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**BUREAU OF SECURITIES ISSUES STATEMENT OF POLICY
REGARDING PROMISSORY NOTES**

**LOANS OFFERED THROUGH FINANCIAL RESOURCES
MORTGAGE, INC. NOT SECURITIES**

CONCORD, NH (November 19, 2010) – The New Hampshire Bureau of Securities Regulation has issued a Statement of Policy defining when promissory notes are securities. The Statement was drafted to clarify issues raised by the collapse of Financial Resources Mortgage, Inc. (also known as FRM), the bankrupt mortgage business that is at the center of one of the largest Ponzi schemes in New Hampshire history.

According to the Statement of Policy, “Since there is no guidance from the Legislature or the Courts on coverage of promissory notes under the Securities Act, the Bureau, as the agency charged with enforcement of the Act, must make this important determination.” It concludes that the types of promissory notes brokered through FRM are not securities under New Hampshire law.

The Statement offers an in-depth legal analysis of the issues related to the offering of promissory notes in New Hampshire. It also provides a detailed review of fifty years of securities regulation demonstrating that New Hampshire has had a long-standing policy that notes attached to mortgages are not securities. That policy appears to have been passed into law when the current New Hampshire securities law was adopted in 1981.

The Statement cites interviews with state securities regulators whose knowledge and experience goes back to the early 1950s. Their statements support the position that notes linked to mortgages were never considered securities, both before the 1981 law was passed and after. So far the evidence suggests that most all of the promissory notes offered through FRM were linked to mortgages.

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In addition to its analysis of mortgage-backed promissory notes, the Statement also looks at the status of promissory notes in general. The Statement takes the position that notes that are not backed by a mortgage or otherwise secured are securities under New Hampshire law. This is a broader approach to the treatment of notes than that used by the federal government and recommended by the New Hampshire Attorney General's Report on the FRM matter. Since it is less restrictive, it allows the Bureau to take a more active approach in protecting investors in promissory notes.

The Statement of Policy was written by Joseph C. Long, the interim director of the Bureau of Securities Regulation. Mr. Long is a former professor of law at the University of Oklahoma and is considered one of the nation's leading experts on state securities law. The Statement can be found at the Web site of the Bureau of Securities Regulation at www.sos.nh.gov/securities/.

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