

SUPPORTING STATEMENT
Form N-8B-2

A. JUSTIFICATION

1. Necessity for the Information Collection

Unit Investment Trusts (“UITs”) are required to register with the Securities and Exchange Commission (“Commission”) as investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) (the “Investment Company Act”). Section 8(b) of the Investment Company Act (15 U.S.C. 80a-8(b)) provides that each registered investment company must file a registration statement with the Commission that includes certain information about the company and recites the company’s policies on certain significant matters. UITs currently issuing securities, including UITs which are issuers of periodic payment plan certificates and UITs of which a management investment company is the sponsor or depositor, satisfy this requirement by filing on Form N-8B-2. Among other items, this Form requires disclosure about the organization of a UIT, its securities, the trustee, the personnel and affiliated persons of the depositor, distribution and redemption of securities, and financial statements.

UITs are also required to register offerings of securities with the Commission under the Securities Act of 1933 (15 U.S.C. 77a et seq.) (“Securities Act”). Section 5 of the Securities Act (15 U.S.C. 77e) requires that, unless an exemption is available, a registration statement be filed before any securities are offered to the public by use of the mails or other facilities of interstate commerce, and that the statement be declared effective before any securities are sold. The purpose of the registration statement is not to gather information for the Commission to use, but rather to provide disclosure of financial and other information on the basis of which investors

may make informed decisions regarding the merits of the securities being offered for sale. To that end, section 5(b) of the Securities Act (15 U.S.C. 77e(b)) requires that investors be furnished with a prospectus containing material information prior to the sale or at the time of confirmation or delivery of securities. UITs satisfy the requirements imposed under the Securities Act by filing a registration statement on Form S-6. This form requires a prospectus that includes much of the information required in Form N-8B-2 and certain financial statements for the trust, in addition to undertakings by the UIT to file, among other things, periodic reports with the Commission.

UITs are the only major type of investment company for which the Commission has yet to adopt an integrated registration form satisfying the requirements of the Securities Act and the Investment Company Act. Absent an integrated disclosure system, filings on Form N-8B-2 serve as the only means by which UITs can satisfy the filing and disclosure requirements imposed by section 8(b) of the Investment Company Act.

2. Purpose of the Information Collection

The purpose of Form N-8B-2 is to satisfy the filing and disclosure requirements of the Investment Company Act. This information collection differs significantly from many other federal information collections, which are primarily for the use and benefit of the collecting agency. The information required to be filed with the Commission assures the public availability and dissemination of the information and permits verification of compliance with Investment Company Act requirements.

3. Role of Improved Information Technology

The Commission's electronic filing system, called EDGAR (for Electronic Data Gathering, Analysis and Retrieval), is designed to automate the filing, processing and dissemination of all disclosure filings. The system permits publicly held companies to transmit their filings to the Commission electronically. This automation has increased the speed, accuracy and availability of information, generating benefits to investors and financial markets. All UITs are required to use EDGAR to file Form N-8B-2.

4. Efforts to Identify Duplication

Form S-6, the form used by UITs to register their securities under the Securities Act, requires a prospectus that includes much of the information requested in Form N-8B-2. To eliminate the duplicative information presented in the registration forms used by UITs, the Commission has proposed¹ and repropoed² but has not yet adopted Form N-7, an integrated disclosure form under the Securities Act and the Investment Company Act.

Prior to June 1, 2002, insurance company separate accounts organized as UITs that offer variable life insurance policies ("variable life separate accounts") registered offerings of securities under the Securities Act on Form S-6 and registered as investment companies under the Investment Company Act using Form N-8B-2. On April 12, 2002, the Commission adopted new Form N-6.³ Form N-6 provides a means for variable life separate accounts to register offerings of securities under the Securities Act and register as investment companies under the

¹ Investment Company Act Release No. 14513 (May 14, 1985) (50 FR 21282 (May 23, 1985)).

² Investment Company Act Release No. 15612 (Mar. 9, 1987) (52 FR 8268 (Mar. 17, 1987)).

³ Investment Company Act Release No. 25522 (67 FR 19848 (Apr. 23, 2002)).

Investment Company Act on a single form. For variable life separate accounts, therefore, Form N-6 has replaced Form S-6 and N-8B-2.

Other than the information required in Form S-6, the Commission believes that there are no duplicative, overlapping, or conflicting federal rules with Form N-8B-2.

5. Effect on Small Entities

Form N-8B-2 must be filed by all UITs, regardless of size. It would not be in the best interest of investors to reduce the reporting and recordkeeping requirements for small entities.

6. Consequences of Less Frequent Collection

Section 8(b) of the Investment Company Act requires each registered investment company to file an initial registration with the Commission that includes certain information about the company and recites the company's policies on certain significant matters. Absent information collection on Form N-8B-2, UITs would fail to satisfy this legal requirement.

7. Inconsistencies With Guidelines in 5 CFR 1320.5(d)(2)

Not applicable.

8. Consultations Outside the Agency

The Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry and through public conferences, meetings, and informal exchanges. These various forums provide the Commission and staff with the means to ascertain and act upon paperwork burdens confronting the industry.

The Commission requested public comment on the information collection requirement with respect to Form N-8B-2 before submitting this request for extension to the Office of Management and Budget. The Commission received no comments in response.

9. Payment of Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Hour Burden

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), and are not derived from a quantitative, comprehensive, or even representative survey or study of the burdens associated with Commission rules and forms.

Form N-8B-2 imposes two types of reporting burdens on UITs: the burden of preparing and filing the initial Form N-8B-2 and the burden of preparing and filing post-effective amendments. The Commission estimates that the burden hours that would be imposed by Form N-8B-2 are as follows:

Calculation of Hour Burden

Initial Form N-8B-2 Filings

The Commission estimates that approximately one filer files annually with the Commission approximately one Form N-8B-2 initial filing. Based on consultations by Commission staff with a sample of filers, we estimate that the burden for compliance with Form N-8B-2 would require approximately 44 hours per initial filing. The total hour burden per initial Form N-8B-2 filing therefore would be 44 hours in the aggregate (1 x 44). Based on an

estimated wage rate of the professionals who fill out the form, the total estimated aggregate annual cost of the hour burden for initial Form N-8B-2 filings is \$12,342 (\$280.50 X 44 hours).⁴

Post-Effective Amendments

The Commission estimates that approximately nine respondents file annually with the Commission approximately 9 post-effective amendments. Based on consultations by Commission staff with a sample of filers and the Commission's experience with disclosure documents generally, we estimate that the burden for preparing post-effective amendments requires approximately 16 hours per filing. The total burden hours for Form N-8B-2 filings would be 144 hours in the aggregate (9 x 16). Based on an estimated wage rate of the professionals who fill out the form, the total estimated aggregate annual cost of the hour burden Form N-8B-2 post-effective amendments is \$40,392 (\$280.50 X 144 hours).⁵

Total N-8B-2 Annual Hour Burden

$$\begin{aligned} & 44 \text{ (estimated aggregate annual hour burden for initial filings)} \\ + & \underline{144} \text{ (estimated aggregate annual hour burden for post-effective amendments)} \\ = & 188 \end{aligned}$$

Total Filings on Form N-8B-2

$$\begin{aligned} & 1 \text{ (initial filing)} \\ + & \underline{9} \text{ (post-effective amendments)} \end{aligned}$$

⁴ The estimated wage figure is based on published rates for compliance attorneys (\$57.94) and programmers (\$46.92) outside New York City, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, yielding effective hourly rates of \$310 and \$251, respectively. See Securities Industry Association, Report on Management & Professional Earnings in the Securities Industry 2005 (Sept. 2005). The estimated wage rate was further based on the estimate that attorneys and programmers would divide time equally, resulting in a weighted wage rate of \$280.50 (((\$310x .50) + (\$251 x .50)).

⁵ Id.

=10

Weighted Average Hour Burden Per Filing

Total annual hour burden/total N-8B-2 filings

188/10 = 18.80

The number of filings on Form N-8B-2 is based on the Commission's industry statistics and the hourly annual burden was derived by comparison of Form N-8B-2 with other disclosure documents and Commission staff's consultation with a sample of filers under both the Investment Company Act and the Securities Act. The number of burden hours may vary depending on the complexity of the filing, the levels of experience in preparing Form N-8B-2, and whether preparation of Form N-8B-2 is performed by the sponsor's legal staff or outside counsel.

13. Estimate of Total Annual Cost Burden

The preparation and filing of Form N-8B-2 and any post-effective amendments by UITs will not require any investment in capital equipment. The total cost burden computed below is the cost of services purchased to prepare Form N-8B-2 and is based on consultations with a sample of filers:

Cost Burden of Preparing and Filing Initial Form N-8B-2

Cost burden per filing of preparing and filings initial Form N-8B-2	\$ 7,500
Number of initial Form N-8B-2s filed annually	1
Cost burden of preparing and filing initial Form N-8B-2	\$ 7,500

Cost Burden of Preparing and Filing Post-Effective Amendments

Cost burden of preparing and filing post-effective amendments	\$5,000
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Number of post-effective amendments filed annually	9
Cost burden of preparing and filing post-effective amendments	\$45,000

Total Cost Burden

Initial Form N-8B-2	\$ 7,500
+ Post-effective amendments	\$ <u>45,000</u>
Total	\$ 52,500

This estimate is based on information obtained from a sample of participants in the UIT industry.

This cost burden does not include the cost of the hour burden discussed in item 12.

14. Estimate of Cost to the Federal Government

The annual operation cost of reviewing and processing all new registration statements, post-effective amendments, proxy statements, and shareholder reports of investment companies amounted to approximately \$16.8 million in fiscal year 2006, based on our computation of the value of staff time devoted to this activity and related overhead.

15. Explanation of Changes in Burden

Form N-8B-2 has a current burden hour inventory of 220 hours based on an estimate of 12 filers. The weighted average hour burden per filing is currently 18 hours per filing. The Commission estimates that the burden hours would decrease to 188 and the weighted average hour burden per filing change to 18.80, due to the total number of annual filings decreasing from 12 to 10.

The Commission anticipates that the cost burden would decrease from \$62,500 to \$52,500. This decrease in cost is due to a decrease in filings from 12 to 10, and to the increased experience of filers and UIT industry service providers (e.g., outside counsel) with Form filings.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

Not applicable.

18. Exceptions to Certification Statement

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.