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October 16, 2006

Mr. Thomas N. Harding
330 West Diversey Parkway
Suite 906
Chicago, Illinois 60657

Re: Request for an Interpretive Opinion regarding the meaning of the terms "political subdivision" and "instrumentality" in Section 409.2-201(1) RSMo Supp. 2005.

Dear Mr. Harding:

You have requested that the Commissioner of Securities provide an interpretive opinion regarding the meaning of the terms "political subdivision" and "instrumentality" as used in Section 409.2-201(1), RSMo. (Cum. Supp. 2005). The Commissioner's following interpretive opinion is authorized by Section 409.6-605(d) of the Missouri Securities Act of 2003 ("the Missouri Act").

Section 409.2-201(1), RSMo. (Cum. Supp. 2005), provides an exemption from the registration requirements for a security that is issued, insured, or guaranteed by a state, by a political subdivision of a state, by a public authority, agency, or instrumentality of one or more states, and by a political subdivision of one or more states (This state statute, Section 409.2-201(1), (RSMo. Supp. 2005), is analogous to and very similar in reading to Section 3(a)(2) of the Securities Act of 1933 ("the 1933 Act"). The Missouri Act does not define the terms "political subdivision" or "instrumentality." However, the Missouri Act was adopted with the purpose of maximizing uniformity among state and federal regulatory standards. See Section 409.6-608(b)(1), RSMo. (Cum. Supp. 2005).

In keeping with this purpose, the Commissioner will, when he deems it appropriate and necessary, defer to federal legislative history and Securities Exchange Commission ("SEC") definitions, interpretative opinions, or no-action determinations when a term is not defined in the Missouri Act.

Legislative history of the 1933 Act indicates that the term "political subdivision" as used in Section 3(a)(2) of the 1933 Act was meant to exempt securities of counties, towns, municipal obligations, school districts, drainage districts, levees and similar bonds – and to include those obligations created by states or their instrumentalities which are exercising an essential government function. See House Committee Report for the Securities Act of 1933, H.R. Rep.

85, 73rd Cong., 1st Sess. 14 (1933). Additionally, in 1934 the 1933 Act was amended in order "to extend the scope of the public instrumentality exemption to expanding activities in which governments are engaging." H.R. Rep. No. 1838, 73rd Cong., 2nd Sess. 40 (1934).

SEC no-action letters have included the following securities within the definition of "instrumentalities" and "political subdivisions" for the purpose of including them within the exemption of Section 3(a)(2): counties, cities, villages, towns, school districts, state agencies issuing conduit bonds, local authorities and special purpose districts, local boards or agencies issuing conduit bonds, nonprofit corporations structured in accordance with the requirements of Internal Revenue Service Ruling 63-20, nonprofit corporations issuing qualified scholarship funding bonds, and various issuers issuing tax-exempt industrial development bonds in reliance on the IDB exemption. See Thomas N. Harding, *Political Subdivisions and Instrumentalities Under State Blue Sky Laws*, *The Bond Lawyer* (Sept. 2006).

Given the guidance available from federal legislative history and the SEC regarding the definition of the terms "political subdivision" and "instrumentality" in relation to exemptions available under Section 3(a)(2) of the 1933 Act, and the concept that the Missouri Act was adopted with the purpose of creating uniformity among state and federal securities laws, the Commissioner is thus of the opinion that, with respect to the terms "political subdivision" and "instrumentality" as used in Section 409.2-201(1), RSMo. (Cum. Supp. 2005), the Commissioner will defer to federal and SEC interpretations when defining these terms under the Missouri Act.

Sincerely,



Matthew Kitzi

Commissioner of Securities