



COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE OF GENERAL COUNSEL

April 26, 2016

VIA First Class Mail and E-Mail to: afeldesq@aol.com

Arthur D. Feldman, Esq.
1010 LaClair Street
Pittsburgh, PA 15218-1227

Re: Legume, Inc. Request for No-Action Letter

Dear Mr. Feldman:

The Pennsylvania Department of Banking and Securities (the "Department") is in receipt of your letter, dated February 19, 2016, requesting a no-action letter regarding a program to be offered by Legume, Inc. ("Legume") to raise funds needed to build out an adjoining property and to purchase equipment to open a third restaurant. According to your letter, the program would involve the sale of Value/Loyalty Certificates ("Certificates") in various denominations up to \$1,000, which can be exchanged for gift certificates to be used in any of the Legume restaurants. Specifically, your letter requests that the Department issue a no-action letter pursuant to its authority under Regulation 604.023, 10 Pa. Code §604.023, because the Certificates do not constitute "securities" under Section 102(t) of the Pennsylvania Securities Act of 1972 ("1972 Act"), 70 P.S. § 1-102(t).

Your letter provides that your client currently owns and runs two restaurants and seeks to sell the Certificates to raise funds to open a third restaurant. The Certificates would be purchased in denominations of \$100, \$250, \$500, and \$1,000, and can be exchanged for gift certificates to be used in any of the Legume restaurants. The Certificates' value increases approximately 10% in each succeeding year until 2020; accordingly, a \$250 Certificates can be exchanged for \$275 in gift certificates in 2017, \$302.50 in 2018, \$332.75 in 2019, and \$366.03 in 2020.

Your letter also provides that 1) no person will be allowed to purchase more than \$1,000 in Certificates; 2) the Certificate holders will not be allowed to sell their Certificates; and 3) the Certificate holders will only be allowed to redeem their Certificates for gift certificates and not for cash. Further, you have also stated that although there is no expiration date for the exchange of Certificates for gift certificates, the value of the Certificates will be capped at the 2020 value even if the exchange occurs thereafter.

Arthur D. Feldman, Esq.

April 26, 2016

Page 2

On the basis of, and in reliance upon, the representations set forth in your letter and other communications, the staff of the Department will not recommend enforcement action to the Department in the event the Certificates are offered and sold in Pennsylvania without compliance with the registration provisions of the 1972 Act.

Please note, however, that this no-action letter does not, and shall not be interpreted as to, address compliance with the Credit Card Accountability Responsibility and Disclosure Act of 2009, Pub. L. No. 111-24, 123 Stat. 1734, or Pennsylvania law addressing the expiration and escheatment of gift certificates, see ex. 72 P.S. §1301.6(1).

This letter is provided pursuant to Regulation 604.023 and expresses only the current position of Department staff with respect to an enforcement action relating to the specific transactions detailed in your February 19, 2016 letter. Any different facts or circumstances may require a different response. This letter merely expresses the position of the Department on enforcement and does not purport to express any binding or precedential legal conclusion.

Should you have any questions, please do not hesitate to contact the undersigned.

For the Commonwealth of Pennsylvania
Department of Banking and Securities

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

Scott A. Lane
Sr. Deputy Chief Counsel for Securities

Cc: The Honorable Robin L. Wiessmann,
Secretary of Banking and Securities

Leo Pandeladis, Chief Counsel

Joseph J. Minisi, Acting Deputy Secretary for Securities