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Partners default on $86 million development loan

Phoenix Business Journal - by Jan Buchholz

MEDIA

Prominent Phoenix businessman and philanthropist Ron Barness and his business partner, Alex Papakyriakou, have defaulted on an $86 million loan they secured for development and acquisition of neighbhorhood shopping centers throughout the Valley.

A notice of trustee and personal property sale was filed last month at the Maricopa County Recorder's Office, and an auction is scheduled for March 30, but details surrounding the sale are complicated.

The trustee auction may be the tip of the iceberg for Barness and Papakyriakou, who have been named in more than 20 civil lawsuits within the past 18 months. Some involved lenders claiming the pair had defaulted on millions of dollars in loans. Others were civil actions initiated by investors. The Phoenix Business Journal reported on some of the investor lawsuits in its May 29, 2009, edition. The dispositions of those cases were unknown at press time.

Neither Barness nor Papakyriakou could be reached for comment.

The pair obtained the $86 million loan on behalf of 14 limited-liability companies in October 2006 from LaSalle Bank National Association, which now is **Bank of America NA**. According to a related civil lawsuit filed by BofA in Maricopa County Superior Court, monthly payments stopped in March 2009.

The trustee notice shows only one property scheduled for auction: 1310 S. Longmore St. in Mesa. But Beth Jo Zeitzer, a specialist in lender-owned real estate, said it's likely the loan was cross-collateralized, so other properties connected with the loan probably will face auction as well.

In the end, the bank could take the properties back at auction and then market them to new buyers when the commercial real estate market is in better shape, she said.

"Sorting through this is like peeling an onion," Zeitzer said.

A spokeswoman for Phoenix law firm Greenberg Traurig LLP, which is representing BofA, said the firm was unable to provide information or details regarding this case.

Several of the properties involved in the $86 million default are listed for sale on CoStar, a commercial property listing service. Most of them are small to midsize neighborhood retail centers located across the Valley, from Peoria to Casa Grande.

Although Barness and Papkyriakou conducted most of their business through numerous LLCs, they also owned **Retail Brokers Inc.**, which for years was a busy retail-oriented brokerage business. That business still is registered with the Arizona Corporation Commission, but its real estate license is inactive, according to records at the Arizona Department of Real Estate.

A source in the retail brokerage business who did not want to be identified said Retail Brokers Inc. "just went away about a year ago. There wasn't any announcement."

In February 2009, Papakyriakou registered a new business named **ARS Retail Brokers** LLC with the Corporation Commission. ARS Retail Brokers LLC is shown as the owner of **Comprehensive Realty Services**, according to records at the Arizona Secretary of State's Office. Comprehensive Realty Services offers the same types of services that Retail Brokers Inc. provided: sales, leasing and management of retail properties.

Barness is listed as the designated broker of **RBI Management Services** LLC, an Arizona-registered firm. He and Papakyriakou are joint members of that entity, according to the Corporation Commission.

ARS Retail Brokers and RBI Management Services both operate now via Comprehensive Realty Services, according to public records and Internet searches.

Barness, who donated millions during the mid-2000s to charities through the Daron and Ron Barness Foundation, no longer owns the 8,800-square-foot Paradise Valley mansion he and his wife purchased in 2002. Records show it is lender-owned and on the market for $3.88 million.

A call to the phone number listed on the Daron and Ron Barness Foundation Web site went to a voice mail that answered, "Comprehensive Realty Services."

Attempts to reach Barness and Papakyriakou for comment through their attorney, Jeffrey Leonard of **Sacks Tierney PA** in Scottsdale, were unsuccessful. Calls to Comprehensive Realty Services were not returned.

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