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DIRECTOR

STATE OF IDAHO
DEPARTMENT OF FINANCE
700 W. STATE STREET, 2ND FLOOR
P.O. BOX 83720
BOISE, IDAHO 83720-0031
Website: finance.state.id.us

June 4, 2002

Re: Request for Regulatory Relief Pursuant to Section 30-1438 of the Idaho Securities Act (the "Act")

Dear M

This is in response to your request that the Department provide relief from the "per series" notice filing fees required pursuant to Section 30-1437 of the Act. It is our understanding that intends to offer these series of unit investment trusts on a weekly basis.

Our Department interprets the Act to require a separate filing fee per series for each investment company that files a notice for "covered securities" as described in your correspondence of May 16, 2002. We do not consider the estimated \$5,200 in annual notice fees associated with this proposed structure to be unduly burdensome.

In summary, we decline to grant your request for regulatory relief pursuant to Section 30-1438 of the Act.

Sincerely,

Ax (file copy)

Nancy C. Ax
Securities Analyst

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DEPARTMENT OF FINANCE

May 16, 2002

VIA FACSIMILE AND REGULAR MAIL

Ms. Marilyn T. Chastain
Securities Bureau Chief
Department of Finance
700 West State Street
2nd Floor
Boise, ID 83702

Re: Request for Regulatory Relief Pursuant to Section 30-1448
of the Idaho Securities Act (the "Act")

Dear Bureau Chief Chastain:

On behalf of our client (" "), a broker-dealer registered under the Act and the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc., we respectfully request, pursuant to the authority provided under the above-referenced provision, appropriate action to provide relief from the "per series" notice filing fees pursuant to Sec. 30-1437 of the Act, as it applies to an unit investment trust that will offer its securities in series, as described below. In the alternative, we would request assurance that your office would not object if took the position that the Act permits the calculation of the required filing fee on an aggregate, rather than series-by-series basis, for the reasons discussed below.

I. FACTS

is one of two lead managing agents for certain investment grade medium-term notes ("InterNotes") issued by well-known U.S. Fortune 500 companies or affiliates thereof ("InterNote Issuers").¹

¹ InterNote Issuers include companies such as Bank of America, Boeing Capital Corporation, Daimler Chrysler North America Holding Corporation, and Household Finance Corporation.

InterNotes are original issue, senior unsecured debt obligations that offer a fixed coupon rate for maturities of nine months or more from the date of issue. InterNotes are offered weekly and sold in denominations of \$1,000 or multiples of \$1,000. Interest on each InterNote is payable either monthly, quarterly, semi-annually, or annually. InterNotes are offered only in the U.S. and are held pursuant to an indenture agreement with a U.S. trustee. as well as other selling broker-dealers, make a market in the InterNotes to accommodate secondary sales.

InterNotes are the subject of shelf registrations under the Securities Act of 1933, as amended (the “’33 Act”), generally in amounts of at least \$1 billion, filed with the U.S. Securities and Exchange Commission (“SEC”). InterNotes are not required to be registered under the Act or under any other state securities laws because they are “covered securities” as that term is defined under Sec. 18(b)(1)(C) of the ’33 Act, by reason of their being securities equal or greater in seniority of securities of an issuer which are listed or authorized for listing on a national securities exchange.

is an investment bank specifically and exclusively created to deliver original issue, fixed income products to the retail investing public. currently offers InterNotes on a “best efforts” selling basis through a network of broker-dealers and securities firms with whom it has a selling agent agreement (collectively, the “selling firms”). receives from each InterNote Issuer a gross selling concession divided among it and the other selling firms as they agree. Individual investors have purchased approximately \$8.2 billion of InterNotes since the program’s inception in January 2001.

has reason to believe that there is additional demand for a pre-packaged portfolio of original issue, direct-to-retail, investment grade corporate notes. To meet this demand, proposes to create an investment company of the unit investment trust type (UIT) that will invest exclusively in original issue InterNotes. By purchasing securities of the UIT, customers will be able to replicate approximately the same investment experience as investing directly in InterNotes of multiple InterNote Issuers, but at a lower cost and with only one transaction (versus purchasing each Issuer’s InterNotes separately).

The UIT will register with the SEC as an investment company under the Investment Company Act of 1940 (the “’40 Act”) and register its securities under the ’33 Act. The securities of the UIT are expected to be the subject of a single registration statement under the ’33 Act and offered pursuant to a single master prospectus, which will be supplemented weekly to describe the yields and maturities of the specific UIT securities offered that week. Although UIT offerings are typically made pursuant to multiple registration statements under the ’33 Act, we have had conversations with the SEC staff and believe that the staff will agree to the filing of a master registration statement for this offering. Filing fees paid under the ’33 Act are based on the aggregate offering amount. , on behalf of the UIT, will submit notice

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filings and fees as "covered securities" pursuant to Sec. 18 (b)(2) of the '33 Act and Sec. 30-1437 under the Act, and under comparable provisions under the securities laws of all 50 states, the District of Columbia and the Commonwealth of Puerto Rico (collectively, the "Jurisdictions").

Idaho is among 37 of the 52 Jurisdictions whose statutes can be read to require a separate filing fee per series for each investment company that files a notice for "covered securities" in such Jurisdictions. By our calculations, assuming that the UIT's securities will be offered in all of the Jurisdictions, and further assuming a separate filing fee per series in each of the 37 Jurisdictions, annual notice filing fees would total, at a minimum, approximately \$676,730. In Idaho alone, it appears that the UIT would pay \$5,200 in annual notice fees (\$100 x 52 series).

As you are aware, regulatory filing fees, like all offering expenses, are included in the price of the securities. Accordingly, the investors of the UIT securities ultimately pay such state notice filing fees. For example, assuming \$5 million sales per week of the UIT's securities, and further assuming that the 37 Jurisdictions continue to charge the notice filing fee per series, the cost per investor, just for state securities notice filing fees, is \$2.81 per \$1,000 UIT securities. If we are able to persuade the 37 Jurisdictions to charge the fee on an aggregate offering amount instead of a per series basis, the cost to the investor for such fees is down to .3 cents per \$1,000 UIT securities.

believes that forming the UIT to purchase InterNotes will allow investors greater diversity in purchasing InterNotes, thereby lessening the risk with respect to such investments and reducing the overall costs of providing such an offering. However, unless obtains agreement from the 37 Jurisdictions (or at least a significant number of those 37 Jurisdictions) to treat the UIT offering for filing fee purposes as an aggregate offering rather than a series by series offering, it would make no sense for to go forward with the organization and offering of the UIT.

II. APPLICABLE LAW

The Act under Sec. 30-1448 provides in part that "the Director may from time to time make, amend and rescind such rules, forms and orders as are necessary to carry out the provisions of this chapter." Further, it provides that "the Director may cooperate with the securities administrators of the other states and the [SEC] with a view to ... achiev[ing] maximum uniformity in the form and content of ... reports, whenever practicable."

As you know, one of the main purposes of the National Securities Markets Improvement Act of 1996 ("NSMIA") which provided Section 18 of the '33 Act, was to make

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uniform the way investment company securities were regulated among the states to be consistent with regulation under the '33 Act and the '40 Act.

III. DISCUSSION

We believe a reasonable interpretation of the Act by way of Sec. 30-1448 allows the Director of the Idaho Securities Bureau to take appropriate action, which we believe is necessary or appropriate in the public interest and consistent with the purposes of the Act, to allow filing fees for such covered securities based on an aggregate offering amount (\$100) rather than \$100 for each series (\$5,200).

Finally, we respectfully submit that the Act should be interpreted to permit the payment of filing fees on the basis of the aggregate amount of securities sold by the UIT rather than each of its separate series. Again, we believe that taking such action or taking such a position would be in conformity with the public interest and the purposes of the Act. Also, such action or position would be, in our view, in conformity with the intent of Congress in adopting NSMIA, as we do not believe that Congress intended that the states should impose filing fees that would result in a financial windfall for the states while serving as a disincentive to such a worthy offering as described in this letter.

IV. CONCLUSION

In summary, we request your concurrence with our views that the Director through you, the Bureau Chief, may, under the circumstances, take appropriate action to allow for the payment of fees for the UIT offering based on an aggregate offering amount rather than per series, or in the alternative, that you would raise no objection if the UIT paid fees based on the aggregate offering amount rather than per series.

We greatly appreciate your consideration of our request and the opportunity to share our views on this subject. If you have any questions regarding this request, please contact me at or at .