

**OFFICE OF THE SECRETARY OF STATE
STATE OF MISSISSIPPI
BUSINESS REGULATION AND ENFORCEMENT DIVISION**

In The Matter Of:)	
)	
Don E. Rainey, Jr.)	
Post Office Box 4684)	Administrative Hearing
871 Tee Street)	Number: <u>S-03-0269</u>
Biloxi, Mississippi 39535-4684)	
)	
RESPONDENT.)	

**FINAL CEASE AND DESIST ORDER AND ORDER IMPOSING
ADMINISTRATIVE PENALTY**

I. JURISDICTION

COMES NOW, James O. Nelson, II, Assistant Secretary of State for the Business Regulation and Enforcement Division of the Mississippi Secretary of State's Office (hereinafter "Division"), on behalf of Eric Clark, Secretary of State for the State of Mississippi (hereinafter "Secretary"), after having served a Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty on DON E. RAINEY, JR., by certified mail return receipt requested, and Respondent having wholly failed to request a hearing in accordance with the applicable rules, hereby issues this Final Cease and Desist Order and Order Imposing Administrative Penalty regarding Respondent's violations of the Mississippi Securities Act (hereinafter "Act").

II. FINDINGS OF FACT

1. Don E. Rainey, Jr., (hereinafter "Rainey") is a natural person and a resident of Mississippi. Rainey's last known address is 871 Tee Street, Biloxi, Mississippi 39532. Rainey was not registered as a broker-dealer or agent with the Division at any time prior to the issuance of this Order.

2. In June of 2002, Robert W. Ferguson, Jr., (hereinafter "Ferguson") hired Rainey, a general contractor, as a carpenter. While working for Ferguson, Rainey indicated that he had a patent on a night fishing lure named Fish Attractor Embodiment #5. Rainey explained that Wal-Mart, Academy, and other chain sporting goods stores were going to sell the product and were willing to purchase as many units of the product as Rainey could produce. Rainey even represented that the weekly "Mississippi Outdoors" television program was going to promote the product.

3. Rainey told Ferguson that he was selling stock in his product and suggested that Ferguson purchase five (5) shares of Fish Attractor Embodiment #5 for two thousand dollars (\$2,000.00) per share for a total investment of ten thousand dollars (\$10,000.00). On August 1, 2002, Ferguson purchased from Rainey five (5) shares of Fish Attractor Embodiment #5 for two thousand dollars (\$2,000.00) per share for a total of ten thousand dollars (\$10,000.00). The "Affidavit of Robert W. Ferguson" detailing these events is affixed hereto as Exhibit "A." The stock in the Fish Attractor Embodiment #5 that Rainey offered and sold Ferguson in Mississippi was neither registered with the Division, nor was the Division notified of any claim of exemption up to the issuance of this order.

4. On February 13, 2004, the Division issued a Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty against Rainey. The Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty along with the certified mail receipt are affixed hereto as Exhibit "B."

5. Subsequent to the proper service of the Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty, Rainey sent a March 4, 2004, letter to the Division addressing the facts described in said Order. Rainey's March 4, 2004, letter

is affixed hereto as Exhibit "C." The facts Rainey describes in the letter are congruent with the facts detailed by the Division in the Order. Rainey does not deny any of the facts enumerated in the Order.

6. In response to Rainey's March 4, 2004, letter, the Division sent Rainey a March 10, 2004, letter noting that the Division and Rainey agree upon the facts in this matter. The letter requests that Rainey submit (1) a copy of the contract between him and Mr. Ferguson regarding the patent profit rights; (2) the names and addresses of any other Mississippi residents who purchased patent profit rights from Rainey; and (3) information explaining why Mr. Ferguson's telephone calls were not returned. Rainey had fifteen days (15) from the date of the letter to submit the requested information. The Division's March 10, 2004, letter is affixed hereto as Exhibit "D."

7. While untimely, the Division received a March 30, 2004, letter from Rainey on March 31, 2004. Rainey's March 30, 2004, letter, simply referenced both the enclosed contract between Rainey and Mr. Ferguson and the enclosed copy of a letter from Rainey's patent attorney explaining the contract. Rainey neither submitted the names and addresses of any other Mississippi residents who purchased patent profit rights from Rainey, nor provided information explaining why Mr. Ferguson's telephone calls were not returned, as requested by the Division. A copy of Rainey's March 30, 2004, letter and enclosures are affixed hereto as Exhibit "E."

8. In response, the Division sent Rainey an April 5, 2004, letter requesting the same information requested in the Division's March 4, 2004, letter: the names and addresses of any other Mississippi residents who purchased patent profit rights from Rainey and information explaining why Mr. Ferguson's telephone calls were not

returned. Rainey had fifteen (15) days from the date of the letter to provide the information. A copy of the Division's April 5, 2004, letter is affixed hereto as Exhibit "F."

9. As of the issuance of this Final Cease and Desist Order and Order Imposing Administrative Penalty, Rainey has not provided the information requested by the Division in its letters of March 4 and April 5, 2004.

III. CONCLUSIONS OF LAW

10. The Secretary of State has jurisdiction over this matter pursuant to Miss. Code Ann. §75-71-107(a) of the Mississippi Securities Act.

11. Respondent's Product is a security within the meaning of the Mississippi Securities Act.

12. Respondent violated Miss. Code Ann. §75-71-301 of the Mississippi Securities Act by transacting business as a broker-dealer or agent in Mississippi without registering as such.

13. Respondent violated Miss. Code Ann. §75-71-401 of the Mississippi Securities Act by offering and selling unregistered securities within the state of Mississippi.

IV. PUBLIC INTEREST

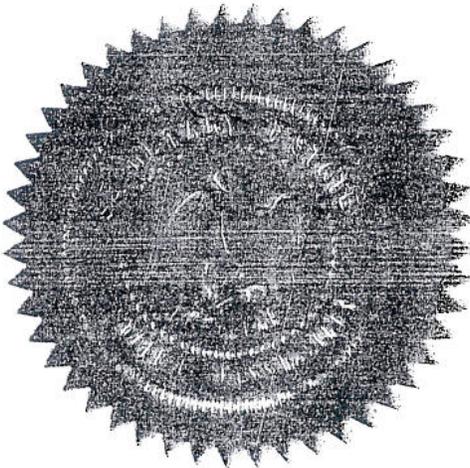
This Final Cease and Desist Order and Order Imposing Administrative Penalty is issued in the public interest and for the protection of investors consistent with the purposes of the Act.

V. ORDER

IT IS THEREFORE ORDERED, pursuant to the authority set out in the Act that Respondent, DON E. RAINEY shall permanently **CEASE AND DESIST FROM** ACTIVITY IN, OR ORIGINATING FROM THE STATE OF MISSISSIPPI in connection with the sale of securities. In addition, Respondent DON E. RAINEY shall pay a fine in the amount of fifteen thousand dollars (\$15,000.00) payable to the "Mississippi Secretary of State" within fifteen days from the receipt of this Final Cease and Desist Order and Order Imposing Administrative Penalty.

BE ADVISED THAT, a willful violation of this Final Cease and Desist Order and Order Imposing Administrative Penalty may be punishable upon conviction by a fine of not more than Twenty-Five Thousand Dollars (\$25,000.00) or five (5) years imprisonment, or both, in addition to civil and administrative remedies available to the Division.

SO ISSUED, this the 17th day of May, 2004.



ERIC CLARK
Secretary of State
State of Mississippi

A handwritten signature in black ink, appearing to read "James O. Nelson, II".

BY:

JAMES O. NELSON, II
Assistant Secretary of State
Business Regulation & Enforcement

STATE OF MISSISSIPPI	
I hereby certify that this is a true and complete copy of	
the	<u>29</u> page document on file in this office
DATED	<u>May 21</u> , 20 <u>04</u>
BY	<u>Eric Clark</u> <u>Kendra Murray</u>
This Certification Stamp Replaces Our Previous Certification System	

Nathan Thomas, MSB #100496
Senior Attorney
P. O. Box 136
700 North Street
Jackson, Mississippi 39205
(601) 359-6366

CERTIFICATE OF SERVICE

I, Nathan Thomas, Senior Attorney, Mississippi Secretary of State's Office, Business Regulation and Enforcement Division, do hereby certify that I have this day mailed, via Certified Mail, postage pre-paid, a true and correct copy of the above and foregoing Final Cease and Desist Order and Order Imposing Administrative Penalty to the following:

Don E. Rainey, Jr.
Post Office Box 4684
871 Tee Street
Biloxi, Mississippi 39535-4684

This the 18th day of May, 2004.



Nathan Thomas
Senior Attorney

AFFIDAVIT OF ROBERT W. FERGUSON, JR

STATE OF MISSISSIPPI
COUNTY OF HARRISON

My name is Robert W. Ferguson, Jr. I am over the age of twenty-one (21) and in all ways competent to execute this Affidavit. I have personal knowledge of the facts contained in this Affidavit.

1. Don Rainey, Jr. (hereinafter "Don Rainey"), is a general contractor whom I hired in June of 2002, as a carpenter by recommendation from my neighbor.

2. During the time he was employed by me, he told me about a patent he had on a night fishing lure named Fish Attractor Embodiment #5.

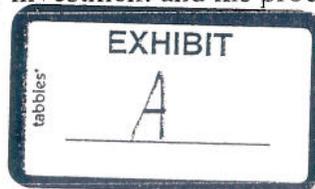
3. He told me that Wal-Mart, Academy, and some other chain sporting good stores were going to sell his product. He also stated that sporting good stores were real enthusiastic about the product, and were willing to buy as much of the product as Don Rainey could produce. He even told me that according to two people who presented the weekly Mississippi Outdoor television program were going to promote Fish Attractor Embodiment #5. I cannot remember the names of the two people.

4. Mr. Rainey mentioned to me that he was selling stock in his product and that I may be interested in investing. He asked me to purchase five (5) shares of Fish Attractor Embodiment #5 at two thousand dollars (\$2,000.00) per share for a total investment of ten thousand dollars (\$10,000.00). In August of 2002, I invested as Mr. Rainey requested me to do.

5. Don Rainey said that he thought that he would have enough Fish Attractor Embodiment #5 produced by December of 2002 and that Wal-Mart and other sporting good stores would be able to carry and sell the product for the Christmas Season of 2002. Afterwards, Mr. Rainey said that he just could not work out a deal to get his product manufactured at that time because the manufacturers wanted too much money.

6. Don Rainey further added that he thought for sure he would have a contract for the 2003 spring market. When I began to contact him by phone to find out what was going on and why I had not heard from him, he would not return my telephone calls. I had asked him to stay in touch with me and to keep me posted on the progress of his product.

7. In or about July or August of 2003, I called to speak to Don Rainey, but his wife answered the telephone and stated that he was not there. I told her that I was calling Don to check on the status of my investment and his product. She told me everything



was "looking good." I asked her to have Don Rainey return my telephone call. Don Rainey has not returned my telephone call.

8. I stopped trying to contact Don Rainey, and retained Fred Hoff as my private attorney. Fred Hoff contacted the Mississippi Secretary of State's Office regarding my complaint.

9. I hereby swear and affirm under oath and under penalty of perjury that the facts stated in this Affidavit are true and correct to the best of my knowledge.

Sworn to this the 25 day of Nov, 2003.

Robert W. Ferguson, Jr.
ROBERT W. FERGUSON, JR.

SWORN TO AND SUBSCRIBED before me this the 25 day of November, 2003.

Elizabeth C. Johnson
NOTARY PUBLIC

(SEAL)

My Commission expires May 10, 2007

OFFICE OF THE SECRETARY OF STATE
STATE OF MISSISSIPPI
BUSINESS REGULATION AND ENFORCEMENT DIVISION

In The Matter Of:)	
)	
Don E. Rainey, Jr.)	
Post Office Box 4684)	Administrative Hearing
871 Tee Street)	Number: <u>S-03-0269</u>
Biloxi, Mississippi 39535-4684)	
)	
)	
RESPONDENTS.)	

SUMMARY CEASE AND DESIST ORDER
AND NOTICE OF INTENT TO IMPOSE ADMINISTRATIVE PENALTY

I. Jurisdiction

The Business Regulation and Enforcement Division of the Office of the Secretary of State (hereinafter "Division"), having the authority to administer and to provide for the enforcement of all provisions of the Mississippi Securities Act, Miss. Code Ann. §§75-71-101 to 75-71-735 (hereinafter "Act"), upon due consideration of the subject matter hereof, and having confirmed information of the offer and sale of securities within the State of Mississippi, has determined the following.

II. Findings of Fact

1. Don E. Rainey, Jr., (hereinafter "Rainey") is a natural person and a resident of Mississippi. Rainey's last known address is 871 Tee Street, Biloxi, Mississippi 39532. Rainey was not registered as a broker-dealer or agent with the Division at any time prior to the issuance of this order.
2. In June of 2002, Robert W. Ferguson, Jr., (hereinafter "Ferguson") hired Rainey, a general contractor, as a carpenter. While working for Ferguson,



Rainey indicated that he had a patent on a night fishing lure named Fish Attractor Embodiment #5. Rainey explained that Wal-Mart, Academy, and other chain sporting goods stores were going to sell the product and were willing to purchase as many units of the product as Rainey could produce. Rainey even represented that the weekly "Mississippi Outdoors" television program was going to promote the product.

3. Rainey told Ferguson that he was selling stock in his product and suggested that Ferguson purchase five (5) shares of Fish Attractor Embodiment #5 for two thousand dollars (\$2,000.00) per share for a total investment of ten thousand dollars (\$10,000.00). On August 1, 2002, Ferguson purchased from Rainey five (5) shares of Fish Attractor Embodiment #5 for two thousand dollars (\$2,000.00) per share for a total of ten thousand dollars (\$10,000.00). The "Affidavit of Robert W. Ferguson" detailing these events is affixed hereto as Exhibit "A." The stock in the Fish Attractor Embodiment #5 that Rainey offered and sold Ferguson in Mississippi was neither registered with the Division, nor was the Division notified of any claim of exemption up to the issuance of this order.

III. Applicable Statutory Provisions

The previous paragraphs are incorporated herein by reference.

4. With respect to the offer and sale of securities, §75-71-401 of the Act states:

...it is unlawful for any person to offer or sell a security in the State of Mississippi unless (1) it is registered under this chapter or (2) the security or transaction is exempted under article 3 of this chapter.

§75-71-105(h) of the Act states:

"Person" means an individual, (or) a corporation...

§75-71-105(k) of the Act states:

"Security" means any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement...

§75-71-119 of the Act states:

(a)...[Section] 75-71-401...appl[ies] to persons who sell or offer to sell when

(1) an offer to sell is made in this state...

(c)...an offer to sell or to buy is made in this state whether or not either party is then present in this state when the offer (1) originates from this state or (2) is directed by the offeror to this state...

§75-71-301 of the Act states:

...it is unlawful for any person to transact business in this state as a broker-dealer or agent unless he is registered under this chapter.

IV. Conclusions of Law

The previous paragraphs are incorporated herein by reference.

5. The Secretary of State has jurisdiction over this matter and the parties pursuant to Miss. Code Ann. §75-71-107(a) of the Mississippi Securities Act.
6. Respondent's product is a security within the meaning of the Mississippi Securities Act.
7. Respondent violated Miss. Code Ann. §75-71-301 of the Mississippi Securities Act by transacting business as a broker-dealer and/or agent in Mississippi without registering as such.

8. Respondent violated Miss. Code Ann. §75-71-401 of the Mississippi Securities Act by offering and selling unregistered securities within the State of Mississippi.

V. Administrative Penalty

NOTICE is hereby given that the Secretary of State intends to impose an administrative penalty of up to \$25,000 per violation plus all costs and expenses against the Respondent, pursuant to the authority set out in §75-71-715(2) of the Act.

VI. Public Interest

This Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty is issued in the public interest and for the protection of investors consistent with the purpose of the Act.

VII. Amendments

The Division reserves the right to amend this Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty.

VIII. Order

IT IS THEREFORE ORDERED, pursuant to the authority set out in §75-71-715(1) of the Act, that Don E. Rainey, Jr., shall immediately **CEASE AND DESIST** from any further activity in, or originating from, the State of Mississippi in connection with the offer and/or sale of the Securities to any person without the Securities being duly registered or exempted from registration under the Act and Respondent being duly registered pursuant to the Act.

BE ADVISED THAT, pursuant to §75-71-735 of the Act, a willful violation of this Summary Cease and Desist Order may be punishable upon conviction by a fine of not more

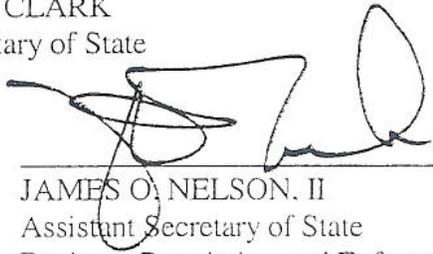
than twenty-five thousand dollars (\$25,000) or five (5) years imprisonment, or both, in addition to civil and administrative remedies available to the Division.

NOTICE is hereby given that the Respondent shall have thirty (30) days from the date of receipt of this Summary Cease and Desist Order to give written notice requesting a hearing on the matters contained herein to James O. Nelson, II, Assistant Secretary of State for the Business Regulation and Enforcement Division, Office of the Secretary of State, Post Office Box 136, 301 North President Street, Jackson, Mississippi 39205-0136. In the event such a hearing is requested, the Respondent may appear, with or without the assistance of an attorney, on a date and at a time and place to be specified and cross-examine witnesses, present testimony, evidence and argument relating to the matters contained herein. Upon request, subpoenas may be issued for the attendance of witnesses and for the production of books and papers on the Respondent's behalf at the hearing relating to the matters contained herein. In the event such written notice is not received within said thirty (30) day period of time, a FINAL CEASE AND DESIST ORDER AND ORDER IMPOSING ADMINISTRATIVE PENALTY may be entered in this proceeding with no further notice.

ISSUED, this the 15th day of FEBRUARY 2004

ERIC CLARK
Secretary of State

BY:



JAMES O. NELSON, II
Assistant Secretary of State
Business Regulation and Enforcement

Nathan Thomas, MSB # 100496
Mississippi Secretary of State's Office
Post Office Box 136
301 North President Street
Jackson, Mississippi 39205-0136
(601) 359-6366

CERTIFICATE OF SERVICE

I, Nathan Thomas, do here by certify that I have this day mailed via Certified Mail, postage pre-paid, a true and correct copy of the Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty to the following:

Don E. Rainey, Jr.
Post Office Box 4684
871 Tee Street
Biloxi, Mississippi 39535-4684

This the 17 day of ~~January~~ ^{February} 2004



NATHAN THOMAS
Senior Attorney

2. Article Number	COMPLETE THIS SECTION ON DELIVERY
 7115 4411 7552 0000 1899	A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee
1. Article Addressed to:	B. Received by (Printed Name) C. Date of Delivery _____ 2-13-04
MR DON E. RAINEY, JR. POST OFFICE BOX 4684 871 TEE STREET BILOXI, MS 39535-4684 2/16/2004 12:32 PM	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES enter delivery address below: <input type="checkbox"/> No
	3. Service Type <input checked="" type="checkbox"/> Certified
	4. Restricted Delivery? (Extra Fee) <input checked="" type="checkbox"/> Yes

AFFIDAVIT OF ROBERT W. FERGUSON, JR

STATE OF MISSISSIPPI
COUNTY OF HARRISON

My name is Robert W. Ferguson, Jr. I am over the age of twenty-one (21) and in all ways competent to execute this Affidavit. I have personal knowledge of the facts contained in this Affidavit.

1. Don Rainey, Jr. (hereinafter "Don Rainey"), is a general contractor whom I hired in June of 2002, as a carpenter by recommendation from my neighbor.
2. During the time he was employed by me, he told me about a patent he had on a night fishing lure named Fish Attractor Embodiment #5.
3. He told me that Wal-Mart, Academy, and some other chain sporting good stores were going to sell his product. He also stated that sporting good stores were real enthusiastic about the product, and were willing to buy as much of the product as Don Rainey could produce. He even told me that according to two people who presented the weekly Mississippi Outdoor television program were going to promote Fish Attractor Embodiment #5. I cannot remember the names of the two people.
4. Mr. Rainey mentioned to me that he was selling stock in his product and that I may be interested in investing. He asked me to purchase five (5) shares of Fish Attractor Embodiment #5 at two thousand dollars (\$2,000.00) per share for a total investment of ten thousand dollars (\$10,000.00). In August of 2002, I invested as Mr. Rainey requested me to do.
5. Don Rainey said that he thought that he would have enough Fish Attractor Embodiment #5 produced by December of 2002 and that Wal-Mart and other sporting good stores would be able to carry and sell the product for the Christmas Season of 2002. Afterwards, Mr. Rainey said that he just could not work out a deal to get his product manufactured at that time because the manufacturers wanted too much money.
6. Don Rainey further added that he thought for sure he would have a contract for the 2003 spring market. When I began to contact him by phone to find out what was going on and why I had not heard from him, he would not return my telephone calls. I had asked him to stay in touch with me and to keep me posted on the progress of his product.
7. In or about July or August of 2003, I called to speak to Don Rainey, but his wife answered the telephone and stated that he was not there. I told her that I was calling Don to check on the status of my investment and his product. She told me everything



was "looking good." I asked her to have Don Rainey return my telephone call. Don Rainey has not returned my telephone call.

8. I stopped trying to contact Don Rainey, and retained Fred Hoff as my private attorney. Fred Hoff contacted the Mississippi Secretary of State's Office regarding my complaint.

9. I hereby swear and affirm under oath and under penalty of perjury that the facts stated in this Affidavit are true and correct to the best of my knowledge.

Sworn to this the 25 day of Nov. 2003.

Robert W. Ferguson, Jr.
ROBERT W. FERGUSON, JR.

SWORN TO AND SUBSCRIBED before me this the 25 day of November 2003.

Elleanor C. Johnson
NOTARY PUBLIC

(SEAL)

My Commission expires May 10, 2007

2. Article Number	COMPLETE THIS SECTION ON DELIVERY	
 7115 4411 7552 0000 1899	A. Signature <input checked="" type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee	
1. Article Addressed to:	B. Received by (Printed Name)	C. Date of Delivery 2-18-04
MR DON E. RAINEY, JR. POST OFFICE BOX 4684 871 TEE STREET BILOXI, MS 39535-4684 2/16/2004 12:32 PM	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <input checked="" type="checkbox"/> Certified	
	4. Restricted Delivery? (Extra Fee) <input checked="" type="checkbox"/> Yes	

PS Form 3811

Domestic Return Receipt

DON RAINEY

PO Box 4684
Biloxi, MS 39535



March 4, 2004

Mr. James O. Nelson, II
Assistant Secretary of State
Office of the Secretary of State
PO Box 136
301 North President Street
Jackson, MS 39205-0136

Mr. Nelson,

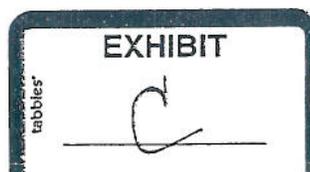
Sir, I am the inventor of US Patent #5,651,209. In June of 2002 I did some work for Mr. Robert Ferguson, Jr. While working for him, I did mention my patent and Mr. Ferguson was interested in the invention. I told Mr. Ferguson that I was trying to sell part of the Patent Profit Rights to this Patent to raise money to get production ready products made. I told Mr. Ferguson that I had talked to Wayne Monk, with Mississippi Outdoors' and that they may be interested in doing an hour show on the product. I also told Mr. Ferguson that I had been working with Killer Bee Baits, who said that they would do the manufacturing and distributing of our product to Wal-Mart and Academy stores. Killer Bee Bait has had our product on their web site (www.killerbeebait.com) under the icon "Moonshiner's" for the last year. They sent our product along with their products out to over 50 companies last summer in an effort to promote the product. They have also made a CD with our product advertised on it. I have been waiting to get a contract with them but have not been able to get one as of yet.

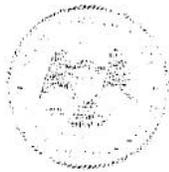
The contract that I have with Mr. Ferguson give him 5 parts of my 100 parts of the Profits realized from the Patent. As of yet there have been no profits realized. The contract further does not provide for any particular form of organization to develop, manufacture or sale this product. The contract only states that I will apply for a patent which I have done and received.

I would like to speak to you concerning this matter. I would like to show you what we have done so far. I can be reached at (228)388-7722. I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive that reads "Don Rainey".





STATE OF MISSISSIPPI
SECRETARY OF STATE
ERIC CLARK

700 NORTH STREET
POST OFFICE BOX 136
JACKSON, MISSISSIPPI 39205-0136

TELEPHONE (601) 359-1350
FACSIMILE (601) 359-1499

March 10, 2004

Don Rainey
Post Office Box 4684
Biloxi, Mississippi

Re: Fish Embodiment Attractor #5

Dear Mr. Rainey:

This letter is in response to your March 4, 2004, letter sent to James O. Nelson, II, Assistant Secretary of State for the Business Regulation and Enforcement Division of the Mississippi Secretary of State's Office (hereinafter "Division").

In your letter, you recount the facts surrounding your dealings with Mr. Ferguson and the sale of five (5) parts of your one hundred (100) parts of the profits realized from the patent. After examination of your letter and the Division's Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty of February 13, 2004, it appears that we agree upon the facts in this matter.

The Division requests that you submit a copy of the contract between you and Mr. Ferguson regarding the patent profit rights. In addition, please submit to the Division the names and addresses of any other Mississippi residents who purchased said patent profit rights. The Division further requests information explaining why Mr. Ferguson's telephone calls were not returned. Please submit this information to the Division within fifteen (15) days from the date of this letter.

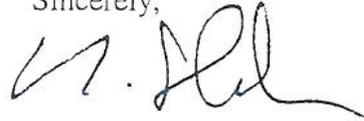
In order to responsibly and expeditiously resolve this matter, the Division is willing to enter into an agreement whereby you offer to give Mr. Ferguson and any other Mississippi residents, who purchased patent profit rights in this investment, their money back. The agreement will explain how your offer to return monies will be carried out.



Page Two
March 10, 2004

If you have any further questions or concerns regarding this matter or the information detailed in this letter, do not hesitate to contact me at (601) 359-6366.

Sincerely,

A handwritten signature in black ink, appearing to read 'N. Thomas', with a long horizontal flourish extending to the right.

NATHAN THOMAS
Senior Attorney

DON RAINEY

PO Box 4684
Biloxi, MS 39535

March 30, 2004

Dear Sir,

Enclosed please find a copy of the contract between myself & Mr. Robert Ferguson. Also, please find a copy of a letter from my Patent Attorney explaining the contract. If you have any more questions please call.

Sincerely,

Signature



GARVEY, SMITH, NEHRBASS & DOODY, L.L.C.

ATTORNEYS AT LAW

Three Lakeway Center, Suite 3290

3838 North Causeway Boulevard

Metairie, Louisiana 70002, U.S.A.

Tel: (504) 835-2000; Fax: (504) 835-2070

WWW.NEWORLEANSPATENTS.COM

Gregory C. Smith
e-mail: gsmith@gsnd.us
Cell: (504) 723-4933

March 23, 2004

Don Rainey
P.O. Box 4684
Biloxi MS 39535

RE: "Contract for Transfer of Patent Profit Rights"

Dear Don:

As you requested, you asked that I review the above agreement entered into between yourself, individually, and Robert W. Ferguson, individually, from the perspective of a patent attorney, who has been involved in licensing of patents on behalf of clients. Although I did not draft the agreement, it is my understanding that the agreement concerns your invention entitled "Fish Attractor," covered under U.S. Patent Number 5,651,209, issued to yourself, Don Rainey.

Reference is made to the first "Whereas" paragraph in the agreement, a copy which I have attached to this letter. I make reference to the language in the paragraph which states: "I hereby transfer five (5) parts of my (100) one hundred parts of the Patent Profit Rights of the invention referred to above to Robert W. Ferguson for the amount of \$10,000.00" Although, in my experience, the terms "Patent Profit Rights" is not a term commonly used by patent attorneys, it appears that the language was intended to mean that you were transferring 5% of the royalties to be received from the marketing of the invention to Mr. Ferguson, when that takes place. In the arena of licensing of patent rights, between an inventor, who owns full rights to a patent, and an investor, it is quite common that the agreement provides that the investor obtain a percentage of the royalties received from future marketing the invention. Your intent appears to be substantiated by the last paragraph the first page of the agreement where you agree to make a statement of your accounts and have Mr. Ferguson's representative determine the amount of "profit" realized from the invention. You state further, "Once the amount of profit has been determined, I also agree to make prompt payment of the profit owed."

As I understand you have received no income whatsoever as of this date from the marketing of any device that may be cover under U.S. Patent No. 5,651,209.

I hope this review will assist you. Please be advised that I am a registered patent attorney, licensed by the Patent Office to represent clients before the Patent Office, and I am licensed by the State of Louisiana as an attorney. I am not licensed in Mississippi; therefore, I would strongly

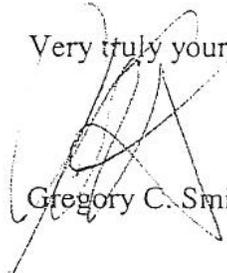
Patents, trademarks, copyrights, trade secrets, and other intellectual property

March 23, 2004
Page 2

recommend that you have a Mississippi attorney review the agreement to ascertain whether it may contain language which would impact Mississippi state law.

With kindest regards, I remain,

Very truly yours,



Gregory C. Smith

GCS:ntb
P:\Greg\LETTERS\N1973.0.license.ltr.wpd

STATE OF MISSISSIPPI

COUNTY OF HARRISON

CONTRACT FOR TRANSFER

OF PATENT PROFIT RIGHTS

Agreement between ROBERT W. FERGUSON and Don E. Rainey, Jr., the inventor of a certain new concept of a "Fish Attractor" (a disk float with a live bait bowl and chemical light) Embodiment #5. A US Patent will be applied for, with the United States Department of Commerce Patent and Trademark Office in Washington, DC. The law firm filing said Patent Application would be Gregory Smith of Garvey, Smith, Nehrbass & Doody, L.L.C., 3838 North Causeway Boulevard, Suite 3290, Metairie, LA 70002.

Under the Laws of the United States recited in the 1984, Prentice-Hall, Federal Tax Guide, Volume I, paragraph (32,541) Patents-Transfer of all substantial rights. NOTE: The rules apply to US and Foreign Patents, and to a transfer of a holder's "Inchoate" right to obtain such Patents before a Patent is issued or a Patent Application made.

Whereby I, Don E. Rainey, Jr., have the right and sole ownership of the above said "Fish Attractor, Embodiment #5", hereby choose to divide into one hundred (100) parts the Patent Profit Rights for this invention in the United States. I hereby transfer Five (5) parts of my one hundred (100) parts of the Patent Profit Rights of the invention referred to above to ROBERT W. FERGUSON for the amount of \$10,000.00. It is also understood by all parties that ROBERT W. FERGUSON will have the option of investing in other embodiments of said patent.

The Patent Profit Rights transferred are restricted to those realized in the United States and do not extend to any profits realized from the Patent in countries other than the United States.

I, Don E. Rainey, Jr., agree to make a statement of my accounts and affairs insofar as they pertain to this invention available to ROBERT W. FERGUSON at a mutually agreeable time and place so that he or his representative will be able to determine the amount of profit realized from the above-mentioned

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

NATHAN THOMAS
PO Box 136
700 N. STREET
JACKSON, MS
39205-0136

2. Article Number

(Transfer from

7003 2260 0001 1141 0248

PS Form 381

August 2001

Domestic Return Receipt

102595-0

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]*

Agent

Addressee

B. Received by (Printed Name)

SAMMY THARP

C. Date of Delivery

01 2004

D. Is delivery address different from item 1?

Yes

If YES, enter delivery address below:

No

3. Service Type

Certified Mail

Express Mail

Registered

Return Receipt for Merchanc

Insured Mail

C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

STATE OF MISSISSIPPI
SECRETARY OF STATE
ERIC CLARK

700 NORTH STREET
POST OFFICE BOX 136
JACKSON, MISSISSIPPI 39205-0136

TELEPHONE (601) 359-1350
FACSIMILE (601) 359-1499

April 5, 2004

Don Rainey
Post Office Box 4684
Biloxi, Mississippi 39535-4648

Re: Fish Embodiment Attractor #5

Dear Mr. Rainey:

This letter is in response to your March 30, 2004, letter and enclosures sent to the Business Regulation and Enforcement Division of the Mississippi Secretary of State's Office (hereinafter "Division").

In accord with the Division's request, you submitted a copy of the contract between you and Mr. Ferguson regarding the patent profit rights. However, you failed to provide other information requested in the Division's March 10, 2004, letter. More specifically, you failed to submit to the Division the names and addresses of any other Mississippi residents who purchased said patent profit rights. In addition, you failed to explain why Mr. Ferguson's telephone calls were not returned. Please submit this information to the Division within fifteen (15) days from the date of this letter.

While your patent attorney's letter explaining the patent profit rights contract or royalties contract is helpful, it is important to note that the Division is not questioning the validity of your patent profit rights contract under either a patent law or contract law analysis. In the alternative, the Division alleges that you have violated the Mississippi Securities Act (hereinafter "Act"). Patent profit rights or royalty interests in patents are "securities" as that term is defined in the Act. Generally, Mississippi law prohibits the sale of securities unless both the security and the person selling the security are registered with the Division. Neither you, nor the securities, in this case the patent profit rights, were registered with the Division before you sold said securities to Mr. Ferguson. The Division may impose a penalty up to twenty five thousand dollars (\$25,000.00) for each offense.

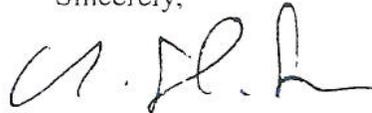


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April 5, 2004

Despite the fact that the Division may impose a penalty and in order to responsibly and expeditiously resolve this matter, the Division is willing to enter into an agreement whereby you offer to give Mr. Ferguson and any other Mississippi residents, who purchased patent profit rights in this investment, their money back. The agreement will explain how your offer to return monies will be carried out. You did not respond to this offer in your last correspondence.

This is the Division's second request that you submit within fifteen (15) days from the date of this letter (1) the names and addresses of any other Mississippi residents who purchased said patent profit rights; and (2) an explanation why Mr. Ferguson's telephone calls were not returned. Send the requested information to me at the Mississippi Secretary of State's Office at Post Office Box 136, Jackson, Mississippi 39205. If you have any further questions or concerns regarding this matter or the information detailed in this letter, do not hesitate to contact me at (601) 359-6366.

Sincerely,

A handwritten signature in black ink, appearing to read "N. Thomas", written in a cursive style.

NATHAN THOMAS
Senior Attorney