CHAPMAN AND CUTLER

June 11, 1974

Securities and Exchange Commission
Washington, D. C. 20549

Re: The First Trust of Insured Municipal Bonds
File No. 2-50303

Gentlemen:

The First Trust of Insured Municipal Bonds is a proposed tax-exempt bond fund with portfolio insurance. The fund will be a unit investment trust within the meaning of the Investment Company Act of 1940, and although it will resemble a closed-end fund in that the number of units issued on the date of deposit will constitute the maximum to be outstanding at any time thereafter, the fund will resemble an open-end fund in that the units therein will be redeemable upon presentation to the trustee for that purpose.

The portfolio insurance is limited to assuring the prompt payment of interest and principal on the bonds as the same become due. The insurance will be arranged for by the Sponsor and the premiums will be paid by the Trustee for the fund. Under these circumstances, the insurance will be effective only so long as the bonds are held in the portfolio of the fund and, since the insurance is limited to prompt payment of interest and principal, it does not relate to the market value of either the bonds or the units of the fund, even though because of the insurance the units will be rated "AA" by Standard & Poor's Corporation. The question has been raised whether the existence of the insurance is in any manner reflected in the value of the units.

The answer is negative. On the day of deposit the Sponsor receives from the Trustee one or more certificates representing all of the units the fund is entitled to issue, with each unit representing $1000 principal amount of bonds deposited in the fund. These units, after being effectively registered under the Securities Act of 1933 and the applicable blue sky laws of the various states in which an offering will be made, are offered for sale by the Sponsor at a public offering price based on the aggregate of the offering prices of the bonds in the fund, plus a sales charge of 4 1/2% (4.7 % of the amount invested) and accrued interest to the date of settlement.

In arriving at the bid price of the bonds, the evaluator considers the factors appearing on page 8 of the May 30, 1974 proof of proposed prospectus which, in brief, represent an effort to ascertain market prices of bonds in the fund or bonds comparable thereto. As the bonds in the market do not have the benefits of portfolio insurance, the respective prices thereof would not reflect any value attributable to insurance. Consequently, the public offering price being calculated in this manner does not reflect any amount for insurance.

As previously indicated, the units are redeemable upon tender to the Trustee. The trust being limited in its activities is not permitted to hold funds for investment or to invest any funds that it may hold pending a distribution thereof. Consequently, if it is necessary to dispose of portfolio bonds to obtain funds for the redemption of units, the bonds being liquidated must be sold in the market and as they will not be insured when transferred from the fund, the price obtained upon a sale thereof will not include any value for portfolio insurance. The effect on the fund on the disposition of insured bonds will be a reduction in future premiums for the portfolio insurance.

The Investment Company Act of 1940 defines the term "value" in Section 2(a)(41) and as related to the present situation Subsection (B) states that with respect to securities for which market questions are readily available, value is the market value of such securities which is the bid price in the case of sale and the offered price in the case of purchase. Other securities are valued by the board of directors, which we deem to be the evaluator in this situation, as The First Trust of Insured Municipal Bonds does not have a board of directors.

Rule 2a-4 defines current net asset value for computing the current price of a redeemable security. Subsection (1) of such rule substantially restates Section 2(a)(41)(B) of the act. We believe that these provisions indicate an intention that assets should be valued at a price which they could realistically be expected to bring if offered for sale in the market. The bonds in the portfolio of the fund are not insured when acquired by the fund and will not be insured when disposed of by the fund. Consequently, even though they will be insured while held in the portfolio, neither the cost to the fund at the date of deposit nor the proceeds to the fund in the event of sale will reflect the insurance.

It is also to be observed that the fund does not participate in the offering, sale or distribution of the units. All proceeds realized upon the sale of a unit accrue to the owner thereof, which in the initial distribution is the Sponsor and in subsequent secondary transactions is in the first instance the unit holder and secondarily the Sponsor or other person who acquires such units for resale. These transactions occur outside the existence of the fund, except to the extent that the Trustee maintains books of record and informs the Sponsor when units are tendered for redemption so that the Sponsor may at that time determine whether to purchase such tendered units at a price based upon the aggregate offering prices of the bonds in the portfolio or permit them to be redeemed on the basis of the bid prices.

It is, therefore, our opinion, since bonds acquired for the fund are not insured until deposited in the fund and insurance on bonds in the fund ceases upon their transfer or removal therefrom, that no value can be attributed to the portfolio insurance in the price charged upon the purchase or sale of units.

Very truly yours,

Chapman and Cutler

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