

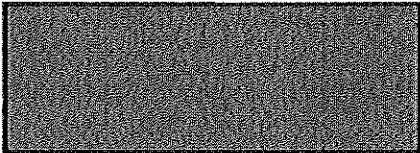


IDAHO
DEPARTMENT OF FINANCE

C. L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

March 21, 2007



Re: Request for Opinion

Dear Mr. [REDACTED]:

This is in regard to your request for an opinion as to whether the transaction involving the sale of a note, by you, to other investors is exempt from registration pursuant to Section 30-14-202(14) of the Idaho Uniform Securities Act (2004) (IUSA). "

Section 30-14-202(14) IUSA

Section 30-14-202(14) of the IUSA exempts from registration those securities transactions that meet the following parameters:

A sale or an offer to sell securities of an issuer, if the transaction is part of a single issue in which:

- (a) Not more than ten (10) purchasers are present in this state during any twelve (12) consecutive months, other than those designated in subsection (13) of this section;*
- (b) A general solicitation or general advertising is not made in connection with the offer to sell or sale of the securities;*
- (c) A commission or other remuneration is not paid or given, directly or indirectly, to a person other than a broker-dealer registered under this chapter or an agent registered under this chapter for soliciting a prospective purchaser in this state; and*
- (d) The issuer reasonably believes that all the purchasers in this state, other than those designated in subsection (13) of this section, are purchasing for investment*

SECURITIES BUREAU
Bureau Chief - Marilyn T. Chastain
800 Park Boulevard, Suite 200, Boise, ID 83712
Mail To: P.O. Box 83720, Boise ID 83720-0031
Phone: (208) 332-8004 Fax: (208) 332-8099
<http://finance.idaho.gov>

Our understanding from your February 16, 2007 letter and subsequent representations is that you made a loan and, in return, received a single note, from the borrower, in the amount of \$123,551. The proceeds of the loan were used to purchase real property and the note is collateralized by a Deed of Trust. It is your wish to fractionalize this note and sell it to two, possibly three, investors. The subsequent fractionalized portions of this note will remain collateralized by the Deed of Trust.

Section 30-14-202(14) of the IUSA is a transactional exemption that may be utilized by an issuer. Therefore, non-issuer or secondary transactions do not qualify for exemption from registration under this section of the IUSA. It is our view that the fractionalization of the original note will constitute the creation of a new security. As such, you will be deemed the issuer and consequently will be able to avail yourself of the Section 30-14-202(14) exemption, if all other parameters of that exemption are met.

Based on your written representations, it appears that the transaction in question meets all the parameters of the Section 30-14-202(14) exemption.

Disclosure Requirements

Offers and sales made pursuant to Section 30-14-202(14) of the IUSA are required to be accompanied by an offering document. The offering document is required to include sufficient disclosure of the offering details so as to meet the anti-fraud requirements of the IUSA.

Integration Issues

Your request also asks for information regarding the timing of subsequent offerings exempt from registration pursuant to Section 30-14-202(14) of the IUSA.

As you will note, this exemption specifically reflects that only transactions that are part of a single issue qualify for exemption under Section 30-14-202(14) of the IUSA. Therefore, timing of subsequent offerings is critical to maintain qualification of the offering under this exemption.

In order to automatically avoid integration issues, the issuer should establish a six month buffer, during which no offers or sales are made, before and after the twelve month duration of an offering under this exemption.

If this six month window on either side of the offering is not observed, it is the issuer's burden to differentiate the offerings sufficiently so as they are not considered the same offering. The issuer may differentiate the offerings for purposes of integration issues by considering the following:

- Are the offerings part of a single plan of financing?
- Do the offerings involve issuance of the same class of securities?
- Are the offerings made at or about the same time?
- Is the same type of consideration to be received?; and
- Are the offerings made for the same general purpose?

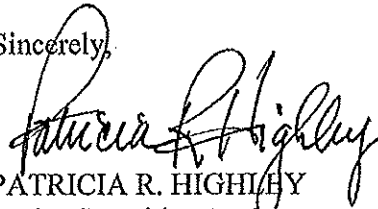
Mortgage Lending Activity

It appears that further lending activity may require licensure as a "mortgage lender" as defined under the Idaho Residential Mortgage Practices Act. I have referred your request to K.C. Schaler, Supervising Examiner/Licensing in the Idaho Department of Finance, Consumer Finance Bureau. Please contact Ms. Schaler prior to engaging in any subsequent lending activity. You may reach Ms. Schaler at 332-8064.

Our opinion regarding the above is based on the facts as represented by you in written correspondence. Should the facts in this matter change or prove to be different than what has been represented, our opinion may change as well.

If you have any questions regarding the above, please contact the undersigned.

Sincerely,



PATRICIA R. HIGHLEY
Senior Securities Analyst
Idaho Department of Finance

Patricia R. Highley
Senior Securities Analyst
Idaho Department of Finance
800 Park Blvd, Suite 200
Boise, Idaho 83712

3/15/07

Dear Patty, In response to your request for specific written representation, please find the following to be true :

I will

A. not have a sale or an offer to sell securities to more than ten (10) purchasers that are present in this state during any twelve (12) consecutive months.

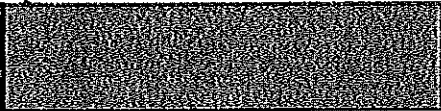
B. A general solicitation or general advertising is not made in connection with the offer to sell or sale of the securities;

C. A commission or other remuneration is not paid or given, directly, to myself, Corporation, LLC, or any other person or legal entity, and

D. I reasonably believes that all the purchasers in this state are purchasing for investment;

Please feel free to contact me back if you need additional information or more details.

Sincerely,



3-15-07

Patty Highley

From: Patty Highley
Sent: Thursday, March 15, 2007 11:28 AM
To: [REDACTED]
Subject: Opinion request



I'm in the process of drafting a response to your opinion request regarding Section 30-14-202(14) of the IUSA. I'll need your written representation that this offering meets all of the parameters of this exemption. Specifically, please address in writing (a) (sales must occur within a twelve month period), (b) and (d) of this exemption.

A sale or an offer to sell securities of an issuer, if the transaction is part of a single issue in which:

- (a) Not more than ten (10) purchasers are present in this state during any twelve (12) consecutive months, other than those designated in subsection (13) of this section;
- (b) A general solicitation or general advertising is not made in connection with the offer to sell or sale of the securities;
- (c) A commission or other remuneration is not paid or given, directly or indirectly, to a person other than a broker-dealer registered under this chapter or an agent registered under this chapter for soliciting a prospective purchaser in this state; and
- (d) The issuer reasonably believes that all the purchasers in this state, other than those designated in subsection (13) of this section, are purchasing for investment;

You can fax that to me if you'd like at 332-8099.

Patricia R. Highley
Senior Securities Analyst
Idaho Department of Finance
800 Park Blvd, Suite 200
Boise, Idaho 83712
(208) 332-8004
(888)346-3378 Idaho only
fax: (208) 332-8099
phighley@finance.idaho.gov

Patty Highley

From: [REDACTED]
Sent: Friday, February 16, 2007 3:56 PM
To: Patty Highley
Subject: Opinion Letter
Attachments: [REDACTED]

Hi Patty,

Per our conversation this week, please let this e mail serve as my request for an opinion regarding whether I can legally sell my interest in a real estate loan, utilizing Idaho Securities Act Section 30-14-202, Exempt Transactions, Paragraph (14), (a) through (d), as justification to make this assignment.

Facts of the case : I have made a real estate loan recently using personal funds. I utilized a Note and Deed of Trust in making this loan. Attached, please find the Note signed by the borrower. I wish to assign this note to two, possibly three outside investors. With their investment, I will generate an assignment of interest to them, reflecting their interest equal to a pro-rata application of the funds they invest as compared to the total debt outstanding on the date of their purchase (e.g., assuming the note balance remains unchanged at \$ 123,551., if \$30,000 is invested by one investor, then he/she will receive assignment of the note balance equal to the ratio \$ 30,000/\$ 123,551 (24.28%), with all rights and title of the original note holder getting assigned to the new investor). Of the three investors who have expressed interest, one resides in Washington State, and two live in Idaho. One investor intends to invest \$ 30,000. The second investor, intends to invest \$ 90,000. The investor from Washington may not invest if the other two have invested a total of \$ 123,551. Two of the investors both qualify as Accredited Investors as defined by SEC regulations, and have been my clients for over 22 years.

Per terms of the note, the borrower will make monthly payments of interest only (no principal); I will personally administer the note (collect monthly payments from the borrower, deposit the funds in my company acct., write checks equal to payments made to the two/three investors, receive note payoff funds and forward same funds to investors, file Lien release with Title company, renegotiate note extention if need be (per note terms). I will charge \$ 100.00 per month for this function.

Disclosure : I have not given any written disclosure of risks associated with this potential assignment. Please advise if this is required.

Commission : I have not received a commission from any individual. I am currently at risk, and my tax basis in this Note is currently \$ 121,151. As mentioned above, I will charge \$ 100.00 per month for administration.

Frequency : This is the only loan I have made whereby I intend to sell my interest; Related to this, in your opinion letter, regarding the 10 purchaser maximum, could you clarify how this limit can be applied (e.g. Does the 10 purchaser limit mean this can be done more than one time during any calender year as long as 10 purchasers, (in total during the year), are not exceeded).

Patty, if you need more details, please call or email. Thank you for your work on this. Please let me know when you receive this and that you don't need any additional information and I'll send the required funds accordingly.

Sincerely,

