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DAN R WALLER
MEMBER

October 8, 1993

Todd Bomberg, Esq.
Latham & Watkins
633 West Fifth Street, Suite 4000
Los Angeles, California 90071-2007

RE: Talley Industries, Inc.
Talley Manufacturing and Technology, Inc.

Dear Mr. Bomberg:

This is in response to Victoria C. Phelps' letter dated August 19, 1993, and received by this Agency on August 24, 1993. Ms Phelps' letter was supplemented by your facsimile of August 6, 1993, and by several telephone conversations.

The letters, supplemental materials, and content of our telephone conversations indicate that Talley Industries, Inc. ("Industries") will offer certain Senior Discount Debentures (the "Discount Debentures") due 2005 for aggregate proceeds of approximately \$60 million. Concurrently, Talley Manufacturing and Technology, Inc. ("Manufacturing") will offer approximately \$105 million aggregate principal amount of certain Senior Notes (the "Senior Notes") due 2003. You have also represented that the Senior Notes will be guaranteed by Industries and nineteen direct or indirect wholly-owned subsidiaries of Industries.

You have represented that the outstanding common stock of Industries is listed on the New York Stock Exchange. Accordingly, you have opined, and based upon the foregoing understanding, the Staff of the State Securities Board agrees, that issuances of the Discount Debentures will be eligible for the exemption provided by Section 6.F of the Texas Securities Act (the "Act"), because the Discount Debentures will be senior to Industries common stock.

However, the Staff of the State Securities Board cannot agree with your position that issuances of the Senior Notes will also be exempt from registration under Section 6.F. Although the Senior Notes are evidences of indebtedness guaranteed by a company, the stock of which

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is listed on an approved exchange, Industries' guarantee is not the type of full guarantee contemplated by Section 6.F. As we have discussed, Amendment Number 3 to Industries' Registration Statement will include, in response to a comment from the Securities and Exchange Commission, a statement that "the purpose of providing this guarantee from [Industries] is to give the holders of the Senior Notes recourse to the residual value, if any, of the real estate assets owned by Talley Realty after such time as no Discount Debentures (or any [Industries'] Refinancing Indebtedness related thereto) remain outstanding." In light of the facts addressed in the second full paragraph of this letter, since Industries' guarantee of the Senior Notes is subordinated to the prior payment in full in cash of all Industries' senior indebtedness, including the Discount Debentures, and since the value of the real estate holdings of Talley Realty as of June 30, 1993 was only \$106.2 million, we cannot agree that Industries' guarantee is the type of full guarantee of the payment of principal and interest on the Senior Notes contemplated by Section 6.F. Accordingly, the staff declines to take the position that 6.F is available for the Senior Notes. As a result of this position, the staff declines to address your request for a no-action position with respect to the subsidiary guarantees.

Please note that this Agency has not made an independent investigation of the facts, but has relied solely on the information you have provided. If this information is incorrect or changes substantially, the staff would reconsider the matter and the opinion stated above would be void.

Further, this Agency does not confer nor grant an exemption. Its availability depends entirely on full compliance with the language of exemption. If a dispute arises as to the availability of an exemption, the burden of proof falls on the party claiming the exemption.

Finally, opinions expressed by this Agency are not binding on civil litigants in future proceedings.

I trust this letter answers your inquiry. Please feel free to write us if you need further information.

Very truly yours,

DENISE VOIGT CRAWFORD
Securities Commissioner

Rada Lynn Potts
General Counsel

RLP:bp