44-1844(A)(10)

MATTHEW J. NEUBERT
DIRECTOR

SECURITIES DIVISION
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ARIZONA CORPORATION COMMISSION

March 16, 2005

Elizabeth A. McFarland, Esq.
60 Bell Rock Plaza
Sedona, AZ 86351-8804

Re: SedonaLoan, LLC
S-257-NOAC

Dear Ms. McFarland:

The Securities Division has reviewed the no-action letter request dated January 11, 2005, submitted on behalf of the company referenced above and the supplement to that request dated March 1, 2005. On the basis of the information set forth in those letters, the Securities Division declines to issue a no-action letter. We have attached photocopies of the letters containing the facts upon which this position is based.

Very truly yours,

MATTHEW J. NEUBERT
Director of Securities

Attachments

ELIZABETH A. McFARLAND
ATTORNEY-AT-LAW

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March 1, 2005

Cheryl T. Farson
General Counsel
Securities Division
Arizona Corporation Commission
1300 West Washington Street
Third Floor
Phoenix, AZ 85007

Re: No Action Request for SedonaLoan, LLC

Dear Ms. Farson:

I have received your response to my January 11, 2005, correspondence requesting a no-action letter and am writing to provide more detailed information in support of this request and address each transaction as I originally referred to it. Thank you for your prompt response and suggestions for further analysis.

First Transaction

Nathan Cortes formed SedonaLoan, LLC as a vehicle through which, as a mortgage banker, Cortes could make loans to borrowers, evidenced by a promissory note, for purchase or development of real estate, particularly commercial real estate. For this transaction, the promissory notes would be secured by deeds of trust against the subject real property. SedonaLoan estimates that these transactions could range from $100,000.00 to approximately ten million dollars. Each loan would be a single transaction between and borrower and SedonaLoan as the lender. As I read the authority to which you referred me, it became clear to me that I had previously referred you to the incorrect basis for exemption for this transaction. I apologize for any confusion

resulting from my mistake. Contrary to my earlier assertion that this transaction would be exempt from registration under A.R.S. § 44-1843(A)(10), this transaction would be exempt under A.R.S. § 44-1844(A)(20), which provides:

> Transaction involving offers or sales of one or more promissory notes directly secured by a first lien on a single parcel of real estate on which is located a dwelling or other residential structure or commercial structure and participation in interest in those notes that are exempt under § 4(5) of the securities act of 1933.

Each loan from SedonaLoan would be represented by a promissory note and secured by a first lien on a single parcel of real estate on which was located a residential or commercial structure.

SedonaLoan does not anticipate re-selling these promissory notes and trust deeds; so the authority to which you referred me is not applicable to the instant transaction.

Second Transaction

SedonaLoan will, in turn, borrow the funds it loans from another limited liability company, of which Nathan Cortes will be the Manager. This transaction will be completely private. There will be no advertising, solicitation, or offering circular. The only parties to the transaction will be SedonaLoan as the issuer, on one hand, and another Arizona limited liability company managed by Nathan Cortes, on the other. As the principal of both companies, Nathan Cortes will have complete disclosure about the use of the funds by the ultimate borrowers. It is proposed that SedonaLoan would borrow only once from such a limited liability company, but that it would make such transactions with several limited liability companies to raise the funds necessary for the ultimate borrowers.

You have inquired how these notes will be secured. Each note will be secured by a security agreement and UCC-1 pledging the assets of SedonaLoan as security for the loan from the limited liability company to SedonaLoan.

You did not have any additional concerns about the "Second Transaction;" so am not submitting any additional information, but stand by the January 11, 2005, submittal together with the Certification and Acknowledgment below.

Third Transaction

To fund each limited liability company so that it has funds to loan to SedonaLoan, each limited liability company will sell membership interests to no more than ten members. All persons solicited as potential members will be accredited investors purchasing solely for their own account. It is anticipated that purchasers will be natural persons and individual retirement accounts. The purchasers will be required to hold their membership interests for at least 24 months. The purchasers will be provided information regarding the First and Second Transactions, SedonaLoan's financial information, and all available information about the ultimate borrower who will be funded by their investment in the limited liability company and will be provided such information throughout their ownership of the membership interest at all reasonable times. The total investment in each limited liability company will not exceed one million dollars ($1,000,000.00).

We believe this transaction is exempt pursuant to A.R.S. § 44-1844(A)(10) because each offering will involve ten or less members of the limited liability company. A.R.S. § 44-1844(A)(10) provides:

> The issuance and delivery of securities of a corporation to the original incorporators, not exceeding ten in number, where the securities are not acquired by the incorporators for the purpose of sale to others and are not directly or indirectly sold to a third party within twenty-four months unless an incorporator experiences a bona fide change of financial circumstances within such time period, providing original incorporators are notified of their right pursuant to title 10 to review the financial books and records of the corporation at reasonable times.

In 1958, the Arizona Supreme Court considered a predecessor to this provision in Trump v. Badet, 84 Ariz. 319, 324, 327 P.2d 1001, 1005 (1958). In that case, the Supreme Court held that the statute applies only to actual incorporators, not to shareholder who obtained their shares at the organizational meeting, but who were not listed in the Articles of Incorporation as incorporators. This case construed this statute before the Arizona Limited Liability Act was adopted in 1992 and substantially revised in 1997; so the Court did not address whether the provision applies to initial members of a limited liability company. Because limited liability companies, especially if they elect corporate tax treatment, are for many intents and purposes very similar to corporations, A.R.S.

§ 44-1844(A)(10) should be read to include initial members of limited liability companies, provided those initial members are named in the Articles of Organization.

Alternatively, for the limited liability companies with equity equal to or less than one million dollars, this transaction should be exempt pursuant to R14-4-140 (and, 17 CFR 230.504 (rule 504)) because it includes only accredited investors. SedonaLoan will comply with the filing requirements of Rule 504 (with the SEC) and subsection (L) requiring filing a Form D with the Securities Division. In complaince with subsection B, for this transaction, the issuer's employees or agents will make offers or sales for the limited liability company, but will not be retained for the primary purpose of making such sales. In addition, the issuer will not use third parties or dealers to sell the limited liability company interests. This offering is not barred by the "blind pool" prohibition of subsection C because the limited liability company does have a business plan, to loan funds to SedonaLoan, LLC to be used to fund mortgages. In compliance with subsection D, the offers and sales of membership interests in the limited liability company will be made only to accredited investors. In compliance with subsection E, the issuer will reasonably believe, after inquiry, that each investor is buying for his or her own account and not for resale. If the issuer uses a general announcement for the sale of these membership interests, the general announcement will comply with the provisions of subsection F. Additional information, as required by subsections H and I, will be provided only to accredited investors. The offering documents will comply with the strictures of subsection J, and the membership certificate will comply with subsection K. In compliance with subsection M, none of the affiliates, directors, general partners, officers, or beneficial owners of more than 10% will have violated any of the provisions enumerated in subsection M(1-4).

For the limited liability company offering pursuant to R14-4-140, Nathan Cortes, as the manager of the limited liability company to be formed, and/or his employees or agents may issue general announcements and provide responsive, accredited investors, who reside in the State of Arizona, the information described above.

For the offerings in excess of one million dollars, the transactions qualify for exemption pursuant to A.R.S. § 44-1844(A)(1) because the transactions will be by an issuer not involving any public offering. In these cases, Nathan Cortes, or his employees or agents, on behalf of the limited liability company to be formed, will contact acquaintances and associates to be investors in the limited liability

company. If any of these privately contacted persons are interested in investing, then Nathan Cortes will provide them information as described above on which to base their decisions.

For the reasons expressed above, we respectfully request a no-action letter with respect to the described transactions. Thank you for your attention to and assistance with this matter. Please do not hesitate to contact me with any questions or comments.

Very truly yours,

Elizabeth McFarland

Elizabeth A. McFarland

EAM:bvg
cc: Nathan Cortes

CERTIFICATION

I hereby certify that, based upon my own personal knowledge, none of the transactions described herein is not directly or indirectly the subject of any pending or final judicial, SRO or administrative proceeding.

Nathan Cortes

ACKNOWLEDGMENT

I hereby acknowledge that this request, together with any documents or information submitted and any response from the division, is public information that may be released for publication, except as otherwise provided by law.

Nathan Cortes

ELIZABETH A. McFARLAND
ATTORNEY-AT-LAW

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Admitted to practice before the courts of Arizona, California, District of Columbia and Maryland

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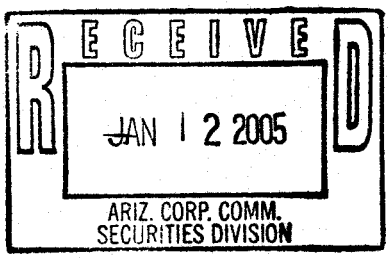
January 11, 2005



General Counsel
Securities Division
Arizona Corporation Commission
1300 West Washington Street
Third Floor
Phoenix, AZ 85007

Re: No Action Request for SedonaLoan, LLC

Dear Sir or Madam:

This office represents SedonaLoan, LLC, an Arizona limited liability company, and its principal, Nathan Cortes, who is a licensed mortgage banker and mortgage broker in Arizona (collectively, "SedonaLoan"). I am writing to request a no-action letter regarding the availability of three exemptions and am enclosing a check in the amount of $200.00 to pay for the filing fee .

First Transaction

Nathan Cortes formed SedonaLoan, LLC as a vehicle through which, as a mortgage banker, Cortes could make loans to borrowers, evidenced by a promissory note, for purchase or development of real estate, particularly commercial real estate. For this transaction, the promissory notes would be secured by deeds of trust against the subject real property. SedonaLoan estimates that these transactions could range from one million to approximately ten million dollars. We believe that a no-action letter is appropriate because the exemption from A.R.S. § 44-1841 and 1842 is applicable under A.R.S. § 44-1843(A)(10), which provides that notes such as these secured by a mortgage or deed of trust on real estate are exempt from the registration requirements.

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Second Transaction

SedonaLoan will, in turn, borrow the funds it loans from another limited liability company, of which Nathan Cortes will be the Manager. This transaction will be completely private. There will be no advertising, solicitation, or offering circular. The only parties to the transaction will be SedonaLoan as the issuer, on one hand, and another Arizona limited liability company managed by Nathan Cortes, on the other. As the principal of both companies, Nathan Cortes will have complete disclosure about the use of the funds by the ultimate borrowers. It is proposed that SedonaLoan would borrow only once from such a limited liability company, but that it would make such transactions with several limited liability companies to raise the funds necessary for the ultimate borrowers. This case satisfies the test established by the federal courts to determine whether an offering is private: (1) there would always be only one offeree, the limited liability company; (2) that offeree is highly sophisticated, and, as described below, composed of accredited investors; (3) one unit/promissory note would be offered; (4) the offer will be completely private; and (5) the issuer and offeree are closely related because they have the same principal. Accordingly, we believe that such transaction by the issuer does not involve any public offering and should be exempt from registration pursuant to A.R.S. § 44-1844(A)(1).

Third Transaction

To fund each limited liability company so that it has funds to loan to SedonaLoan, each limited liability company will sell membership interests to no more than ten members. All persons solicited as potential members will be accredited investors purchasing solely for their own account. It is anticipated that purchasers will be natural persons and individual retirement accounts. The purchasers will be required to hold their membership interests for at least 24 months. The purchasers will be provided information regarding the First and Second Transactions, SedonaLoan's financial information, and all available information about the ultimate borrower who will be funded by their investment in the limited liability company and will be provided such information throughout their ownership of the membership interest at all reasonable times. The total investment in each limited liability company will not exceed one million dollars ($1,000,000.00). We believe this transaction is exempt pursuant to A.R.S. § 44-1844(A)(10) because each offering will involve ten or less members of the limited liability company, or, alternatively, pursuant to R14-4-140 because it includes only accredited investors.

For the reasons expressed above, we respectfully request a no-action letter with respect to the described transactions. Thank you for your attention to

and assistance with this matter. Please do not hesitate to contact me with any questions or comments.

Very truly yours,

Elizabeth McFarland

Elizabeth A. McFarland

EAM:bvg
cc: Nathan Cortes