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ARIZONA CORPORATION COMMISSION

JAMES MATTHEWS
EXECUTIVE SECRETARY

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007-2996
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470

May 10, 1996

Steven R. Weeks, Esq.
Givens Pursley & Huntley, LLP
277 No. 6th Street, Suite 200
P.O. Box 2720
Boise, Idaho 83701

RE: Idaho Banking Company (In Organization)
A.R.S. § 44-1843(A)(2)

Dear Mr. Weeks:

The Securities Division is in receipt of your letters of April 16 and May 7, 1996, requesting a no-action position for Idaho Banking Company (In Organization) (the "Bank"). We are unable to concur with your conclusion that the common stock offered by the Bank during its formation is exempt from registration pursuant to A.R.S. § 44-1843(A)(2).

Arizona Revised Statutes Section 44-1843(A)(2) does not exempt securities issued by banks that are regulated by other states. Additionally, A.R.S. § 44-1841(A) requires registration of securities or an exemption from registration at the time an offer for sale is made. Regulation by the Federal Reserve Board or the Federal Deposit Insurance Corporation will not occur during the time the offer for sale is made and, therefore, the transaction does not appear to meet the requirements of the Arizona Securities Act.

For the foregoing reasons, the Securities Division declines to take a no-action position with respect to the proposed activities of the Bank. We have attached a photocopy of your letter. By doing this we are able to avoid having to recite or summarize the facts set forth therein.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Dee Ridell Harris".

DEE RIDDELL HARRIS
Director of Securities

DRH:ctf
Attachment

LAW OFFICES

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A LIMITED LIABILITY PARTNERSHIP

277 NO. 6TH STREET • SUITE 200

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April 16, 1996

Via FedEx

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OF COUNSEL

Ms. Leslie Block, Esq.
Associate General Counsel
Arizona Securities Division
1300 W. Washington Street
Suite 300
Phoenix, AZ 85007

Matter: Idaho Banking Company (In Organization)
Subject: Request For No-Action By Arizona Corporation Commission
Our file: 4443-1

Dear Ms. Block:

This firm represents the Idaho Banking Company (In Organization) ("Bank"). The Bank has filed with the Idaho Department of Finance - the Idaho State agency charged with oversight of all Idaho bank formations and operations - an application seeking to become an Idaho State chartered bank. The Idaho Department of Finance has accepted the application, contingent upon, among other things, the Bank raising a minimum of \$3,500,000.00 in initial capital. The Bank has also filed an application with the Board of Governors of the Federal Reserve System seeking to become a state member bank of the Federal Reserve System, and filed an application with the Federal Deposit Insurance Corporation seeking to become an insured bank under the Federal Deposit Insurance Act.

The Bank is in the process of raising between \$3,500,000.00 and \$7,000,000.00 in initial capital through the offering of its \$5.00 par value common stock at \$10.00 per share ("Offering") using offering materials which have been approved by the Idaho Department of Finance. The Bank wishes to solicit a limited number of investors residing in Arizona with whom officers and directors of the Bank have business and/or personal relationships. It appears that the Bank may offer and issue its common stock to residents of Arizona pursuant to the securities registration exemption in Arizona Revised Statute ("ARS") Sec. 44-

1843.A.2. The purpose of this letter is to request a no-action position from the Arizona Corporation Commission regarding the Bank's reliance on the exemption in ARS Sec. 44-1843.A.2 for its solicitation of Arizona residents.

ARS Sec. 44-1843.A.2., as amended, exempts from registration

"Securities issued by a national bank or a bank or credit or loan association organized pursuant to an act of Congress and supervised by the United States or an agency thereof; or issued by a state bank or savings institution the business of which is supervised and regulated by an agency of this state or of the United States."

The Arizona Corporation Commission, through the issuance of no-action letters, has previously taken the position that foreign state chartered banks may utilize ARS Sec. 44-1843.A.2. since they are subject to supervision by federal and state banking authorities. As is the case with other foreign state chartered banks who have been allowed to utilize ARS 44-1843.A.2., the Bank will be supervised by appropriate state and federal banking authorities - namely, the Idaho Department of Finance, the Federal Reserve System and the Federal Deposit Insurance Corporation. The only difference is that the Bank is in formation. Regardless, however and as discussed further below, no securities will be issued until the Bank has been granted its Idaho State charter, has become a state member bank of the Federal Reserve Board and has become insured under the Federal Deposit Insurance Act.

We are not aware of any Arizona statutes, rules or regulations which would deny a bank in formation the availability of ARS 44-1843.A.2. There is, however, clear guidance available from actions taken by the Securities and Exchange Commission ("SEC") as to the applicability of the comparable federal exemption for banks in formation. Section 3 of the Securities Act of 1933 (15 U.S.C.A. § 77c) ("1933 Act") states in part:

"(a) Except as hereinafter expressly provided, the provisions of this subchapter shall not apply to any of the following classes of securities:

...

(2) ...; any security issued or guaranteed by any bank;"

The SEC has consistently taken the position that if a bank in formation is supervised by a state agency, including compliance with state banking statutes and any corresponding rules and regulations, and the subscription funds are placed in escrow accounts, a bank in formation may rely upon the bank securities

April 16, 1996

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registration exemption contained within Section 3(a)(2) of the 1933 Act (we have enclosed for your convenience copies of four no-action request letters to the SEC regarding banks in formation, and the SEC's corresponding no-action letter).

The Bank will be formed and will be chartered in compliance with the Idaho Bank Act, as amended, and the rules and regulations thereunder, which govern the organization and operation of all Idaho banking organizations. In addition, an application to become a state member bank of the Federal Reserve System has been filed with the Board of Governors of the Federal Reserve System, and an application to become an insured bank under the Federal Deposit Insurance Act has been filed with the Federal Deposit Insurance Corporation. All proceeds from the Bank's Offering are being placed in a special escrow account established at The Bank of Commerce in Idaho Falls, Idaho, secured by pledged United States Treasury Notes and Treasury Bills by The Bank of Commerce. All proceeds from the Offering shall be held in this escrow until such time as \$3,500,000.00 has been raised by the Bank, the Bank has received its Idaho State bank charter, the Bank has become a state member bank of the Federal Reserve Board and the Bank has become an insured bank under the Federal Deposit Insurance Act.

In the event \$3,500,000.00 is not raised prior to the termination of the Offering, or if the Bank does not receive final regulatory approval from the Department of Finance, does not become a state member bank of the Federal Reserve System, or does not become insured under the Federal Deposit Insurance Act, then The Bank of Commerce, pursuant to the terms of the Escrow Agreement by and between the Bank and the Bank of Commerce, will return to each subscriber all subscription funds paid by such subscriber, including their proportionate share of interest realized through investment of the subscription funds, if any. The interest received through the investment of the subscription funds is subject to deduction for organizational and offering expenses incurred by the promoters of the Bank not to exceed the total interest generated through the investment of subscriber funds.

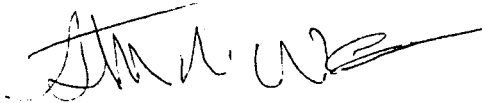
Pursuant to the facts recited above, we hereby request a no-action position from the Arizona Corporation Commission regarding the Bank's reliance on the securities registration exemption in ARS 44-1843.A.2. for its solicitation of Arizona residents.

April 16, 1996

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If I can provide additional information, or be of further assistance in any manner, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "S.R. Weeks", with a long horizontal flourish extending to the right.

Steven R. Weeks

Enclosures

SRW:rmn

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May 7, 1996

Via Facsimile (602) 594-7423

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 OF COUNSEL

Ms. Cheryl T. Farson
 Senior Counsel
 Arizona Corporation Commission
 1200 W. Washington Street
 Phoenix, AZ 85007

Matter: Idaho Banking Company (In Organization)
 Subject: Request For No-Action By Arizona Corporation Commission
 Our file: 4443-1

Dear Ms. Farson:

Thank you for your letter of April 22, 1996. The following are our responses to your inquiries.

First, you requested that we "describe the extent of the governance of Idaho Banking Company (In Organization) during its formation by the Federal Reserve Board and/or Federal Deposit Insurance Corporation." The extent of the Federal Reserve Board and the Federal Deposit Insurance Corporation's governance of the Idaho Banking Company (In Organization) ("Bank") is through their application process. The Bank has submitted an application with the Board of Governors of the Federal Reserve System to become a state member bank of the Federal Reserve System, and has submitted an application with the Federal Deposit Insurance Corporation ("FDIC") to become an insured bank under the Federal Deposit Insurance Act. In the event either of these applications is denied, the Bank will not become an Idaho State chartered bank and all investor funds received through the Bank's offering must be refunded as soon as reasonably possible. In the event these applications are approved, and prior to any disbursement of investor funds to the Bank, the Bank will be subject to all Federal Reserve System and FDIC regulation.

Second, you asked "In what will the deposited funds be invested while held in escrow?" You also asked "Are the escrowed funds held by The Bank of Commerce in Idaho Falls, Idaho, insured by the FDIC?" The escrowed funds are deposited into federal funds by The Bank of Commerce Trust Department. As

May 7, 1996

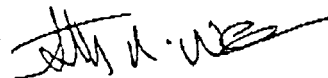
Page 2

stated in our original request for no-action letter dated April 16, 1996, all investor funds are secured by pledged United States Treasury Notes and Treasury Bills by The Bank of Commerce in a pledged amount sufficient at all times to pay all investor funds plus accrued interest deposited in the escrow (or impound) account. The Idaho Department of Finance has approved this method as a sufficient impound account during the Bank's initial capital fund raising efforts. The Bank has taken the required steps to safeguard investor funds until such time as the Bank has received its Idaho State bank charter, the Bank has become a state member bank of the Federal Reserve Board, the Bank has become an insured bank under the Federal Deposit Insurance Act, and The Bank of Commerce has received approval from the Idaho Department of Finance to disburse the investor funds to the Bank.

Finally, you asked "What is the maximum amount of time the escrowed funds will be held?" The Bank's offering will end no later than July 31, 1996. In the event the Bank has not raised the \$3,500,000.00 minimum capital required by the Idaho Department of Finance, the impounded funds must be returned to all investors as soon as reasonably possible. In the event the Bank has raised the \$3,500,000.00 minimum capital required by the Idaho Department of Finance, the Bank must receive regulatory approval from 1) the Idaho Department of Finance to become an Idaho State chartered bank; 2) the Federal Reserve Board to become a state member bank of the Federal Reserve System; and 3) the FDIC to become an insured bank under the Federal Deposit Insurance Act. We anticipate this approval process shall take an additional sixty days from the receipt of the minimum capital requirement of \$3,500,000.00. In the event the Bank does not receive all regulatory approval described herein, the impounded funds must be returned to all investors as soon as reasonably possible.

If we can provide additional information, or be of further assistance, please to not hesitate to contact me.

Sincerely,



Steven R. Weeks

SRW:rmn

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