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ARIZONA CORPORATION COMMISSION

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SECURITIES DIVISION  
1300 West Washington, Third Floor  
Phoenix, AZ 85007-2996  
TELEPHONE: (602) 542-4242  
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June 6, 1996

Robert K. Rogers, Esq.  
Robert K. Rogers & Associates  
Scottsdale Place, Suite 190  
5725 North Scottsdale Road  
Scottsdale, AZ 85250

RE: Houston Enterprises, L.L.C.  
A.R.S. §§ 44-1844(A)(4), 44-1844(A)(6)

Dear Mr. Rogers:

On the basis of the facts set forth in your letter of May 28, 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. With respect to the Offering, the Division is granting this no-action letter on the basis of the exemption from registration under A.R.S. § 44-1844(A)(4). The Division is specifically relying on your representation that all sales will be made in accordance with federal "§ 4(1 1/2)" as described in your letter. With respect to the Exchange, the Division is granting this no-action letter on the basis of the exemption from registration under A.R.S. § 44-1844(A)(6).

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 Rid dell Harris".

DEE RIDDELL HARRIS  
Director of Securities

DRH:lb  
Attachment

ROBERT K. ROGERS & ASSOCIATES

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OF COUNSEL  
EDSON, TSENG & ASSOCIATES  
DALLAS, TEXAS

ROBERT K. ROGERS, P.C.

May 28, 1996

Richard M. Weinroth, Esq.  
General Counsel  
Securities Division  
Arizona Corporation Commission  
1300 W. Washington Street, Third Floor  
Phoenix, AZ 85007

Re: No Action Letter Request Relating to A.R.S. § 44-1844. A. 4. "Isolated Transaction Exemption" and A.R.S. §44-1844. A. 6. "Reorganization Exemption"

Dear Mr. Weinroth:

This firm represents Houston Enterprises, L.L.C., a manager managed Arizona limited liability company (the "LLC"), organized in early 1994. The LLC has issued 100 investment units (the "Units") to its existing members (the "Members") who are the bona fide owners of the Units. The Members are neither the issuer nor are they an underwriter and they have made no previous sales of their Units. The Members, jointly, wish to sell up to 20 of their Units to accredited investors, as defined in Regulation D ("Regulation D") under the Securities Act of 1933, as amended (the "Securities Act"). Each Unit sold to an investor will be transferred from more than one of the Members. A confidential Private Placement Memorandum has been prepared for delivery to each potential investor in the offering (the "Offering") and the Offering will be conducted without any form of general solicitation or general advertising, as provided under Regulation D. The Units will be sold directly by the Members or through a dealer as agent for the Members. The Members expect the Offering to result in the sale of Units to fewer than 35 investors, to last for a period of not more than 120 days, and to culminate in the Exchange, as hereinafter defined. The Offering is not made directly or indirectly for the benefit of the LLC or an underwriter of the Units.


Richard M. Weinroth, Esq.  
May 28, 1996  
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On completion of the Offering, the LLC is to be reorganized into a corporate form through an exchange (the "Exchange") under which all the Units held by the members of the LLC, including both the Members and the new members who acquired their Units in the Offering, are to be exchanged for 3,000,000 shares of the \$0.001 par value per share common stock (the "Common Stock") of a recently organized Delaware corporation (the "Corporation"). The provisions of the LLC's Operating Agreement calling for the approval of LLC members for such transfer of interests will have been complied with and all LLC members will have agreed to the Exchange and assigned their Units to the Corporation. On the Corporation's acquisition of all outstanding interests in the LLC, the LLC will dissolve pursuant to A.R.S. §29-781.A.5. and pursuant to the terms of the LLC's Operating Agreement among the members. On completion of the Exchange, the Common Stock will constitute all the issued and outstanding shares of capital stock of the Corporation.

Based on the foregoing facts and assuming the Units are securities, as used in the Securities Act and the Arizona Securities Act, as amended (the "Act"), and that the non-issuer sale of the Units in the Offering is permitted without registration under the Securities Act based on the so-called Section 4(1½) exemption, this firm is of the view that the Offering and the Exchange are exempted from Sections 44-1841 and 44-1842 of the Act by Section 44-1844.A.4. thereof as an isolated sale and by Section 44-1844.A.6. thereof as a permitted reorganization. Please confirm this firm's view that, in the opinion of the Securities Division, the Offering and the Exchange are exempted from Sections 44-1841 and 44-1842 of the Act as an isolated sale under Section 44-1844.A.4. of the Act and/or an exempted reorganization under Section 44-1844.A.6. of the Act and that the Securities Division will take no enforcement action with regard to either the Offering or the Exchange.

Please let me know if you require further information with regard to the foregoing.  
Thank you for your consideration of this request.

Very truly yours,  
Robert K. Rogers & Associates

  
Robert K. Rogers  
President