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JAMES MATTHEWS
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

SECURITIES DIVISION
Office: (602) 542-4242
FAX: (602) 542-3583

November 17, 1992

Filomena D'Elia, Esq.
Malizia and Spidi, P.C.
1420 New York Avenue, N.W., Suite 975
Washington, D.C. 20005

RE: Morgan County Federal Savings and Loan Association
A.R.S. § 44-1844(A)(6)

Dear Ms. D'Elia:

On the basis of the facts set forth in your letters of October 26, 1992, and October 28, 1992, 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 and should the transaction within Arizona be limited to the Subscription Offering. This position is consistent with prior no-action letters issued by the Division. However, the Division continues to analyze the breadth of the exemption found in A.R.S. § 44-1844(A)(6) and may take a different position on similar facts in the future. Furthermore, this response only expresses the Division's position on the applicability of the exemption claimed under A.R.S. § 44-1844(A)(6) and does not purport to express any legal conclusion on the availability of A.R.S. § 44-1844(A)(7) to the facts presented 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 dark ink, appearing to read "Dee Ridell Harris".

DEE RIDDELL HARRIS
Director of Securities

DRH:jb

Attachment

MALIZIA AND SPIDI, P.C.

ATTORNEYS AT LAW
1420 NEW YORK AVENUE, N.W.
SUITE 975
WASHINGTON, D.C. 20005
(202) 434-4660
FACSIMILE: (202) 434-4661

SAMUEL J. MALIZIA
JOHN J. SPIDI

FILOMENA D'ELIA
RICHARD FISCH

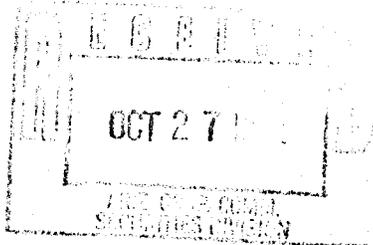
WRITER'S DIRECT DIAL NUMBER

October 26, 1992

(202) 434-4671

VIA FEDERAL EXPRESS

Dee R. Harris, Director
Corporation Commission
Securities Division
1200 West Washington Street, Suite 201
Phoenix, Arizona 85004



Re: Request for Confirmation of Exemption Regarding the Proposed Reorganization of Morgan County Federal Savings and Loan Association of Fort Morgan, Colorado and the sale of Common Stock by its Holding Company, Morgan Financial Corp., a Delaware corporation

Dear Ms. Harris:

On behalf of Morgan County Federal Savings and Loan Association of Fort Morgan, Colorado ("Morgan County" or the "Association") and Morgan Financial Corp. ("the Corporation") we are filing a no-action request pursuant to Section 44-1861(L) of the Arizona Blue Sky Act (the "Act"). The Corporation was incorporated on September 28, 1992 in order to become a savings and loan holding company for Morgan County. Morgan County will convert from a federally chartered mutual savings and loan association to a federally chartered stock savings and loan association to be called Morgan County Federal Savings and Loan Association (the "Conversion") and simultaneously become the wholly-owned subsidiary of the Corporation. In connection with this reorganization of Morgan County, between \$5,175,000 (517,500 shares at \$10.00 per share), and \$5,951,250 (595,125 shares at \$10.00 per share) of the common stock of the Corporation, par value \$.01 per share (the "Common Stock") will be sold to certain persons, including residents of the State of Arizona.

The purpose of this letter to request that the Division of Securities confirm that, with respect to the facts and circumstances discussed herein:

- (i) The proposed sale of Common Stock of the Corporation is exempt from registration in the State of Arizona pursuant to Sections 44-1844(6) and/or 44-1844(7) of

Dee R. Harris, Director
October 26, 1992
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the Act. We request that this exemption apply to the purchase of Common Stock by the depositors and borrowers of Morgan County who reside in Arizona.

- (ii) The Corporation will not be subject to broker-dealer registration pursuant to Section 44-1842 due to the sale of stock being an exempt transaction pursuant to Sections 44-1844(6) and/or 44-1844(7) of the Act.
- (iii) For purposes of the proposed sale of stock, officers and directors of the Corporation will not be subject to registration as salesmen pursuant to Section 44-1842 due to the sale of stock being an exempt transaction pursuant to Sections 44-1844(6) and/or 44-1844(7) of the Act.
- (iv) No filings are required to be made in connection with the proposed issuance of stock.

On May 19, 1992, the Board of Directors of Morgan County adopted a Plan of Conversion, attached as Exhibit 1 hereto, whereby the Association will convert from a federally-chartered mutual savings and loan association to a federally-chartered stock savings and loan association, as a wholly-owned subsidiary of the Corporation. The Association has filed with the Office of Thrift Supervision ("OTS") an Application for Approval of Conversion on Form AC for permission to convert to a stock savings and loan association. In connection with the Conversion of the Association, Morgan County has proposed that all of its shares of capital stock to be issued in the Conversion will be acquired by the Corporation. The Corporation has filed a Registration Statement with the Securities and Exchange Commission ("SEC") to register the shares of Common Stock sold in a Subscription and Community Offering as part of the Conversion. The pro forma market value of the Common Stock to be sold in the Conversion has been determined by an independent appraisal prepared by Capital Resources Group, Inc. Upon consummation of the Conversion, the Association will become a wholly owned subsidiary of the Corporation, and, at such time, the Corporation's assets shall consist solely of the stock of the Association, which it will acquire in the Conversion, and the Corporation's initial capitalization. The Conversion is subject to the approval of the members of the Association at a Special Meeting of Members expected to be held in December 1992. Attached as Exhibit No. 2 is an Organizational Chart illustrating the Corporate structure before and after the Conversion.

As part of the Conversion, the Corporation is conducting a Subscription Offering of the Common Stock for holders of subscription rights in the following order of priority: (i) tax

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qualified employee benefit plans of the Association; (ii) depositors of the Association as of January 31, 1992 ("Eligible Account Holders") and (iii) depositors and borrowers of the Association eligible to vote on the approval of the Conversion ("Other Members") who are not Eligible Account Holders; subject to the provisions of the Plan. All Common Stock not sold in the Subscription Offering is being offered to the general public in a Community Offering to persons residing and doing business in the State of Colorado and surrounding states with preference given to persons residing in Morgan County, Colorado, subject to the provisions in the Plan.

The OTS conversion regulations require, with certain exceptions, that all shares of the Common Stock offered in the Conversion must be sold in order for the Conversion to become effective. At least \$5,175,000 of the Common Stock must be sold in order for the Conversion to be completed. All shares of the Common Stock not sold in the Subscription Offering will be offered in the Community Offering. Regulations further require completion of the Community Offering within 45 days after the last day of the Subscription Offering period unless such period is extended by the Association with the approval of the regulatory authorities.

We believe that the exemption pursuant to Section 44-1844(6) is applicable to these facts. The conversion of Morgan County to stock form, the reorganization of Morgan County into the holding company form of ownership, and the concurrent stock offering by the Corporation must be approved by the OTS pursuant to applicable statutes and the rules and regulations of the OTS, and by the depositor and borrower members of Morgan County who currently hold voting rights in Morgan County. The members of Morgan County will also receive subscription rights to buy stock in the Conversion stock offering. Such members are currently the equivalent of stockholders, but if they approve the Conversion they will receive subscription rights in the Conversion and will lose their voting rights upon the successful completion of the Conversion. In effect they are exchanging their voting rights in Morgan County in consideration for the right to buy the Common Stock of the Corporation in the Conversion stock offering.

We believe that the exemption from securities registration pursuant to Section 44-1844(7) is also applicable since the members are the equivalent of existing stockholders of the Association and they will be offered subscription rights in the Conversion stock offering. The Conversion and offering of Common Stock must be approved by a majority of the outstanding votes entitled to be cast by the members of the Association.

Dee R. Harris, Director
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The offering of the Common Stock of the Corporation will be carried out in part by the officers and directors of the Corporation, who will be given no commissions or additional remuneration for their role. The Corporation also will utilize Capital Resources, Inc., a registered broker-dealer, to assist in the sale of the Common Stock in the Subscription and Community Offerings on a best efforts basis.

A no-action letter in regard to these issues was granted by the Arizona Securities Division on August 18, 1992 to Am-First Financial Corporation ("Am-First Financial"), a Delaware corporation incorporated to become the savings and loan holding company of American Federal Bank, a federal savings bank, Madison, South Dakota. (See Exhibit 3 Attached.) The facts in the no-action letter request for Am-First Financial are the same as those for the Corporation and Morgan County, except that the Corporation will utilize a registered broker-dealer to assist in the sale of the Common Stock in the Subscription and Community Offerings.

We have enclosed a check for \$200 to the Arizona Corporation Commission in payment of the applicable fee. We would appreciate your response on this matter, on or before November 7, 1992, if possible. Sales of the Common Stock are expected to begin the week of November 15, 1992.

Please contact the undersigned or Samuel J. Malizia of this office if you have any further questions. You may call collect if that is standard procedure.

Thank you for your assistance in this matter.

Sincerely,

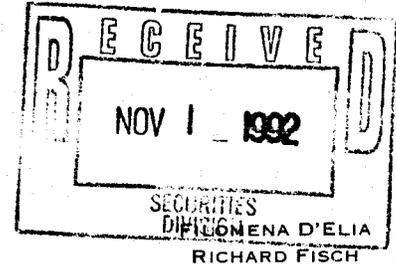
Filomena D'Elia

Filomena D'Elia

cc: Michael M. Berryhill, President
Samuel J. Malizia, Esq.

MALIZIA AND SPIDI, P.C.

ATTORNEYS AT LAW
1420 NEW YORK AVENUE, N.W.
SUITE 975
WASHINGTON, D.C. 20005
(202) 434-4660
FACSIMILE: (202) 434-4661



SAMUEL J. MALIZIA
JOHN J. SPIDI

WRITER'S DIRECT DIAL NUMBER
(202) 434-4671

October 28, 1992

VIA FAX AND MAIL

Dee R. Harris, Director
Corporation Commission
Securities Division
1200 West Washington Street, Suite 201
Phoenix, Arizona 85004

Re: Request for Confirmation of Exemption Regarding the Proposed Reorganization of Morgan County Federal Savings and Loan Association of Fort Morgan, Colorado and the sale of Common Stock by its Holding Company, Morgan Financial Corp., a Delaware corporation
Changed Pages

Dear Ms. Harris:

On October 26, 1992, we filed on behalf of Morgan County Federal Savings and Loan Association of Fort Morgan, Colorado ("Morgan County" or the "Association") and Morgan Financial Corp. ("the Corporation"), a no-action request pursuant to Section 44-1861(L) of the Arizona Blue Sky Act (the "Act"). We are attaching corrected pages to that request to reflect that the minimum amount of Common Stock that must be sold in the offering is actually \$3,825,000 (382,500 shares at \$10.00 per share), instead of \$5,175,000 (517,500 shares at \$10.00 per share). The changes on the attached pages 1 and 3 have been redlined.

Please acknowledge receipt of these corrected pages by date stamping and returning the copy of this letter mailed to you in the enclosed postage paid envelope.

Please contact the undersigned or Samuel J. Malizia of this office if you have any further questions. You may call collect if that is standard procedure.

Thank you for your assistance in this matter.

Sincerely,

Filomena D'Elia
Filomena D'Elia