

Inc. are applicant's depositors (collectively, the "Sponsors").

2. Each Trust will invest approximately 10%, but in no event more than 10.5%,¹ of the value of its total assets in each of the ten common stocks in the Financial Times Index or the Hang Seng Index with the highest dividend yields as of its initial date of deposit, and hold those stocks over the life of the Trust (presently anticipated to be approximately one year).

3. The Financial Times Index comprises 30 common stocks chosen by the editors of The Financial Times (London) as representative of British industry and commerce. The companies are major factors in their industries and their stocks are widely held by individuals and institutional investors. The Hang Seng Index comprises 33 of the stocks listed on the Hong Kong Stock Exchange and includes companies intended to represent four major market sectors: commerce and industry, finance, properties, and utilities. The Hang Seng Index is a recognized indicator of stock market performance in Hong Kong.

4. The portfolio securities deposited in each Trust will be chosen solely according to the formula described above, and will not necessarily reflect the research opinions or buy or sell recommendations of the Sponsors. The Sponsors will have no discretion as to which securities are purchased. Securities deposited in a Trust may include securities of issuers that derived more than fifteen percent of their gross revenues in their most recent fiscal year from securities related activities.

5. During the 90-day period following the initial date of deposit, the Sponsors may deposit additional securities while maintaining to the extent practicable the original proportionate relationship among the number of shares of each stock in the portfolio. Deposits made after this 90-day period generally must replicate exactly the proportionate relationship among the face amounts of the securities comprising the portfolio at the end of the initial 90-day period,

¹ The Sponsors will attempt to purchase equal values of each of the ten common stocks in a Trust's portfolio and may choose to purchase the securities in odd lots in order to achieve this goal. However, it is more efficient if securities are purchased in 100 share lots and board lots. A board lot is comprised of a fixed number of shares determined by the issuer. Most fees associated with trading, settling, and transferring of Hong Kong securities are charged on a per board lot basis. As a result, the Sponsors may choose to purchase securities of a securities related issuer which represent over 10%, but in no event more than 10.5% percent, of a Trust's assets on the initial date of deposit to the extent necessary to enable the Sponsors to meet their purchase requirements and to obtain the best price for the securities.

whether or not a stock continues to be among the ten highest dividend yielding stocks.

6. A Trust's portfolio will not be actively managed. Sales of portfolio securities will be made in connection with redemptions of units issued by a Trust and at termination of the Trust. The Sponsors have no discretion as to when securities will be sold except that it is authorized to sell securities in extremely limited circumstances, namely, upon failure of the issuer of a security in a Trust to pay amounts due on any of the securities, institution of certain legal proceedings, default under certain documents materially and adversely affecting future declaration or payment of amounts due, or the occurrence of other market or credit factors that in the opinion of the Sponsors would make the retention of such securities in a Trust detrimental to the interests of the unitholders. The adverse financial condition of an issuer will not necessarily require the sale of its securities from a Trust's portfolio.²

Applicant's Legal Analysis

1. Section 12(d)(3) of the Act, with limited exceptions, prohibits an investment company from acquiring any security issued by any person who is a broker, dealer, underwriter, or investment adviser. Rule 12d3-1 under the Act exempts the purchase of securities of an issuer that derived more than fifteen percent of its gross revenues in its most recent fiscal year from securities related activities, provided that, among other things, immediately after such acquisition, the acquiring company has invested not more than five percent of the value of its total assets in securities of the issuer.

2. Section 6(c) of the Act provides that the SEC may exempt a person from any provision of the Act or any rule thereunder, if and to the extent that the exemption is necessary or 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.

3. Applicant requests an exemption under section 6(c) from section 12(d)(3) to permit any Trust to invest up to approximately 10%, but in no event more than 10.5%, of the value of its total assets in securities of an issuer that derives more than fifteen percent of its revenues from securities related activities. Applicant and each Trust will

² In the master agreement among underwriters, the other Sponsors have appointed Merrill Lynch as agent for the Sponsors. In that capacity, Merrill Lynch is authorized to determine the date of deposit, to purchase securities for deposit in the Series and to supervise each Series' portfolio.

comply with all provisions of rule 12d3-1, except for the five percent limitation in paragraph (b)(3) of the rule.

4. Section 12(d)(3) was intended to prevent investment companies from exposing their assets to the entrepreneurial risks of securities related businesses, to prevent potential conflicts of interest, and to eliminate certain reciprocal practices between investment companies and securities related businesses. One potential conflict could occur if an investment company purchased securities or other interests in a broker-dealer to reward that broker-dealer for selling fund shares, rather than solely on investment merit. Applicant believes that this concern does not arise in connection with its application because neither applicant nor the Sponsors have discretion in choosing the portfolio securities or percentage amount purchased. The security must first be included in the Financial Times Index or the Hang Seng Index, which indexes are unaffiliated with the Sponsors and applicant, and must also qualify as one of the ten highest dividend yielding securities.

5. Applicant also believes that the effect of a Trust's purchase on the stock of parents of broker-dealers would be *de minimis*. Applicant asserts that the common stocks of securities related issuers represented in the Financial Times Index or the Hang Seng Index are widely held, have active markets, and that potential purchases by any Trust would represent an insignificant amount of the outstanding common stock and the trading volume of any of these issues. Accordingly, applicant believes that it is highly unlikely that Trust purchases of these securities would have any significant impact on the securities' market value.

6. Another potential conflict of interest could occur if an investment company directed brokerage to a broker-dealer in which the company has invested to enhance the broker-dealer's profitability or to assist it during financial difficulty, even though that broker-dealer may not offer the best price and execution. To preclude this type of conflict, applicant and each Series agree, as a condition of this application, that no company held in the portfolio of a Trust nor any affiliate thereof will act as a broker for any Trust in the purchase or sale of any security for its portfolio. In light of the above, applicant believes that its proposal meets the section 6(c) standards.

Applicant's Condition

Applicant and each Series agree that any order granted under this application