

MEMO# 1627

December 27, 1989

PENNSYLVANIA ADOPTS OVERSALES POLICY

December 27, 1989 TO: UNIT INVESTMENT TRUST MEMBERS NO. 74-89 RE: PENNSYLVANIA ADOPTS OVERSALES POLICY _____ The

Pennsylvania Securities Commission recently issued Corporation Finance Release 89-CF-7 that codifies the Commission's policy with respect to oversales of securities by mutual funds and unit investment trusts. The Commission has long taken the position that oversales constitute a violation of Section 201 of the Pennsylvania Securities Act of 1972 and may have required that a rescission offer be made to investors in the event of an oversale. In lieu of initiating an enforcement action for a Section 201 violation based on oversales, the staff of the Commission will now accept an informal settlement with a unit investment trust upon submission of the following: 1. payment of the costs of the investigation, which shall be equal to the registration fee that would otherwise have been due if the oversale had been registered, plus \$100.00, 2. a representation that payment of the costs of the investigation does not constitute retroactive registration of the oversold securities, and 3. a statement from counsel that the sponsor has been advised by legal counsel of the oversale and that the sponsor will continue to make every effort to register sufficient amounts of securities in the future. The foregoing procedure is available solely to unit investment trusts for sales of securities in excess of the amount registered which are isolated in nature and do not constitute a course of conduct in violation of the Pennsylvania Securities Act. Attached is a copy of the Commission's release. We will keep you informed of future developments. Patricia Louie Assistant General Counsel Attachment