

44-1844 (3)

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ARIZONA CORPORATION COMMISSION

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

May 14, 1991

Mr. Dennis B. O'Boyle, Esq.  
Shefsky & Froelich, Ltd.  
444 North Michigan Ave.  
Chicago IL 60611

RE: Recorp Partners, Inc. No-Action Request,  
A.R.S. § 44-1844A(3)

Dear Mr. O'Boyle:

On the basis of the facts set forth in your letter of May 9, 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 (the "Act") should the transaction take place as set forth in your letter, subject to the following conditions. The issuer must comply with each of the procedures specified by the Securities and Exchange Commission for foreclosure sales, as detailed in your letter of May 9. In addition, the form of notice disclosing the restricted nature of the securities offered must be prominently displayed on all offering materials, solicitations and certificates evidencing ownership. It appears from your letter that this was intended.

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.

The Division will be continuing to review whether this exemption was intended to be utilized by issuers who resell repossessed securities. Therefore, there may come a time in the future when the Division would take a different position on similar facts, or withdraw this no action position for further transactions. This letter should not be regarded as precedent for any future positions to be taken by the Division on similar facts. Therefore, if the issuer intends subsequent auctions, you should consult with the Division prior to any distribution of offering materials or securities.

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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.

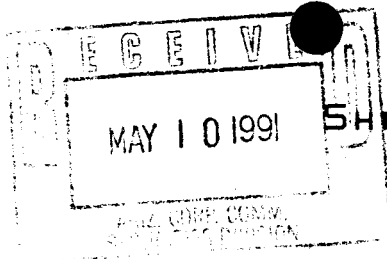
Very truly yours,

A handwritten signature in cursive script that reads "Dee R. Harris".

DEE RIDDELL HARRIS  
Director of Securities

DRH:MGB:wjw

Attachment



LAW OFFICES

SHEFSKY & FROELICH LTD.

444 NORTH MICHIGAN AVENUE

CHICAGO, ILLINOIS 60611

TELEPHONE (312) 527-4000

FACSIMILE (312) 527-5921

WRITER'S DIRECT DIAL NO.

836-4016

IN REPLY REFER TO:

4534-12-A

May 9, 1991

**VIA FEDERAL EXPRESS**

Mr. Matthew J. Neubert  
Assistant Director of Securities  
Trading & Markets  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Re: Recorp Partners, Inc.

Dear Mr. Neubert:

This firm represents Maniatis Securities, Inc. and Recorp Partners, Inc. and its affiliated limited partnerships in connection with a proposed auction of certain limited partnership interests of such limited partnerships, as further discussed below.

Over the last seven years, Recorp Partners, Inc. has sponsored limited partnerships formed to acquire and hold real estate. These limited partnerships offered and sold limited partnership interests to investors pursuant to applicable exemptions from federal and state registration requirements. A number of these offerings were structured so that an investor had the option of paying for his limited partnership interest either entirely in cash at subscription or in staged payments. In those instances where a limited partner chose the staged payment option, the limited partnership would retain a security interest in the limited partnership interest being sold. Such staged payments were often required for in excess of five years.

Each of Recorp-Arizona Associates II Limited Partnership, Recorp I-10/Outerloop Associates Limited Partnership and Recorp New Mexico Associates Limited Partnership (the "Partnerships") experienced defaults in payment by limited partners under their staged payment obligations. Recorp Partners, Inc., as general partner of each of the effected Partnerships, has diligently attempted to obtain payment from each defaulting limited partner but was unable to do so and was, therefore, left with no recourse

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other than to institute foreclosure proceedings. Rather than individually suing each such defaulting investor, the Partnership chose to institute foreclosure proceedings pursuant to the applicable provisions of the Uniform Commercial Code which requires that such foreclosure proceeding be conducted in a "commercially reasonable" manner. As part of the procedures for conducting such foreclosure, such limited partnership interests are to be sold at a public auction.

Prior to instituting this UCC auction procedure, this firm contacted the Chief Counsel's Office of the Division of Corporation Finance of the Securities and Exchange Commission ("SEC") in Washington, D.C. and was advised that the staff of the SEC previously had received several requests for interpretive assistance in situations involving foreclosure sales of securities by the issuers thereof. The position of the staff of the SEC as to foreclosure sales by issuers on their own securities is similar to the position taken by the SEC as to financial institutions foreclosing on defaulted loans secured by the securities of others. The staff of the SEC has stated that it will not recommend enforcement action against either of such issuers or financial institutions if certain procedures are followed in connection with such foreclosure sales. Those conditions are generally as follows:

1. a notice of sale is published;
2. any purchaser of such securities must represent that they are being acquired for investment and not with the view to a resale or distribution thereof and that such purchaser will not transfer the securities other than in compliance with the Securities Act of 1933;
3. certificates evidencing the ownership of such securities will bear a legend to the effect that such securities have not been registered and may not be transferred other than in compliance with the Securities Act of 1933;
4. the number of purchasers of such securities will be limited in number; and
5. prospective purchasers will be furnished, upon request, with such information concerning the

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financial condition of the company as the company has available at the time of such sale.

These procedures will be followed by the Partnerships in connection with the above-mentioned foreclosure proceedings.

Brochures concerning this proposed UCC auction sale have been sent to the existing limited partners of other Partnerships sponsored by Recorp Partners, Inc. and those existing clients of the auctioneer who had indicated that they wished to be advised of such auction sales. It is not the intention of the Partnerships to make a general public solicitation in connection with the UCC auction procedure. Even though the UCC requires an announcement of the UCC auction, the announcements used are of the tombstone variety and both the announcements and the brochures clearly state that any person interested in bidding at the UCC auction may obtain further information about the Partnerships and the property involved. Such further information includes the original offering memorandum of the Partnerships, financial statements and copies of other update letters sent by the Partnerships to limited partners.

It is emphasized that it is not the intention of the Partnerships to use this UCC auction procedure as a means to avoid or evade registration requirements under federal and state securities laws. That only a handful of persons may bid at the previous UCC auctions will be no surprise to the Partnerships. Rather, the UCC auction procedure simply provides a mechanism for the Partnerships, as creditors, to clean up their records and, after proper notice to defaulting limited partners, reduce the ownership of their limited partnership interests to include only those parties who have paid for their investment.

We wish to point out that the purpose of the UCC auction is not to raise additional capital for the Partnerships. No new limited partnership interests will be sold; rather only outstanding interests presently in default of payment will be auctioned. The Partnerships will not receive any amounts in excess of the proceeds obtained in its original private offering; in fact, all the Partnerships are attempting to do is seek to keep the amount of proceeds at the level indicated by the investors' original subscriptions. The Partnerships have no present intention of offering new limited partnership interests for sale in either public or private sales.

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It is respectfully submitted that the procedures used by Recorp Partners, Inc. in connection with the foreclosure sales of defaulted limited partnership interests of various limited partnerships sponsored by Recorp Partners, Inc. follow the guidelines set forth above, and that, as a result, such transactions are exempt from registration under the Arizona Blue Sky Laws pursuant to Section 44-1844A.(3) as sales made in good faith and not for the purpose of avoiding the provision of the Arizona Blue Sky Laws by a pledger of securities pledged for a bona fide debt. We would appreciate receipt of a letter from the Arizona Corporation Commission, Securities Division, that it will not take enforcement action against either the Partnerships, Maniatis Securities or their affiliates in connection with the aforementioned transactions.

Enclosed is a check in the amount of \$200.00 payable to the Arizona Corporation Commission as the filing fee for this request.

Very truly yours,

SHEFSKY & FROELICH LTD.

  
Dennis B. O'Boyle

DBO/bjm

Attachments

cc: Myron Newton