STATEMENT OF BASIS AND PURPOSE

Amendment to Chapter 3 of the Rules under the Colorado Securities Act
Colorado Division of Securities
October 3, 2008

Pursuant to the authority found in the Colorado Securities Act ("Act"), sections 11-51-101, et seq., C.R.S. (2008), including parts 3 and 7 of the Act, the Securities Commissioner adopts the amendment to Rule 51-3.5 on October 3, 2008.

The general purpose of the amendment promulgated on October 3, 2008 is to conform the rule to the current status of federal regulations of investment companies. Rule 51-3.5 currently requires investment companies to register new, non-Blue Chip mutual funds under §11-51-303, C.R.S., Registration by Filing/Coordination. Federal regulations under the National Securities Market Improvement Act (NSMIA) prohibit state registration of investment companies that are registered federally under the 1940 Act.

The Securities Commissioner finds that the adoption of this permanent amendment to Rules 51-3.5 is necessary and appropriate in the public interest, and is consistent with the purposes and provisions of the Act. The Securities Commissioner further finds that the record demonstrates the need for this rule; the rule is clearly and simply stated; proper statutory authority exists for the rule, the rule does not conflict with any other rules or statutes governing the Division of Securities; and, the rule is coordinated with the federal acts and statutes and the rules and regulations promulgated thereunder to which references are made to the extent coordination with them is consistent with the purposes and provisions of the Act.

This general statement of basis and purpose is incorporated by reference in the rule adopted by the Securities Commissioner on October 3, 2008. The rule will become effective on December 1, 2008.

DATED this _____ day of October, 2008.

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Fred J. Joseph
Securities Commissioner