



SUBJECT: Staff position regarding reinvesting in notes and whether the reinvestment is a security as defined by Section 102(t) of the Pennsylvania Securities Act of 1972

RELEASE NO.: 07-CF-1

DATE OF RELEASE:

TYPE: Commission Staff Position

In response to numerous inquiries made of the staff of the Division of Corporation Finance regarding whether the reinvestment in or rollover of a note constitutes the issuance of a security which must be registered with the Commission, the staff of the Division is providing the following interpretation.

STAFF POSITION

When an issuer issues notes, investors typically receive periodic interest on their investment. Generally, the interest is either distributed directly to the investor or reinvested in the fund on the investor's behalf.

It is the position of Commission Staff that the reinvested interest is a security as that term is defined under section 102(t) of the 1972 Act. Accordingly, when an issuer issues notes and reinvests the interest in the fund, the securities must be registered with the Commission or exempt from registration. When filing the registration, the issuer should anticipate the reinvested interest when calculating the amount to be registered. *

Further, when term notes expire, investors typically have an option to rollover their investment in to new notes or rollover the note. The reinvestment in a note is an offer and sale of a security under the 1972 Act. Therefore, in order to issue the securities, the securities must be registered with the Commission or exempt from registration.

FURTHER ASSISTANCE

Any questions concerning this Release may be directed to staff of the Division of Corporation Finance at (717) 787-8059. Alternative formats of this document may

be available on request. Call (717) 787-1165 or TTY Users: via AT&T Relay Center 1-800-654-5984

*While the registration is effective, should an issuer's sales approach the registered amount, the issuer should file an amended Form U-1 requesting an increase in the registered amount and submit the appropriate filing fee.