

premium requirements of \$1 of capital for every \$5 of net premium, aggregate "stop loss" protection will be arranged from a commercial insurer.

To the extent that premiums and interest earned exceed current claims and expenses, an appropriate reserve would be accumulated to respond in years when claims and expenses exceed premiums. To the extent that losses over the long term are lower than projected, premiums would be appropriately reduced. Excess cash would be invested in accordance with Columbia's investment guidelines.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Jonathan G. Katz,

Secretary.

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[Investment Company Act Release No. 22222; 812-10112]

Reich & Tang Distributors L.P., et al.; Notice of Application

September 13, 1996.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for an order under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Reich & Tan Distributors L.P. ("Reich & Tang"); Equity Securities Trust (Series 1, Signature Series, and subsequent series); Mortgage Securities Trust (CMO Series 1 and subsequent series); Municipal Securities Trust (Series 1 and subsequent series) (including Insured Municipal Securities Trust, Series 1 (and subsequent series) and 5th Discount Series (and subsequent series)); New York Municipal Trust (Series 1 and subsequent series); and A Corporate Trust (Series 1 and subsequent series) (collectively, the foregoing trusts are the "Trusts").

RELEVANT ACT ACTIONS: Order of exemption requested pursuant to sections 11(a) and (c).

SUMMARY OF APPLICATION: Applicants request an order to permit certain offers of exchange between the Trusts at a reduced sales charge. The requested order would supersede three prior orders.

FILING DATES: The application was filed on April 29, 1996, and amended on July 19, 1996, and September 6, 1996. Applicants have agreed to file an amendment, the substance of which is incorporated herein, during the notice period.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on October 8, 1996, and should be accompanied by proof of service on applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Hearing requests should state the nature of the writers interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 600 Fifth Avenue, New York, NY 10022.

FOR FURTHER INFORMATION CONTACT: Elaine M. Boggs, Staff Attorney, at (202) 942-0572, or Alison E. Baur, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Information).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. Reich & Tang, the successor sponsor to the unit investment trust division of Bear Stearns & Co. Inc., is a sponsor or co-sponsor with Gruntal & Co. Incorporated ("Gruntal") of various unit investment trusts (collectively, Reich & Tang and Gruntal are the "Sponsors"). Each Trust is organized under a trust indenture and agreement between the Trust, the Sponsors, and the Chase Manhattan Bank or Bank of New York, as trustee, and is registered under the Act.

2. On September 29, 1995, Bear, Stearns & Co. Inc. ("Bear Stearns") transferred its unit investment trust business to Reich & Tang and immediately thereafter Reich & Tang commenced serving as sponsor for the Trusts. Prior to the transfer, Bear Stearns and the Trusts had received SEC orders permitting certain offers of exchange.¹ At the request of Bear Stearns and Reich & Tang, the SEC's Division of Investment Management informed Bear

Stearns and Reich & Tang that the Division would not recommend that the SEC take any enforcement action against them if the Trusts operate under the terms of the prior orders until the earlier of (a) the date the requested order is granted or (b) March 13, 1997.² The requested order will supersede the prior orders.

3. The sales charge for initial investment in the Trusts currently ranges between 3.5% to 5.5% of the public offering price, subject to discounts for certain volume transactions. The Sponsors maintain a secondary market for the Trusts and intend to continue to maintain a secondary market for any new Trusts, although they are not obligated to do so. Units sold in the secondary market are subject to a sales charge of up to 5.5% plus net accrued interest.

4. Applicants propose to offer an exchange privilege to unitholders of the Trusts at a reduced sales charge (the "Exchange Privilege"). Unitholders would be able to exchange any of their units for units in one or more available series of the Trusts (the "Exchange Trust"). Applicants also propose to offer a rollover privilege to unitholders of the Trusts at a reduced sales charge (the "Rollover Privilege"). Unitholders would be able to "roll over" their units in a series which is terminating for units of one or more new series of the Trusts (the "Rollover Trust"). In addition, applicants propose a conversion offer ("Conversion Offer") pursuant to which unitholders may redeem units of any Trust in which there is no active secondary market ("Redemption Trust") and apply the proceeds to the purchase of available units of one or more series of the Trusts (the "Conversion Trusts").

5. To exercise the Exchange or Rollover Privilege, a unitholder must notify the Sponsor. In order to exercise the Conversion Offer, a unitholder must notify his or her retail broker. The Conversion Offer will be handled entirely through the unitholder's retail broker and the retail broker must tender the units to the trustee of the Redemption Trust for redemption and then apply the proceeds toward the purchase of units of a Conversion Trust. Exercise of the Exchange or Rollover Privilege is subject to the following conditions: (a) The Sponsors must be maintaining a secondary market in units of the available Exchange or Rollover Trust, (b) at the time of the unitholder's election to participate, there must be units of the Exchange or Rollover to be acquired available for sale, either under

¹ Mortgage Securities Trust, Investment Company Act Release Nos. 18254 (Aug. 1, 1991) (notice) and 18290 (Aug. 28, 1991) (order); New York Municipal Trust, Investment Company Act Release Nos. 11715 (Apr. 1, 1981) (notice) and 11754 (Apr. 29, 1981) (order); and Bear Stearns & Co., Investment Company Act Release Nos. 11143 (Apr. 29, 1980) (notice) and 11184 (May 23, 1980) (order).

² Reich & Tang Distributors L.P. (pub. avail. March 13, 1996).

the initial primary distribution or in the Sponsors' secondary market, (c) exchanges will be in whole units only, and (d) for certain Trusts, units may be obtained in blocks of certain sizes only. Exercise of the Conversion Offer is subject to the following conditions: (a) The Conversion Offer is open only to unitholders of a Redemption Trust, (b) at the time of the unitholder's election to participate, there must be available units of a Conversion Trust, either under a primary distribution or in the Sponsors' secondary market, (c) exchanges will be in whole units only, and (d) for certain Trusts, units may be obtained in blocks of certain sizes only.

6. Unitholders who wish to exchange units under the Exchange or Rollover Privileges or Conversion Offer within the first five months of purchase will not be eligible for the reduced sales charge. Such unitholders will be charged a sales load equal to the greater of (a) the reduced sales load or (b) an amount which, when added to the sales charge paid by the unitholder upon his or her original purchase of units of the applicable Trust, would equal the sales charge applicable to the direct purchase of the newly acquired units, determined as of the date of purchase.

7. Applicants request that the relief be extended to all subsequently issued series of unit investment trusts sponsored by Reich & Tang or a sponsor controlled by or under common control with Reich & Tang and each unit investment trust registered under the Securities Act of 1933 and the Act (each is also a "Trust").

Applicants' Legal Analysis

1. Section 11(a) requires SEC approval of an offer to exchange securities between open-end investment companies if the exchange occurs on any basis other than the relative net asset values of the securities to be exchanged. Section 11(c) makes section 11(a) applicable to any type of exchange offer of securities of registered unit investment trust for the securities of any other investment company, irrespective of the basis of exchange.

2. Applicants state that the Exchange and Rollover Privileges provide investors with a convenient means of transferring their interests at a reduced sales charge into series of the Exchange and Rollover Trusts which suit their current investment objectives. Further, applicants state that the Conversion Offer provides unitholders of a Trust in which there is no active secondary market a means to redeem those units and invest the proceeds at a reduced sales charge into units of the Conversion Trusts which maintain an active

secondary market. Applicants state that absent the Exchange and Rollover privilege and the Conversion Offer, unitholders would be required to dispose of their units, either in the secondary market (in the case of the Exchange and Rollover Privileges) or through redemption, and to reinvest, at the then fully applicable sales charge, into the chosen Trusts.

3. Applicants represent that unitholders will not be induced or encouraged to participate in the Exchange or Rollover Privileges or Conversion Offer through an active advertising or sales campaign. The Sponsor recognizes its responsibility to its customers against generating excessive commissions through churning and asserts that the sales charge collected will not be a significant economic incentive to salesmen to promote inappropriately the Exchange or Rollover Privilege or the Conversion Offer. Applicants state that the reduced sales charge will fairly and adequately compensate the Sponsor and the participating underwriters and brokers for their services and expenses in connection with the administration of the programs. Applicants further believe that the Exchange and Rollover Privileges and the Conversion Offer are appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Applicants' Conditions

Applicants agree, as a condition to the grant of the requested order, to the following conditions:

1. The prospectus for each Trust and any sales literature or advertisement that mentions the existence of the Exchange Privilege, Conversion Offer, or Rollover Privilege will disclose that they are subject to termination and that their terms are subject to change and that such changes or termination may be made in the circumstances specified in condition 2.

2. Whenever the Exchange Privilege, Conversion Offer, or Rollover Privilege are to be terminated or their terms are to be amended materially, any holder of a security subject to the privilege will be given prominent notice of the impending termination or amendment at least 60 days prior to the date of termination or the effective date of the amendment, *provided that*:

(a) No such notice need be given if the only material effect of an amendment is to reduce or eliminate the sales charge payable at the time of an exchange, to add one or more new series or a new Trust, eligible for the Exchange

Privilege, Conversion Offer, or Rollover Privilege, or to delete a series or Trust which has terminated, and

(b) No notice need be given if, under extraordinary circumstances, either (i) there is a suspension of the redemption of units of an Exchange Trust, Conversion Trust, or Rollover Trust under section 22(e) of the Act and the rules and regulations thereunder, or (ii) an Exchange Trust, Conversion Trust, or Rollover Trust temporarily delays or ceases the sale of its units because it is unable to invest amounts effectively in accordance with applicable investment objectives, policies, and restrictions.

3. An investor who purchases units under the Exchange Privilege, Conversion Offer, or Rollover Privilege will pay a lower sales charge than that which would be paid for the units by a new investor.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Jonathan G. Katz,
Secretary.

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[Release No. 34-37676; File No. SR-CBOE-96-01]

Self-Regulatory Organizations; Order Granting Approval to Proposed Rule Change and Amendment No. 2 Thereto and Notice of Filing and Order Granting Accelerated Approval to Amendment No. 1 to Proposed Rule Change by the Chicago Board Options Exchange, Inc., to, Among Other Things, Increase SPX Position and Exercise Limits, Increase SPX Firm Facilitation, Index Hedge, and Money Manager Exemptions, and Extend Broad-Based Index Hedge Exemption to Broker-Dealers

September 13, 1996.

I. Introduction

On January 8, 1996, the Chicago Board Options Exchange, Inc. ("CBOE" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to, among other things, increase the Standard & Poor's 500 index ("SPX") option position and exercise limits, increase the SPX firm facilitation, index hedge, and money manager exemptions, extend the broad-based index hedge exemption to broker-dealers, and

¹ 15 U.S.C. 78s(b)(1) (1988).

² 17 CFR 240.19b-4.