IDAHO
DEPARTMENT OF FINANCE

DIRK KEMPTHORNE
Governor

GAVIN M. GEE
Director

March 20, 2006

[redacted]

Dear Ms. [redacted]:

This is in reference to your request for an "opinion" as to whether partnership interests in the [redacted] would be considered securities under the Idaho Uniform Securities Act (2004) (the Act).

Background

Based on the information provided, it is our understanding that the entity now known as [redacted] was originally formed in the 1940's as a corporation for the purpose of purchasing approximately 7,400 acres to be used primarily for a livestock grazing operation. The purchase included improvements and mineral rights. Primarily, revenues were generated by assessments to ownership for the grazing operation and royalties paid from a lease on a phosphate mining operation located on the grazing land.

During 1976, the entity's structure was changed at the advice of counsel from a corporation to a limited partnership due to legal issues relating to a phosphate mining lease and to better facilitate the payment of advance royalties from the phosphate lease based on each partner's ownership interest. Ownership consists of "undivided" interests in the assets which were transferred during the formation of the limited partnership entity. Revenue sources are annual assessments to passive partners for the grazing operation and royalties paid from a lease on a phosphate mining operation located on the grazing land.

Under the terms of the Limited Partnership Agreement, management and control of the business rests exclusively with the (six) general partners and daily management control is delegated to the managing general partner. Currently, there are fifty-one partners with ownership interests in the partnership assets including real estate, improvements and mineral rights. Forty-one percent are regularly involved in upkeep of the property, grazing operation, or management duties and are considered active. The remaining fifty-nine percent are passive.

Since 1976, ownership has changed due to death, estate planning and the sale of partnership interests. The individual partner's ownership interest in real property is separate and distinct

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from individual partner's ownership in mineral rights. The partnership agreement provides first right of refusal to the limited partnership in the event one of the partners wishes to liquidate and sell their interest. The partnership recently matched an outsider's offer to purchase the ownership interest of Mr. [redacted].

Idaho Uniform Securities Act (2004)

Idaho adopted the Act effective September 1, 2004. The Act and Rules may be found on our website at finance.idaho.gov.

The Act defines "security" under § 30-14-102(28). The definition includes participation in a profit sharing agreement and fractional undivided interests in oil, gas or other mineral rights. [redacted] meets the above criteria. Under the limited partnership agreement, the individual partners are allocated profits and or losses according to ownership interests in the partnership. The individual ownership interests are fractional and undivided.

Under § 30-14-102(28)(d) "Security" also includes as an "investment contract" an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor. "Common enterprise" means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors. It appears that [redacted] meets the above criteria. The management of [redacted] are also partners, and the majority of the partners are passive.

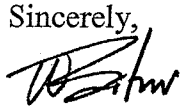
Under §30-14-102(28)(e) "Security" includes as an "investment contract", among other contracts, an interest in a limited partnership and a limited liability company. It appears that [redacted] meets the above criteria as well.

Conclusion

Based on the information provided to us within your correspondence, the limited partnership agreement, the ownership listing percentages and our telephone conversation on January 25, 2006, it is the Department's opinion that the partnership interests in [redacted] would constitute a security under the Act. This opinion is premised on the facts contained in the information provided to the Department by [redacted]. If the facts in this matter change, or are different than represented, our opinion may also change.

If you have questions or need further clarification, please contact the undersigned.

Sincerely,



Walt Bitner
Securities Analyst

January 17, 2006

Idaho Department of Finance
Attn: Patty Highly, Nancy Ax
P.O. Box 83720
Boise, ID 83720-0031

RECEIVED
JAN 19 2006
DEPT. OF FINANCE
STATE OF IDAHO

Dear Patty and Nancy;

I spoke with Patty last week about determining whether our Partnership was a Security or not and here are the documents that I was told to send up for evaluation. Originally when the property was purchased, the men formed an Idaho Corporation, but when we became involved in litigation about a phosphate lease and possible royalties, our lawyers advised us to convert to a Limited Partnership. This was done in 1976. The name of the partnership is [redacted], with land located solely in [redacted] County. All of the active partners live in [redacted] County. The purpose of the company is to graze cattle. The land is used in no other way, except that we have a phosphate lease with Simplot that is not currently being mined and probably never will be.

At the time of forming the Company, all deeded assets, all improvements, and any materials on hand were transferred to it. We are a totally undivided asset partnership with no person owning any specific item or property within the Company. I am sending you a copy of the original Limited Partnership Agreement of the [redacted]. Since 1976, partners have died, estates have been probated, estate planning has taken place, and a few partners have sold their interests. This has changed the list of partners, adding quite a few names, deleting some, etc. I have enclosed a current partnership list with all changes correct as of last night.

I have listed whether a partner is active (having anything to do with the operation of the company) or passive (having nothing at all to do with the operation of the company). Passive members pay a yearly assessment, which depends upon the current needs of the Company and they receive a check in March for their share of the royalties from the phosphate lease. No phosphate production is

going on at this time. It is only an Advance Royalty to keep the lease in force. Active partners hold 40.988 percent of the company and Passive partners own 59.022 percent of the company. Being active means that they are regularly involved in upkeep of the property, the cattle grazing operation, or in management duties. None of the Passive partners are involved in any of these ways.

No one in the Company has anything deeded to them, or owns any specific part or item within the Company. Its assets are totally undivided.

I hope that this provides you with all the information you will need to make a determination as to whether our Company is a Security or not. Please feel free to call me for additional information or e-mail me at [redacted]. My phone number is [redacted], cell number [redacted].

Thank you for your help.

Sincerely,

[redacted]

Managing General Partner