 44-1844(6) and (7) of the Arizona Securities Act (the "Act").

The Partnership

The Partnership is a public limited partnership organized in Arizona in 1988. Its securities were originally sold to Arizona residents in an intrastate offering by a means of a Prospectus dated February 5, 1988. The Partnership was organized with the objective of acquiring, and did acquire, a 30-acre parcel of real property located in Chandler, Arizona (the "Property") at a price verified by an independent M.A.I. appraisal. Since acquisition of the Property, all investors have received regular reports, including audited financials and a recent M.A.I. appraisal.

The Partnership currently has two distinct classes of security holders. One class ("Debenture Holders") owns unsecured Participating Debentures which entitle them to certain payments of principal and interest from the Partnership. The second class is comprised of Limited Partners who purchased Units of Partnership interest either for cash ("Cash Partners") or by subscribing to a deferred payment plan ("Deferred Partners").

The Property is subject to a \$1,330,000 deed of trust held by Southwest Savings and Loan ("Southwest") which is currently

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controlled by the Resolution Trust Corporation. The Partnership is required to pay off the loan in a balloon payment on or before June 1, 1991.

A number of Deferred Partners have defaulted in their required payments, and it is clear that the Partnership will not have adequate funds on hand to pay the balloon payment as scheduled. The reorganization and restructuring transaction is required to raise additional funds and satisfy the Partnership's obligation to Southwest.

The Reorganization

The reorganization involves the creation of a land trust (the "Land Trust") which will acquire title to the Property free and clear of all encumbrances. A copy of the proposed Land Trust is attached as Exhibit A. Capital raised from the various reorganization transactions will be used to pay off the Southwest loan, with the result that the Partnership will be entirely financed by its investors. The Partnership and Debenture Holders will acquire priorities as Beneficiaries under the Trust. No commissions or other remuneration will be paid in connection with any transactions which are a part of the reorganization.

Debenture Exchange. The reorganization involves three distinct but interdependent transactions, which will close virtually simultaneously. In the first transaction, each Debenture Holder will exchange his unsecured 10% Participating Debenture for an equal principal amount of undivided interest as a Second Beneficiary under the Trust. No new money will be raised by this exchange. Debenture Holders will exchange their unsecured debt for a beneficial interest secured as to principal by an ownership interest in the Trust. The exchange of Debentures for beneficial interests will be approved by the holders of not less than a majority of the outstanding securities of each class affected by the exchange, specifically the Debenture Holders and the Partners. We believe that this exchange is clearly exempt under A.R.S. § 1844(7).

Purchase of Defaulted Interests. In the second phase of the reorganization, existing Limited Partners and Debenture Holders will be offered the opportunity to purchase the Units formerly owned by Deferred Partners who are in default. Existing investors will be able to acquire these Units by assuming obligations to make the remaining payments owed by the defaulted Partners.

Under the Partnership Agreement, the Partnership may sell the Units owned by a defaulting Limited Partner, with a first right of the Partnership and existing Partners to purchase the Units. It is anticipated that up to \$990,000 will be raised from the sale of

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defaulted Units to existing securities holders. This part of the reorganization transaction would be authorized by a vote of each class of securities holders of the Partnership.

Sale of Interests as First Beneficiary. The final phase of the reorganization involves a small offering to existing securities holders and others, if necessary, of undivided interest as First Beneficiary in the Trust. The proceeds from this offering, which shall not exceed \$500,000, will be used, together with the funds raised by the sale of defaulted Partners' Units, to satisfy all third-party debt of the Partnership, including the note to Southwest.

Revenues derived from the sale or exchange of the Partnership Property will be distributed through the Land Trust to the holders of securities according to the priority schedule set forth in the Land Trust. First Beneficial Interests shall be held by persons who invest new money into the Land Trust. Second Beneficial Interests shall be held by investors who were formerly Debenture Holders. The Third Beneficiary is the Partnership, through which the Limited Partners will receive distributions.

Analysis

The entire reorganization and restructuring including each specific transaction, is subject to a vote of each class of securities holders, including the Limited Partners, whose vote is specifically authorized under Article VII of the Partnership Agreement. A.R.S. § 29-318 provides statutory authority for these matters to be put to a vote of the Partners. The Debenture Holders shall also be entitled to vote on each phase of the reorganization, and specifically that which involves the exchange of Debentures for Beneficial Interest.

A.R.S. 44-1844(6) exempts, inter alia, transactions incident to a statutory approved reorganization incident to a vote of the securities holders pursuant to the Partnership Agreement. The proposed reorganization is consistent with the goals of the Partnership, since it will have the net effect of increasing the equity position of the investors in the real estate that is the business of the Partnership. Furthermore, the proposed reorganization is essential to allow the Partnership to pay off all third-party debt.

We are of the opinion that the exchange of Debentures for Second Beneficial Interests pursuant to phase one of the reorganization is separately exempt under the terms of A.R.S. § 44-1844(7), which exempts exchanges of securities by an issuer with its existing securities holders when no commissions are paid. We are further of the opinion that sales or exchanges of securities

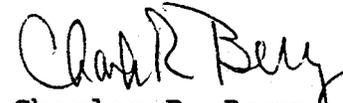
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under all phases of the proposed reorganization will be exempt under A.R.S. § 44-1844(6), since each phase is an integral part of a reorganization which is authorized by statute, A.R.S. § 29-318, and which will be approved by a majority vote of each class of securities holders pursuant to the provisions of the Partnership Agreement.

We respectfully request your opinion confirming that the Division will take no enforcement action with respect to the Partnership's reliance on the exemptions set forth in A.R.S. §§ 44-1844(6) and (7) based upon the facts as outlined herein. Of course, if you wish to discuss any part of this request, or if you require more information, feel free to call me.

Very truly yours,

TITUS, BRUECKNER & BERRY


Charles R. Berry

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