

**SUPPORTING STATEMENT
For Rule 27e-1 and Form N-27E-1**

A. JUSTIFICATION

1. Necessity for the Information Collection

Section 27(e) of the Investment Company Act of 1940 (“Act”) (15 U.S.C. 80a-27(e)) provides in part that a registered investment company issuing a periodic payment plan certificate,¹ or any depositor or underwriter for such company (collectively “issuer”), must notify in writing “each certificate holder who has missed three payments or more, within thirty days following the expiration of fifteen months after the issuance of the certificate, or, if any such holder has missed one payment or more after such period of fifteen months but prior to the expiration of eighteen months after the issuance of the certificate, at any time prior to the expiration of such eighteen month period, of his right to surrender his certificate . . . and inform the certificate holder of (A) the value of the holder’s account . . . , and (B) the amount to which he is entitled”

Section 27(e) authorizes the Securities and Exchange Commission (“Commission”) to “make rules specifying the method, form, and contents of the notice required by this subsection.” Rule 27e-1 (17 CFR 270.27e-1) under the Act, entitled “Requirements for Notice to Be Mailed to Certain Purchasers of Periodic Payment Plan Certificates Sold Subject to Section 27(d) of the Act,” provides instructions for the delivery of the notice required by section 27(e).

Rule 27e-1(f) prescribes Form N-27E-1 (17 CFR 274.127e-1), which sets forth the language the issuing registered investment company or its depositor or underwriter must use “to

¹ As discussed below, the Military Personnel Financial Services Protection Act banned the issuance or sale of new periodic payment plans, effective October 2006.

inform certificate holders of their right to surrender their certificates pursuant to Section 27(d).” The instructions to the form require that a notice containing the language on the form be sent to certificate holders on the sender’s letterhead. The issuer is not required to file with the Commission a copy of the Form N-27E-1 notice.

The Form N-27E-1 notice to certificate holders who have missed certain payments is intended to encourage certificate holders, in light of the potential for further missed payments, to weigh the anticipated costs and benefits associated with continuing to hold their certificates. The disclosure assists certificate holders in making careful and fully informed decisions about whether to continue investing in periodic payment plan certificates.

2. Purpose of the Information Collection

The information disseminated to third parties in accordance with rule 27e-1 satisfies the mandates in section 27(e) of the Act. By prescribing the precise language to be used and specifying the information to be provided, Form N-27E-1 ensures that important facts about certificate holders’ investments are presented to them in a consistent and understandable manner. The rule and form provide clear guidance about how to satisfy the requirements in section 27(e). In the absence of the rules and the associated forms, it would be difficult for the industry and the Commission to ensure the requisite quality and consistency of the statutorily mandated notifications.

3. Role of Improved Information Technology

Improved technology reduced the burden on the industry associated with rule 27e-1 by facilitating the timely and accurate generation of the required notices. Rule 27e-1 mandates that the notices be sent to certificate holders by first-class mail. The first-class postmark serves to evidence the date of delivery, which is relevant to an assessment of compliance with the rule. The rule does not authorize electronic delivery of the required notices.

4. Efforts to Identify Duplication

Some of the information provided pursuant to rule 27e-1 may repeat certain information provided in the fund prospectus. Nevertheless, the manner in which the information is presented is tailored to highlight the circumstances of the investor receiving the notice. Moreover, the rule is consistent with the statutory mandate that particular information be provided to holders of periodic payment plan certificates who have missed certain payments within eighteen months after issuance of the certificate.

5. Effect on Small Entities

The notification requirements prescribed by rule 27e-1 apply to all investment companies issuing periodic payment plan certificates and their depositors or underwriters, regardless of their size. The Commission would not be able to minimize the burden on small entities without compromising the mandates set forth in section 27(e) of the Act. The Commission does not believe that the requirements in rule 27e-1 and Form N-27E-1 have a significant effect on small entities.

6. Consequences of Less Frequent Collection

Because section 27(e) requires that notices be sent at specific times after the issuance of the periodic payment plan, the Commission is unable to revise the rule and form promulgated pursuant to that section in a way that would reduce the frequency of the mailings.

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

Not applicable.

8. Consultation Outside the Agency

The Commission requested public comment on the collection of information requirements in rule 27e-1 and Form N-27E-1 before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to this request.

More generally, the Commission and the staff at the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens confronting the industry.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Hour Burden

Effective October 27, 2006, the Military Personnel Financial Services Protection Act banned the issuance or sale of new periodic payment plans. Accordingly, the staff estimates that there is no longer any information collection burden associated with rule 27e-1 and Form N-27E-1. For administrative purposes, however, we are requesting approval for an information collection burden of one hour per year. This estimate of burden hours is not derived from a comprehensive or necessarily even representative study of the cost of the Commission's rules and forms.

13. Estimate of Total Annual Cost Burden

For the reasons discussed above, the staff estimates that there is no cost burden associated with rule 27e-1 or Form N-27E-1.

14. Estimate of Cost to the Federal Government

Because rule 27e-1 does not require the entity compiling and distributing the information to send copies of the notices to the Commission, the federal government does not incur any cost in receiving or reviewing these notices.

15. Explanation of Changes in Burden

The estimated annual hour burden is not changed. It remains zero hours. For administrative purposes, however, we are requesting approval for an information collection burden of one hour per year. The decrease in estimated total annualized cost from \$3,184 to zero is attributable to the above-mentioned statutory ban on periodic payment plans.

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.