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EXECUTIVE SECRETARY

SECURITIES DIVISION
(602) 542-4242
(602) 255-2600
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October 1, 1992

Peter V. Gallo
Independent Commercial Brokerage
4345 N. Camino Gacela
Tucson, Arizona 85718

RE: No-Action Letter Request

Dear Mr. Gallo:

The Securities Division does not concur with the opinion expressed in your letters of July 15 and 28, 1992. The Division considers the certificates of purchase to be securities exempt from registration pursuant to §44-1843(A)(1). Rule R14-4-104 requires registration of a dealer engaging in these activities. It is the Division's view that your activities, including the handling of customer funds, the purchase of the certificate of purchase for the customer, and the exercise of discretion, discussed in your letters and in telephone conversations with the Division, brings you within the definition of a dealer under §44-1801(9).

However, the Division acknowledges the unique characteristics of the certificates of purchase and will be happy to work with you on your dealer registration to create an arrangement applicable to these securities. You may contact Matthew Neubert, Assistant Director of Trading and Markets at (602) 542-4242. Mr. Neubert is familiar with your situation.

As the Division's position is premised upon the facts set forth in your letters, it should not be relied on for any other set of facts or by any other person. 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:lb

Attachment
cc: Matthew Neubert

4345 N. Camino Gacela
Tucson, AZ 85718
7/15/92

Michael G. Burton
Securities Division
1200 W. Washington, suite 201
Phoenix, Az 85007

Dear Sir:

Enclosed is \$200 to obtain a No Action Letter to affirm that the business service outlined below does not fall within the scope of the regulations and controls of the Arizona Securities Act.

Specifically, I intend to expand the services offered by my real estate brokerage business to include providing clients with research, advice, and assistance in the purchase of real property tax liens from county treasurers and the state of Arizona.

Even if real property tax liens were to be considered securities, I am confident that the business service I am proposing does not fall within the scope of the Arizona Securities Act based upon Article 4, 44-1843 Exempt Securities A-1, in as much as real property tax liens can only be purchased from the state or counties.

Additionally, based upon the definitions 44-1801 of the Act, I do not believe that I can be classified as a security dealer.

Should you require any additional information or clarification, please do not hesitate to contact me. I look forward to receiving a favorable ruling in the near future.

Sincerely,

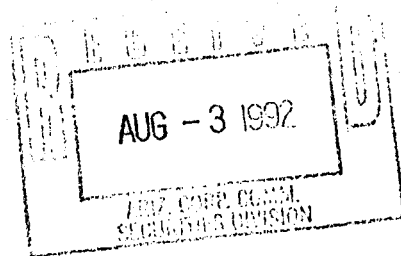


Peter V. Gallo

Peter V. Gallo
4345 N. Camino Gacela
Tucson, AZ 85718
(602) 299-0325

July 28, 1992

Leslie R. Block
Arizona Corporation Commission
Securities Specialist
1200 W. Washington
Phoenix, AZ 85007



Dear Ms. Block:

In response to your letter of July 21, 1992 and our telephone conversation of July 23, 1992, I am writing to clarify and expand upon the issues/questions you addressed with respect to my No Action Letter Request pertaining to Real Property Tax Leins.

As I indicated, I am a licensed real estate broker, registered with the state of Arizona, and conduct this business under the DBA of Independent Commercial Brokerage located at 4345 N. Camino Gacela, Tucson, AZ 85718 phone number (602) 299-0325. As with most other real estate brokerage businesses, I am engaged in a wide range of residential and commercial real estate activities. This includes the representation of buyers and sellers, leasees and leaseors, as well as property management.

Let me first provide you with an overview of what tax leins are and how they work, since the basis of my No Action Letter Request is that my activities with real property tax leins will not fall within the scope of the Arizona Securities Act.

When a property owner fails to pay the taxes when due, delinquency interest begins to accrue at the statutory rate of 16%, simple interest per annum on the delinquent portion, and becomes a lien on the property. If the delinquent taxes plus interest and penalties are not paid, the county treasurer holds a public auction where the lien is sold to the highest bidder. The highest bidder is the person who agrees to pay the amount of taxes, interest and penalties due to the county and who agrees to accept the lowest interest rate on the amount bid if the property owner redeems the property.

If no one bids on a tax lien the certificate of purchase is issued to the county at a redemption interest rate of 16% per annum. Subsequent to the

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sale, these certificates of purchase may be purchased directly from the county. The purchaser receives the 16% annual interest from the time of purchase.

From the date of the tax lien sale, the property owner and any subordinate lien holder have a three year redemption period during which the property may be redeemed by paying the purchase price of the tax lien certificate plus interest at the rate stated on the certificate. If the bidder has paid other taxes which became due on the property since the purchase of the certificate, the property owner must also pay those amounts plus interest in order to redeem.

If no one redeems the property before the three year redemption period expires, the certificate holder may begin judicial action to foreclose the lien and acquire title to the property. This action is called a "Foreclosure of the Right to Redeem." At the conclusion of the foreclosure, the court orders the county treasurer to execute a treasurer's deed to the certificate holder. This deed transfers ownership of the property to the certificate holder free and clear of any subordinate liens, such as mortgages, trust deeds or judgments. Any time prior to the delivery of the treasurer's deed, the property owner or any subordinate lien holder may redeem the property, but must pay attorney's fees and court costs incurred by the certificate holder in addition to the delinquent taxes and interest.

The business service that I am proposing would be limited to providing research and advice to clients in their acquisition of real property tax liens from county treasurers. This research will include the review and evaluation of records as maintained in offices of county treasurers, county assessors and county recorders as well as the federal bankruptcy courts. On site inspections of properties being evaluated will also be made.

Once a client has received their certificate of purchase from the county treasurer, my work will be complete. As is customary with other real estate transactions, the compensation I would receive for these services would be a percentage of the value of the tax lien at the time of purchase.

While certificates of purchase are assignable, I will not be involved in any capacity with the assignment of certificates of purchase. I will not represent, advise or in any other way assist anyone seeking to assign or

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obtain certificates of purchase through the assignment process. The scope of my business service will be strictly limited to the research and evaluation of tax liens that are only available through county treasurers.

As indicated previously, I am unable to determine whether real property tax liens fall within the definition of "Securities" as set forth in the Arizona Securities Act, but do contend that even if by definition they are considered "securities," they are exempted from Arizona securities laws pursuant to 44-1843 (A) (1).

I base this position on the fact that tax liens (certificates of purchase), can only be issued by county treasurers which are certainly considered to be "political subdivisions" of the state and therefore exempted from 44-1841 and 44-1842.

My reference to 44-1801 (9)(a) "Dealer" in my July 21, 1992 letter was to point out that within this definition it states that a "Dealer" is a person who could be involved in various activities, "in securities issued by another person." My point is that since tax liens (certificates of purchase) are only issued by the county and not another person, then it would not be appropriate to classify my activities as those of a security dealer.

Hopefully, I have provided you with adequate information regarding tax liens and my proposed business service to enable you to proceed with your evaluation of my request for a No-Action letter. As you requested, I have enclosed a copy of a certificate of purchase for your review.

Should you require additional information or clarification, please do not hesitate to contact me.

I look forward to receiving a favorable ruling from you in the near future.

Sincerely,



Peter V. Gallo