

DIRK KEMPTHORNE
GOVERNOR



GAVIN M. GIBSON
DIRECTOR

STATE OF IDAHO
DEPARTMENT OF FINANCE
700 W. STATE STREET, 2ND FLOOR
P.O. BOX 83720
BOISE, IDAHO 83720-0031
Website: finance.state.id.us

May 3, 2002

Re: Investment Adviser Registration

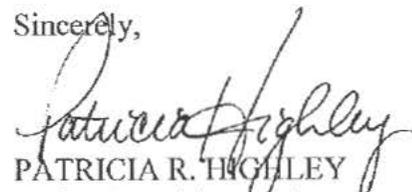
Dear M

This is in reference to your request, dated April 5, 2002, that this Department take a no enforcement action position with regard to registration for the investment advisory activities of

As you are aware, we view _____ as subject to the investment adviser registration requirements of the Idaho Securities Act (the Act). We have reviewed your letter and the offering document provided to us and dated September 19, 2001. Based on this review, we concur that, given _____ structure as a venture capital fund, reasonable cause exists to decline to require compliance with the investment adviser registration requirements.

Our no enforcement action position is based upon the facts and representations contained in your letter of April 5, 2002 and the aforementioned offering materials. Should these facts or representations change or prove to be inaccurate, our no enforcement action position may also change.

Sincerely,


PATRICIA R. HIGHLEY
Senior Securities Analyst
Idaho Department of Finance

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Securities (208) 332-8004
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DEPARTMENT OF FINANCE

April 5, 2002

Ms. Patricia Highley
Senior Security Analyst
Idaho Dept. of Finance
PO Box 83720
Boise, ID 83720-0031

Re:

Ms. Highley:

Thank you for your March 6th letter regarding your department's "no enforcement action" position with regard to Idaho-based venture capital funds. And thank you for including all of the documentation you enclosed, which is very complete and especially helpful in understanding this matter.

As you may know, the principals of _____ agreed to suspend our fundraising efforts last fall due to the unfortunate events of Sept. 11th, the war in Afghanistan, and the dismal economic climate. Throughout the spring and summer of last year, we had met with many institutional investors around the nation and within Idaho. While most of these investors expressed genuine interest in learning more about the potential benefits of a \$50 to \$75-million, _____ venture fund, they were reticent to invest until _____ institutions invested first—even though _____ and _____ had made commitments totaling \$23.5 million.

So we currently remain in an "inactive" state—that is we are waiting to receive indications that investors will be, once again, receptive to investing in regional VCs. And we will notify you and the Dept. of Finance when we restart our fundraising efforts, hopefully later this year.

Meantime, let me address our interest in receiving a letter from your department regarding a "no enforcement action" position. First, the primary differences between _____ and _____ are as follows:

- _____ seeks to raise \$50 to \$75 million whereas _____ has closed its first fund at approximately \$27 million.
- Due to the relative larger size of the fund, _____ has primarily sought investment from institutional—rather than individual—investors.

- While the minimum investment stipulated in _____ documents is \$250,000, our target investment range is really in the \$1 to \$7 million dollar range.
- Similar to _____, everyone we have approached to date would be considered a "qualified investor" or a representative of a well-established institution, such as a corporation, government entity, or duly recognized investment advisory firm.

Upon reviewing the very complete letter from _____ and _____ of the _____ law firm on behalf of _____ many of the salient points apply to _____. Note that we have also been working with _____ and _____ to draft some of our fund documents. So we would expect a similar outcome to a formal request for a "no enforcement action" letter.

Please let me know if I can provide further information regarding this process. And thanks for the consideration you have given us and our peer funds to date.

Sincerely,

cc: