

Advisory Notes 3, 5, 7, and 9 under this entry regardless of end-use, subject to the prohibitions contained in § 371.2(c). With regard to Advisory Note 9, the limitations imposed by paragraphs (b)(5)(i), (iii) and (iv), (b)(6)(iii), (b)(7)(iv), (v), and (vi), (b)(8)(i), (b)(9)(iii), and (c) are waived. However, Winchester disk drives exceeding a capacity of 100 Mbytes are EXCLUDED from GFW eligibility.

19. In Supplement No. 1 to § 399.1 (the Commodity Control List), Commodity Group 5 (Electronics and Precision Instruments), ECCN 1567A is amended by revising the Note in Advisory Notes 6 and 7 to read:

This Advisory Note will enter into force on 15 September 1988, but may be used for General License G-COM prior to that date.

20. In Supplement No. 1 to § 399.1 (the Commodity Control List), Commodity Group 5 (Electronics and Precision Instruments), ECCN 1595A is amended by inserting the phrase "[NOT ELIGIBLE FOR GENERAL LICENSE G-COM]" immediately before the phrase "Licenses are likely to be approved" in the Advisory Note.

Dated: March 12, 1987.

Vincent F. DeCain,

Deputy Assistant Secretary for Export Administration.

[FR Doc. 87-5712 Filed 3-18-87; 8:45 am]

BILLING CODE 3510-DT-M

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 230, 239, 270 and 274

[Release No. 33-6893; IC-15612; 57-9-87]

Form N-7 for Registration of Unit Investment Trusts Under the Securities Act of 1933 and the Investment Company Act of 1940

AGENCY: Securities and Exchange Commission.

ACTION: Proposed form, guidelines, rules, and rule amendments.

SUMMARY: The Commission is reproposing for comment Form N-7, a new form for the registration of unit investment trusts and their securities under the Investment Company Act of 1940 and the Securities Act of 1933, and certain related rules and rule amendments, and is publishing staff guidelines for the preparation of Form N-7. If adopted, Form N-7 would (i) integrate the reporting and disclosure requirements of the Securities Act of 1933 and the Investment Company Act of 1940 for unit investment trusts in one document; (ii) codify in the form, and collect in the guidelines, the disclosure

standards that have been developed for unit investment trusts; and (iii) shorten and simplify the prospectus used in the initial offering of units and for the resale by sponsors of units in the secondary market. The format of the reproposed form, which differs significantly from the format originally proposed, would reduce compliance costs to trust sponsors while providing investors with more concise and understandable disclosure about unit trusts. The Commission also seeks comment on whether the Commission should develop a continuous or delayed offering rule for unit investment trusts similar to that which exists for certain other issuers or whether it should amend current filing rules for unit investment trusts to reduce filing burdens.

DATE: Comments on the proposed form, guidelines, rules, and rule amendments should be received on or before May 15, 1987.

ADDRESSES: Three copies of all comments should be submitted to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549. Comment letters should refer to File No. S7-9-87. All comments received will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, DC 20549.

FOR FURTHER INFORMATION CONTACT: Thomas S. Harman, Chief, or Jay Gould, Attorney, (202) 272-2107, Office of Disclosure and Investment Adviser Regulation, or Lawrence A. Friend, Chief Accountant (202) 272-2108, Division of Investment Management, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549.

SUPPLEMENTARY INFORMATION: The Commission today is publishing for comment:

(1) Proposed Form N-7, a registration form that would replace Form S-6 [17 CFR 239.16] under the Securities Act of 1933 [15 U.S.C. 77a et seq.] ("Securities Act") and Form N-8B-2 [17 CFR 274.12] under the Investment Company Act of 1940 [15 U.S.C. 80a-1 et seq.] ("1940 Act"), for use by all unit investment trusts which are registered or required to be registered under the 1940 Act other than separate accounts of insurance companies. Form N-7 would consist of: (i) Part I, the simplified prospectus, containing information which meets the requirements of Section 10(a) of the Securities Act [15 U.S.C. 77(a)]; and (ii) Part II, containing other information required in the registration statement. The text of Form N-7 as reproposed is published as Appendix A to this release.

(2) Proposed amendments to Rule 487 [17 CFR 230.487] of Regulation C under the Securities Act to simplify the registration statement of a UIT series which is not required to be reviewed by Commission staff so that it consist only of (i) the facing sheet of the registration statement, (ii) undertakings to prospectively incorporate by reference the definitive prospectus and any portion of Part II of the registration statement specific to the series being registered, (iii) portions of any previous series that is incorporated by reference, and (iv) the required signatures. The Commission also seeks comment on whether a continuous or delayed offering rule should be developed for unit investment trusts similar to that available to certain issuers under Securities Act Rule 415 [17 CFR 230.415].

(3) Proposed amendments to Rules 495 and 496 [17 CFR 230.495, 496] of Regulation C under the Securities Act and Rules 8b-11 and 8b-12 [17 CFR 270.8b-11, 12] under the 1940 Act to make those rules applicable to Form N-7, and proposed Rule 16A of Part 239 [17 CFR 239.16A] under the Securities Act and Rule 12A of Part 274 [CFR 274.12A] under the 1940 Act prescribing Form N-7 under those acts.

The Commission also is publishing proposed staff guidelines for the preparation of Registration Form N-7 (Appendix B). Although notice and comment on the guidelines is not required by law, all comments and suggestions received concerning the staff guidelines will be considered in developing final guidelines.

I. Background and Purpose

A. Previous Proposal of Form N-7

On May 14, 1985, the Commission published for public comment Form N-7,¹ a simplified registration statement for registering unit investment trusts ("UITs") under the 1940 Act and their securities under the Securities Act. The nature and structure of unit investment trusts are discussed in detail in Release 33-6580. A UIT issues redeemable securities representing an undivided interest in an essentially fixed portfolio of securities. Created by a sponsor that deposits a portfolio of securities with a trustee, a trust issues units of participation in the portfolio which are offered to the public. Trusts typically consist of a number of consecutive series with each series representing units in a specific, separate portfolio of

¹ Rel. Nos. 33-6580; IC-14513 (May 14, 1985) [50 FR 21282 (May 23, 1985)] (hereafter, "Release 33-6580").

securities. Unlike mutual funds, UITs have no corporate management structure and their portfolios are not managed.

While units of a trust series are redeemable, the sponsor typically maintains a "secondary market" in units of the series, rather than having the series liquidate portfolio securities to meet redemptions, because a large number of redemptions could necessitate premature termination of the series. Thus a sponsor will buy back units from investors seeking to redeem and sell those units to new investors. Because the sponsor of a UIT is considered to be an issuer of the units under section 2(4) of the Securities Act [15 U.S.C. 77b(4)],³ resales of units by the sponsor must be made pursuant to a prospectus meeting the requirements of section 10(a) of the Securities Act. Because a trust typically offers units in substantially similar series, it is possible to develop generic prospectus disclosure for similar series.

Form N-7 will serve as the registration statement for UITs under both the 1940 Act and the Securities Act. The format of Form N-7 as originally proposed was based on Forms N-1A, N-3, and N-4 [17 CFR 274.11A, 11b, and 11c], forms recently adopted by the Commission for mutual funds and certain separate accounts of insurance companies. Proposed Form N-7, like those other forms, had a simplified prospectus, containing information essential to a prospective investor, a Statement of Additional Information ("SAI") which would have expanded on the information in the prospectus and contained the financial statements of the particular series whose securities were being registered,⁴ and a third part which would have contained other information required to be in the registration statement. The SAI would have been available without charge to investors on request. The prospectus and the SAI,

taken together, resulted in a two-part disclosure document for investors. In adopting the two-part disclosure document of Form N-1A, the Commission sought to streamline prospectuses so that investors would receive a readable prospectus which concisely described the essential features of investment in a fund while additional information not of routine interest to most investors would be available upon request. While following the format of the three-part registration statement with its two-part disclosure document, proposed Form N-7 also would have permitted a UIT to divide the prospectus into two parts. The first part would have contained information regarding the securities of the specific series being offered. The second part would have contained generic information about the trust. The presentation of financial information in Form N-7 as originally proposed would have departed from the N-1A format in one respect. The portfolio schedule of a UIT series would have been required in the prospectus rather than in the SAI with the other audited financial statements.

B. Synopsis of Comments and Revisions to Form N-7

In general, commenters endorsed the Commission's initiative in proposing Form N-7. They supported the Commission's effort at integrating the disclosure requirements of the Securities Act and the 1940 Act, and they supported the Commission's codification of the various UIT disclosure practices that have evolved over the years. Most commenters, however, argued that the proposed format of Form N-7 would not significantly reduce or simplify current disclosure requirements. Among other things, commenters criticized the allocation of information between the prospectus and the SAI. They asserted that the SAI would be redundant because of its repetition of material in the prospectus. Although the prospectus would have required only a "brief explanation" of those items disclosed in the SAI, commenters asserted that most of the relevant disclosure in the SAI would appear in the prospectus. At the same time, several commenters suggested that it might be preferable to place the financial statements of a series in the prospectus, with the portfolio schedule, rather than in the SAI.

In view of these comments, the Commission has modified the format of Form N-7 to eliminate the SAI. For mutual funds, the SAI provides, to those investors who request it, detailed information about fund management,

brokerage allocation, and other matters not of routine interest to all investors. A mutual fund SAI also contains the financial statements of the fund. However, information on management and brokerage is not material for unmanaged investment companies with fixed portfolios such as UITs. Moreover, information contained in financial statements, particularly the schedule of portfolio securities, is important to the average UIT investor. Unlike the portfolio schedule of a mutual fund which can quickly become out of date, the portfolio schedule of a UIT will provide for an indefinite period of time an accurate description of the trust's portfolio of specified securities. Accordingly, repropoed Form N-7 would eliminate the SAI for UITs and place the most important portions of the SAI, such as the financial statements, in the prospectus.

The Commission believes the repropoed form will achieve simplification in several respects. Consistent with the original proposal, the prospectus could be structured in two parts to make its preparation easier. Changes in the repropoed form should make it easier for issuers to prepare the prospectus in two parts, with one part containing information specific to the securities of the series being registered under the Securities Act and the other part containing information about the sponsor and the trust which could be generic to other series of the trust.⁴

The repropoed form also would simplify UIT prospectuses by revising the requirement for financial statements in prospectuses used for secondary market sales of trust units by UIT sponsors. On several occasions the Commission has been asked to re-examine the requirement that a UIT whose shares are being offered in the secondary market annually update, through a post-effective amendment to its registration statement, its audited financial statements.⁵ This request was

³ The sponsor is an issuer because it typically is the depositor and, under section 2(4), the term "issuer" is defined to include the depositor of a UIT. Although secondary market sales of registered securities are usually not subject to the Securities Act once the offering has "come to rest," the courts and the Commission have consistently taken the position that all securities offered or sold by an issuer (i.e., the sponsor), unless otherwise exempt, are subject to the Securities Act notwithstanding the fact that the securities may have been previously sold pursuant to a registration statement. *First MultiFunds for Daily Income v. United States*, 602 F.2d 332 (Cl. Ct. 1979); *SEC v. Stanwood Oil Co.*, 518 F. Supp. 1181 (1981); Rel. No. 33-5817 (March 15, 1977) [proposing Investment Company Act Rule 24e-2].

⁴ Because Form N-7 as originally proposed would have permitted a sponsor to create a common SAI for up to ten series of a trust, the SAI could have contained financial statements of nine other series as well.

⁵ Because a UIT sponsor typically is an issuer of trust units that it repurchases and resells in the secondary market, see note 2 *supra*, both parts of the prospectus must be kept current to comply with section 10(a)(3) of the Securities Act [15 U.S.C. 77(a)(3)]. The benefits of preparing a prospectus bifurcated into generic and non-generic parts are twofold. First, to the extent the generic portion of the prospectus is truly generic, that part of the prospectus could be used again for subsequent series of the UIT. Second, as long as the generic part of the prospectus remains accurate, the sponsor need not revise it for resales in the secondary market. Form N-7 has been structured so that both benefits may be realized.

⁶ See note 2, *supra*.

renewed after Form N-7 was proposed. The Commission considered whether different financial statement requirements may be appropriate for the initial sale of trust units and subsequent sales of those units by UIT sponsors. Because each series of a UIT has an essentially fixed portfolio of securities, subsequent audited financial statements of a series generally vary little from the initial financial statements. Except where securities are substituted or added, the cost of audited financial statements subsequent to the original financial statements may outweigh the benefits. The Commission therefore proposes to permit UIT to include unaudited financial statements in prospectuses used for secondary market sales under certain circumstances.⁶

While repropoed Form N-7 has been designed to streamline UIT disclosure requirements, prospectus simplification will be achieved only if registrants take advantage of the changes. The Commission encourages registrants to write shorter, more readable prospectuses and avoid technical or complex language or excessive detail. Registrants also should try, where possible, to present information that is pertinent to only some series of a trust in the specific part of the prospectus for those series, rather than in the generic portion that will be included in the prospectus for more than one series of the trust.

The Commission is also proposing, in a separate release, to streamline the procedures by which UITs register and pay registration fees for the securities they offer. For a discussion of this proposal, see Rel. No. IC-15611 (March 9, 1987).

The proposed form and guidelines are self-explanatory. Discussed below are certain aspects of the proposed form and accompanying guidelines which substantially differ from the original proposal and are of particular significance. This release does not repeat discussions of those aspects of the proposal that have not changed, such as the discussion of securities ratings, requirements for the number of copies filed, and sales literature. These matters are discussed in Release 33-6580.

II. Information Required in Form N-7

Part I-s of the registration statement sets forth seven items and Part I-g sets forth five items of disclosure required in a UIT prospectus. The specific part of the prospectus (Part I-s) would contain

a cover page, summary information, a portfolio schedule, financial statements, specific risk disclosure, tax disclosure, and underwriter information. The generic part of the prospectus (Part I-g) would contain a table of contents, general description of the trust, general description of the trustee and sponsor, information on how to purchase trust units, and information on how to sell or redeem trust units. While the format is designed to permit registrants to develop a generic portion of the prospectus which could be used for many or all series of the trust, registrants do not have to prepare the prospectus in two parts. Most of the items of the form are self-explanatory and only those items which significantly differ from Form N-7 as originally proposed and are of particular interest are explained below. To meet the prospectus delivery requirement of the Securities Act,⁷ both Part I-s and Part I-g must be delivered. Information contained in Part II, Other Information and Exhibits, would be filed as part of the registration statement with the Commission but, with the exception of certain third party financial statements, would not have to be made available to investors by a registrant. As discussed below, third party guarantor or insurer financial statements and certain sponsor financial statements, although not part of the prospectus, would have to be filed as part of the registration statement and supplied to investors by the registrant, upon request, at no charge.

A. Part I-s: Series Specific Information Required in a Prospectus

Item 2: Summary Information

Item 2 requires a summary of essential information regarding the trust and units of participation therein.⁸ As repropoed,

⁷ Section 5(b)(2) [15 U.S.C. 77e(b)(2)]. To ensure that investors received both parts of the prospectus, the original proposal would have required that the two parts be affixed. Commenters objected to this proposed requirement. In the reproposal, registrants need not affix the two parts if each part of the prospectus clearly states, by caption, that it is not the entire prospectus. Failure to deliver both parts of the prospectus would violate section 10 of the Securities Act, and thus section 5 of that Act, and create a right of rescission for any purchaser under section 12 of the Securities Act [15 U.S.C. 771]. The prospectus delivery requirement applies to dealers in UIT units in addition to a UIT's sponsor, because section 24(d) of the 1940 Act [15 U.S.C. 80a-24(d)] eliminates the dealer's exception provided by section 4(3) of the Securities Act [15 U.S.C. 77d(3)] to the delivery requirements of section 5 so long as the issuer (which includes the sponsor) of a UIT is offering units for sale.

⁸ The estimated current return ("ECR") of a UIT is part of the essential information required by Item 2. See Item 2, no. 5, of Form N-7. Several commenters questioned that provision of the original N-7 proposal which would have required registrants to include accrued interest as part of principal in the

the item has been modified to combine the discussion of sale and redemption procedures in the item. A registrant, at its option, may present this information in either tabular or narrative form. Registrants using a narrative form would be expected to present the summary information in a clear, concise, and understandable manner.

For the initial offering, the information required by Item 2 would be as of the date of the financial statements. With respect to filing amendments, the summary information would have to be as of a date more than 45 days prior to the filing date of a post-effective amendment. The Commission originally proposed that summary information be of a date not more than 15 days prior to the filing date for post-effective amendments, but commenters argued that a 45 day period was more appropriate. Commenters also asserted that the information does not materially change during a 45 day period.

Item 3: Portfolio Schedule

Item 3(a) requires a schedule of the investments of the trust or series in tabular form providing certain basic information about each portfolio security. Item 3 would differ from current practice which provides for presentation of the schedule of investments with the other financial statements of the trust. Like the original proposal, this proposal would separate the portfolio schedule from the other financial statements. In accordance with current practice and the original proposal, the portfolio schedule would remain in the prospectus. With respect to the content of the portfolio schedule, commenters asserted that several of the proposed columns not currently required in Form S-6 would be of limited use to investors. This item has been revised to delete some of those columns.

Item 4: Financial Statements

Audited financial statements are currently required in the prospectus under Form S-6. As originally proposed, Form N-7 would have required the prospectus to contain a schedule of portfolio securities, and the remaining financial statements would have been made part of the SAI, which would not have been part of the prospectus but

computation of ECR. The rationale for including accrued interest in the ECR calculation is that unlike an investment as part of principal in a bond, where accrued interest is returned to the purchaser in the first distribution, the accrued interest paid by a unit holder of a UIT is not returned until the unit is redeemed. Nonetheless, the Commission will reconsider the ECR calculation when it addresses UIT performance data issues in a separate release.

⁶ See Item 4 of the attached Form N-7 and the discussion in this release, *infra* Part II, for more detail.

would have been made available to investors upon request. As repropoed, all required financial statements would be in the prospectus but the number of financial statements required in an initial offering prospectus would be reduced and the requirement that subsequent financial statements always be audited would be eliminated under certain conditions.

Reproposed Form N-7 would require only the schedule of investments and the statement of assets and liabilities, audited in conformance with Regulation S-X [17 CFR 210 *et seq.*], in the initial offering prospectus. To the extent the schedule of investments included in response to Item 3(a) provides the information required as part of the audited statement of assets and liabilities, that schedule need not be duplicated in response to Item 4. Because a UIT making an initial offering typically has no operations or changes in net assets about which to report, the statement of operations and the statement of changes in net assets would not be required in the initial offering prospectus.

A UIT prospectus used twenty months or more after the effective date of the registration statement would have to contain complete financial statements (balance sheet, statement of operations, and statement of changes in net assets) audited as of a date within twelve to eighteen months after the effective date. A registrant that maintains a current prospectus because of secondary market sales would have to update its financial statements within twenty months after its initial offering by filing, in a post-effective amendment, an audited balance sheet, an audited statement of operations, and an audited statement of changes in net assets in accordance with Regulation S-X as of a date no less than twelve and no more than eighteen months after the effective date. This post-effective amendment would make the complete financial statements part of the updated prospectus used for secondary market sales.

With respect to a UIT prospectus used after the audited financial statements discussed above no longer meet the requirements of section 10(a)(3) of the Securities Act, the Commission believes that it may be appropriate, while keeping the requirement for complete financial statements, to relax the requirement for an audit under certain conditions. Form N-7 has been revised so that a UIT maintaining a current prospectus could provide unaudited financial statements if (1) no substitution of portfolio securities has occurred and no securities have been

added to the series during the previous fiscal year; (2) certain information (which typically could be satisfied by the usual format of the trustee's annual report) is filed as a post-effective amendment to the registration statement and made part of the secondary market prospectus;⁹ (3) the trustee's financial statements are audited annually by an independent public accountant; and (4) the trustee receives an unqualified report on the internal accounting controls of the trustee's trust operations which is prepared annually by an independent accountant and made an exhibit to the UIT's registration statement.

Because a UIT series is an essentially static entity with a fixed portfolio, it shows little change in its audited financial statements after the first year, and there is little to audit except to verify that the trustee is properly receiving income and making disbursements. An initial audit performed after the registration statement of the series is effective can verify that the trustee's procedures for receiving and disbursing income are appropriate and verify the existence and custody of the portfolio securities. If the portfolio remains unchanged, subsequent audits may not be necessary. An audit of the series would be important, however, if substitutions are made or if new securities are added to the series portfolio. Among other things, this audit would examine whether the substituted or added securities substantially replicate the previous securities in quality, yield, and maturity, a requirement of the 1940 Act. If securities are eliminated (through call, maturity, or sale) but not replaced, a new audit would not appear necessary, although investors must have available information about the series' current portfolio, which can be provided through the trustee's annual report. The trustee's report would thus make current, in compliance with section 10(a)(3), the financial statements.¹⁰

If all four of the above conditions are met, the level of investor protection may be sufficiently high that the degree of protection added by an audit would not justify the cost it adds to the operation of a unit investment trust. Specific comment is requested as to whether these conditions would adequately

protect unit holders, or whether additional or alternative safeguards are needed.

Item 5: Risk Disclosure

Item 5 requires a brief discussion of the principal risk factors associated with investing in a particular series of a registrant. The discussion required by Item 5 would include those risk disclosures peculiar to individual securities in the portfolio as well as the risks associated with the portfolio being concentrated in any one issuer or industry. Any pending legal proceedings in which the registrant, trustee, sponsor, or principal underwriter is a party with respect to any of the portfolio securities would also be disclosed under this item. Risk disclosures which apply to all series of a trust (*e.g.*, the possibility of early prepayment of mortgages with respect to a Ginnie Mae trust) could be discussed in response to Item 9 in Part I-g, which requires a discussion of general risk disclosures applicable to the entire trust.

Item 6: Tax Status and Consequences

Under present practice, many prospectuses for series which invest wholly or largely in state or municipal bonds describe in great detail the tax law of each state from which any series might purchase bonds. As proposed, Form N-7 would have eliminated much of this disclosure but still would have required a statement of the tax status of the trust by registrant's counsel, discussion of applicable local and state tax law, and a description of the tax consequences resulting from the type of securities held in the portfolio.

Reproposed Form N-7 would require a registrant to briefly describe in the prospectus the tax consequences to investors of purchasing the trust's securities. Only the material features of the opinion of registrant's tax counsel and the consequences to the trust of holding certain types of bonds would be explained. Item 6 would discourage detailed discussion of state and local tax law. Registrants would be required to inform investors that the tax status of bonds issued by state and local jurisdictions may vary and that investors should consult an accountant or attorney to determine the effect of state or local law on the individual investor. These descriptions should be concise, understandable, and contain a minimum of legal citations and descriptions.

In addition to revising the substance of tax disclosure, reproposed Form N-7 would, in most cases, move the entire discussion of tax status to the series

⁹ Only the sponsor, and not the trustee, would be liable under section 11 of the Securities Act [15 U.S.C. 77k] for that part of the trustee's report filed as an amendment to the registration statement.

¹⁰ Rule 496, which deals with the contents of prospectuses used after nine months and the certified financial statements contained therein, would be amended to conform to this proposal, if adopted.

specific portion of the prospectus. Because each series is a separately taxable entity, placing the tax discussion in the specific part of the prospectus is appropriate and should result in a shorter prospectus, particularly for trusts comprised of a number of series that each invest solely in the municipal securities of a single state ("state series"). State series are attractive to residents of a state because their distributions typically are exempt from state as well as federal taxation. Some trusts, comprised of numerous different state series, now prepare prospectuses in two parts, with the generic part of the prospectus containing the tax disclosures for each series of the trust on a state-by-state basis. This results in a lengthy prospectus in which most of the tax discussion is wholly irrelevant to the investor of any given series, who is interested only in the tax consequence of investing in that series for the state in which he resides. Where the tax discussion of a series is the same as that of the other series within the trust, however, it could be placed in the generic portion of the prospectus. In either event, all tax discussion should appear in one place in the prospectus, whether it is in the generic or the specific portion.

Item 7: Underwriters

Under current practice, information regarding fees paid to, and profits from the sale of securities by, the underwriter must be disclosed in the prospectus. To the extent that the underwriter is an entity separate from the sponsor-depositor, no further profit information is required after the initial offering unless an existing series makes an additional offering.¹¹ Form N-7 as originally proposed would have required disclosure of the compensation of underwriters for each of the last three fiscal years in the SAI, which would also have included the profits made by the underwriter acting as a market-maker of trust units in the secondary market. Several commenters criticized the underwriter disclosure requirements of the proposal and suggested that it be modified to follow Item 508 of Regulation S-K [17 CFR 229.508]. The Commission has incorporated this suggestion, although it has also revised this item to more closely follow the format of Form N-2 [17 CFR 274.11a-1], the registration form used by closed-end investment companies. Because UITs distribute their securities in a manner

similar to closed-end companies, it is appropriate to require comparable UIT underwriter disclosure.

As repropoed, Form N-7 would require all underwriter disclosure to be in the prospectus. Item 7 would require certain information regarding the identity of the underwriters, the nature of the underwriting agreement, the profits to be made, and discounts and commissions paid to underwriters. In response to comments, the Commission has deleted the proposed requirement to disclose the amount of commissions earned in the secondary market.¹² The nature of the underwriter's relationship to the sponsor and the amount of securities to be underwritten by each underwriter also would have to be disclosed. This information may be presented in either narrative or tabular form, so long as the disclosure is clear.

The Commission has reconsidered other underwriter disclosures as well. Because the underwriters' obligation in a distribution of UIT securities involves a finite number of securities and relates only to the initial offering period of a particular series, underwriter disclosure has been placed in Part I-s of the prospectus. In the repropoed form, after the initial offering period, underwriter information related only to the initial offering could be omitted except for underwriter information found in the portfolio schedule identifying any portfolio securities underwritten by the sponsor or any member of the syndicate that underwrites units of the trust.

B. Part II: Other Information and Exhibits

Item 16: Third Party Financial Statements

In recent years, a number of UIT sponsors have created trusts containing securities guaranteed or insured as to timely payment of principal and interest by third parties. These third party assurances, which include letters of credit and buy-back agreements, are often obtained to raise the rating of the portfolio securities. As originally proposed, Form N-7 would have required that UITs obtaining certain third party guarantees either (1) include the third party's financial statements as of the most recent fiscal year in the SAI, or (2) incorporate by reference such third party financial statements and deliver them with the SAI. This requirement would have been triggered when the guarantee related to securities

constituting 25% or more of the value of the trust's securities as of the date of deposit in the trust. A number of commenters objected to this provision. They asserted, among other things, that this requirement would not further investor protection and that the possibility of being subjected to liability for the accuracy of third party financial statements would cause UIT sponsors to stop offering UITs which required such financial statements. Finally, several commenters suggested that the Commission continue its current practice of allowing UIT sponsors to state in the prospectus that the financial statements of third party guarantors are available upon request.

UITs, whose units or portfolio securities are materially affected by the presence of insurance or guarantees, should include the financial statements of the third parties providing those assurances in their registration statement so that investors can assess the increased safety added by those assurances. Accordingly, the repropoed form would require the financial statements of third party insurers as well as third party guarantors, when the third party provides insurance or a guarantee relating to 10% or more of the portfolio in cases where 25% or more of the value of the portfolio is guaranteed or insured as of the date of deposit in the trust. The Commission did not originally propose to require that the financial statements of UIT insurers be included in the registration statement. However, because insurance serves the same purpose as a guarantee, third party guarantors and third party insurers should be treated similarly. Third party financial statements would be included in Part II of the registration statement or incorporated by reference into Part II.¹³ In either situation, the registrant would have to supply third party financial statements to investors upon request and at no charge. While third party financial statements would be a part of the registration statement, they need not be placed in the prospectus. In the interest of maintaining a short, readable prospectus, the portfolio schedule would contain information about the third party assurance and would disclose the

¹³ Of course, this requirement would result in potential liability under section 11 of the Securities Act for the sponsor with respect to the third party financial statements. The Commission appreciates registrants' concerns over the liability they might incur for third party financial statements. As discussed below, however, requiring third party financial statements in the UIT registration statement is consistent with Commission practice with respect to non-investment company issuers.

¹¹ Under section 24(e) of the 1940 Act [15 U.S.C. 80a-24(e)], a UIT can amend its Securities Act registration statement after its effective date to increase the shares sold under that statement.

¹² A sponsor that is also the market maker would be required to disclose in response to Item 12, the procedures used for valuing units when making a market in these units.

availability of the third party's financial statements.

Because of the importance of third party assurances in the investment decision of UIT purchasers, and because the assurances often relate to all or a significant part of the securities of a trust, it is appropriate to require that these financial statements be made part of the registration statement. In fact, the third party assurance may be the critical factor in the investment decision. In some cases, it is the existence of the third party assurance that raises the rating of the portfolio security to investment grade. Requiring third party financial statements in UIT registration statements would be consistent with non-investment company registration statements for which the financial statements of each guarantor of any class of securities of a registrant must be included in the registration statement.¹⁴ These financial statements are necessary for an assessment by the investor of the third party guarantor or insurer to satisfy its commitment in the event of default of a portfolio security of the registrant.

III. Proposed Rule Amendments and Other Alternatives

One commenter suggested that the Commission could further reduce the paperwork burden on UITs by permitting them to offer and sell securities on a delayed or continuous basis ("shelf registration") under Securities Act Rule 415 [17 CFR 230.415]. The commenter suggested that UIT shelf registrations cover, at the registrant's option, some or all series of a UIT registered under the 1940 Act. The commenter suggested that a shelf registration statement for UITs contain a preliminary prospectus only for the first series to be offered under that registration statement. Thereafter, the registrant could apparently offer units of participation by the subsequent series of the same trust under the shelf registration without filing a registration statement for each series. The prospectus for each series would become part of the registration statement through the filing of a post-effective amendment, just as prospectuses used in Rule 415 offerings are filed as part of the registration statement. The commenter also proposed that Rule 415 be amended to permit UITs to register an indefinite number of securities instead of the definite number now required by Rule 415.

¹⁴ 17 CFR 210.3-10. See Rel. No. 33-6359 (Nov. 6, 1981).

Reproposed Form N-7 and the related rule amendments are designed to promote the development of a shorter and more readable prospectus for each UIT series and at the same time provide UITs many benefits similar to those available to issuers under Rule 415. Developing shelf registration under Rule 415 for UITs would involve significant legal, practical, and policy issues and likely would require revision of many existing rules and procedures. Nonetheless, the Commission requests comment on whether Rule 415 shelf registration for UITs would offer significantly greater benefits to UITs and investors than the Commission's current proposals, and would warrant developing new proposals for UIT shelf procedures in lieu of adopting the instant proposals. Commenters should consider how registration procedures operate under Rule 415 and Rule 487, the Commission's goal of brief and more readable UIT prospectuses, and the Commission's long-held view that each UIT series is a separate Securities Act issuer. The Commission also requests comment on further modifications to Rule 485. These matters are discussed below.

A. Shelf Registration under Rule 415—Current Practice

Rule 415 permits a qualified issuer to sell securities to the public from time to time as market conditions dictate based on a previously effective registration statement that remains effective.¹⁵ The issuer must file the prospectus used in an offering with the Commission within five days after commencement of the offering.¹⁶ Information concerning shelf offerings is reported on the company's Form 8-K, 10-Q, and 10-K under the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.] ("1934 Act").

Shelf registrants whose offerings most closely resemble those of UITs are issuers of interests in a pool of mortgage or mortgage-related securities ("MRS"). Under Rule 415, a typical MRS issuer will register a large quantity of securities using a registration statement containing what is referred to as a core prospectus. The core prospectus is a

¹⁵ Rule 415 permits a typical shelf issuer to register an amount to securities that the issuer reasonably expects to sell within two years from the effective date of the registration statement [17 CFR 230.415(a)(2)]. Issuers of mortgage-related securities (discussed *infra*) are not subject to this two year limitation.

¹⁶ Under proposed Rule 430A and related amendments to Rule 424, the prospectus containing the Rule 430A information must be filed on the date of first use in connection with a public offering or sale and in no event later than five days after effectiveness. See Rel. Nos. 33-6672, IC-15373 (Oct. 27, 1986).

lengthy document, often as long as seventy pages,¹⁷ that contains disclosure about each type of mortgage that could constitute part of a pool later to be offered. Each possible offering under the core prospectus is supplemented by an offering-specific document which describes in greater detail the specifics of that particular offering. The offering-specific document, along with the core prospectus, is used as the preliminary "red herring" prospectus to solicit indications of interests in specific offerings to be made by the issuer. The MRS issuer generally solicits interest in a specific shelf offering without first assembling the portfolio of mortgages or mortgage-related securities. When the offering is fully subscribed and sales have begun, the issuer delivers the offering-specific document to the investor at the time of sale and to the Commission within five days after the effective date of the registration statement or the commencement of the public offering, whichever occurs later. The offering-specific document generally describes the type, yield, and maturity of the mortgages that will constitute the pool, and is often an additional twelve to twenty pages long. Although investors know what type of mortgage-related security the issuer intends to purchase with the proceeds, because the offering specific document does not identify specific mortgages or mortgage-related securities, investors, in effect, purchase interests in an unidentified pool of collateralized mortgages. MRS shelf offerings are usually marketed to institutional investors rather than "retail" investors or members of the general investing public.

B. Rule 487—Current Practice

Like Rule 415, Rule 487 gives issuers control over when offerings are brought to market and allows those decisions to be based more on market and business factors than on Commission registration requirements. After the registration statement of the first series of a UIT becomes effective,¹⁸ Rule 487 permits a

¹⁷ When it proposed a simplified prospectus for mutual funds, the Commission stated that under normal circumstances a mutual fund prospectus need not exceed twelve pages. See Rel. Nos. 33-6447; IC-12927 (December 21, 1982). The Commission believes readable UIT prospectuses of similar length will be possible after the adoption of Form N-7 even though the Commission recognizes that each series of a UIT would be required to have its own prospectus.

¹⁸ This first series of a UIT must be filed in a manner that permits a full review by Commission staff prior to the effectiveness of the registration statement.

UIT to choose the date and time for the registration statement of each subsequent series to become effective, if the registrant identifies a previous registration statement of a series that has been declared effective by the Commission and represents to the Commission that there are no material differences between the previous and current offerings.

Currently, a UIT bringing a new series to the market makes an initial filing under Rule 460 [17 CFR 230.460] with the Commission which it can use as a preliminary "red herring" prospectus to gather solicitations of interest.¹⁹ For this reason, and to comply with state filing requirements,²⁰ a UIT sponsor may have several series in registration at any one time whose registration statements are not yet effective. When the series has been fully subscribed or market conditions dictate, the sponsor will file its pricing amendment with an updated registration statement under Rule 487 and designate the effective time and date of the registration statement.²¹ This filing includes the portfolio schedule of the UIT, which must have a portfolio of specified securities at the time of sale. Unlike MRS trusts under Rule 415, a UIT cannot be sold as an unidentified pool. Finally, a UIT must make a third filing to file its definitive prospectus.²²

C. Rule 415 Approach—Request for Comments

Although Rule 487, like Rule 415, permits issuers to time the sale of securities to market conditions, the Commission requests comment on whether greater reductions in filing and disclosure burdens can be realized for UITs by developing a shelf registration system similar to that of Rule 415. Any shelf registration rule for UITs would need to be consistent with the Commission's goal of creating simplified investment company prospectuses. A major purpose in the reproposal of Form N-7 has been to shorten and simplify the

¹⁹ A UIT will typically use the prospectus of the last effective series with a sticker representing that the new series will not materially differ.

²⁰ Most states require a UIT to have been in registration with the Commission for at least ten days before the series can be sold in the state. The Commission requests comment on whether shelf registration for UITs under Rule 415 would be consistent with and accommodated by state law registration and fee payment requirements.

²¹ The sponsor may choose to have the registration statement become effective upon the filing of the Rule 487 pricing amendment.

²² Currently, a UIT can file its definitive prospectus under either Rule 424 or Rule 487. The Commission recently proposed to amend Rule 424 to make Rule 487 the exclusive prospectus filing rule for investment companies. See Rel. Nos. 33-6660, IC-15315 (Sept. 17, 1986).

prospectus for each series offered by a UIT to make it more readable and understandable by, among other things, re-allocating series-specific information from the generic to the specific portion of the prospectus. A long core prospectus, of the type now used by MRS issuers, is not consistent with the goal of investment company prospectus simplification and may not be appropriate for retail investors who purchase UIT securities.

The Commission requests that commenters take into account the nature of the typical UIT investor in their discussion of shelf registration and consider whether Part I-g of repropoed Form N-7, the generic portion of the prospectus, would operate effectively as a core prospectus for UITs. The Commission requests comment on whether reporting requirements, under the 1934 Act or otherwise, should be established for UITs if shelf registration is permitted.²³

A shelf rule for UITs also would have to be harmonized with the Commission's longstanding position that each series of a UIT as well as the UIT sponsor (see note 2 *supra*) is a separate issuer under the Securities Act.²⁴ This has not been a

²³ Section 30(d) of the 1940 Act [15 U.S.C. 80a-30(d)] gives the Commission the authority to require all investment companies to provide, at least semi-annually, reports to shareholders. It has adopted rules which require only management investment companies, and UITs that invest only in one management investment company, to provide reports to shareholders [17 CFR 270.30d-1, 30d-2]. The trustee of a UIT, however, provides unit holders with an annual report as a matter of practice. Commission rules currently allow a UIT to satisfy its requirements to file periodic reports with the Commission under both the 1934 Act and the 1940 Act by filing Form N-SAR. See Rule 30a-1 [17 CFR 270.30a-1].

Some MRS issuers file abbreviated annual reports on Form 10-K but do not file quarterly reports on Form 10-Q. Instead, these issuers file a monthly report under cover of Form 8-K in which the trustee provides information concerning the assets held in the trust. These issuers must file this information because the sponsor sells interest in a trust without first designating the specific securities that will constitute the trust. Because the 1940 Act requires a UIT to consist of a pool of specified securities at the time the registration statement of each series becomes effective, the Form 8-K filing procedure used by MRS trusts would not be an appropriate means for UITs to provide investors with information identifying their portfolios. In view of this essential difference between MRS trusts and UITs, the Commission requests comment on how a shelf registration rule for UITs could be developed so that the portfolio schedule specifying the portfolio securities is available to investors at the time of the offering.

²⁴ The Commission restated this position when it adopted Rule 487. See Rel. Nos. 33-6401, IC-12423 (May 7, 1982).

concern under Rule 415 because, in most cases, all the securities offered under a shelf registration are issued by a single issuer.²⁵ Commenters who discuss the development of a shelf rule for UITs should address the following issues: (1) Whether the separate issuer status of both the series and the sponsor of a UIT can be reconciled with the Rule 415 approach that appears to rely on the concept of a single issuer; (2) whether any increased sponsor liability would result from a shelf rule for UITs that treats only the sponsor as the issuer; (3) how separate prospectuses for each series in which a secondary market is being made would be kept current under a shelf registration rule and what type of filing procedures would be needed to track each series;²⁶ and (4) the impact of requiring a UIT to pay its registration fees for all securities which are expected to be sold under a shelf registration at the time the registration statement is initially filed.²⁷

D. Proposed Rule 487 Approach—Request for Comments

An alternative method of achieving one of the principal benefits of shelf registration, permitting UIT issuers to avoid the paperwork burden associated with making a registration statement effective immediately prior to offering securities, may be available. While the Commission is not publishing the text of a rule amendment, it is proposing to amend Rule 487 to achieve further efficiencies for UIT sponsors within the current regulatory framework and accomplish the Commission's goal of regulatory framework and accomplish the Commission's goal of simplified UIT prospectuses, and its requests comment on this proposal. The discussion below describes the background for, and substance of, the proposed amendment to Rule 487.

²⁵ On the other hand, certain MRS issuers rely on Rule 415 to make shelf registrations for periodic offering of securities in cases where each offering involves the creation of a discrete trust containing the pool of securities forming the basis for the MRS offering. For 1934 Act reporting purposes, each new trust files as a separate issuer. While each offering proceeds on the basis of a Rule 424 prospectus without a new Securities Act registration statement identifying the new trust as an issuer, it might be argued that each trust involved is a separate issuer for purposes of the Securities Act as well.

²⁶ A sponsor which maintains a secondary market in units of any particular series must have a current prospectus under section 10(a)(3) of the Securities Act for that series.

²⁷ Proposed Rule 24f-3, which would simplify UIT fee payment provisions, was developed within the existing UIT registration framework. Currently, issuers under Rule 415 pay their registration fees at the time the initial registration statement is filed.

Because the registration statement of a series filed under Rule 487 is not reviewed by the staff, the Commission believes that the amount of material filed under Rule 487 could be significantly reduced by permitting a filing made under that rule to consist of (1) the facing sheet of the registration statement, (2) undertakings to prospectively incorporate by reference the definitive prospectus²⁰ and any portion of Part II of the registration statement, such as the exhibits, which may be specific to the series being registered, and (3) those portions of Part II not specific to the series which could be incorporated by reference from the registration statement of a previous series. The Rule 487 filing also would have to contain the required signatures. The definitive prospectus and the series-specific exhibits would be filed within five days after commencement of the public offering under Rule 497(b). The series could thus avoid sending to the Commission copies of the new registration statement which now is filed at the time the pricing amendment is filed. This amendment would retain separate issuer status and liability and could result in only one printing of the registration statement for each series, the one that includes the definitive prospectus. Commenters should address means by which the requirement that a UIT contain a specific portfolio of securities at the time of sale could be enforced if Rule 487 filings are abbreviated. The Commission requests specific comments on anticipated cost savings as well as any technical drafting changes to Rule 487 and other rules applicable to UITs that would efficiently implement this proposal.

E. Previously Proposed Amendment To Rule 487

The Commission is deferring final action on a previously proposed amendment to Rule 487 under the Securities Act until it takes final action on the repropoed form and the new proposed amendments. Under the previously proposed amendment to Rule 487, sponsors of a trust which continuously create new "follow-on" series could no longer rely on Rule 487 indefinitely. Rather, after two years had elapsed since staff review of the one or more similar series, the next series could not become effective automatically pursuant to Rule 487, but would have to be filed for full staff review. The amendment, which received no negative

comment, would provide the staff with a more efficient mechanism to monitor UIT disclosure practices. For a complete discussion of the proposed amendment to Rule 487, see Part VI of Release 33-6580.

F. Other Proposed Rule Amendments

To implement Form N-7, the Commission is proposing technical amendments to Rules 8b-11 and 8b-12 under the 1940 Act and Rules 495 and 496 under the Securities Act.

IV. Guidelines

The draft Guidelines are being republished with minor revisions. Guide 3, which deals with restricted securities held by a trust, would be revised to continue the current practice which permits a UIT to invest up to 40%, under certain conditions, of the face amount of the portfolio securities of the trust in restricted securities. Restricted securities, for purposes of this guideline, are securities that cannot be sold publicly by the trustee without registration under the Securities Act. Guide 3, as originally proposed, would have contained a 25% limit on restricted securities.

Guides 4, 7, 10, and 20 have also been modified to incorporate the suggestions of a number of commenters.

V. Transition Period

Form N-7, if adopted, would replace Form N-8B-2 under the 1940 Act and Form S-6 under the Securities Act for UITs other than separate accounts. To ensure an orderly adjustment to the new form, the Commission expects to provide a one year transition period during which all registrants could use either the existing forms or the new form. When it adopted Forms N-1A, N-3, and N-4, the Commission provided for a one year transition period. After the expiration of the transition period, all UITs other than separate accounts would have to use Form N-7. The Commission solicits comment on the most efficient manner of handling the conversion, taking into consideration the burden on registrants and the need for the Commission and investors to have all UITs use the same form and provide comparable disclosures.

VI. Cost/Benefit of Proposed Action

The cost to registrants of compliance will vary considerably depending on several factors, e.g., whether the UIT is filing a new registration statement or an annual update of a previously effective registration statement (i.e., a post-effective amendment); whether the unit trust being registered presents novel and complex issues or is similar to other unit

trusts; and whether pre-effective amendments are required in response to staff comments.

Proposed Form N-7 should result in a reduction in preparation time for the registration statement of a UIT. The proposed form would (i) integrate the reporting and disclosure requirements of both the Securities Act and the 1940 Act for UITs into one disclosure document, (ii) shorten and simplify the prospectus delivered to investors, and (iii) encourage a generic portion of the prospectus which could be used for subsequent series that are sufficiently similar to the original series. The Commission estimated that a registrant will spend approximately 150 hours to complete Form N-7, as opposed to an estimate of 187 hours to complete Forms S-6 and N-8B-2, thereby reducing the overall burden of preparation of a registration statement for UITs by approximately 37 hours. The Commission believes that the amount of staff time required to review UIT filings on Form N-7 will be less than the amount of staff time currently required to review UIT filings on Form 7-8B-2 and S-6. The Commission requests comment on its assessment of the cost and benefits of the proposal, including specific estimates of any costs and benefits perceived by commenters.

VII. Summary of Initial Regulatory Flexibility Analysis

The Commission has prepared an Initial Regulatory Flexibility Act Analysis in accordance with 5 U.S.C. 603 regarding repropoed Form N-7. The Analysis considers the impact Form N-7 would have on small UITs and discusses alternatives considered by the Commission for small UITs. The Analysis notes that repropoed Form N-7 would (i) integrate the reporting and disclosure requirements of the Securities Act and the 1940 Act into one document; (ii) codify the disclosure standards that have been developed by the staff of the Commission for UITs; and (iii) shorten and simplify the prospectus now provided to investors. A copy of the Initial Regulatory Flexibility Analysis may be obtained by contacting Jay B. Gould, Securities and Exchange Commission, 450 Fifth Street, NW., Mail Stop 5-2, Washington, DC 20549.

List of Subjects

17-CFR Parts 230 and 239

Reporting and Recordkeeping Requirements and Securities:

²⁰ The concept of prospective incorporation by reference has been articulated by the Commission in connection with proposed Rule 430A. See Rel. Nos. 33-6872, IC-15373 (Oct. 27, 1986).

17 CFR Parts 270 and 274.

Investment Companies, Reporting and Recordkeeping Requirements and Securities.

Text of Rules and Form

The commission is proposing to amend Chapter II, Title 17 of the Code of Federal Regulations as follows:

PART 230—GENERAL RULES AND REGULATIONS, SECURITIES ACT OF 1933

1. The authority citation for Regulation C of Part 230 continues to read in part

Authority: Sections 230.400 to 230.499 issued under sections 8, 8, 10, 19, 48 Stat. 78, 79, 81, as amended, 85, as amended; 15 U.S.C. 77f, 77h, 77j, 77s. * * *

2. By proposing to revise paragraphs (a), (c), and (d) of § 230.495 as follows:

§ 230.495 Preparation of registration statement.

(a) A registration statement on Form N-1A, Form N-3, Form N-4, or Form N-7 shall consist of the facing sheet of the applicable form; a cross-reference sheet; a prospectus containing the information called for by such form; the list of exhibits, undertakings and signatures, and other information required to be set forth in such form; financial statements and schedules; exhibits; any other information of documents filed as part of the registration statement; and all documents or information incorporated by reference in the foregoing (whether or not required to be filed).

(c) In the case of a registration statement filed on Form N-1A, Form N-3, Form N-4, or Form N-7, Parts A and B (or Part I of Form N-7) shall contain the information called for by each of the items of the applicable Part, except that unless otherwise specified, no reference need be made to inapplicable items, and negative answers to any item may be omitted. Copies of Parts A and B (or Part I of Form N-7) may be filed as part of the registration statement in lieu of furnishing the information in item-and-answer form. Whenever such copies are filed in lieu of information in item-and-answer form, the text of the items of the form is to be omitted from the registration statement, as well as from Parts A and B (or Part I of Form N-7), except to the extent provided in paragraph (d) of this rule.

(d) In the case of a registration statement filed on Form N-1A, Form N-3, Form N-4, or Form N-7, where any item

of those forms calls for information not required to be included in Parts A and B (or Part I of Form N-7) (generally Part C or Part II of these forms) the text of such items, including the numbers and captions thereof, together with the answers thereto, shall be filed with Parts A and B (or Part I of Form N-7) under cover of the facing sheet of the form as a part of the registration statement. However, the text of these items may be omitted if the answers are prepared to show what the item covers. If an item is inapplicable, or the answer to it is negative, so state. Any financial statements not required in Parts A and B (or Part I of Form N-7) shall also be filed as part of the registration statement proper, unless incorporated by reference under Rule 411 (§ 230.411 of this chapter).

3. By proposing to revise § 230.496 as follows:

§ 230.496 Contents of prospectus used after nine months.

In the case of a registration statement filed on Form N-1A, Form N-3, Form N-4, or Form N-7 there may be omitted from any prospectus or, if applicable, Statement of Additional Information used more than 9 months after the effective date of the registration statement any information previously required to be contained in the prospectus or the Statement of Additional Information insofar as later information covering the same subjects, including, except in the case of a registration form filed on Form N-7, the latest available certified financial statements, as of a date not more than 18 months prior to the use of the prospectus or the Statement of Additional Information is contained therein.

PART 239—FORMS PRESCRIBED UNDER THE SECURITIES ACT OF 1933

4. The authority citation for Part 239 continues to read, in part,

Authority: The Securities Act of 1933, 15 U.S.C. 77a *et seq.* * * *

5. By adding § 239.16A to read as follows:

§ 239.16A. Form N-7, registration statement of unit investment trusts other than separate accounts of insurance companies.

Form N-7 shall be used for the registration under the Securities Act of 1933 of securities of unit investment trusts other than separate accounts of

insurance companies. This form shall be used for the registration of unit investment trusts other than separate accounts of insurance companies under Section 8(b) of the Investment Company Act of 1940 (§ 274.12A of this chapter).

PART 270—RULES AND REGULATIONS, INVESTMENT COMPANY ACT OF 1940

6. The authority citation for Part 270 continues to read, in part.

Authority: Secs. 38, 40; 54 Stat. 841, 842; 15 U.S.C. 80a-37. The Investment Company Act of 1940, as amended, 15 U.S.C. 80-1 *et seq.*

7. By proposing to revise paragraph (b) of § 270.8b-11 as follows:

§ 270.8b-11 Number of copies—signatures—binding.

b. In the case of a registration statement filed on Form N-1A, Form N-3, Form N-4, or Form N-7, three complete copies of each part of the registration statement (including, if applicable, exhibits and all other papers and documents filed as part of Part C (or Part II of Form N-7) of the registration statement) shall be filed with the Commission.

8. By proposing to revise paragraph (b) of § 270.8b-12 as follows:

§ 270.8b-12 Requirements as to paper, printing and language.

(b) In the case of a registration statement filed on Form N-1A, Form N-3, Form N-4, or Form N-7, Part C of Form N-1A, Form N-3, Form N-4, and Part II of Form N-7 of the registration statement shall be filed on good quality, unglazed, white paper, no larger than 8½ by 11 inches in size, insofar as practicable. The prospectus and, if applicable, the Statement of Additional Information, however, may be filed on smaller-sized paper provided that the size of paper used in each document is uniform.

PART 274—FORMS PRESCRIBED UNDER THE INVESTMENT COMPANY ACT OF 1940

9. The authority citation for Part 274 continues to read, in part.

Authority: The Investment Company Act of 1940, 15 U.S.C. 80a-1 *et seq.*

10. By proposing to add § 274.12A to read as follows:

§ 274.12A Form N-7, registration statement of unit investment trusts other than separate accounts of insurance companies.

Form N-7 shall be used as a registration statement to be filed under section 8(b) of the Investment Company Act of 1940 by unit investment trusts other than separate accounts of insurance companies. This form shall be used for registration under the Securities Act of 1933 of the securities of unit investment trusts other than separate accounts of insurance companies.

By the Commission.

Jonathan G. Katz,

Secretary.

March 9, 1987.

BILLING CODE 8010-01-M

FORM N-7

U.S. Securities and Exchange Commission
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0338
Expires: Pending Action

File Number:
811- | 33- | 2-

(Check appropriate box or boxes.)

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Pre-Effective Amendment No. _____

Post-Effective Amendment No. _____

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940

Amendment No. _____

Exact Name of Registrant:

Exact Name of the Trust as Registered Under the 1940 Act:

Name of Sponsor:

Address of Sponsor's Principal Executive Offices, including Zip Code:

Sponsor's Telephone No.
including Area Code:

Name and Address of Agent for Service, including Zip Code:

Approximate Date of Proposed Public
Offering:

[If the registration statement is filed pursuant to Rule 487, include the following information:]

It is proposed that this filing will become effective on (date) at (time) pursuant to Rule 487:

[If the registration statement is filed as a post-effective amendment, include the following information:]

It is proposed that this filing will become effective: (check appropriate box)

Immediately upon filing pursuant to
paragraph (b) of Rule 485

60 days after filing pursuant to
paragraph (a) of Rule 485

on (date) _____ pursuant to
paragraph (b) of Rule 485

on (date) _____ pursuant to
paragraph (a) of Rule 485

Calculation of Registration Fee under the Securities Act of 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee

Instructions:

The "Approximate Date of Proposed Public Offering" and the table showing Calculation of Registration Fee under the Securities Act of 1933 should be included when securities are being registered under the Securities Act of 1933.

Registrants that are registering an indefinite number of securities for sale in the secondary market under the Securities Act of 1933 pursuant to [proposed] Investment Company Act Rule 24f-3 should include the declaration required by Rule 24f-3(a) (1) on the facing sheet, instead of, or in addition to, the Securities Act registration fee table.

Fill in the 811-_____, and 33-_____, or 2-_____ blanks only if these filing numbers (for the Investment Company Act of 1940 registration and the Securities Act of 1933 registration respectively) have already been assigned by the Securities and Exchange Commission in the course of previous filings. If a single form is used to register more than one series or portfolio under the Securities Act of 1933, list each 33-_____ or 2-_____ number assigned.

Contents of Form N-7

	<u>Page</u>
General Instructions	
A. Who May Use Form N-7.....	
B. Registration Fees.....	
C. Number of Copies.....	
D. Special Terms.....	
E. Application of General Rules and Regulations.....	
F. Amendments.....	
G. Incorporation by Reference.....	
H. Documents Comprising the Registration Statement or Amendment.....	
I. Preparation of the Registration Statement or Amendment.....	
J. Issuers of Periodic Payment Plans.....	
 Part I-s Information Specific to a Series of a Trust Required in a Prospectus	
Item 1. Cover Page.....	
Item 2. Summary Information.....	
Item 3. Portfolio Schedule.....	
Item 4. Financial Statements.....	
Item 5. Risk Disclosure.....	
Item 6. Tax Status and Consequences.....	
Item 7. Underwriters.....	
 Part I-g General Information about a Trust Required in a Prospectus	
Item 8. Table of Contents.....	
Item 9. General Description of the Trust.....	
Item 10. General Description of the Trustee and Sponsor.....	
Item 11. Purchase of Securities Being Offered.....	
Item 12. Redemption and Repurchase of Securities Being Offered.....	
 Part II. Other Information	
Item 13. Exhibits.....	
Item 14. Directors and Officers of the Sponsor.....	
Item 15. Indemnification.....	
Item 16. Third Party Financial Statements.....	
Item 17. Location of Accounts and Records.....	
Item 18. Management Services.....	
 Signatures.....	
Appendix.....	

General Instructions

A. Who May Use Form N-7

Form N-7 shall be used by all unit investment trusts, except for insurance company separate accounts, for filing: (i) an initial registration statement under Section 8(b) of the Investment Company Act of 1940 Act ("1940 Act") [15 U.S.C. 80a-8(b)] and any amendments to it; (ii) a registration statement under the Securities Act of 1933 ("Securities Act") and any amendments to it; or (iii) any combination of the above 1940 Act and Securities Act filings.

B. Registration Fees

Section 6(b) of the Securities Act [15 U.S.C. 77f(b)] and Rule 457 [17 CFR 230.457] set forth the fee requirements under the Securities Act. Rule 8b-6 under the 1940 Act [17 CFR 270.8b-6] sets forth the fee for filing an initial registration statement under that Act. The 1940 Act fee is in addition to the fee required under the Securities Act but is only required for the initial registration of a trust on Form N-7. Registrants that are increasing the amount of securities registered are directed to Rule 24e-2 [17 CFR 270.24e-2] under the 1940 Act to compute the filing fee. Registrants that are registering an indefinite amount of their securities for secondary market purposes are directed to [proposed] Rule 24f-3, under the 1940 Act.

C. Number of Copies

Filings of registration statements on Form N-7 shall contain the number of copies specified in Securities Act Rule 402 [17 CFR 230.402], except that seven additional copies of the registration statement shall be furnished to the Commission, instead of the ten additional copies required by Rule 402(b).

Filings of amendments on Form N-7 shall contain the number of copies specified in Securities Act Rule 472 [17 CFR 230.472], except that there shall be filed with the Commission three additional copies of such amendment, two of which shall be marked to indicate clearly and precisely, by underlining or in some other appropriate manner, the changes made in the registration statement by the amendment, instead of the eight additional copies with at least five marked as required by Rule 472(a) [17 CFR 230.472(a)].

D. Special Terms

1. **Trust.** The term "trust" means a unit investment trust as defined in Section 4(2) of the 1940 Act [15 U.S.C. 80a-4(2)]. Unless the context indicates otherwise, the term "trust" refers to the unit investment trust series on behalf of which the Securities Act registration statement is filed.
2. **Sponsor.** The term "sponsor" means the person primarily responsible for the organization of the Registrant or who has continuing responsibilities for the administration of the affairs of the Registrant other than as a trustee or custodian. The term includes the depositor of the Registrant. If there is more than one sponsor, the information called for in this form about the sponsor shall be provided for each sponsor.
3. **Unit Holder.** The term "unit holder" means the holder of a security or securities representing an undivided interest in a unit investment trust.
4. **Portfolio Company or Portfolio Security.** The terms "portfolio company" or "portfolio security" mean specifically any company or security in which the Registrant invests.

- E. **Application of General Rules and Regulations.** If the registration statement is being filed under both the Securities Act and 1940 Act or under the Securities Act only, the General Rules and Regulations under the Securities Act, particularly Regulation C [17 CFR 230.400-497], shall apply, and compliance with them will be deemed to meet any corresponding rules for registration under the 1940 Act. However, if the registration statement is being filed only under the 1940 Act, the General Rules and Regulations under that Act, particularly Regulation 8b-1 to 8b-32 [17 CFR 270.8b-1 to 8b-32], shall apply.

F. Amendments

Where Form N-7 has been used to file a registration statement under both the Securities Act and 1940 Act, any amendments of that registration statement shall be deemed to be filed under both Acts unless otherwise indicated on the facing sheet.

G. Incorporation by Reference

Rule 411 under the Securities Act [17 CFR 230.411], and Rules 0-4, 8b-23, 8b-24, and 8b-32 under the 1940 Act [17 CFR 270.0-4, 270.8b-23, 270.8b-24, and 270.8b-32] contain guidance on incorporating information or documents by reference into a registration statement. In general, a Registrant may incorporate by reference in the answer to any item of Form N-7 not required to be in the prospectus, any information elsewhere in the registration statement, or in other statements, applications, or reports filed with the Commission.

Registrants incorporating by reference third party financial statements in response to Item 16(b) also must inform investors that the financial information contained in that item; third party financial statements, is available from the Registrant upon request and at no charge.

The rules on incorporation by reference under both the Securities Act and the 1940 Act are subject to the limitations of Rule 24 of the Commission's Rules of Practice [17 CFR 201.24]. Since Rule 24 may be amended from time to time, Registrants are advised to review the rule prior to incorporating by reference any document as an exhibit to a registration statement.

H. Documents Comprising Registration Statement or Amendment

1. A registration statement or an amendment to it filed under both the Securities Act and 1940 Act shall consist of the facing sheet of the Form; the cross-reference sheet required by Rule 495(a) under the Securities Act [17 CFR 230.495(a)]; responses to Part I (or Parts I-s and I-g, if the prospectus is prepared in two parts) and Part II of Form N-7; required signatures; all other documents or information filed as a part of the registration statement; and all documents or information incorporated by reference in the foregoing (whether or not required to be filed).
2. A registration statement or an amendment to it which is filed under only the Securities Act shall contain all the information and documents specified in paragraph 1 of this Instruction H, except for an amendment to a Securities Act registration statement filed only under Sections 24(e) or (f) of the 1940 Act [15 U.S.C. 80a-24(e), 80a-24(f)].
3. An amendment to a Securities Act registration statement filed only to register additional securities under Section 24(e) of the 1940 Act or an indefinite number of securities for secondary market purposes under Section 24(f) of the 1940 Act need only consist of the facing sheet of the Form, required signatures, and, if filed pursuant to Section 24(e) of the 1940 Act, an opinion of counsel as to the legality of the securities being registered. Registrants are reminded that an opinion of counsel must accompany a [proposed] "Rule 24F-3 Notice" filed by Registrants that have registered an indefinite number of their securities.
4. A registration statement or an amendment to it which is filed under only the 1940 Act shall consist of the facing sheet of the Form, a cross-reference sheet, responses to all items of Parts I-s and I-g except Item 1, responses to all items of Part II except Item 13 (4) and (7)-(12), required signatures, all other documents or information filed as part of the registration statement and all documents or information incorporated by reference in the foregoing (whether or not required to be filed).

I. Preparation of the Registration Statement or Amendment

Form N-7 has two parts. Part I relates to the prospectus required by Section 10(a) of the Securities Act; Part II relates to other information that must be in the registration statement.

The Prospectus: Parts I-s and I-g

The purpose of the prospectus is to provide material information about the Registrant and its securities in a way that will help investors decide whether to buy the securities being offered. The prospectus should be clear and concise. Avoid the use of technical or legal terms, complex language, or excessive detail.

Any trust whose series are eligible to file a Securities Act registration statement under Rule 487 [17 CFR 230.487] of the Securities Act may structure the prospectus of each of those eligible series to consist of two parts. If a trust does so, then, except as otherwise stated herein, the first part of the prospectus shall consist of the information required by Part I-s.

Part I-s requires disclosure of the risks peculiar to that trust series, including the credit worthiness of the issuers the trust invests in, any novel or unusual features of the securities deposited in that series, and any risks related to the composition of the portfolio, e.g., concentration. If risk disclosure for the types of securities which may be included in the trust appears in Part I-g, provide in Part I-s a cross-reference to Item 9 of Part I-g.

The second part of the prospectus ("Part I-g") shall consist of all disclosure items which apply to all series of a trust, including general risk disclosures about securities.

Parts I-s and I-g must be delivered together. If the two parts are not affixed, both parts must include prominent captions and a legend stating that the prospectus consists of two parts. Registrants are reminded that failure to deliver both parts of the prospectus would violate Sections 5 and 10 of the Securities Act, and create a right of rescission for any purchaser under Section 12 of the Securities Act [15 U.S.C 771].

General Instructions for Parts I-s and I-g

1. The information in the prospectus should be arranged to make it easy to understand the organization and operation of the Registrant. Descriptions of practices that are required by law generally should not include detailed discussions of the law itself. If the registrant prepares the prospectus in two parts, the information required by Parts I-s and I-g should substantially follow the contents of the Form for those parts. Items 1 and 2 must be the first two items in the prospectus. Responses to items that use terms such as "list" or "identify" should include a minimum of explanation or description.
2. The prospectus may contain more information than called for by this Form, provided that the information is not incomplete, inaccurate, or misleading and does not, because of its nature, quantity, or manner of presentation obscure or impede understanding of required information. Please note paragraph 4 below - "Instructions for charts, graphs, tables and sales literature."
3. The statutory provisions relating to the dating of the prospectus apply equally to the dating of Item 16 of Part II for purposes of Rule 423 under the Securities Act [17 CFR 230.423]. Further, Item 16 of Part II, Third Party Financial Statements, should be made available at the same time that the prospectus becomes available for purposes of Rules 430 and 460 under the Securities Act [17 CFR 230.430, 230.460].
4. Instructions for charts, graphs, tables, and sales literature:
 - (a) A Registration Statement on this Form may include any chart, graph, or table that is not misleading.

- (b) If "sales literature" is included in the prospectus, the issuer should be aware of the following:
- (1) sales literature should not be of such quantity as to significantly lengthen the prospectus, and it should not be so placed as to obscure essential disclosure; and
 - (2) members of the National Association of Securities Dealers, Inc. ("NASD") are not relieved of the filing and other requirements of the NASD for investment company sales literature (See Securities Act Rel. NO. 5359 (January 26, 1973) [38 FR 7220 (March 19, 1973)]).

J. Issuers of Periodic Payment Plans

A unit investment trust that issues periodic payment plan certificates using Form N-7 also must comply with all instructions and required disclosures specified in the Appendix to Form N-7.

PART I - INFORMATION REQUIRED IN A PROSPECTUS

Part I-s Information Specific to a Series of a Trust Required in a Prospectus

Item 1. Cover Page

- (a) The outside cover page must contain the following information:
- (i) the Registrant's name;
 - (ii) the sponsor's name;
 - (iii) an identification of the type of unit investment trust, e.g., tax-exempt bond trust, corporate bond trust, or a brief statement of Registrant's investment objective(s);
 - (iv) a statement or statements that (A) the prospectus sets forth information about the Registrant that a prospective investor ought to know before investing; (B) the prospectus should be retained for future reference; and (C) a Part II, Other Information and Exhibits about the Registrant, has been filed with the Commission. If financial statements of any third party are required in the registration statement under Item 16, the statement should explain that these financial statements are included in Part II and are available from the Registrant without charge to investors upon written or oral request;
 - (v) If the prospectus consists of two parts, a statement to that effect and a brief description of each part including a reference to the trust or type of series to which Part I-g applies;
 - (vi) the date of the prospectus and the date of Part II, Other Information;
 - (vii) the statement required by Rule 481(b) (1) [17 CFR 230.481(b) (1)] under the Securities Act; and
 - (viii) such other items of information as are required by rules of the Commission;
- (b) The cover page may include other information, but any additional information should not, either by its nature, quantity, or manner of presentation, obscure or impede understanding of the information required to be presented.

Item 2. Summary Information

Provide at least the following summary information regarding the series as of the date of the financial statements for the initial offering of trust units. For filings of amendments other than those related to the initial offering, provide the information as of a date not more than 45 days before the date of filing.

Summary Information

1. Number of units outstanding.

3. Prices per unit:

- (a) public offering price on initial offering;
- (b) sales charge on initial offering;
- (c) public offering price in secondary market offering;
- (d) sales charge in secondary market offering;
- (e) repurchase price of sponsor;
- (f) redemption price; and
- (g) any provisions for reduction of unitholders' account by trustee or charges for reinvestment of dividends or other distributions.

4. Third party enhancements

If the portfolio securities of the Registrant or units offered by the Registrant have received a rating from a rating organization that has been affected by any third party insurance or guarantee made with respect to the deposit or holding of the securities in the trust series, so state.

5. Estimated current return
6. Fees and expenses
 - (a) trustee's annual fee;
 - (b) sponsor's annual fee;
 - (c) evaluator's annual fee;
 - (d) insurance premiums or guarantee expenses on portfolio securities;
 - (e) any other significant fee or expense; and
 - (f) total fees and expenses.
7. Distributions
 - (a) brief description;
 - (b) frequency; and
 - (c) minimum distribution (if any).
8. Valuation
 - (a) evaluator's name; and
 - (b) a description of any affiliation with the sponsor or trustee.
9. Purchase and redemption of units
Briefly state the procedures for purchase and redemption of units by investors.
10. Termination
 - (a) mandatory termination date; and
 - (b) conditions for earlier termination.

Instructions

Item 2, No. 3:

Indicate briefly the components of the public offering price. State the sales charge both as a percentage of the public offering price and as a percentage of the net amount invested. If calculated differently from the initial offering, state the public offering price and sales charge for sales of units in the secondary market. Describe in a footnote any provisions relating to accrued interest.

If accrued interest earned by the portfolio securities is not remitted to unit holders until units are redeemed or the trust is liquidated, the amount of accrued interest should be included in or added to the cost of purchase. Any accrued interest should be included in the divisor in the computation of estimated current return.

Item 2, No. 5:

Briefly indicate how estimated current return is calculated. State any qualifications related to this calculation, including the use of estimates and any circumstances that would subject the calculation to revision and provide per unit amounts of estimated total annual interest income and total annual expenses in the text. If the inclusion of when-issued securities or delayed delivery contracts in the trust will affect total annual interest income and/or current estimated return, briefly discuss those effects. If the impact of when-issued securities or delayed delivery contracts results in a lower estimated current return for initial investors than for later investors, use the lower amount in response to this item until all securities are in the portfolio, although the higher amount may be stated in a footnote. After all securities are delivered to the portfolio, the prospectus may be amended to show the higher amount.

Item 2, No. 6

In describing significant expenses, briefly identify the services provided, the persons providing the services, the basis on which payments are or will be made, and the amount of the expenses incurred annually, expressed as a percentage of net assets. A significant expense for purposes of this item includes any expense which represents more than 5% of total expenses. For a series which has not previously had an effective registration statement, the Registrant may provide an estimate of expenses.

If any person, other than the sponsor or trustee, such as a bank, broker-dealer, financial planner, or investment adviser, with the Registrant's knowledge, imposes any additional charges in connection with purchases, include a statement to that effect and a brief description of the charge.

Item 3. Portfolio Schedule

- (a) Provide an audited schedule of investments, as of the date of the financial statements required by Item 4, in the tabular form indicated below:

Name of Issuer and Title of Security	Number of Shares or Aggregate Principal Amount	Date of Maturity	Redemption Value	Coupon Rate of Security	Security Rating
--------------------------------------	--	------------------	------------------	-------------------------	-----------------

- (b) Discuss, as applicable, in a footnote to the table, the value of each security exclusive of any feature that adds value to the security only while held by the trust and the reasons for the difference in value.
- (c) If applicable, discuss the trust's policies with respect to the deposit of units of other trusts in the trust portfolio [See Rule 14a-3 17 CFR 270.14a-3].
- (d) Briefly describe procedures for valuation of portfolio securities, including valuation of any insurance, guarantee, or other feature related to the portfolio securities.
- (e) Discuss any insurance or guarantee of payments of principal or interest, or both, of the portfolio securities, including the scope of the insurance or guarantee and the name of the insurer or guarantor. If applicable, state that the financial statements required by Item 16(b) are available from the Registrant upon request at no charge to investors.
- (f) List the percentage of securities purchased on a when-issued basis or by delayed delivery contract, as a note to the schedule of investments, until the delivery of such securities has occurred. Asterisk these securities in the portfolio schedule. Briefly discuss the nature of the securities and what the trust will do if the securities are not issued or delivery is delayed beyond the expected delivery date. Indicate when the value of trust assets will be "at risk" with respect to market price fluctuations. Discuss any adjustment of estimated current return as a result of purchasing these kinds of securities and the potential tax consequences to investors. If there are any provisions for offsetting the trustee's or sponsor's fee, so state, and briefly describe the tax consequences.

Instruction to Item 3(a):

- (i) List as a separate line of the schedule of investments the units of each previously issued unit investment trust series deposited in the trust.
- (ii) List in a note to the schedule the percentage of the aggregate market value of the trust of each type of security, e.g., industrial revenue bonds, electric utility bonds, general obligation bonds.
- (iii) State in a note to the schedule whether the yield is current yield or yield to maturity.
- (iv) If the trust's investment objective(s) or policies limit investment to securities with a minimum rating grade or of investment grade quality, provide a securities rating (or representation of the sponsor as indicated below) for each individual debt security, convertible debt security, or preferred stock held in the trust portfolio. Investment grade securities would include the four highest rating grades of a nationally recognized statistical rating organization, or securities with investment characteristics equivalent to the investment characteristics of such top rated securities. Provide the name of the rating organization whose rating is disclosed as a note to the schedule of investments. List in a note to the schedule the percentage of the aggregate market value of the trust of each rating grade of security. Provide a cross reference to the ratings information required by Item 9(d).
- (v) In any prospectus used during the initial offering, provide the aggregate profit (or loss) of the sponsor with respect to the deposit of securities in the series.
- (vi) List the percentage of portfolio securities deposited in the series in which the sponsor(s) was a manager, co-manager, or member of the syndicate underwriting the issuance of those securities, and identify them individually by asterisk in the first column of the portfolio schedule.

Item 4. Financial Statements

- (a) (1) Initial Offering. Any prospectus used in the initial offering by any series shall contain an audited balance sheet or statement of assets and liabilities as of the end of the most recent fiscal year.
- (11) The prospectus of any series which has not previously had an effective Registration Statement under the Securities Act but has an operating history, shall also include the additional financial statements required by Item 4(b) below as of a date within 90 days prior to the date of filing.
- (c) First Updated Prospectus. Any prospectus used by a Registrant twenty months or more after the date of the effective date of its initial offering, and until the balance sheet required below no longer meets the requirements of Section 10(a) (3) of the Securities Act, shall include:
- (1) An audited balance sheet, conforming to the requirements of Regulation S-X, as of a date no less than twelve months and no more than eighteen months after the effective date of the initial offering or initiation of operations, whichever is later;

- (ii) Audited statements of operations for the period from initiation of operations to the date of the audited balance sheet conforming to the requirements of Regulation S-X; and
 - (iii) Audited statements of changes in net assets for the period from initiation of operations to the date of the audited balance sheet conforming to the requirements of Regulation S-X.
- (c) Subsequent Updated Prospectus. Any prospectus, used after the balance sheet required by Item 4(b)(i) no longer meets the requirements of Section 10(a)(3) of the Securities Act, shall contain an audited balance sheet, an audited statement of operations, and an audited statement of changes in net assets for the previous fiscal year conforming to the requirements of Regulation S-X unless during the most recent fiscal year of the series:
- (i) The Registrant has filed an amendment to the Registration Statement and made part of the prospectus the following information:
 - (A) An unaudited statement of operations in conformance with Regulation S-X [17 CFR 210.6-07] for the previous calendar year;
 - (B) A statement as to the amount of interest received on the bonds or other debt securities held by the registrant and, in the case of a registrant that holds municipal securities, the percentage of such amount itemized by states and territories in which the issuers of such bonds are located;
 - (C) A schedule of bonds removed from the portfolio during the previous calendar year, the date sold, amounts received, par value, and date of distribution of proceeds; and
 - (D) A portfolio schedule in conformance with Item 3(a) of Form N-7 as of the end of the calendar year.
 - (ii) There has been no substitution of portfolio securities or securities added to the series by the trustee; and
 - (iii) The trustee's financial statements are audited annually by an independent public accountant, and the trustee receives an unqualified report on the internal accounting controls of its trust operations.

Instructions to Item 4(a)

If the schedule of investments included in response to Item 3(a) provides the information required as part of the audited balance sheet, it need not be duplicated in response to Item 4. Where the schedule of investments included in response to Item 3(a) is designated as part of the financial statements required by Item 4, provide a cross-reference to the auditor's report required by Item 4 in a headnote to the schedule of investments included in response to Item 3(a). This headnote should be deleted if the Registrant subsequently files information by post-effective amendment under Item 4(c).

Instructions to Item 4(b)

To the extent that the audited balance sheet required by Item 4(b)(i) is as of a date more than twelve months after the effective date of the series registration statement, the audited statement of operations and audited statement of changes in net assets required by Items 4(b)(ii) and (iii) may each be contained in one statement. If the balance sheet is as of a date longer than twelve months from the effective date of the series' registration statement, two statements of operations and two statements of changes in net assets must be filed because neither of these statements may cover a period greater than twelve months. Furnish a specimen price make-up sheet showing the computation of the total offering price and redemption or repurchase price per unit as a continuation of the balance sheet.

Instructions to Item 4(c)

The requirements of Item 4(c)(i) may be satisfied by attaching to the prospectus a report from the trustee containing the information specified in this item. If the portfolio schedule is filed as part of the trustee's report in response to Item 4(c), it need not be duplicated in Item 3. If the conditions of Item 4(c) are met, for the year after the audited financial statements required by Item 4(b) have been made part of the prospectus and every subsequent year, the registrant may delete the information contained in Items 3(a) and 4 and attach a current trustee's report containing the information specified in Item 4(c). If the trustee's report is included in lieu of the audited financial statement required by Item 4(c)(iii), note that the report on internal accounting controls must be made an exhibit to the registration statement under Item 13. Furnish a specimen price make-up showing the computation of the total offering price and redemption or repurchase price per unit as of the date of the schedule of investments, using as a basis the value of the Registrant's portfolio securities and other assets and the Registrant's outstanding securities.

Item 5. Risk Disclosure

- (a) Discuss briefly any risk factors which are peculiar to this series of the Registrant (and therefore not discussed in Item 9(c) of Part I-9) including:
 - (i) the risks associated with investing in each particular security included in the trust series;
 - (ii) if applicable, the risks associated with being invested in 25% or more of any one issue;
 - (iii) any features of the trust series that could affect the liquidity of the series, including the liquidity of portfolio securities backed by letters of credit or subject to put agreements or buy back agreements; and
 - (iv) for series which hold fixed income securities in their portfolio, the effect of a rise in interest rates on the value of trust units.

- (b) Briefly describe any material pending legal proceedings relating to or affecting the trust to which the Registrant, the trustee, the sponsor, or the principal underwriter of the Registrant is a party, other than ordinary routine litigation incidental to the business. Include the name of the court in which the proceedings are pending, the date instituted, and the principal parties thereto. Include similar information as to any administrative proceedings instituted by governmental authorities.

Item 6. Tax Status and Consequences

Describe briefly the tax status of the trust and the tax consequences to investors of an investment in the series being offered, including, to the extent applicable:

- (a) the material features of the tax opinion of Registrant's counsel;
- (b) if appropriate, a brief statement that Registrant intends to qualify for treatment under Subchapter M of the Internal Revenue Code;
- (c) a brief description of the tax consequences resulting from the kinds of portfolio securities held by the series, e.g., municipal securities, when-issued securities, or discount bonds; and
- (d) a statement that distributions to investors may be subject to state and local taxes and that investors should consult their attorney or accountant to determine the precise tax consequence of an investment in Registrant under the laws of the investor's jurisdiction.

Instruction to Item 6:

If the tax information applies to all series of a trust using the same Part I-g, it may be located in Part I-g. If the information contained in this item varies among series using the same Part I-g due to the types of portfolio securities held in different trust series, such information should be located in Part I-b of the prospectus. In any event, all tax status discussion should be in one place.

Item 7. Underwriters

- (a) In the prospectus used for the initial offer of any units of the series, state for each principal underwriter distributing securities of the series:
 - (i) name and principal business address;
 - (ii) nature of any material relationship with the Registrant (other than that of principal underwriters);
 - (iii) amount of securities underwritten;
 - (iv) amount paid or to be paid; and
 - (v) the nature of the obligation to distribute Registrant's securities.
- (b) Compare the price to the public with the price paid.
- (c) State the amount of the discounts and commissions to be allowed or paid to underwriters or dealers, including all cash, securities, contracts or other consideration to be received by underwriters or dealers in connection with the sale of the securities.

Instructions to Item 7(a):

All that is required about the underwriter's obligation is whether the underwriters are or will be committed to take and to pay for all the securities if any are taken, or whether it is merely an agency or "best efforts" arrangement under which the underwriters are required to take and pay for only such securities as they may sell to the public. Conditions precedent to the underwriters' taking the securities, including "market outs," need not be described except in the case of an agency or "best efforts" arrangement.

Instructions to Item 7(b):

If it is impracticable to state the price to the public, explain the method by which it is to be determined. This explanation should include a brief description of the valuation procedure to be used by the Registrant in determining the price. In addition, if the securities are to be offered at the market price, or if the offering price is to be determined by a formula related to market price, indicate the market involved and the market price as of the latest practicable date. Other than the price itself, information stated elsewhere in Part I-s should not be repeated in response to Item 7. As to the offering price, the response should state how the excess of offering price over the net amount invested is distributed among the Registrant's principal underwriters or others.

Instructions to Item 7(c):

1. The term "commissions" has the meaning given in paragraph (17) of Schedule A of the Securities Act [15 U.S.C. 77aa].
2. Disclose all commissions paid by other persons, other consideration paid to underwriters or dealers, and any finder's fees or similar payments.
3. If any dealers will, in the capacity of underwriters, receive any additional discounts or commissions for acting in such capacity, state the additional amounts to be received.

- (a) Describe briefly the plan of distribution of any securities which will be offered other than through an underwriter.
- (b) If any of the securities being registered will be offered other than for cash, state briefly the general purpose of the distribution, the basis on which the securities will be offered, the amount of compensation and other expenses of distribution, and by whom such expenses are to be borne.

PART I-g - General Information about a Trust Required in a Prospectus

Item 8. Table of Contents

List the contents of Part I-g of the Prospectus.

Item 9. General Description of the Trust

- (a) Concisely discuss the organization and operation or proposed operation of the Registrant. Include the following:
 - (i) basic identifying information, including the date and form of organization of the trust and the name of the state or other jurisdiction in which it is organized;
 - (ii) a concise description of the investment objectives of the trust;
 - (iii) a concise description of the trust's policies and procedures for acquiring and disposing of portfolio securities, including:
 - (A) the types and principal features of securities which may be included in a series;
 - (B) the basis on which securities may be selected for a particular series; and
 - (C) if the trust plans to concentrate in a particular industry or group of industries, identify the industry or industries. (Concentration, for purposes of this item, is deemed to be 25% or more of the value of Registrant's total assets invested or proposed to be invested in a particular industry or group of industries, i.e., hospital bonds, utility bonds. The policy on concentration should not be inconsistent with the trust's name.)
- (b) Describe briefly the policy of the trust for acquiring additional securities and substituting or eliminating the underlying securities of the trust, including:
 - (i) the circumstances when additional securities would be acquired, or underlying securities eliminated or substituted;
 - (ii) the type of securities which may be substituted for underlying securities; and
 - (iii) the use of the proceeds from the sale of any security eliminated from a series.
- (c) Briefly discuss the principal risk factors associated with investment in the trust, if not discussed in Item 5, including factors peculiar to the Registrant as well as those generally related to a unit investment trust with investment objectives similar to that of the trust.
- (d) Where a rating of a portfolio security is referred to in response to Item 3(a) of Part I-s, provide each rating organization's definition or description of the category in which it rated the class of securities; the relative rank of each rating within the assigning rating organization's overall classification system; and a statement informing investors that a security rating is not a recommendation to buy, sell, or hold securities; that it may be subject to revision or withdrawal at any time, if such is the case, by the assigning rating organization; and that each rating should be evaluated independently of any other rating.
- (e) Provide a brief description of:
 - (i) (A) the Registrant's policy with respect to dividends and distributions, including the nature and frequency of distributions, and
 - (B) any options unit holders may have as to the receipt or reinvestment of dividends and distributions, including reinvestment of dividends in the trust or other investment vehicles, and explain how to receive more information about these options;
 - (ii) any provisions for amending or terminating the trust;
 - (iii) the trust reports and account information that will be provided to unit holders, how information may otherwise be obtained and how unit holder inquiries may be made; and
 - (iv) the substance of any other material provisions of the trust indenture concerning the trust or its units.

Item 10. General Description of Trustee and Sponsor

- (a) Briefly describe the trustee, including its name, address, date of organization, the name of the state or other jurisdiction under the laws of which it is organized, the general nature of its business, and its functions with respect to the Registrant. Include the information specified below:
 - (i) the nature of its duties under the trust indenture or agreement and any limitations on liability arising from those duties; and
 - (ii) the terms and conditions for the resignation of the trustee or for the removal of the trustee due to the failure to perform its duties, obligations or functions, including the appointment of a successor trustee and the procedure if a successor trustee is not appointed.

- (b) Briefly describe each sponsor, including its name, address, date of organization, the name of the state or other jurisdiction in which it is organized, the general nature of its business, and its functions with respect to the Registrant, including:
- (i) if the sponsor is controlled by another person, the name of that person and the general nature of its business. (If the sponsor is subject to more than one level of control, give the name of the ultimate control person and the nature of its business);
 - (ii) the nature of its duties under the trust indenture or agreement and any limitations on liability arising from those duties;
 - (iii) the terms and conditions for resignation of the sponsor or for removal due to the failure of the sponsor to perform its duties, obligations or functions, including the appointment of a successor sponsor and the procedure if a successor sponsor is not appointed;
 - (iv) state that the sponsor may realize a profit (or sustain a loss) during the initial offering period or secondary offering period as a result of daily fluctuations in the offering price of trust units; and
 - (v) if the sponsor may receive compensation (not already described) through the sale or purchase of units of the trust or of the portfolio securities, briefly describe the nature and extent of this compensation.
- (c) If the trustee or sponsor may have the use and benefit of (i) investor's purchase monies received before settlement date; or (ii) interest and capital gains monies received by the trust before distribution to unit holders, so state.
- (d) State the name of counsel furnishing the legal opinion on the securities issued by the trust and the city and state where located.
- (e) State the name of the auditor(s) of the trust and the city and state where located.

Instruction to Item 10(b):

The description of the sponsor's business should be short and, if a general description is provided, need not list all of the businesses in which the sponsor engages or identify all the jurisdictions where it does business.

Item 11. Purchase of Securities Being Offered

Describe briefly how the securities being offered may be purchased. The description should emphasize the procedures to be followed and should minimize discussion of applicable legal requirements. Include:

- (a) the name and principal business address of any principal underwriter for Registrant (If any affiliated person of Registrant is an affiliated person of the principal underwriter, so state and identify the person.);
- (b) a concise explanation of the method followed or to be followed in determining the total public offering price, including:
 - (i) an explanation that the price is based on net asset value;
 - (ii) a statement as to when calculations of net asset value are made and that the price at which a purchase is made is based on the next calculation of net asset value after the order is placed;
 - (iii) the sales charge, if any, as a percentage of the public offering price and as a percentage of the net amount invested for each breakpoint, if applicable; and,
 - (iv) a brief explanation of how interest is accrued for crediting to a unit holder's account upon purchase, the policy for remitting accrued interest to unit holders, and the effect of the policy on the estimated current return.
- (c) a brief explanation of the consequences to unit holders of purchasing and then, within a short period of time, redeeming or reselling units;
- (d) unless set forth in response to paragraph (b) above, list any special purchase plans or methods established under a rule or any exemptive order that reflect scheduled variations in, or elimination of, the sales load (e.g., letters of intent, accumulation plans, dividend reinvestment plans, withdrawal plans, exchange privileges, employee benefit plans, redemption plans, or the terms of a merger, acquisition or exchange offer made pursuant to a plan of reorganization); identify each class of individuals or transactions to which the plans apply; state each different sales charge available as a percentage of the public offering price and as a percentage of the net amount invested; and state from whom additional information about these special purchase plans or methods may be obtained;
- (e) any procedures relating to the issuance of certificates, e.g., how to obtain a certificate, and whether a request is necessary;
- (f) any special purchase plans or procedures such as exchange privileges or services in connection with retirement plans not already discussed in paragraph (d);
- (g) a list of any organizations providing services or of investment programs made available in conjunction with investment in the trust, and a brief description of their features or a statement from whom additional information may be obtained; and
- (h) any minimum initial or subsequent investment.

Instructions to Item 11(b):

Explain the reasons for any difference in the price at which securities are offered generally to the public, as individuals and as groups, and to officers, directors or employees of the Registrant's sponsor or trustee.

Item 12. Redemption and Repurchase of Securities Being Offered

- (a) Describe briefly all procedures for redeeming the Registrant's shares, any restrictions thereon, and any charges that may accompany redemption. If Registrant, under normal circumstances, intends to redeem in kind (see Rule 18F-1 [17 CFR 270.18F-1]), so state and briefly describe the conditions for exercising such a redemption.
- (b) If the sponsor intends to make a secondary market in units of the trust, briefly state (1) under what conditions it would stop doing so and (2) that investors may redeem units if the sponsor should decide to discontinue maintaining a secondary market. Compare procedures and prices between repurchases by the sponsor of units in the secondary market and redemptions by the trust.
- (c) Describe briefly any procedure whereby a unit holder can sell his units to the Registrant or its underwriter through a broker-dealer other than the sponsor and, if charges may be made for this service, so state. The specific fees for the service that may be charged by the broker-dealer selected by the shareholder need not be disclosed.
- (d) If the Registrant is permitted to redeem units involuntarily in accounts below a certain number or value of units, describe briefly.
- (e) Describe the method the Registrant will follow in determining the redemption price and the repurchase price. Describe the method or methods used to value the Registrant's assets. The response should identify the method used to value the assets, e.g., market value, good faith determination.
- (f) If the Registrant may hold payment upon a request for redemption for a certain period after a unit holder's investment, describe briefly.

Instructions to Item 12(b):

Describe the valuation procedure used by the Registrant in determining net asset value and redemption or repurchase price.

PART II. OTHER INFORMATION

Item 13. Exhibits

List all exhibits filed as part of the Registration Statement:

1. copies of the resolution of the board of directors of the sponsor authorizing the establishment of the Registrant;
2. copies of the indenture or agreement under the terms of which the trust was organized or issued securities;
3. copies of all agreements for custody of securities and similar investments of the Registrant, including the schedule of remuneration;
4. copies of each underwriting or distribution contract between the Registrant and the principal underwriter, or between the sponsor and the principal underwriter, and specimens or copies of all agreements between principal underwriters and dealers;
5. copies of the certificate of incorporation or other instrument of organization and the by-laws of the sponsor;
6. copies of all other material contracts not made in the ordinary course of business which are to be performed in whole or in part on or after the date of filing the Registration Statement;
7. specimens or copies of each security issued by the series;
8. an opinion of counsel and consent to its use as to the legality of the securities being registered, indicating whether they will, when sold, be legally issued, fully paid, and non-assessable;
9. copies of any insurance or guarantee contracts relating to portfolio securities of the trust that were obtained by the trustee or sponsor;
10. any financial statements incorporated by reference under Item 16;
11. copies of any other opinions (including the tax opinion of Registrant's counsel), appraisals, or rulings, and consents to their use relied on in preparing this Registration Statement and required by Section 7 of the Securities Act;
12. consent of the evaluator if the evaluator is not the sponsor;
13. copies of any agreements or understandings made in consideration for providing the initial capital between or among the Registrant, the sponsor, underwriter, or initial unit holders, and copies of any written assurances from the sponsor or initial unit holders that the purchases were made for investment purposes without any present intention of redeeming; and

- (14) the report of the trustee's independent public accountant on the trust's system of internal accounting controls required by Item 4(c) of Part I-s. The accountant's report shall be based on the review, study, and evaluation of the accounting system, internal accounting controls, and procedures for safeguarding securities made during the audit of the financial statements. The fact that an accountant's report is attached to this form shall not to be regarded as acknowledging any review of this form by the trustee's independent public accountant.

All series of a trust using the same trustee may incorporate by reference the accountant's report of internal control.

Instruction:

Subject to the rules on incorporation by reference, the foregoing exhibits shall be filed as a part of the Registration Statement. Exhibits numbered 4 and 7-12 above need be filed only as part of a Registration Statement under the Securities Act. Exhibits shall be lettered or numbered for convenient reference. Exhibits incorporated by reference may bear the designation given in a previous filing. Where exhibits are incorporated by reference, the reference shall be made in the list of exhibits.

Item 14. Directors and Officers of the Sponsor

Give the following information about each director or officer of the sponsor only if the sponsor is not currently registered with the Commission as a broker-dealer or investment adviser:

Name and Principal Business Address	Positions and Offices with Sponsor

Item 15. Indemnification

State the general effect of any contract, arrangement, or statute under which the trustee, sponsor, underwriter, or any affiliated person of the Registrant is insured or indemnified in any manner against any liability which may be incurred in such capacity, other than insurance provided by such persons for their own protection.

Instruction to Item 15:

In responding to this Item the Registrant should note the requirements of Rules 461 and 484 under the Securities Act [17 CFR 230.461, 230.484] and Section 17 of the 1940 Act [15 U.S.C. 80a-17].

Item 16. Third Party Financial Statements

- (a) Include the Financial Statements described in Item 16(c) for each sponsor required to maintain a reserve pursuant to Section 27 [15 U.S.C. 80a-27] of the Investment Company Act of 1940 for securities registered by this Registration Statement; or sponsor which guarantees to purchase units of the trust from unit holders at a price which is higher than the redemption price of the units;
- (b) If portfolio securities valued at 25% or more of the net assets of the series are insured or guaranteed, or subject to a put or buy-back agreement or letter of credit, include the Financial Statements described in Item 16(c) for each:
- (i) Guarantor of payment of interest or principal, or both, of 10% or more of the value of portfolio securities of the series as of the date of deposit, if the guarantee is made with respect to the deposit or holding of those securities in the trust series;
 - (ii) Insurer of payment of interest or principal, or both, of 10% or more of the value of portfolio securities of the series as of the date of deposit, if the contract for insurance is made with respect to the deposit or holding of those securities in the trust series;
 - (iii) Party to a put agreement, buy-back agreement, or similar agreement with the trust, the trustee, or the sponsor with respect to 10% or more of the value of portfolio securities of the trust as of the date of deposit, if the agreement is made with respect to the deposit or holding of the securities in the trust series; and
 - (iv) Issuer of a letter of credit guaranteeing the payment of interest or principal, or both, of 10% or more of the value of portfolio securities of the trust, as of the date of deposit, or guaranteeing the performance of a guarantor related thereto, if the guarantee is made with respect to the deposit or holding of the securities in the trust series.
- (c) (i) Include the financial statements as of the end of the most recent fiscal year of the persons listed above. Except as to periods specified in Regulation S-X, these financial statements shall be in accordance with such regulation or substantially equivalent thereto, or shall include an independent accountant's report which states that the accounting principles and practices of any such person are in accordance with generally accepted accounting principles; or
- (ii) Incorporate by reference the financial statements as of the end of the most recent fiscal year which are included in the filings under the Securities Exchange Act of 1934 of such persons listed above.

Item 17. Location of Accounts and Records

Give the name and address of each person who maintains physical possession of each account, book, or other document required to be maintained by Section 31(a) of the 1940 Act [15 U.S.C. 80a-30(a)] and the rules thereunder [17 CFR 270. 31a-1 to 31a-3].

Item 18. Management Services

Summarize any contract not discussed in Part I of this form under which management-related services are provided to the Registrant, showing the parties to the contract and the total dollars paid and by whom, for the last three fiscal years.

Instructions to Item 18:

1. A contract for "management-related services" includes any agreement whereby another person agrees to keep, prepare, or file such accounts, books, records, or other documents as the Registrant may be required to keep under federal or state law, or to provide any similar services with respect to the daily administration of the Registrant, but does not include:
 - (i) any agreement to act as custodian or transfer agent for the Registrant,
 - (ii) bona fide contracts for outside legal or auditing services, or
 - (iii) bona fide contracts for personal employment entered into in the ordinary course of business.
2. In summarizing a management-related service contract, include the name of the person providing the service; any direct or indirect relationships between such person and the Registrant, its sponsor, or its principal underwriter; the nature of the services provided; and the basis of the compensation paid for the last three fiscal years.
3. Information need not be given about any service for which total compensation of less than \$5,000 was paid during each of the last three fiscal years.

Signatures

As required by the Securities Act of 1933, and the Investment Company Act of 1940, the Registrant, _____
 (certifies that it meets all of the requirements for effectiveness of this Registration Statement under Rule 485(b)
 under the Securities Act of 1933 and) has caused this Registration Statement to be signed on its behalf by the under-
 signed in the city of _____ and State of _____, on the _____ day of _____, 19 _____.

Alternative Form of Signature for Filings under Rule 487

The Registrant, _____, hereby identifies series (number(s) and type) of the trust for purposes of the representations required by Rule 487 and represents the following:

1. That the portfolio securities deposited in the series as to which this Registration Statement is being filed do not differ materially in type or quality from those deposited in such previous series;
2. That, except to the extent necessary to identify the specific portfolio securities deposited in, and to provide essential financial information for, the series with respect to which this Registration Statement is being filed, this Registration Statement does not contain disclosures that differ in any material respect from those contained in the Registration Statement(s) for such previous series as to which the effective date was determined by the Commission or the staff; and
3. That it has complied with Rule 460 under the Securities Act of 1933.

As required by (the Securities Act of 1933 and) the Investment Company Act of 1940, this Registration Statement has been signed by the following persons in the city of _____ and State of _____, on the _____ day of _____, 19 _____.

Registrant: _____
 By: _____
 Signature and Title: _____
 Sponsor: _____
 By: _____
 Name of officer of sponsor: _____
 Title: _____

Instruction:

If the registration statement is being filed only under the Securities Act or under both the Securities Act and the 1940 Act, it should be signed by both the Registrant and its sponsor. If the registration statement is being filed only under the 1940 Act, it should be signed only by the Registrant.

Appendix

Issuer of Periodic Payment Plans

A unit investment trust that issues periodic payment certificates must:

1. Complete all items of Part I-s, Part I-g, and Part II (except items 2, and 3) to the extent those disclosures are not already made in answer to (2), (3), and (4) below.
2. Provide the following information in the prospectus:
 - (i) On the outside cover page of the prospectus, provide the name of the portfolio company and a statement that the prospectus is not valid unless preceded or accompanied by the prospectus of the portfolio company.
 - (ii) State the name of the portfolio company and the name of its adviser.
 - (iii) Describe purchase plans available to investors and compare these plans to an investment directly in the portfolio company.
 - (iv) Describe the procedures for liquidation or withdrawal from the periodic payment plan. Discuss the rights of rescission and refund of a unit holder's account and payments, including a description of a unit holder's rights under section 27 of the Investment Company Act of 1940. Include in this discussion: time periods; notices and procedures and consequences of missed payments; and procedures for reinstatement.
 - (v) Briefly discuss the rights of unit holders to instruct the Registrant on the voting of portfolio company securities underlying their interests in the trust, including the manner in which votes will be allocated.
 - (vi) State the conditions and describe the procedures to be followed for a substitution of the underlying portfolio securities.
 - (vii) Describe the kind and frequency of reports and information that will be made available to unit holders, including reports and information generated by the underlying portfolio company.
3. Provide a transcript of a hypothetical account in Part I-s in substantially the following form on the basis of the certificate calling for the smallest amount of payments. The schedule shall cover each certificate of the type currently being sold from the approximate date of the trust's organization to the date of completion of the plan. However, this transcript need not be provided if the trust has been in existence less than two years prior to the estimated effective date of this registration statement.

Transcript of a Hypothetical Periodic Payment Plan Account. 1/

Column A	Column B		Column C			Column D		Column E	Column F
Date of Payment	Amount of Payment		Deductions from Payments on Principal			Balance of Payments on Principal Available for Investment in Trust Property		Total Deductions Upon Liquidations	Liquidating Value of Certificate
	Monthly for First Eighteen Months & Annually Thereafter	Cumulative	Underwriting Commissions, Loading Fees & all Other Similar Charges	Insurance Premiums	Other Deductions 2/	Monthly for First Eighteen Months & Annually Thereafter	Cumulative		

- 1/ (a) The transcript shall be carried to date of completion and shall assume there has been no lapse or cancellation, or if incomplete to the approximate date of the statement of condition filed herewith.
 (b) Income of the account which is to be reinvested shall be included in an appropriate manner.

- 2/ Specify any material items.

(4) For each installment payment type of periodic payment plan certificate of the trust, furnish the following information with respect to sales load and other deductions from principal payments. ("Sales load" includes sales load of any underlying investment company security. Computation should be made on the basis of the certificate calling for the smallest amount of payments.)

	Aggregate Amount of Payments (Complete period).	Payments during			
		Six months	One year	Eighteen months	Two years
	% of Amount of Payments	% of Amount of Payments	% of Amount of Payments	% of Amount of Payments	% of Amount of Payments
1. Amount of payments to be made on certificates ...	100%	100%	100%	100%	100%
2. Amount of sales load ...					
3. Fee of custodian or trustee.....					
4. Insurance premium.....					
5. Other deductions from payments*.....					
6. Total deductions (2 to 5)					
7. Net amount invested					
8. Reductions upon liquidation.....					

* Indicate the nature of such other deductions, as taxes, commissions, etc. If any such item amounts to more than 1% of the total amount of payments to be made, list separately.

Guidelines for Form N-7

This release contains Guidelines prepared by the Division of Investment Management for registration statements on Form N-7 for unit investment trusts other than separate accounts of insurance companies organized as unit investment trusts. The Guidelines are based on Commission releases and staff interpretations. Adherence to these Guidelines should speed the examination by the Division's staff of registration statements on Form N-7.

The Guidelines are not rules of the Commission and, except as noted, represent only the views of the staff of the Division, not the Commission. The Guidelines should be read in conjunction with the Investment Company Act Releases cited in them. The policies stated in the Guidelines may be changed if necessary. Unless the context indicates otherwise, the term "unit investment trust," "unit trust," or "trust" refers to the unit investment trust series on behalf of which the Securities Act registration statement is filed.

Table of Contents

	Page
Guide 1 - Name of Registrant	2
Guide 2 - Valuation of Securities Being Offered	2
Guide 3 - Restricted Securities	3
Guide 4 - Deposit of Contracts to Purchase Securities	3
Guide 5 - Advance by Trustee	3
Guide 6 - Guarantors, Letters of Credit and Collateralized Securities	4
Guide 7 - Insurance of Portfolio Securities	4
Guide 8 - Special Redemption and Call Provisions	5
Guide 9 - Replacement of Failed Securities	5
Guide 10 - Additions or Substitutions of Securities	5
Guide 11 - Securities Ratings	5
Guide 12 - Investment Objectives and Policies	6
Guide 13 - Allocation of Risk Disclosure	6
Guide 14 - Concentration or Other Significant Holdings	6
Guide 15 - Government Securities	7
Guide 16 - Original Issue Discount or Market Discount	7
Guide 17 - Deep Discount or Zero-Coupon Securities	7
Guide 18 - Mortgage Backed Securities	7
Guide 19 - Municipal Lease Obligations	8
Guide 20 - Maturity of Trust Portfolio	8

Guide 1. Name of Registrant

The registrant's name, as set forth in Item 1, must be consistent with the provisions of Section 35 of the Investment Company Act of 1940 ("1940 Act"). Section 35(d) provides that a registered investment company may not use a name or title which may be deceptive or misleading. If the registrant's name suggests a certain type of investment objective, its name should be consistent with its stated investment objective.

If a trust has a name that implies that its distributions will be exempt from federal income taxation, substantially all of the trust's net assets should be invested in tax-exempt securities. The staff takes the position that a trust must have at least 95% of its net assets invested in tax-exempt securities in order to have substantially all of its net assets so invested.

If the registrant's name implies that it will invest primarily in a particular type of security, or in a certain industry or industries, the registrant should invest at least 80% of the value of its total assets in the indicated type of security or industry. Any substitution or addition of securities to the trust portfolio should be consistent with maintaining this percentage. ^{1/} Further, the registrant's name may not be so similar to the name of an existing investment company as to cause confusion. Finally, a registrant should refer to Guide 20 if its name reflects a characterization of the maturity of the trust's securities portfolio.

For guidance in responding to Item 1 the registrant should refer to Investment Company Act Release No. 5510 (October 8, 1968) which, among other things, concerns the proprietary rights of an investment company in its name.

Guide 2. Valuation of Securities Being Offered

Item 11 requires a registrant to identify in the prospectus the method used to value trust assets. In some circumstances, value can be determined fairly in more than one way. For securities traded on a national securities exchange, valuation normally should be based on market value when readily available. ^{2/} If a security was traded on the valuation date, the last reported sale price generally is used. In the case of securities listed on more than one national securities exchange, the last reported sale, on the date of valuation, on either a composite transactions reporting system or the exchange on which the security is principally traded should be used or, if there were no sales on that exchange on the valuation date, the last reported sale, up to the time of valuation on the other exchanges should be used.

If there was no sale on the valuation date but published closing bid and asked prices are available, the valuation should be within the range of these quoted prices. Some companies as a matter of general policy use the bid price, others use the mean of the bid and asked prices, and still others use a valuation within the range of bid and asked prices considered to best represent value in that circumstance; each of these policies is acceptable if consistently applied. Normally, the use of the asked price alone is not appropriate. Where, on the valuation date, only a bid price or an asked price is quoted or the spread between bid and asked prices is substantial, quotations for several days should be reviewed. If sales have been infrequent or there is a thin market in the security, or the size of the reported trades is not representative of the fund's holding (as in the case of certain debt securities), further consideration should be given as to whether "market quotations are readily available." If it is decided that they are not readily available, the alternative method of valuation prescribed by Section 2(a) (41), that is, "fair value," as determined in good faith by the trustee or its appointed person, should be used.

For debt or equity securities traded over-the-counter where closing prices are not readily available, quotations should be obtained from more than one broker-dealer, particularly if quotations are available only from broker-dealers not known to be established market-makers for that security. A registrant may adopt a policy of using a mean of the bid prices, or of the bid and asked prices, or of the prices of a representative selection of broker-dealers quoted on a particular security; or it may use a valuation within the range of bid and asked prices considered to best represent value in that circumstance. The staff will consider any of these policies appropriate if consistently applied. If the validity of the quotations for securities traded over-the-counter appears to be questionable, or if the number of quotations indicates that there is a thin market in the security, further consideration should be given to whether "market quotations are readily available." If it is decided that they are not readily available, the security should be valued at "fair value" as determined in good faith by the trustee or its appointed person.

To comply with Section 2(a) (41) of the Act and Rule 2a-4, the trustee or its appointed person must satisfy itself that all appropriate factors relevant to the value of securities for which market quotations are not readily available have been considered and determine the method of arriving at the fair value of each such security. No single standard for determining "fair value in good faith" can be established, since fair value depends upon the circumstances of each individual case. As a general principle, the current "fair value" of an issue of securities being valued would be the amount which the owner might reasonably expect to receive for the securities upon their current sale. ^{3/}

^{1/} See Guide 14 - Concentration or Other Significant Holdings.

^{2/} Investment Company Act Release No. 7221 (June 9, 1972) [37 FR 12790 (June 24, 1972)]. Registrants often value their debt securities by reference to other securities which are considered comparable in rating, interest rate, due date, etc. (often called "matrix pricing") or rely on pricing services, which use matrix pricing for valuation of these securities. Responsibility for using a proper pricing method rests with the registrant.

^{3/} See Investment Company Act Release No. 6295 (December 23, 1970) [35 FR 19986 (December 31, 1970)], for a general discussion of the factors to be considered in this determination.

Restricted securities are securities which cannot be sold to the public without an effective registration statement under the Securities Act. These securities generally do not have readily available market quotations. They must, therefore, be valued in good faith by the trustee or its appointed person. ^{4/} It would be improper for the trustee or its appointed person to value these securities at the market quotation for unrestricted securities of the same class without considering other relevant factors, although the market quotation may be a factor considered in structuring the final valuation. ^{5/} The existence of a shelf registration for the restricted securities may be properly considered as another factor in the determination of the value of such securities, but there may not be an automatic valuation at market price based on this factor alone. ^{6/}

Guide 3. Restricted Securities

Up to 40% in face amount of the securities in any series of a unit investment trust may consist of restricted securities, if the series meets the three conditions described below. For any series which contains restricted securities, all securities in the portfolio must be valued by an independent evaluator at the time the securities are deposited in the trust and during the time the series continues to hold restricted securities. (See Guide 2.) For purposes of this guideline, the term "restricted securities" shall mean those securities that cannot be sold publicly by the trustee without registration under the Securities Act of 1933, as amended.

The first condition is that sales of any securities from the portfolio will not result in (i) restricted securities constituting more than 50% in face amount of the securities remaining in the series after the completion of the sale, and (ii) the series holding less than \$250,000 in face amount of any obligation which is a restricted security or less than 1,000 shares of any preferred stock which is a restricted security.

The second condition is that the sponsor maintains a secondary market in the units of the series after the units are originally issued. Alternatively, if for any reason the sponsor discontinues its maintenance of a secondary market, the sponsor must purchase units of the series tendered for redemption at a price not less than the current redemption price for units of the series if (i) it would be necessary for the series to sell restricted securities to meet redemptions and (ii) it is not feasible to dispose of the restricted securities within the period during which tendering unit holders are required to be paid.

Under the third condition, any series containing restricted securities with a value equal to more than 10% of the face amount of the portfolio securities must be reasonably diversified. The sponsor must limit its deposit of the securities of any single issuer, or of any two or more affiliated issuers, to less than 10% of the value of that series.

If all three conditions are not met, the series may hold up to 10% of the face amount of the portfolio securities in restricted securities or other illiquid securities.

If restricted securities are to be included in the portfolio of a trust, the percentage of restricted securities in the portfolio must be disclosed in the prospectus. The policy of investing in restricted securities, and the risks related to the specific restricted securities, should be briefly discussed in response to Items 5 and 9. Registrant must also briefly discuss any other material impact the inclusion of restricted securities may have on the series.

The percentages set forth in this guideline will not apply in situations where the portfolio contains restricted securities for which the principal market is outside the United States. The maximum percentage in these cases must be determined on a case-by-case basis, taking into consideration, among other things, the liquidity of these restricted securities in their overseas markets. For purposes of Form N-7, securities which are actively traded and have a principal market outside the United States are not considered restricted securities.

Guide 4. Deposit of Contracts to Purchase Securities

The sponsors of a trust may deposit in the trust, in lieu of the securities listed in the portfolio, contracts to purchase those securities together with the amount of cash, cash equivalents and letters of credit issued by a commercial bank or banks required to purchase the securities. If letters of credit are to be deposited as stated above, the bank(s) issuing these letters of credit must be identified in Item 3 of the prospectus as filed under the final pricing amendment to the registration statement. If the name of the bank(s) is unknown at the time the pricing amendment is filed, the name(s) may be omitted, provided it appears in the prospectus filed with the Commission under Rule 424(b). Contracts to deliver securities may not exceed 120 days from the effective date of the registration statement of the series to the date of investment in the security named in the contract.

Guide 5. Advance by Trustee

If the trustee may make interest-free advances to the trust to pay periodic income distributions to unit holders of the trust and subsequently be reimbursed out of income received by the trust from distributions on securities in the trust's portfolio, Item 10 must briefly describe the circumstances under which the advance may be made.

^{4/} Investment Company Act Release No. 7221, *supra*.

^{5/} Investment Company Act Release No. 5847 (October 21, 1969) [35 FR 253 (December 31, 1970)].

^{6/} Investment Company Act Release No. 6121 (July 20, 1970).

Guide 6. Guarantors, Letters of Credit and Collateralized Securities

When portfolio securities are guaranteed, subject to a put agreement or letter of credit, and/or collateralized as to the payment of principal or interest in connection with the deposit or holding of the securities in the trust, provide a brief description of the following in Item 3.

1. guarantors:
 - (i) name of guarantor;
 - (ii) nature and scope of guarantee, including material limitations; and
 - (iii) information about the guarantor's financial statements as required by Item 16;
2. put agreements, buy-back agreements:
 - (i) name of party subject to put or buy-back agreement;
 - (ii) substance of agreement or commitment including material limitations; and
 - (iii) information about the party's financial statements as required by Item 16;
3. letters of credit:
 - (i) name of party issuing letter of credit;
 - (ii) a general description of the scope and terms of the letter of credit, including material limitations; and
 - (iii) information about the issuer's financial statements as required by Item 16; and
4. collateralized securities:
 - (i) a general description of collateral;
 - (ii) scope and material terms of the agreement under which the securities are collateralized, including material limitations;
 - (iii) custodial arrangements;
 - (iv) procedures for valuation; and
 - (v) conditions for increasing or adding collateral.

Guide 7. Insurance of Portfolio Securities

When portfolio securities are insured as to the payment of principal or interest in connection with the deposit or holding of securities in the trust, provide the following information in Item 3.

1. A discussion of the nature and scope of the insurance, including:
 - (i) conditions of or limitations on coverage; ^{2/}
 - (ii) procedures for and manner of insurance payment;
 - (iii) whether insurance is effective only while certain securities are held by the trust;
 - (iv) effect of insurance on any rating assigned to the securities by any rating agency; and
 - (v) information about insurer's financial statements as required by Item 16.
2. A brief description of the relation of insurance to the valuation of portfolio securities, including:
 - (i) a statement, if applicable, that insurance does not guarantee market value of portfolio securities or of units of the trust; and
 - (ii) the circumstances under which insurance would be considered in the valuation of portfolio securities, including valuation upon default or threat of default of payment by issuers of portfolio securities.
3. A statement that any payments made pursuant to the insurance policy, e.g., payments on default of tax-exempt securities, may have tax consequences to unitholders.

^{2/} The staff takes the position that any such insurance must be non-cancellable by the insurance company while held by the trust and the maximum insurance premiums must be fixed at the time of purchase for the life of the trust.

Guide 8. Special Redemption and Call Provisions

If any securities are subject to sinking fund, recall or special redemption by their issuers, provide the price and first possible date of recall or redemption in the designated column of the schedule of investments required by Item 3(a) or by footnote. If another date is more probable (e.g., first optional recall date), that other date may be used if the reason for using the other date is explained in a footnote. Disclosure can be omitted if the early call or redemption feature would not be material because the likelihood of call or redemption is remote. If 25% or more of the portfolio securities are subject to special or extraordinary redemption provisions, so state in response to Item 5. State, if applicable, that unit holders may suffer adverse income tax consequences and provide a brief description of the potential impact on estimated current return. If 25% or more of portfolio securities are subject to early call or redemption, care should also be taken by the registrant and sponsor that the potentially early call or redemption does not contradict the investment objective of the trust or result in its early termination.

Guide 9. Replacement of Failed Securities

Where the trust includes contracts for the purchase of securities that could fail or otherwise not be delivered, state the conditions under which the trustee is directed to acquire, and the procedures for acquiring, other securities in response to Item 9. The replacement securities must (i) meet the investment criteria established for the initial selection of securities, (ii) have a purchase price not exceeding the amount of funds reserved for the purchase of the failed securities, (iii) be purchased at a price that results in a yield to maturity and a current return at least equal to that of the failed securities as of the date of deposit, (iv) not be "when, as and if issued" securities or "delayed delivery" securities, and (v) be purchased within 20 days after delivery of the notice that the contract to deliver securities will not be honored. These conditions should be disclosed in response to Item 9. Disclosure also should be made of the fact that, if no replacement is made, the trust will refund to unit holders the principal amount and the sales charge attributable to the failed contracts. Briefly discuss the impact of a failed contract on current return, the income taxation of the investor, and provisions for payment of accrued interest.

Guide 10. Additions or Substitutions of Securities

Additional securities may be deposited in the trust subsequent to the initial date of deposit only if the securities substantially replicate the composition of the initial portfolio in terms of specific securities and maturities. Under Section 4(2) of the 1940 Act, a unit investment trust is defined as an investment company which, among other things, may issue securities, each of which represents an undivided interest in a unit of specified securities. The term "specified securities" requires that any additional securities deposited in the trust, pursuant to either a reinvestment of dividends or a subsequent offering of additional trust units, substantially replicate the initial composition of the trust portfolio both as to specific securities and actual maturities of that portfolio.

In some cases the trust indenture permits the sponsor to direct the trustee to dispose of portfolio securities and substitute new securities. The staff takes the position that Section 4(2) of the 1940 Act contemplates that the disposition of portfolio securities and the reinvestment of proceeds from such disposition in substitute securities would only occur under unusual circumstances, i.e., circumstances indicating that the credit worthiness or economic viability of the issuer of the portfolio security in question is seriously in doubt. A trust would not be permitted to sell securities and reinvest proceeds in substitute securities solely because of the decline in value of a portfolio security due to general market or industry conditions. ^{8/} Where a condition occurs which permits a trust to dispose of portfolio securities and reinvest the proceeds in substitute securities, the new securities must meet the investment objectives established for the initial selection of securities in terms of type of security, yield to maturity, and quality. Registrant shall disclose in response to Item 9(b) the conditions for any substitution of securities and that, as required by Section 26(a) (4) of the 1940 Act, when a substitution of a portfolio security is made, notice will be sent to unit holders within five days after the substitution.

Guide 11. Securities Ratings

Securities ratings are required in the prospectus in the schedule of investments to the extent that the investment objective or policies of the trust specify a minimum grade or investment grade for portfolio securities held by the trust. Rule 436(g) under the Securities Act provides that the ratings assigned to a class of debt securities, a class of convertible debt securities, or a class of preferred stock by a nationally recognized statistical rating organization (including a rating made on the basis of insurance provided by a third party) may be included in a registration statement or prospectus without obtaining the consent of the rating organization as an expert for use of its rating. However, if a rating organization rates a trust as a whole, and not its individual securities, a consent of the rating agency is required to be filed with the registration statement pursuant to Section 7 of the Securities Act.

Where reference in the prospectus is made to a rating of the units of the trust, the following information should be included in response to Items 3 and 9(d): (1) any other rating intended for public dissemination assigned to such trust by a nationally recognized statistical rating organization that is available on the date of the initial filing of the document and that is materially different from any rating disclosed; (2) the

^{8/} See PaineWebber Equity Trust, Growth Stock Series, (pub. avail. September 24, 1986).

name of such rating organization whose rating is disclosed; (3) each such rating organization's definition or description of the category in which it rated the trust of securities; (4) the relative rank of each rating within the assigning rating organization's overall classification system; and (5) a statement informing investors that a security rating is not a recommendation to buy, sell or hold securities, that it may be subject to revision or withdrawal at any time by the assigning rating organization, and that each rating should be evaluated independently of any other rating of the same security by a different rating organization.

Where a securities rating of the trust or a portfolio security referred to in the prospectus materially changes and if that change could materially affect the rating of the entire portfolio, the registrant should disclose the rating change by means of a post-effective amendment or sticker to the prospectus. Disclosure of the rating change of a portfolio security may be omitted if the change would have no material impact on the rating of the entire portfolio.

Guide 12. Investment Objective and Policies

The registrant's investment objectives (including the types of securities in which it will invest) should be clearly and concisely stated in the prospectus.

The prospectus should emphasize the principal types of investments the registrant has made and the basic risks inherent in such investments. For example, if the registrant invests in other than high-grade bonds, ^{9/} it should concisely but clearly disclose in the prospectus the risks involved in such investments. Discussions of types of investments that will not constitute the registrant's principal portfolio emphasis should be as brief as possible and, if not more than 5 percent of the registrant's net assets are at risk, may be limited to identifying the particular type of investments. To achieve the objective of clear and concise disclosure, registrants should avoid extensive legal and technical detail and need not discuss every possible contingency, such as remote risks. ^{10/}

The response to Item 9 should include a brief discussion of those trust indenture provisions relating to the investment objectives and portfolio securities of the registrant.

Guide 13. Allocation of Risk Disclosure

Items 5 and 9 require discussion of the principal risk factors associated with investment in the trust. In general, Item 5 requires a discussion of risk factors which are specific to the particular securities contained in a series of the trust. Item 9 requires a more general discussion regarding the risks associated with the types of securities which may be included in a trust. Risk factors should be briefly discussed in response to Item 5:

- (1) Where the risk is specific to the security, e.g., legal proceedings materially affecting a portfolio security;
- (2) Where the risk relates to concentration in an industry or an issuer; or
- (3) Where the risk relates to the credit-worthiness of the issuer of that security or to features peculiar to that security, e.g., a related buy-back or collateralization agreement.

Risk factors should be discussed in Item 9 where the risk pertains to the type of security which is or may be held by a series of the trust (e.g., housing bonds).

Guide 14. Concentration or Other Significant Holdings

Section 8(b) (1) of the 1940 Act requires every registered investment company to include in its registration statement a recital of its policies with respect to concentration. It is the position of the staff that investment (including holdings of debt securities) of more than 25 percent of the value of the registrant's total assets (applied on a series by series basis) in any one industry or group of industries represents concentration. If the registrant intends to concentrate in a particular industry or group of industries it should specify the industry or group of industries in which it intends to concentrate in response to Item 9.

If the registrant has not disclosed its intent to concentrate in a given industry, no further investment through substitution or addition of securities may be made in an industry if, upon making the investment, 25 percent or more of the value of the registrant's total assets would be invested in a particular industry. However, when securities of a given industry come to constitute more than 25 percent of the value of the registrant's total assets by reason of changes in value of either the concentrated securities or the other securities in the trust, the excess need not be sold.

When a substantial amount of the assets of a tax-exempt bond fund are invested in securities which are related in such a way that an economic, business, or political development or change affecting one such security would likewise affect the other securities, appropriate disclosure in the fund's prospectus in response to Item 5 is

^{9/} High-grade bonds are bonds rated in the top three rating grades by a nationally recognized statistical rating organization.

^{10/} See individual subject headings of these Guidelines concerning disclosure for specific types of securities.

necessary. ^{11/} For example, each investment company investing in tax-exempt bonds should, if 25 percent or more of its total assets are or may be invested in securities whose issuers are located in the same state, indicate which states and the risks involved in investing in those particular states. In addition, if a company invests or may invest 25 percent or more of its assets in securities the interest upon which is paid from revenues of similar type projects, it should disclose this fact, identify the type or types of projects and briefly discuss any economic, business, or political developments or changes which would most likely affect all projects of that type. Such disclosure might include, for example, proposed federal or state legislation involving the financing of the projects; pending court decisions relating to the validity of the projects or the means of financing them; predicted or foreseeable shortages or price increases of materials needed for the projects; and declining markets or needs for the projects. Also, if a company invests 25 percent or more of its total assets in industrial development bonds, it should disclose this fact. ^{12/}

NOTE: In determining industry classifications, registrants may use the current Directory of Companies Filing Annual Reports with the Securities and Exchange Commission, published by the Commission, or may select their own industry classification but such classification must be reasonable and should not be so broad that the primary economic characteristics of the companies in a single class are materially different.

Guide 15. Government Securities

If the registrant is investing in United States Government securities, the response to Item 9 should reflect the conditions and to what extent it does so. If the registrant invests to a significant extent in Government securities, the prospectus should include the following information: (i) the types of Government securities in which the trust invests; (ii) the principal Government agencies and instrumentalities in whose securities the trust invests; and (iii) whether the securities of such agency or instrumentality are: (a) supported by the full faith and credit of the United States, (b) supported by the ability to borrow from the Treasury, (c) supported by the credit of the agency or instrumentality, or (d) an explanation of how the securities are supported by the United States in some other way.

Guide 16. Original Issue Discount or Market Discount

If the trust holds original issue discount securities or market discount securities, list the amount of these securities in the trust portfolio as a percentage of the market value and principal amount of the securities of the trust and briefly describe the risks and possible tax consequences related to holding these securities in the trust. Provide this information in response to Items 5, 6, or 9, as appropriate. This disclosure may be omitted if the aggregate amount and percentage of discount securities is not material to the portfolio as a whole.

Guide 17. Deep Discount or Zero-Coupon Securities

If the trust holds deep discount or zero-coupon securities in its portfolio, provide the following information in response to Items 5 or 9:

1. a brief description of the securities;
2. a comparison with traditional securities;
3. if applicable, a statement that unit holders may realize either adverse or favorable tax consequences, to the extent these tax consequences are not discussed in Item 6;
4. risk disclosures specific to these kinds of securities including the risk of heightened price volatility (compared to other kinds of securities) related to changes in interest rates.

Guide 18. Mortgage Backed Securities

Discuss briefly the following aspects of mortgage-backed securities issued and/or guaranteed by a government agency held in the trust portfolio. This information should be briefly described in response to Items 5 or 9:

- (i) nature of securities, including role and guarantee of any guarantor;
- (ii) maturities and average life of securities;
- (iii) likely conditions for and consequences of redemptions pursuant to prepayment of mortgages or other events; and
- (iv) possible consequences to investors of discount or premium purchase of securities by the trust.

^{11/} Investment Company Act Rel. No. 9785 (May 31, 1977) [42 FR 29130, June 7, 1977]. Concentration under Section 8(b)(1) is not applicable to investments in tax-exempt securities issued by governments or political subdivisions of government because such issuers are not considered to be members of any industry. However, this exclusion does not eliminate the requirement for each tax-exempt bond trust to disclose its policy on concentration. Such a policy would apply to tax-exempt bonds issued by non-governmental entities as well as to other securities to which such policies normally apply.

^{12/} *Id.*

Guide 19. Municipal Lease Obligations

For trusts holding municipal lease obligations, provide a concise discussion of the following in response to Items 5 and 9:

1. description of the municipal lease obligations and collateral related thereto;
2. average range of maturities;
3. concentration disclosures, both as to similar types of revenue sources, e.g., municipal lease financing, and as to particular states or geographic regions;
4. description of standard provisions of these obligations;
5. risk disclosures specific to these kind of securities, including risks related to:
 - (i) non-appropriation by municipality;
 - (ii) credit risks of issuing municipalities;
 - (iii) market value declines and their relation to fluctuations in interest rates;
 - (iv) liquidity of the obligations, and possible effect on redemption values; and
 - (v) risk of depreciation of the collateral;
6. description of any secondary market for these obligations, including a statement of whether the sponsor will maintain a secondary market in these obligations;
7. policy of trust with respect to possibility of failure of obligations, i.e., failure of party to deliver equipment pursuant to an obligation;
8. procedures for evaluation of these obligations; and
9. comparison of features and risks of investment in municipal lease obligations to investment in municipal bonds or notes of similar maturities.

Guide 20. Maturity of Trust Portfolio

If the trust has a name or investment objective that characterizes the maturity of its securities portfolio, the dollar-weighted average portfolio maturity of the trust must reflect that characterization. The staff takes the position that a short term series (or portfolio within a series) must have a dollar-weighted average portfolio maturity of not more than three years; a short/intermediate-term series (or portfolio within a series) must have a dollar-weighted average portfolio maturity of more than two years but less than five years; an intermediate-term series (or portfolio within a series) must have a dollar-weighted average portfolio maturity of more than three years but not more than ten years; an intermediate/long series (or portfolio within a series) must have a dollar-weighted average portfolio maturity of more than ten years but less than fifteen years; and a long-term series (or portfolio within a series) must have a dollar-weighted average portfolio maturity of more than ten years. Registrants should refer to Rule 2a-7 under the 1940 Act for determining the maturity of a portfolio security in the calculation of average portfolio maturity.