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ARIZONA CORPORATION COMMISSION

JAMES MATTHEWS
EXECUTIVE SECRETARY

SECURITIES DIVISION
(602) 542-4242
(602) 255-2600
FAX: (602) 255-2617

November 13, 1991

Mr. Harvey Koning
King and Spalding
191 Peachtree Street
Atlanta, Georgia 30303-1763

RE: Rhodes, Inc./Exchange Offer/Request for No-Action Letter
A.R.S. § 44-1844(A)(7)

Dear Mr. Koning:

On the basis of the facts set forth in your letter of October 23, 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.

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,

DEE RIDDELL HARRIS
Director of Securities

DRH:JB

Attachment

KING & SPALDING

191 PEACHTREE STREET
ATLANTA, GEORGIA
30303-1783

404/572-4600
TELEX: 54-2917 KINGSPALD ATL
TELECOPIER: 404/572-5100

1730 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, DC 20008
TELEPHONE: 202/737-0500
TELECOPIER: 202/626-3737

745 FIFTH AVENUE
NEW YORK, NY 10151
TELEPHONE: 212/758-8700
TELECOPIER: 212/593-3073

October 23, 1991

Mr. Michael Burton
Senior Counsel
Securities Division
Arizona Securities Commission
234 North Central Avenue
Suite 425
Phoenix, Arizona 85004

Re: Rhodes, Inc./Exchange Offer/Request for
No Action Letter

Dear Mr. Burton:

On or about September 9, 1991, Rhodes, Inc. (the "Company") filed an application to register securities under the Arizona Securities Act (the "Application"). We have discussed the Application with Mr. Lee Poole of your office who suggested that the Company's proposed transaction appears to be exempt pursuant to ARS 44-1844(A)(7).

The Company would like to rely on the securities exemption provided by ARS 44-1844(A)(7) for certain exchanges of securities with existing security holders. The Company hereby requests that the Securities Division issue a no action letter to the effect that the exemption afforded by Section 44-1844(A)(7) applies to the Exchange (as hereinafter defined) and that the Securities Division will not take action to require registration of the securities to be issued pursuant to the proposed Exchange.

The Company plans to offer shares of its common stock to holders of its Junior Discount Subordinated Redeemable Debentures Due 2000 (the "Debentures") and the holder of its Class A Preferred Stock (these offers and sales collectively referred to as the "Exchange"). The Exchange is an integral step in a series of transactions contemplated by a recapitalization plan adopted by the Board of Directors of the Company. The Company will offer to exchange 26.5341 shares of its common stock for each \$1,000 stated face amount of Debentures, plus cash in lieu of fractional shares of common stock. There will be no commission or other remuneration paid for soliciting security holders in the State of

Mr. Michael Burton
October 23, 1991
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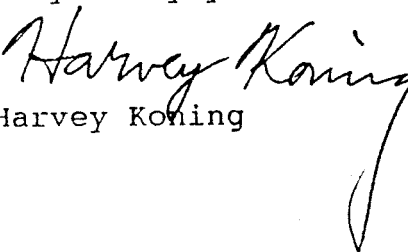
Arizona. The Exchange is described more fully in the Amendment No. 1 to the Form S-4 Registration Statement (the "Registration Statement"), which was filed as part of the Application.

Section 44-1844(A)(7) requires that the exchange of securities be "duly authorized" and "approved by the holders of not less than a majority of the outstanding securities of each class affected by the exchange." The proposed Exchange has been authorized by the Company's Board of Directors. The proposed Exchange will affect the Debenture holders, the holder of the Class A Preferred Stock, and the holders of the Company's outstanding common stock. Certain holders of Debentures, who own in the aggregate \$54,687,100 stated face amount of Debentures (or approximately 81.5% of the total stated face amount of Debentures outstanding), have agreed, subject to certain conditions, to exchange their Debentures for common stock at the exchange ratio set forth above. A copy of this agreement, as amended (the "Exchange Agreement") is enclosed for your review. Among the Debenture holders who are party to the Exchange Agreement are Green Capital Investors, L.P. ("Green Capital") and RHD Capital Investors, L.P. ("RHD Investors"). At September 1, 1991, approximately 70.5% (approximately 65.8% on a fully diluted basis, without giving effect to the Exchange or the underwritten public offering described in the Registration Statement) of the outstanding shares of the Company's common stock were held by Green Capital and RHD Investors. In addition, Green Capital holds all 1,000 outstanding shares of the Company's Class A Preferred Stock. Therefore, holders of a majority of each outstanding class of security holders have expressed their approval of the Exchange by entering into the Exchange Agreement.

At Mr. Poole's suggestion, the Company respectfully requests that you apply the registration fee submitted with the Application in satisfaction of the fee for requesting a no action letter.

If you have any questions or comments, please contact the undersigned at 404/572-3505. The Company plans to go effective on or about October 28, 1991, and respectfully requests that you consider this no action request prior to that time. Thank you for your assistance and we look forward to your reply.

Very truly yours,


Harvey Koning

HK/sk
Enclosure
cc: Joel H. Dugan
E. William Bates, II