SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 230, 239, 270, and 274

[Release No. 33-5650; IC-14513; S7-21-85]

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 and rule amendments.

SUMMARY: The Commission is proposing for comment Form N-7, a new form for 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. The Commission is also publishing staff guidelines for the preparation of Form N-7. The proposed form would establish a two-part format for disclosure to prospective investors consisting of a simplified prospectus that can be used to satisfy the prospectus delivery requirements of the Securities Act of 1933 and a Statement of Additional Information that would be available to prospective investors upon request and without charge. The Commission is proposing Form N-7 in order to: (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 guidelines the disclosure standards that have been developed for unit investment trusts; and (iii) shorten and simplify the prospectus while making available on request more extensive information not of routine interest to most investors.

DATE: Comments on the proposed form, guidelines and amendments should be received on or before July 31, 1985.

ADDRESS: Three copies of all comments should be submitted to John Wheeler, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, D.C. 20549. Comment letters should refer to File No. S7-21-85. All comments received will be available for public inspection and copying in the Commission's Public Reference Room, 450 Fifth Street, NW., Washington, D.C. 20549.


SUPPLEMENTARY INFORMATION: The Commission today is publishing for comment:

(1) Proposed Form N-7, a registration form that would replace Form S-8 [17 CFR 239.16] under the Securities Act of 1933 ("Securities Act") [15 U.S.C. 77a et seq.], and Form N-8B-2 [17 CFR 274.12] under the Investment Company Act of 1940 ("1940 Act") [15 U.S.C. 80a-1 et seq.], 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. Proposed Registration Form N-7 is divided into three parts: (i) Part A, the simplified prospectus, would consist of information that meets the requirements of section 10(a)(8) of the 1933 Act [15 U.S.C. 77j(a)]; (ii) Part B, the Statement of Additional Information, would provide additional and more detailed information and would be available to prospective investors upon request, and (iii) Part C would contain other information that is required to be in the registration statement. The text of proposed Form N-7 is published as Appendix A to this release;

(2) Proposed rule 10A of Part 239 [17 CFR 239.16A] under the Securities Act and rule 12A of Part 274 [17 CFR 274.12A] under the 1940 Act prescribing Form N-7 under those acts;


The Commission also is publishing staff guidelines for the preparation of Registration Form N-7, which are Appendix B to this release. All comments and suggestions received concerning the staff guidelines will be considered in the development of final guidelines.

I. Background and Purpose

A. Need for a New Form

When Form N-1A, the two-part registration form for open-end management investment companies ("mutual funds"), was published for comment, the Commission stated its intention to develop a simplified prospectus form for other types of investment companies. Since Form N-1A was adopted, the Commission has proposed for comment Forms N-3 and N-4—simplified prospectuses using the N-1A format for insurance company separate accounts offering variable annuity contracts. It is now proposing for comment Form N-7—a simplified two-part registration statement for unit investment trusts other than separate accounts.

Currently, unit investment trusts register under the 1940 Act on Form N-8B-2 and register their securities (for each separate series of the trust) under the Securities Act on Form S-8. Although Form S-8 incorporates as a substantial part of its requirements many of the disclosure items of Form N-8B-2, the forms are not integrated. That is, a single form cannot be used to register a trust under both the 1940 Act and the securities it issues under the Securities Act.

While much of the disclosure required under the two forms is still useful, changes in the unit trust industry, including a decline of periodic payment plan issuers and the proliferation of tax-exempt bond trusts, have made Form N-8B-2 and Form S-8 partly outdated, and, in some cases, simply irrelevant to present-day unit investment trusts. Informal deviations from the requirements of the forms have been established by the staff through the development of disclosure policies which emphasize materiality, rather than the literal requirements of the forms. The proposed form and guidelines would codify these policies while extending to unit investment trusts the benefits of an integrated form and the two-part disclosure format which the Commission has adopted for mutual funds.

Proposed Form N-7 would provide several significant advantages over Forms S-8 and N-8B-2. First, Form N-7 would integrate the reporting and disclosure requirements of both the Securities Act and the 1940 Act into one form, thereby eliminating unnecessary paperwork and duplicative reports.


Second, Form N-7 and the accompanying guidelines would codify the disclosure standards that have been developed by the Commission Staff for unit investment trusts. Third, by adopting the two-part disclosure format of Form N-1A and incorporating many of its reduced disclosure requirements, Form N-7 would permit shorter and simpler prospectuses than are permitted under current practice. Finally, disclosure requirements that experience has shown are unnecessary would be eliminated.1

B. Nature and Structure of Unit Investment Trusts

A unit investment trust is a type of investment company 2 that issues redeemable securities representing an undivided interest in a portfolio of specified securities. Typically, unit investment trusts are created by sponsors frequently brokers or dealers registered with the Commission that accumulate a fixed portfolio of securities and deposit the acquired securities with a trustee under the terms of a trust indenture between the sponsor and the trustee. The trust then issues units of participation in the portfolio and offers these units to the public at an offering price that is based upon the value of the underlying securities, plus a sales charge. 3

A key feature of unit investment trusts is that their portfolios are unmanaged, i.e., they generally remain the same over the life of the trust. 4 In addition, unit investment trusts do not have a corporate-type management structure. Instead, the structure of a unit investment trust is set forth in the trust indenture which designates a sponsor, trustee and evaluator to conduct the operations of the trust. The sponsor, after depositing the trust's portfolio securities with the trustee, generally is responsible for distributing the trust units during the trust's initial offering period. The trustee, which is required under the 1940 Act to be a bank meeting certain minimum criteria,5 keeps custody of the securities comprising the underlying portfolio, maintains the accounts and records of the trust, and provides certain services for the unit holders. The evaluator is generally a non-affiliated entity designated by the trust indenture to value each security in the trust's portfolio as required under the trust indenture. 6

Although units of each trust series are redeemable, typically the trust sponsor will maintain a secondary market in trust units, and will purchase, at a price equal to or slightly higher than the redemption price, units tendered by investors and reoffer them to other investors. The sponsor's willingness to purchase units that would otherwise be tendered for redemption enables investors to obtain a price that is at least as high as the redemption price and prevents the disruption that could occur if redemptions forced the sale of portfolio securities. 7

For example, Form N-7 would eliminate the requirement that compensation paid to members of the board of directors of the sponsor be identified. 8 Under section 4 of the 1940 Act, investment companies are divided into three principal classes: Face amount certificate companies, unit investment trusts and management companies. 9 Section 4(2) of the 1940 Act defines a unit investment trust as an investment company that (1) is organized under a trust indenture or similar instrument, (2) does not have a board of directors, and (3) issues only redeemable securities, each of which represents an undivided interest in a unit of specified securities.

Some unit investment trusts are organized as contractual purchase plans. These plans involve the purchase of periodic payment plan certificates (a term defined in section 2(39) of the 1940 Act [15 U.S.C. 80a-2(39)]). Each certificate represents an indirect interest in the shares of an underlying mutual fund which in turn call for periodic payments over some number of years which enable investors to gradually accumulate shares of the underlying mutual fund. Because of the typically heavy front-end and loading arrangement of these plans (i.e., large sales loads on the early payments under the certificates), these types of unit investment trusts, in addition to the general requirements of the 1940 Act, are specifically regulated under section 27 of the 1940 Act [15 U.S.C. 80a-27]. These so-called "periodic payment plans" other than insurance company separate accounts, would be able to use a somewhat modified version of proposed Form N-7. See discussion infra...

C. Synopsis of the Form

Proposed Form N-7 would have the same two-part disclosure format that the Commission adopted for mutual funds in Form N-1A. The form would contain three parts: a simplified prospectus meeting the requirements of section 10(a) under the Securities Act [15 U.S.C. 77a(1)] and whose delivery satisfies the prospectus delivery requirements of section 5(b)(2) of the Securities Act[15 U.S.C. 77e(b)(2)]; a Statement of Additional Information available to prospective purchasers upon request and without charge; and other information filed as part of the registration statement with the Commission but not required to be made available to investors. The prospectus would contain a concise presentation of material information about the unit investment trust and its securities. The Statement of Additional Information would contain more detailed discussions of matters required to be in the prospectus, as well as other information that is not of routine interest to most investors.

The proposed form and guidelines are self-explanatory. Discuss below are certain aspects of the proposed forms and accompanying guidelines which are of particular significance.

II. General Instructions

Paragaphs A through K of the General Instructions to the form discuss general filing and procedural requirements. Other instructions, applicable to specific disclosure items, are contained in the body of the form.

A. Number of Copies Filed

Regulation C of the Securities Act currently requires the filing of 15 copies of a registration statement on Form S-6 under Rule 402 and 11 copies of any amendments thereto under Rule 427. A review of the routing and use of these copies by Commission staff indicates that several of the copies submitted in a filing could be dispensed with, particularly with respect to filings that require less than a full review. Accordingly, Paragraph C of the General Instructions to proposed Form N-7 would require the registrant to file 10 copies of a Form N-7 registration statement and 6 copies of amendments to Form N-7.

B. Sales Literature

Prospectuses for unit investment trusts frequently include a separate section of sales literature which is meeting the requirements of section 10(a) of the Securities Act [15 U.S.C. 77a(1)].
usually located either within the body of the prospectus or wrapped around the prospectus without being affixed to it. Generally, these sales literature materials are two to eight pages in length. With the advent of a shortened prospectus under proposed Form N-7, which the Commission estimates will be approximately 12 to 18 pages, the Commission is concerned that the inclusion of sales literature in the body of the prospectus could overshadow or obscure required disclosures. To avoid this possibility, Paragraph I of the General Instructions to proposed Form N-7 indicates that sales literature included in the prospectus must not be of such quantity as to lengthen the prospectus and it should not be so placed to obscure essential disclosure.16

C. Consolidation of Documents

Section 4(2) of the 1940 Act, as noted, defines a unit investment trust as an investment company which, among other things, issues only redeemable securities and issuing a new set of securities. The latter series usually differs in the selection of its specific portfolio securities, the frequency and type of its distributions, and its duration. The structuring of unit trusts as series and the frequent similarity of series presents an opportunity for the sponsor to develop "evergreen" disclosure that could be made a part of the prospectuses of two or more series of a single trust. A similar opportunity for using "evergreen" disclosure documents is presented because of the sequence of initial and secondary market offerings where, generally, the information contained in the prospectus for the secondary market offering differs only to a limited extent from the information in the prospectus for the initial offering. Over the years, a number of unit trust sponsors have used this approach to prospectus development—creating prospectuses which are divided into two parts with one part containing information specific to the series being registered and the other containing general "evergreen" information applicable to several series. The two parts are affixed together and contain all of the information required by Form S-6.

Paragraph J of the General Instructions to Form N-7 would permit any trust whose series are eligible to file a Securities Act registration statement under Rule 467 under the Securities Act [17 CFR 230.467] to structure the prospectus of each eligible series to consist of two parts affixed together. The first part of the prospectus ("Part A-1") would contain information that is specific to the series being registered under the Securities Act. Thus, as proposed, Part A-1 would consist of the cover page, (Item 1), the summary financial and operational information of the series, (Item 2), certain risk disclosures (Item 3(f)), and the schedule of investments (Item 5(a)). The second part of the prospectus ("Part A-2") would consist of all remaining disclosure items required by Part A of Form N-7. The disclosure made in Part A-2 would reflect information which was common to the series being registered and to prior similar series relying on Rule 467. Parts A-1 and A-2, taken together, would provide all of the information required by Part A of proposed Form N-7, and, because they would be affixed, Parts A-1 and A-2 would be delivered together as one document to each purchaser of the trust's securities.

Consolidating offering documents in this way would save registrants time and expense in preparing and printing prospectuses. Similarly, under proposed paragraph J of the General Instructions, any trust whose series are eligible to file a registration statement under Rule 467 could, at its discretion, create a common Statement of Additional Information for up to ten series of that trust.17 The common Statement of Additional Information would consist of all information required by Part B of Form N-7 for each series, including separate financial statements for each series. A sponsor could elect to use a common Statement of Additional Information whether or not the prospectus of a series is divided into two parts. The consolidation of documents permitted under Form N-7 as proposed would not relieve a trust sponsor from the obligation to file with the Commission a complete registration statement upon the initial offering of units of a series or amendments to that registration statement. In other words, each separate registration statement for a series must include the specified number of copies of a complete Form N-7 even if parts of these documents are common to other series whose registration statement is filed contemporaneously.

D. Issuers of Periodic Payment Plans

Unit investment trusts that issue periodic payment plan certificates must prepare disclosure and regulatory documents. Section 27 of the 1940 Act specifically regulates issuers of periodic payment plan certificates, and sets forth, in particular, limitations on sales loads and provides rescission and refund rights to investors in these plans. Apart from certain insurance company separate accounts, this kind of

16 The instructions also indicate that 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.

17 In addition, depending on the availability of units repurchased by the sponsor in the secondary market, the sponsor may repurchase and sell units acquired through its secondary market transactions.
Part A: Information Required in a Prospectus

Generally by dividing estimated net risks and risks caused by fluctuations in proposed Form N-7 calls for discussion Item location and source of revenue, liquidity format permits a trust to concisely for periodic payment plans in an 

III. Disclosure Items Under Proposed Form N-7

Part A: Information Required in a Prospectus

Part A of proposed Form N-7 sets forth nine disclosure items applicable to unit trusts. Most of the items are self-explanatory and only those items of particular interest are highlighted below.

Item 2: Summary Information

Item 2 requires a summary of certain essential financial and operational information regarding the trust and units of participation therein. Specifically, the item requires a brief discussion of the major features of the unit trust including the offering, repurchase and redemption price per unit, the sales charges, estimated current return, and information on fees, distributions, valuation and termination of the trust. Of particular significance for trusts composed of debt securities is the estimated current return, calculated generally by dividing estimated net annual interest income by the public offering price of the series units.

The information required by Item 2 must be as of the date of the financial statements for the initial offering of the trust units and as of a date not more than 15 days prior to the filing date for any post-effective amendment to the registration statement. The type of general tabular information required by Item 2 is uniformly presented in unit trust prospectuses as a current industry practice and the Commission believes that such information should continue to be disclosed in Form N-7.

Item 3: General Description of the Trust

Risk disclosures are a central feature of the disclosure requirements for investment companies. Item 3(b) of proposed Form N-7 calls for discussion of the price risk factors associated with investment in the Registrant, including risks associated with investing in the types of securities included in the trust, concentration risks, including concentration resulting from geographic location and source of revenue, liquidity risks and risks caused by fluctuations in interest rates. The two-part disclosure format permits a trust to concisely discuss risk factors in the prospectus and amplify or expand the discussion in the Statement of Additional Information. The level of detail of the risk disclosure in the prospectus depends on the magnitude of the risk and the level of exposure to it by the trust and unit holders. Guideline 13 provides further detail on the manner in which risk disclosure should be made.

Fees and Expenses

Proposed Items 3(c) and 3(d) require a brief description of all significant expenses of the trust and all charges to unit holders and their accounts. The item requires that the expense and charge information be disclosed in one location in the prospectus. The Commission specifically solicits comments on the effect of consolidating proposed Items 3(c) and 3(d) (in one location in the prospectus) on the use by registrants of the two-part prospectus (Part A-1 and Part A-2) permitted by Paragraph J of the General Instructions.

Item 5: Portfolio Securities

Schedule of Investments

Item 5(a) requires a schedule of the investments of the trust or series in tabular form with certain basic information about each portfolio security. Under existing practice the schedule of investments is included as part of the financial statements of the trust. Proposed Item 5(a) would require the schedule to be included in the prospectus, even though the full financial statements of the trust only need be provided in the Statement of Additional Information under proposed Item 16.

The Commission considers the schedule of investments an essential part of the disclosure to be made in the prospectus. Because of the fixed portfolio of most unit investment trusts, an investor in a unit trust is essentially buying a participation in the specific securities deposited therein. For this reason, the schedule of portfolio securities be of investment grade. Disclosure of securities ratings should provide material information to potential investors attempting to determine the quality of the securities and their distribution in the trust in light of the trust's investment objectives and policies.

The ratings may be provided by a ratings organization or by a representation by the sponsor. As indicated in Guideline 11 to Form N-7, by operation of Rule 436(g) under the Securities Act [17 CFR 230.436(g)], the ratings assigned to a class of debt securities, convertible debt securities or preferred stock by a nationally recognized statistical rating organization may be included in the registration statement or prospectus without obtaining the consent of the rating organization as an expert under section 7 of the Securities Act [15 U.S.C. 77a(g)]. Where a rating assigned to the trust itself is included in the prospectus,22 Guide 11 requires more extensive disclosure in the prospectus than is required for ratings of individual portfolio securities.

Item 6: Tax Status and Consequences

Item 6 of proposed Form N-7 requires a general discussion of the tax status of the trust and the major tax consequences to unit holders of an investment in the trust. The item specifically requires the registrant to discuss the tax status as opined by the registrant's counsel, the tax consequences resulting from the kind of portfolio securities held by the trust, and the applicability of relevant state and local taxes to trust distributions to investors.

*By contrast, a schedule of investments with respect to a mutual fund could be subject to daily changes as the fund buys and sells portfolio securities. Such frequent changes would appear to make a schedule of investments less useful to a mutual fund investor. Hence, in adopting Form N-7, the Commission found it appropriate to permit mutual funds to include their schedule of investments in the Statement of Additional Information as an attachment to the financial statements.

*Under rule 436(g), a rating assigned to a trust or its units is not eligible for exemption from the consent requirement of section 7 of the Securities Act.
Part B: Statement of Additional Information

The general format of the Statement of Additional Information is similar to that of Form N-1A. The disclosure items of the Statement of Additional Information represent information that may be of interest to some investors, including certain matters not included in the prospectus as well as material that constitutes an expanded discussion of information only briefly described in the prospectus.

Item 18: Financial Statements

Under the proposal, the full financial statements of the trust would be required in the Statement of Additional Information, but not in the prospectus. This follows a similar provision in Form N-1A for the financial statements of open-end management investment companies.

Part B of proposed Form N-7 would require the following financial statements of the trust: an audited balance sheet or statement of assets and liabilities for the most recent fiscal year, an audited statement of operations for the most recent fiscal year and audited statements of changes in net assets for the two most recent fiscal years. When a series of a trust has a prior operating history but has not previously had an effective registration statement under the Securities Act, then, in addition to the above financial statements, it must include interim financial statements, as of a date within 90 days prior to the date of filing. In the case of a registrant which does not have a prior operating history, the financial statements filed with its initial registration statement under the Securities Act would include only a balance sheet or statement of assets and liabilities.

In recent years, a number of sponsors have created trusts which contain securities guaranteed as to the timely payment of principal and interest by third parties, typically banks from whom the sponsor has purchased the securities for deposit in the trust. Other similar arrangements may provide for the third party to agree to repurchase the deposited securities upon the occurrence of certain events or to issue a letter of credit guaranteeing payment of principal and interest in connection with all or some of the trust's portfolio securities. Because of the importance these third party features may play in a decision to purchase units of the trust, paragraph 16(e) of proposed Form N-7 would also require, under certain circumstances, that (i) guarantors, (ii) parties to a put agreement, buy-back agreement, or similar agreement for portfolio securities, or (iii) issuers of letters of credit that guarantee the payment of principal or interest either include their financial statements as of the end of their most recent fiscal year or incorporate by reference certain of their 1934 Act filings in the Statement of Additional Information (and deliver them with the Statement of Additional Information). This requirement would be triggered when the respective guarantee, agreement or letter of credit is entered into as a result of or related to the deposit or holding of securities in the trust and the affected securities constitute 25% or more of the value of the trust's portfolio securities as of the date of their deposit in the trust.

Inclusion of the financials of guarantors, parties to put agreements, buy back agreements or similar agreements respecting portfolio securities (hereafter "third parties") in the Statement of Additional Information represents a change in current staff policy which simply requires that the financials of third parties be made available upon request to interested persons. The Commission considers the new procedure set forth in the proposal appropriate because of the increasing use of third party arrangements and their importance to persons investing in unit trusts of this type. Indeed, it appears that it is often the existence of the third party feature which makes an investment in the unit trust attractive.

The letters of credit referred to above are those which guarantee the payment of principal and/or interest on the portfolio securities. These should be distinguished from letters of credit issued when the sponsors of a trust deposit in the trust, in lieu of the securities listed in the portfolio schedule, contracts to purchase those securities together with the amount of cash, cash equivalents and letters of credit issued by a bank necessary to purchase the securities.

The staff has not required that financial statements of insurers which issue unit trust portfolio securities be included in the registration statement. This policy would be continued under proposed Form N-7. Because of the extensive regulation of insurance companies by state insurance authorities and the focus of this regulation in the solvency of insurers, this distinction seems appropriate.

Financial statements of the trust sponsor are only required in the Statement of Additional Information if the sponsor has funding requirements pursuant to section 27 of the 1940 Act or if the sponsor guarantees a secondary market for the units of the trust, the secondary market price is higher than the redemption price of the units.

The Commission is aware that the proposed requirement that the third party financial statements be included or incorporated by reference in the registration statement would increase the exposure to liability of the sponsor of the trust. This, in turn, could increase the ultimate costs to unit holders. The Commission requests comment on the specific burdens and cost to registrants of the proposed new procedure.

Part C: Other Information

Part C of proposed Form N-7 concerns information that is required in the registration statement but not in the prospectus or Statement of Additional Information. The information required in Part C is essentially the same as that required in Part C of Form N-1A, modified for unit investment trusts.

IV. Guidelines

Over the years, numerous releases and no-action positions have described the views of the staff or matters affecting investment company and mutual fund disclosures. In addition, the staff has developed a number of policies relating to unit investment trusts that have not been formally announced. When it adopted Form N-1A, the Commission published staff guidelines for Form N-1A that bring together and update many of these positions for mutual funds. Guidelines have not been available to registrants for Form N-8B-2 and Form S-6. In order to assist registrants in preparing Form N-7, the Commission is publishing staff guidelines for this form, included as Appendix B to this release. These guidelines represent a compilation of staff positions with respect to appropriate disclosure for unit investment trusts. Comments are invited on the guidelines and other subjects not covered by them in order to assist the staff in developing appropriate final guidelines for Form N-7.

Restricted Securities

Guides 3 would permit a unit investment trust to hold in its portfolio

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*The requirement that the trust furnish an audited balance sheet and statement of operations for its most recent fiscal year would represent a relaxation of the present requirement under Form S-6 which calls for a statement of income and other distributions for the last three fiscal years. If adopted, this would bring the financial statement requirements for unit trusts in conformity with those for open-end management companies.*

*The letters of credit referred to above are those which guarantee the payment of principal and/or interest on the portfolio securities. These should be distinguished from letters of credit issued when the sponsors of a trust deposit in the trust, in lieu of the securities listed in the portfolio schedule, contracts to purchase those securities together with the amount of cash, cash equivalents and letters of credit issued by a bank necessary to purchase the securities.*

*The staff has not required that financial statements of insurers which issue unit trust portfolio securities be included in the registration statement. This policy would be continued under proposed Form N-7. Because of the extensive regulation of insurance companies by state insurance authorities and the focus of this regulation in the solvency of insurers, this distinction seems appropriate.*

*Financial statements of the trust sponsor are only required in the Statement of Additional Information if the sponsor has funding requirements pursuant to section 27 of the 1940 Act or if the sponsor guarantees a secondary market for the units of the trust, the secondary market price is higher than the redemption price of the units.*
restricted securities with a value of up to 25% of the face amount of the portfolio securities in the trust at the time of deposit (and up to 40% where the increase is a result of the sale or change in value of unrestricted securities) if a number of conditions are met. For purposes of this guideline, "restricted securities" mean those securities that cannot be sold publicly by the trustee without registration under the Securities Act. The conditions, in general, are designed to ensure the liquidity of the trust securities as a whole.

The 25% limitation set forth in proposed Rule 3 represents a change in the position of the staff. Current policy allows a unit investment trust to invest up to 40% of face amount of portfolio securities in restricted securities (and up to 50% where the increase is a result of the sale or change in value of unrestricted securities). The 40% figure is considerably more liberal than the 10% investment which the Commission has stated would be a prudent limit on any open-end investment company's acquisition of restricted securities, or other assets not having a readily available market quotation. These limitations on holdings of restricted securities are premised on Commission concerns over the valuation and liquidity of restricted securities that were discussed in Securities Act Release No. 5847 (October 21, 1969). Because open-end management investment companies and unit investment trusts must be prepared to satisfy redemption requirements within seven days under section 22(e) of the 1940 Act, they must maintain a portfolio of investments that enables them to fulfill that obligation. This requires a higher degree of liquidity. There are other exigencies that are not always predictable. Further, the seven day period for payment or satisfaction upon redemption required under section 22(e) may necessitate that an investment company, sell restricted securities in a hastily-arranged private placement and therefore receive less than the market value of the restricted securities reflected in the trust series' net asset value. Thus, instead of arranging a private sale of restricted securities, an investment company that is faced with redemptions may decide to sell unrestricted securities that would otherwise have retained on the basis of comparative investment merit. Although the longer-term nature of investments in trusts compared generally to mutual funds, the fixed portfolio of most unit investment trusts, and the maintenance of a secondary market for securities by unit investment trust sponsors support a more liberal policy for investment in restricted securities by unit investment trusts than by mutual funds, the Commission believes, in view of the potential problems raised by the statute-mandated seven day redemption period under section 22(e) of the 1940 Act, that a 25% limitation is more appropriate than a 40% one.

V. Proposed Rules Amendments

In order to implement the two-part format of Form N-7, the Commission is proposing for comment technical amendments to rules 17a-1 and 8B-12 under the 1940 Act and rules 496, 498, and 497 under the Securities Act.

VI. Proposed Amendment to Rule 487

The Commission is proposing an amendment to rule 487 under the Securities Act relating to the automatic effectiveness of registration statements filed by certain unit investment trusts. That rule generally provides for automatic effectiveness for a registration statement for securities of a new series of a trust if the registrant represents that the disclosures in the registration statement being filed do not differ in any material respect from those contained in the registration statement of one or more specifically identified previous series of the trust declared effective by the Commission staff, except to the extent the differences are necessary to reflect the specific portfolio securities of, and to provide essential financial information for, the series being registered. The proposed amendment would limit these previous series to those which were declared effective by the staff within the past two years.

Rule 487 was adopted by the Commission in 1982 to relieve the burden on Commission staff and registrants associated with staff review of registration statements which generally are repetitive in nature and do not present substantive issues and to permit registrants to assume greater responsibility for compliance with the disclosure requirements of the Securities Act and the 1940 Act. When the rule was adopted, the Commission indicated the staff would perform spot checks to monitor compliance with the rule. The amendment to rule 487 being proposed herein is intended to provide a more efficient mechanism for the staff to monitor unit investment trust disclosure. Under the rule as proposed to be amended, the sponsors of a trust which was continuously creating new "follow-on" series could not 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.

VII. Transition Period

If the Commission adopts proposed Form N-7 on a permanent basis, as proposed or modified, the form would replace Form N-8B-2 under the 1940 Act and Form S-6 under the Securities Act for unit investment trusts other than separate accounts. However, in order to permit both the Commission and the industry to adjust to the new form in an orderly way, the Commission would expect to provide for a transition period during which all registrants could use either the existing forms or the new form. When it adopted Form N-1A, the Commission provided for a transition period of one year and it would appear that a one year transition period would be appropriate for unit investment trusts to convert to Form N-7. After the expiration of the transition period, all unit investment trusts other than separate accounts would use Form N-7.

The Commission expects that the conversion of trusts from Forms S-6 and N-8B-2 to Form N-7 would be handled in much the same manner as the conversion of mutual funds from Form N-1 to Form N-1A. However, comment is solicited on the most efficient manner of handing the conversion taking into consideration the burden on registrants and the need for the Commission and investors to have all unit investment trusts use the same form and provide comparable disclosures.

List of Subjects

17 CFR Parts 230 and 239

Reporting requirements, Securities.

17 CFR Parts 270 and 274

Investment companies, Reporting requirements, Securities.

Text of Rules and Form

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

As discussed above, the Commission has proposed Form N-4 for insurance company separate accounts organized as unit investment trusts. See footnote 3 supra and accompanying text.
PART 230—GENERAL RULES AND REGULATIONS, SECURITIES ACT OF 1933

1. The authority citation for Regulation C of Part 230 is revised to read as follows:

Authority: Sec. 230.400 to 230.499 issued under sections 6, 8, 10, 19, 48 Stat. 78, 79, 81, as amended, 55, as amended: 15 U.S.C. 77f, 77h, 77j, 77q, 77u unless otherwise noted.

Note.—In §§ 230.400 to 230.499, the numbers to the right of the decimal point correspond with the respective rule number in Regulation C, under the Securities Act of 1933.

2. By proposing to revise paragraph (b)(3) introductory text of § 230.487 as follows:

§ 230.487 Effectiveness of registration statement filed by certain unit investment trusts.

(b) * * * * *

(3) The registrant identifies one or more previous series of the trust for which the effective date of the registration statement was determined by the Commission or its staff not more than two years before the date designated by the registrant under paragraph (a) of this rule, and makes the following representations:

* * * * *

3. 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 or Form N-7 shall consist of the facing sheet of the applicable form; cross-reference sheet; a prospectus containing the information called for by such form; the information; list of exhibits; undertakings and signatures required to be set forth in such form; financial statements and schedules; exhibits; any other information or 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 or Form N-7, Parts A and B shall contain the information called for by such form, 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 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, except to the extent provided in paragraph (d) of this rule.

(d) In the case of a registration statement filed on Form N-1A or Form N-7, where any item of those forms calls for information not required to be included in Parts A and B (generally Part C of such form) the text of such items, including the numbers and captions thereof, together with the answers thereto, shall be filed with Parts A and B under cover of the facing sheet of the form as a part of the registration statement. However, the text of such items may be omitted provided the answers are so prepared as to indicate the coverage of the item without the necessity of reference to the text of the item. If any such item is inapplicable, or the answer thereto is in the negative, a statement to that effect shall be made. Any financial statements not required to be included in Parts A and B shall also be filed as part of the registration proper, unless incorporated by reference pursuant to Rule 411 (§ 230.411 of this chapter).

4. 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 or Form N-7, there may be omitted from any prospectus or 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 the latest available certified financial statements, as of a date not more than 16 months prior to the use of the prospectus or the Statement of Additional Information, is contained therein.

5. By proposing to revise paragraphs (c) and (e) of § 230.497 as follows:

§ 230.497 Filing of prospectuses—number of copies.

(c) For investment companies filing on Form N-1A § 230.122A and § 274.11A of this chapter) or Form N-7 § 230.18A and § 274.12A of this chapter), within five days after the effective date of a registration statement or the commencement of a public offering after the effective date of a registration statement, whichever occurs later, 10 copies of each form of prospectus and Statement of Additional Information used after the effective date in connection with such offering shall be filed with the Commission in the exact form in which it was used.

* * * * *

(e) For investment companies filing on Form N-1A or Form N-7, after the effective date of a registration statement no prospectus which purports to comply with section 10 of the Act or Statement of Additional Information which varies from any form of prospectus or Statement of Additional Information filed pursuant to paragraph (b) of this rule shall be used until copies thereof have been filed with, or mailed for filing to, the Commission, together with five copies of a cross reference sheet similar to that previously filed, if changed.

* * * * *

PART 239—FORMS PRESCRIBED UNDER THE SECURITIES ACT OF 1933

6. The authority citation for Part 239 is revised to read as follows:

Authority: The Securities Act of 1933, 15 U.S.C. 77b et seq. unless otherwise noted.

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

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

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 also is to be used for the registration statement 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

8. The authority citation for Part 270 continues to read as follows:

Authority: Secs. 38, 40, 54 Stat. 841, 842; 15 U.S.C. 80a-37, 80c-68, unless otherwise noted.

9. 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 or Form N-7, three complete copies of each part of the registration statement (including exhibits and all other papers and documents filed as part of Part C of the
The prospectus and 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

11. The authority citation for Part 274 continues to read as follows:

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

12. 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.

Form N-7 shall be used as the registration statement to be filed pursuant to 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.

Summary of Initial Regulatory Flexibility Analysis

The Commission has prepared an Initial Regulatory Flexibility Analysis in accordance with 5 U.S.C. 603 regarding Form N-7 proposed herein. The Analysis notes that proposed Form N-7 would (i) integrate the reporting and disclosure requirements of both the Securities Act and the 1940 Act in one document; (ii) codify the disclosure standards that have been developed by staff of the Commission for unit investment trusts; and (iii) shorten and simplify the prospectus provided to all investors while, at the same time, enabling an investor to receive more extensive information upon request. A copy of the Initial Regulatory Flexibility Analysis may be obtained by contacting Stephen C. Beach, Stop 5-2, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Paperwork Reduction Act

The information collection required by proposed N-7 has been submitted to the Office of Management and Budget.

Statutory Authority

The Commission hereby proposes for comment Form N-7, rule 16A of Part 239 and amendments to rules 487, 495, 496, and 497 under the Securities Act of 1933, and rule 12 of Part 274 and amendments to rule 80-11A and 80-12A under the Investment Company Act of 1940 under the authority of sections 7, 10, and 19 of the Securities Act of 1933 [15 U.S.C. 77g, 77]). and sections 8, 30, and 38 of the Investment Company Act of 1940 [15 U.S.C. 80a-3, 80a-28, and 80a-37].

By the Commission.

John Wheeler, Secretary.


S17-

2-

Securities and Exchange Commission—Washington, D.C.

Form N-7

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. _____

_(Check appropriate box or boxes.)_

(Exact Name of Registrant)

(Name of Sponsor)

(Address of Sponsor's Principal Executive Offices) (ZIP Code)

Sponsor's Telephone Number, Including Area Code

(Name and Address of Agent for Service)

Approximate Date of Proposed Public Offering

[If the registration statement is filed pursuant to Rule 467, include the following information:]

It is proposed that this filing will become effective on (date) at (time) pursuant to Rule 467.

[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 spaces)

- immediately upon filing pursuant to paragraph (b) of rule 485

- on (date) pursuant to paragraph (b) of rule 485

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

---on (date) pursuant to paragraph (a) of rule 485

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

<table>
<thead>
<tr>
<th>Title of securities being registered</th>
<th>Amount being registered</th>
<th>Proposed maximum offering price per unit</th>
<th>Proposed maximum aggregate offering price</th>
<th>Amount of registration fee</th>
</tr>
</thead>
</table>

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 where securities are being registered under the Securities Act of 1933.

Registrants that are registering an indefinite number of securities under the Securities Act of 1933 pursuant to Investment Company Act Rule 24f-2 [17 CFR 270.24f-2] should include the declaration required by Rule 24f-2(a)(1) on the facing sheet, instead of or in addition to the Securities Act registration fee table. Fill in the 611— and 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 2— assigned.

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General Instructions

A. Who May Use Form N-7

Form N-7 shall be used by 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 ("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 8(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. Registrants that are increasing the amount of securities registered or registering an indefinite amount of their securities are also directed to Rules 24e-2 and 24f-2, respectively, under the 1940 Act [17 CFR 270.24e-2 and 270.24f-2] to compute the filing fee.

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 Commissioner, 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

Trust. The term "trust" means a unit investment trust as defined in Section 6(b) of the Securities Act of 1933 unless the context indicates otherwise, and the term "trustee" refers to the unit investment trust series on behalf of which the Securities Act registration statement is filed.

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 the 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.

Unit Holder. The term "unit holder" means the holder of a security or securities representing an undivided interest in a unit investment trust.

Portfolio Company or Portfolio Security. The terms "portfolio company" or "portfolio security" mean any company or security in which the Registrant invests.

E. Application of General Rules and Regulations

If the registration statement is being filed under the Securities and 1940 Acts or under only the 1940 Acts, the General Rules and Regulations under the Securities Act, particularly Regulation C [17 CFR 230.400–407], 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 8(b)-1 to 8(b)-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

A Registrant may, at its discretion, incorporate all or part of the Statement of Additional Information into the prospectus, without physically delivering the Statement of Additional Information to investors with the prospectus, so long as the Statement of Additional Information is available to the investor upon request at no charge and any information incorporated by reference into the Statement is provided along with the Statement to each person to whom the Statement is sent or given.

Rule 411 under the Securities Act [17 CFR 230.411], and rules 8-4, 8b-23, 8-24, and 8b-32 under the 1940 Act [17 CFR 270.8-4, 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.

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 405(a) under the Securities Act [17 CFR 230.405(a)], Parts A, B, and C 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 Sections 24(e) or 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 Rule 24f-2 notice filed by Registrants that have registered an indefinite - number of their shares.

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 A and B except Item 1, responses to all items of Part C except Items 19(b)(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 on Amendment

Form N-7 is divided in three parts. Part A relates to the prospectus required by Section 10(a) of the Securities Act; Part B relates to the Statement of Additional Information; Part C relates to other information that is required to be in the registration statement.

Part A: The Prospectus

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

1. Responses to the items of Part A should be as simple and direct as possible and include only information needed to understand the fundamental characteristics of the Registrant.

2. Descriptions of practices that are required by law generally should not include detailed discussions of the law itself.

3. Responses to items that use terms such as "list" or "identify" should include only a minimum of explanation or description.

4. The prospectus may also include all or part of the information required by Part B. When information required by Part B is in the prospectus, it need not be in the Statement of Additional Information. If all of the information required by Part B is in the prospectus, a separate Statement of Additional Information is not necessary. The cross-reference sheet must show which items of Part B are included and where they are in the prospectus.

Part B: Statement of Additional Information

The items in Part B call for additional information which is not required in the prospectus, but which may be of interest to some investors. In addition, Part B gives Registrants an opportunity to provide more information about matters that they believe may interest investors.

In most cases, Registrants should not repeat in Part B information that is in the prospectus. However, the prospectus, Part A of Form N-7, and the Statement of Additional Information, Part B of Form N-7, are independent documents. Therefore, the Statement of Additional Information should be understandable by itself.

General Instructions for Parts A and B

1. The information in the prospectus and the Statement of Additional Information should be organized to make it easy to understand the organization and operation of the Registrant. The information need not be in any particular order, except that Items 1 and 2 must be the first two items in the prospectus.

2. The prospectus or the Statement of Additional Information 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 the Statement of Additional Information for purposes of Rule 423 under the Securities Act [17 CFR 230.423]. Furthermore, the Statement of Additional Information 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 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 Release No. 5359 [January 26, 1973] [38 FR 7220 (March 19, 1973)].

J. Consolidation of Documents

Part A: Prospectus

Any trust whose series are eligible to file a Securities Act registration statement under Rule 487 of the Securities Act may structure the prospectus of each of those eligible series to consist of two parts affixed together. The first part of the prospectus ("Part A-1") shall consist of information that is specific to the series being registered under the Securities Act. The following information would be considered series-specific:

Item 1. Cover Page

Item 2. Summary Information

Item 3(b). Risk Disclosures (partial).

Item 5(a). Schedule of Investments.

The risk disclosures required by Part A-1 are descriptions of the risks peculiar to that series, including the credit worthiness of the issuers, any peculiar features of the securities deposited in that series, and any risks related to the composition of the portfolio, e.g., concentration. Provide a cross-reference to additional risk disclosure in Part A-2.

The second part of the prospectus ("Part A-2") would consist of all remaining disclosure items required by Part A of Form N-7 (including any remaining risk disclosures under Item 3(b)). If information required by Part A is not included in Part A-1, it must be included in Part A-2. As noted above, Parts A-1 and A-2 must be affixed together.

Part B: Statement of Additional Information

Any trust whose series are eligible to file pursuant to Rule 487 of the Securities Act may also, at its discretion, create a common Statement of Additional Information for up to ten series of that trust. The common Statement of Additional Information would consist of all information required by Part B of Form N-7, including separate financial statements for each of the series, and could be created whether or not the prospectus of a series is divided into two parts.

K. 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 A—Information 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 concisely the 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 statement of Additional Information about the Registrant has been filed with the Commission and is available without charge upon the investor's written or oral request. (This statement should explain how to obtain the Statement of Additional Information and whether any of it has been incorporated by reference into the prospectus. If there is no separate Statement of Additional Information because all the information required in that statement is included in the prospectus, so state.);
(v) If the prospectus consists of two parts, a statement to that effect and a brief description of each part;
(vi) The date of the prospectus and the date of the Statement of Additional 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 or of any other governmental authority having jurisdiction over the Registrant for the issuance of its securities.
(b) The cover page may include other information, but care should be taken that any additional information does not, either by its nature, 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 trust as of the date of the financial statements required in the Statement of Additional Information 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 15 days prior to the date of filing.

Summary Information
1. Number of units outstanding.
2. Aggregate offering price.
3. Price 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; and
   (f) Redemption price.
4. Estimated current return.
5. Fees.
   (a) Trustee's annual fee;
   (b) Sponsor's annual fee; and
   (c) Evaluator's annual fee.
6. Distributions.
   (a) Brief description;
   (b) Frequency; and
   (c) Minimum distribution.
7. Valuation.
   (a) Evaluator's name; and
   (b) A description of any affiliation with the sponsor or trustee, if applicable.
8. 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, provide the public offering price and sales charge for sales of units in the secondary market. Footnote provisions relating to accrued interest, if applicable.
If accrued interest is not remitted to unit holders until units are redeemed or the trust is liquidated, the amount of accrued interest should be included or added to the cost of purchase. In this regard, any accrued interest should be included in the divisor in the computation of estimated current return.

Item 2, No. 4:
Briefly indicate how estimated current return is calculated. State any qualifications pertaining to this calculation, including the use of estimates and any circumstances which would subject the calculation to revision; provide, in response to this sub-item, 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, those effects should be briefly discussed. In the event that the impact of when-issued securities or delayed delivery contracts results in an estimated current return for initial investors that is lower than the estimated current return for later investors, the lower amount for estimated current return should be used in response to the item.

Item 3. 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 Registrant and the name of the state or other jurisdiction under the laws of which it is organized;
   (ii) A concise description of the investment objectives of the trust;
   (iii) A concise description of the Registrant's policies and procedures with respect to the acquisition of underlying securities and the disposition thereof, including:
      (A) The types of principal features of securities selected for inclusion in the trust; and
      (B) The basis upon which securities are selected for inclusion in the trust;
   (C) If the Registrant is concentrated or proposes to concentrate in a particular industry or group of industries, identification of 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 Registrant's name.)
   (d) Discuss briefly the principal risk factors associated with investment in Registrant, including factors peculiar to the Registrant as well as those generally attendant to investment in a unit investment trust with investment objectives similar to Registrant's, including:
      (i) The risks associated with investing in each type of security included in the trust;
      (ii) Any features of the trust that could affect the liquidity of the trust's portfolio, including the liquidity of portfolio securities backed by letters of credit or subject to put agreements or buy back agreements; and
      (iii) For trusts which hold fixed income securities in their portfolio, the effect of a rise in interest rates on the value of trust units.
   (c) Describe briefly all significant expenses incurred annually by the trust. Expenses would include, for example, fees of the sponsor, trustee, evaluator, and the total cost of insurance premiums on portfolio securities. Identify each person who receives payment from the trust or its unit holders and the amount of the payment, and briefly describe the services provided.
   (d) Describe briefly all charges imposed on unit holders and unit holder
accounts. Charges to unit holders and their accounts would include sales charges, if any, imposed on initial sales, sales in the secondary market, exchanges or otherwise, provisions for the reduction of a unit holder’s account by the sponsor or trustee and charges to the unit holder for reinvestment of dividends or other distributions. If any person, other than the sponsor or trustee, such as a broker, dealer or bank may, with the Registrant’s knowledge, impose any additional charges in connection with purchases, a statement to that effect may be included in place of a description of the charge.

(e) Provide the following information:

(i) A brief description of the Registrant’s (a) 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. State where the prospectus or other additional information may be obtained with respect to these options;

(ii) A brief description of any provisions with respect to amendment or termination of the trust;

(iii) A brief description of 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;

(iv) A brief description of the substance of any other material provisions of the trust indenture concerning the trust or its units.

Instruction to Item 3(c):

The description of significant expenses should 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 expenses which represent more than 5% of total expenses. The initial registration statement should provide an estimate of expenses.

Instruction to Item 3(c) and 3(d):

All information required by Items 3(c) and 3(d) must be consolidated in one location in the prospectus.

Item 4. 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.

(b) (i) Briefly describe each sponsor, 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.

(ii) Provide the aggregate profit (or loss) of the sponsor with respect to the deposit of securities in the trust;

(iii) List the percentage of portfolio securities deposited in the trust in which the sponsor was a manager, co-manager or member of the syndicate underwriting the issuance of those securities;

(iv) State that the sponsor may realize a profit (or sustain a loss) during the initial public 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) To the extent the sponsor or trustee has the use and benefit of (i) investors’ purchase monies received before settlement date; or (ii) interest and capital gains monies received by the trust before distribution to unit holders, so state.

Instruction to Item 4(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 nor identify all the jurisdictions where it does business.

Item 5. Portfolio Securities

(a) Provide a schedule of investments, as of the date of the financial statements required by Item 18, in substantially the tabular form indicated, to the extent applicable:

<table>
<thead>
<tr>
<th>Portfolio No.</th>
<th>Name of issuer and type of security</th>
<th>Number of shares or principal amount</th>
<th>Yield on date of deposit</th>
<th>Date of maturity</th>
<th>Redemption feature</th>
<th>Value of security</th>
<th>Value without interest-related features</th>
<th>Security rating</th>
</tr>
</thead>
</table>

(b) Briefly describe procedures for valuation of portfolio securities, including valuation of any insurance, guarantee or other feature attaching to the portfolio securities; and

(c) Discuss any insurance or guarantee of payments of principal or interest of the underlying securities, including the scope of the insurance or guarantee and the name of the insurer or guarantor;

(d) Describe briefly the policy of the trust with respect to the acquisition of additional securities and substitution or elimination of the underlying securities of the trust, including:

(i) The circumstances under which additional securities would be acquired, or underlying securities eliminated or substituted; and

(ii) The type of securities which may be substituted for underlying securities;

(e) List the percentage of securities purchased on a when-issued basis or on delayed delivery contracts as a note to the schedule of investments. Briefly discuss the nature of the securities and the procedures and policies of the trust 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 5(a):

(i) The information in the schedule should be provided as of the date of the financial statements provided under Item 18.

(ii) List as a separate line of the schedule of investments the units of each previously issued unit investment trust series deposited in the trust.

(iii) 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.

(iv) State in a note to the schedule whether the yield is current yield or yield to maturity.

(v) If the trust’s investment objective(s) or policies limit investment in securities with a minimum rating of investment 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. Where a rating of a portfolio security is referred to in the prospectus, 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 by the assigning rating organization, and that each rating should be evaluated independently of any other rating.

(vi) The column, "Value without Trust-related features," means the value of portfolio securities without the value of any feature, e.g., guarantee, insurance or put agreement, that adds to the value of the portfolio securities as reflected in the previous column. This column should be included only to the extent the trust related feature adds value to the securities while held by the trust and only when the specific feature is entered into as a result of or related to the deposit or holding of securities in the trust. List the trust-related features in a footnote to the schedule. If the column is the same as the previous column for all portfolio securities, it may be omitted.

Item 6. Tax Status and Consequences

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

(a) A statement of the tax status of the Registrant in the opinion of Registrant' counsel;
(b) A brief statement if the registrant intends to qualify for treatment under Subchapter M of the Internal Revenue Code;
(c) A description of the tax consequences resulting from the kind of portfolio securities held by the trust, e.g., when-issued securities, or discount bonds; and

(d) A statement on the applicability of relevant state and local taxes to distributions to investors of the trust.

Item 7. 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 the 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 way in which the public offering price is determined, 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, if applicable, as a percentage of the net amount invested for each breakpoint; 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), 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 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.

Item 8. Redemption or Repurchase

(a) Describe briefly in the prospectus all procedures for redeeming the Registrant's share, any restrictions thereon, and any charges that may be attendant upon redemption, except redemptions made pursuant to Rule 18f-1 [17 CFR 270.18f-1]. Information concerning methods of redemption pursuant to Rule 18f-1 may be provided by the Registrant, at its discretion, in either the prospectus or the Statement of Additional Information. If Registrant, under normal circumstances, intends to redeem in kind, so state and briefly describe the conditions for exercising such a redemption.

(b) State if the sponsor intends to make a secondary market in units of the trust and briefly describe any condition that would affect continued maintenance of that 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 note. 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.

Item 9. Pending Legal Proceedings

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 proceedings instituted by governmental authorities.

Part B—Information Required in a Statement of Additional Information

Item 10. Cover page

(a) The outside cover page must contain the following information:

(i) The Registrant's name;
(ii) The sponsor's name;
(iii) A Statement of statements:
(A) That the Statement of Additional Information is not a prospectus;
(B) That the Statement of Additional Information should be read with prospectus; and
(C) How a copy of the prospectus may be obtained;
(iv) All of the series to which the Statement of Additional Information relates; and
(v) The date of the Statement of Additional Information.

(b) The cover page may include other information, provided that it does not by its nature, quantity, or manner of presentation, impede understanding of required information.

Item 11. Table of Contents

List the contents of the Statement of Additional Information and provide cross-references to the prospectus.

Item 12. Description of the Trust

(a) To the extent these matters are only briefly described in the prospectus, discuss more fully the investment objectives of the trust and the Registrant's policies and procedures for the acquisition of underlying securities. It is not necessary to repeat information contained in the prospectus, but in augmenting the disclosure with respect to those types of investments, policies or practices that are briefly discussed or identified in the prospectus, the Registrant should make sufficient reference to the prospectus to clarify the context in which the additional information called for by this Item is being provided.

(b) To the extent that it is only briefly discussed in the prospectus, discuss more fully the principal risk factors associated with investment in the Registrant, including factors peculiar to the Registrant as well as those generally attendant to a unit investment trust with investment objectives similar to that of Registrant.

(c) To the extent that it is only briefly discussed in the prospectus, discuss more fully the information specified under Item 5(d) (i)–(iv).

Item 13. Description of Trustees and Sponsor

(a) Describe the trustee and its functions with respect to the Registrant to the extent this is only briefly discussed in the prospectus. Include the information specified below:

(i) the nature of its duties under the trust indenture or agreement and any limitations on its powers arising from those duties; and
(ii) the terms and conditions for the removal or resignation of the trustee or the failure of the trustee 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) If these matters are only briefly discussed in the prospectus, describe each sponsor and its functions with respect to the Registrant, including:

(i) if the sponsor is continued by another person, the name of that person and the nature and general business of the sponsor;

(ii) the terms and conditions for removal or resignation of the sponsor or 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.

(c) To the extent not discussed in the prospectus, discuss the trust's policies and practices that are briefly discussed or identified in the prospectus.

(d) Furnish the following information with respect to the deposit of units of the Registrant's principal underwriters:

(i) the nature of its duties under the trust indenture or agreement and any limitations on its powers arising from those duties;

(ii) the terms and conditions for the removal or resignation of the trustee or the failure of the trustee to perform its duties, obligations or functions, including the appointment of a successor trustee and the procedure if a successor trustee is not appointed.

(e) Furnish the following information with respect to the prospectus:

(i) the date of change;

(ii) date of change;

(iii) the nature of its duties under the trust indenture or agreement and any limitations on its powers arising from those duties;

(iv) the terms and conditions for the removal or resignation of the trustee or the failure of the trustee to perform its duties, obligations or functions, including the appointment of a successor trustee and the procedure if a successor trustee is not appointed.

Item 14. Portfolio Securities

(a) State, to the extent the prospectus does not do so, the conditions upon which particular portfolio securities must or may be eliminated from the trust or may or must be replaced by other portfolio securities.

(b) Furnish the following information with respect to each transaction involving the exchange (substitution, elimination or other disposition) of any underlying security, or the acquisition of an additional security, during the period covered by the financial statements filed under Item 16:

(i) title of security eliminated;

(ii) number of shares or par value of the securities eliminated;

(iii) the use of the proceeds from the sale of any security eliminated from the trust;

(iv) date of change;

(v) reasons for change;

(vi) title of security acquired, if any;

(vii) number of shares or par value of the acquired securities;

(viii) if the sponsor, principal underwriter, trustee or custodian or any affiliated person of the foregoing were involved in the transaction, so state and describe briefly; and

(ix) compensation or remuneration received by each person referred to in paragraph (c)(viii) directly or indirectly as a result of the transaction.

(c) To the extent not discussed in the prospectus, discuss the trust's policies with respect to the deposit of units of other trusts in the trust portfolio.

(d) To the extent these matters are only briefly described in the prospectus, discuss more fully the information requested by items 5(c) and 5(e).

Item 15. Tax Status and Consequences

(a) Describe the material features of the tax opinion of Registrant's counsel.

(b) Provide an explanation of the legal basis for the Registrant's tax status.

(c) To the extent these matters are only briefly described in the prospectus pursuant to Item 6, discuss more fully the tax consequences to the investor of an investment in the trust.

Item 16. Purchase, Redemption and Pricing of Securities Being Offered

(a) Expand, if appropriate, any description provided in the prospectus of the manner in which Registrant's securities are offered to the public. The description should include any special purchase plans or methods not described in the prospectus, such as letters of intent, accumulation plans, withdrawal plans, exchange privileges and services in connection with retirement plans.

(b) Describe the method followed or to be followed by the Registrant in determining the total offering price at which its securities may be offered to the public, the redemption price, and repurchase price and 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. 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.

(c) If the Registrant may hold payment upon a request for redemption for a
Instructions to Item 16(b):

1. The valuation procedure used by the Registrant in determining net asset value and public offering price must be described.

2. Explain fully 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, its sponsor or trustee.

3. Furnish a specimen price-make-up sheet showing the computation of the total offering price and redemption or repurchase price per unit, using as a basis the value of the Registrant’s portfolio securities and other assets and its outstanding securities as of the date of the balance sheet filed by the Registrant.

Item 17. Underwriters

(a) With respect to the public distribution of securities of the Registrant, state:

(i) for each principal underwriter distributing securities of the Registrant, the nature of the obligation to distribute the Registrant’s securities; and

(ii) the aggregate dollar amount of underwriting commissions and the amount retained by the principal underwriter for each of the last three fiscal years.

(b) Furnish the information required by the following table with respect to all commissions and other compensation received by each principal underwriter who is an affiliated person of the Registrant, directly or indirectly, from the Registrant during the Registrant's last fiscal year:

<table>
<thead>
<tr>
<th>Name of Principal Underwriter</th>
<th>Not Underwriting commissions on Initial Offering</th>
<th>Compensation on Redemption and Repurchases</th>
<th>Other Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
</tbody>
</table>

(c) If during the Registrant’s last fiscal year any payments were made by the Registrant to an underwriter, broker or dealer in the Registrant’s shares other than: (i) payments made through deduction from the offering price at the time of sale of securities issued by the Registrant, (ii) payments representing the purchase price of portfolio securities acquired by the Registrant, or (iii) commissions on any purchase or sale of portfolio securities by the Registrant, furnish the following information:

(A) the name and address of the underwriter, broker or dealer;

(B) a description of the circumstances surrounding any payments;

(C) the amount paid; and

(D) the basis on which the amount of the payment was determined and the consideration received for it.

Instructions:

Item 17(b):

1. Do not include in answer to Item 17(c) any information furnished in answer to Item 17(b) above.

2. If the payments were made pursuant to an arrangement or policy applicable to dealers generally, it will be sufficient to describe the arrangement or policy.

Item 18. Financial Statements

(a) The following financial statements of the trust shall be provided in a separate section:

(i) An audited balance sheet or statement of assets and liabilities as of the end of the most recent fiscal year;

(ii) An audited statement of operations for the most recent fiscal year conforming to the requirements of Rule 6-07 of Regulation S-X; and

(iii) Audited statements of changes in net assets conforming to the requirements of Rule 6-08 of Regulation S-X; and

(iv) Issuer of a letter of credit guaranteeing the payment of interest or principal of 25% 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.

(A) Include the financial statements as of the end of the most recent fiscal year of such 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 and 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

(B) Incorporate by reference in the Statement of Additional Information 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.

Instructions:

Item 18(d):

Financial statements which are incorporated by reference must be delivered with the Statement of Additional Information.

Part C.—Other Information

Item 19. Financial Statements and Exhibits

List all financial statements and exhibits filed as part of the Registration Statement.

(a) Financial statements.

(b) Exhibits:

(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 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 Registrant;
(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 contracts or guarantees relating to portfolio securities of the trust that were obtained by the trustee or sponsor;
(10) all financial statements incorporated by reference under Item 18;
(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; and
(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 that the purchases were made for investment purposes without any present intention of redeeming.

Instructions:
Item 19(a):
Designate those financial statements which are included in Parts A and B of the Registration Statement.
Item 19(b):
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 20. 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:

<table>
<thead>
<tr>
<th>Name and Principal Business Address</th>
<th>Positions and Offices with Sponsor</th>
</tr>
</thead>
</table>

Item 21. 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 21:
In responding to this Item the Registrant should note the requirements of Rule 461 and 464 under the Securities Act [17 CFR 230.461, 230.464] and Section 17 of the 1940 Act [15 U.S.C. 80a-17].

Item 22. Underwriters
If any payments were made by the Registrant during its last fiscal year to an unaffiliated underwriter or dealer other than payments made through deduction from the offering price at the time of sale, furnish the following information:
(i) the name and address of the underwriter or dealer;
(ii) a description of the circumstances surrounding payment;
(iii) the amount paid; and
(iv) how the amount paid was determined and the consideration received for it.

Item 23. 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-31(a)] and the Rules thereunder [17 CFR 270.31a-1 to 31a-3].

Item 24. Management Services
Give a summary of any contract not discussed in Part A or Part B 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 24:
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 or (ii) bona fide contracts for outside legal or auditing services, or 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 undersigned in the city of and State of , on the day of .

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, the Registrant has caused this Registration Statement to be signed on its behalf by the undersigned 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)

As required by the Securities Act of 1933, this registration statement has been signed by the following persons in the capacity and on the dates indicated.

(Signature) ____________________
(Title) ____________________
(Date) ____________________

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Appendix

Issuer of Periodic Payment Plans

A unit investment trust that issues periodic payment certificates must:

(1) Complete all items of Parts A, B, and C (except items, 2, 5, and 14) 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) Provide 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 interest 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 company.

(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 substantially the following form. The schedule shall cover each certificate of the type currently being sold from the earliest date of the trust's organization or for the last ten fiscal years of the trust, whichever is shorter.

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.

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### Transcript of a Hypothetical Periodic Payment Plan Account

<table>
<thead>
<tr>
<th>Col. A</th>
<th>Col. B</th>
<th>Col. C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of payment</td>
<td>Amount of Payment</td>
<td>Deductions from Payments on Principal</td>
</tr>
<tr>
<td>Monthly for first two years and annually thereafter</td>
<td>Cumulative</td>
<td>(1) Insuring commissions, loading fees and all other similar charges</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Insurance premiums</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) Other deductions</td>
</tr>
</tbody>
</table>
The transcript shall be carried to date of completion on the assumption there has been no lapse or cancellation, or if incomplete to the approximate date of statement closing. The income of the account which is to be reinvested shall be included in an appropriate manner.

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.)

<table>
<thead>
<tr>
<th>Aggregate amount of payments (complete period)</th>
<th>Six months</th>
<th>Payments during</th>
<th>One year</th>
<th>Eighteen months</th>
<th>Two years</th>
<th>Percent of amount of payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>Percent</td>
<td>Amount</td>
<td>Percent</td>
<td>Amount</td>
<td>Percent</td>
<td>Amount</td>
</tr>
<tr>
<td>Amount to be made on certificates</td>
<td>100</td>
<td>Amount of</td>
<td>100</td>
<td>Amount of</td>
<td>100</td>
<td>Amount</td>
</tr>
<tr>
<td>Amount of sales load</td>
<td></td>
<td>payments</td>
<td></td>
<td>payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee of custodian or trustee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance premium</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other deductions from payments 1'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total deductions (2 to 5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reductions upon liquidation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

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Guide 1—Name of Registrant

The registrant's name, as set forth in Item 1 on Item 10, must be consistent with the provisions of section 35 of the Investment Company Act of 1940 ("1940 Act"). Section 35(d) provides in effect 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 statement of investment objective.

If a trust has a name that implies that its distributions will be exempt from federal income taxation, the trust's assets should be invested so that substantially all of its net assets are invested in tax-exempt securities. 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. If the registrant's name is not so similar to the name of an existing investment company as to cause confusion in identifying the investment company. Finally, a...

1 See Guide 14—Concentration or Other Significant Holdings.

2 See Guide 14—Concentration or Other Significant Holdings.
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 Items 1 and 10, 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 the company's name.

Guide 2—Valuation of Securities Being Offered

Item 16 requires a registrant to identify in the prospectus the method used to value the 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. 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, up to the time of valuation, on 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 in such circumstances 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 based on the range of bid and asked prices considered best to represent value in that circumstance; each of these policies is acceptable if consistently applied. Normally, the use of the asking price alone is not appropriate. Where, on the valuation date, only a bid price or an asking 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 considered 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 for a security should be obtained from more than one broker-dealer, particularly if quotations are available only from broker-dealers not known to be market-makers for that security. A company 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 best to represent value in that circumstance. The staff will consider any of these policies appropriate if consistently applied.

If the validity of the quotations appears to be questionable, or if the number of quotations is such as to indicate 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 considered one required to 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 under the Act, the trustee or its appointed person must satisfy themselves that all appropriate factors relevant to the value of the securities being valued would be the factors that the staff will consider in determining fair value in good faith. It is proper to consider factors, although this may be a factor not considered in structuring the final valuation. 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.

Guide 3—Restricted Securities

Subject to the three conditions described below, up to 25% in face amount of the securities in any series of a unit investment trust may consist of restricted securities. 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. If the conditions are not met, the trust may hold up to ten percent of the face amount of the portfolio securities in restricted securities or other illiquid securities. The first condition is that sales of unrestricted securities from the portfolio will not result in (i) restricted securities constituting more than 40% 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 intends to maintain a secondary market in the units of the trust after the units are originally issued. Alternatively, if for any reason the sponsor discontinues its maintenance of a secondary market, the sponsor intends to purchase units of the trust tendered for redemption, at prices not less than the current redemption prices for units of the trust, in the event that (i) it would be necessary for the trust to sell restricted securities to meet redemptions or (ii) it is not feasible to dispose of the restricted securities within the period.

1 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 making sure that a pricing method is proper rests with the registrant.

2 For a general discussion of the factors to be considered in this determination, see Investment Company Act Release No. 6295 (December 23, 1970) [35 FR 19986 (December 31, 1970)].
during which tendering unit holders are required to be paid.

Under the third condition, any trust containing restricted securities with a value equal to more than 10% of the face amount of the portfolio securities must be reasonably diversified and liquid. The following must be met to fulfill the third condition:

(a) The sponsor limits 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 trust.

(b) The restricted securities are either rated, or, if not rated, are issued by issuers that have outstanding obligations that are rated investment grade—one of the four highest rating grades assigned by a nationally recognized statistical rating organization.

(c) The securities (including the restricted securities) are valued by an independent evaluator at the time the securities are deposited in the trust and during the time they remain in the trust.

If restricted securities are to be included in the portfolio of a trust, the percentage in face amount of the securities in the portfolio which are restricted securities must be disclosed in the prospectus. The policy of investing in restricted securities, and the risks related thereto, should be briefly discussed in the prospectus pursuant to Items 3 and 5, with a fuller discussion in the Statement of Additional Information. The Statement of Additional Information must also disclose the conditions stated above and must briefly discuss any other material impact the inclusion of Restricted Securities may have on the trust.

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 of 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.

Guide 4—Deposit of Contracts to Purchase Securities

The sponsors of any 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 identified 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.

Guide 5—Advance by Trustee

The trustee for a trust 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. If the trustee does so, then Item 12 of the Statement of Additional Information must contain a description of the circumstances under which the advance is or will be made.

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 the following information under Items 4 and 14, if applicable. The information required with respect to financial statements should be included in the Statement of Additional Information. Other information required should be briefly described in the prospectus, under Item 5, with a fuller discussion in the Statement of Additional Information, under Item 14.

1. Guarantors:
   (i) Name or 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) Scope and terms of 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) Description of collateral;
   (ii) Scope and 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 pursuant to Items 5 and 14. The information required by Items 1, 2(a)(i)-(ii), 3, 4, and 5 must be briefly described in the prospectus under Item 5, with a fuller discussion in the Statement of Additional Information. The information required by Items 6 and 7 must be discussed in either the prospectus or the Statement of Additional Information.

1. A discussion of the nature and scope of the insurance, including:
   (i) Extent and duration of coverage;
   (ii) Conditions of or limitations on coverage; and
   (iii) Procedures for and manner of insurance payment.

Note.—The staff takes the position that any such insurance must be non-cancelable by the insurance company and the insurance premiums must be fixed at the time of purchase for the life of the trust. This response should include discussion of whether insurance is effective only while certain securities are held by the trust.

2. (a) A brief description of each insurer, including:
   (i) Name of each insurer;
   (ii) Date and form of organization of insurer and the name of the state or other jurisdiction under whose laws it is organized;
   (iii) Total assets, capital surplus, and total dollars of insurance in force as of a date reasonably close to the date of filing;
   (iv) Brief description of business;
   (v) Brief description or regulation by state authorities;
   (vi) If there is any affiliation with sponsor or trustee, a statement to that effect and a brief description of the nature of the affiliation; and
   (vii) Name of any person controlling insurer (if the insurer is subject to more than one level of control, it is sufficient to give the name of the ultimate control person and a brief description of the business of such person).

b. A brief description of any reinsurance agreement which the insurance company has entered into with respect to the portfolio securities of the trust, including:
   (i) Amount of liability covered by reinsurance; and
   (ii) Any material effect of reinsurance on the securities insured.
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.

A brief description of the tax treatment of any payments made pursuant to the insurance policy, e.g., payments on default of tax-exempt securities.

A brief comparison of cost and yield of portfolio securities with and without insurance, including a brief comparison of estimated current return with and without insurance.

A brief description of the relation or insurance to the trust's investment policy, including:

(i) Whether insured securities in default will be retained by the trust; and
(ii) Whether the insurance company will be requested to determine the insurability of a proposed portfolio security prior to deposit.

A brief description of the criteria for selection and eligibility of portfolio securities for insurance, including:

(i) Eligibility criteria for insurance of portfolio securities;
(ii) Investment objectives and criteria for selection of portfolio securities without consideration of insurance; and
(iii) Effect of insurance on any rating assigned to the securities by any ratings agency.

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 appropriate column of the schedule of investments required by Item 5. If 25% or more of the portfolio securities are subject to recall or redemption, provide a brief description of the likely conditions under which any such feature would be exercised by the issuers, the potential impact on estimated current return and the potential income tax consequences to unit holders in response to Items 5, 6, and 7. If 25% or more of portfolio securities are subject to early recall or redemption, care should also be taken by the registrant and sponsor that the potentially early recall 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 cause the securities not to be delivered, state the conditions under which the trustee is directed to acquire, and the procedures for acquiring, other securities in response to Item 14 of the Statement of Additional Information.

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.

Disclosure of these conditions should be made in response to Item 14. Disclosure should also be made of the fact that, if no replacement is made, the trust will refund to unitholders 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—Additional 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 Investment Company Act of 1940, 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 "specific securities" requires that any additional securities deposited in the trust, pursuant either to a reinvestment of dividends or to a subsequent offering of additional trust units, substantially replicate the initial composition of the trust portfolio both as to specific securities and maturities of that portfolio.

Guide 11—Securities Ratings

Securities rating 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 or preferred stock, by a nationally recognized statistical rating organization (including a rating made on the basis of insurance provided by the third party) may be included in a registration statement 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 trust, the following information should be included in the prospectus under Item 3:

(i) 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;
(ii) The name of such rating organization whose rating is disclosed;
(iii) Each such rating organization's definition or description of the category in which it rated the trust of securities;
(iv) The relative rank of each rating organization's overall classification system; and
(v) 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.

Where a securities rating of the trust or a portfolio security referred to in the prospectus materially changes, the registrant should consider disclosing the rating change by means of a post-effective amendment or sticker to the prospectus.

Guide 12—Investment Objective and Policies

In the response to Item 1 or Item 3, the registrant's investment objectives (including the types of securities in which it will invest) should be clearly and concisely stated in the prospectus so that they may be readily understood by the investor. As a general matter, the amount of disclosure about a particular type of security should be consistent with the relative amount of the registrant's assets invested in that type of security.
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, it should concisely but clearly disclose in the prospectus the risks involved in such investments either in response to Item 1 or Item 3. Accordingly, 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, be limited to identifying the particular type of investments. In order 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.

The response to Item 14 should include a fuller discussion in the Statement of Additional Information of those trust indenture provisions relating to the investment objective and portfolio securities of the registrant with respect to which an abbreviated or no narrative description is included in the prospectus. Fuller descriptions of the registrant’s principal types of investment may also be appropriate, depending on the circumstances.

**Guide 13—Allocation of Risk Disclosure**

Item 3 and 12 require discussion of the principal risk factors associated with investment in the trust. The allocation of this discussion between Items 3 and 12 depends on the magnitude of the risk involved. In general, a greater magnitude of risk requires fuller discussion in the prospectus, or Part A-1 if the prospectus is divided into two parts. The guidelines set forth below should be followed in determining how to allocate the risk disclosure.

1. Where the risk is specific to the security, e.g., legal proceedings materially affecting a portfolio security, there should be a detailed discussion of this risk in the prospectus (Part A-1 if applicable).
2. Where the risk relates to concentration, there should be a discussion in the prospectus (Part A-1, if applicable) and more detailed discussion in Part A-2 or Part B.
3. Where the risk pertains to the type of security held by the trust (e.g., housing bonds) there should be a brief discussion in the prospectus (Part A-1 if applicable) and more detailed discussion in Part A-2 or Part B.

**Guideline 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 assets in any one industry or group of industries requires concentration. If the registrant concentrates in a particular industry or group of industries, it should, in responding to Item 3, specify in the prospectus the industry or group of industries in which it concentrates. If the registrant does not concentrate in a given industry, no further investment through substitution or addition of securities may be made in that industry if, upon making the investment, 25 percent or more of the value of the registrant’s assets would be invested in the industry. However, when securities of a given industry come to constitute more than 25 percent of the value of the registrant’s 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 3 is necessary. For example, each investment company investing in tax-exempt bonds should, if 25 percent or more of its 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 interests 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. These disclosures should generally be highlighted in the prospectus, with a fuller discussion included in the Statement of Additional Information. Also, if a company invests 25 percent or more of its assets in industrial development bonds, it should disclose this fact.

**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 prospectus should reflect in response to Item 3 under what significant extent in United States Government securities, the prospectus should include the following information: (i) The type of Government securities in which the fund invests; (ii) the principal Government agencies and instrumentalities in whose securities the fund 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) explain 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 the prospectus pursuant to Items 5 and 6. Additional information should be provided in the Statement of Additional Information pursuant to Items 12 and 15.

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 pursuant to Items 5 and 14. The information required should be described briefly in the prospectus, with a fuller discussion in the Statement of Additional Information:

1. Description of the securities;
2. Comparison with customary securities;
3. Description of tax consequences; and
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 the following areas with respect to mortgage-backed securities issued and/or guaranteed by a government agency, e.g., mortgage-backed securities guaranteed by the Government National Mortgage Association ("GNMA"), held in the trust portfolio. This information should be briefly described in the prospectus, under Item 5, with a fuller discussion in the Statement of Additional Information, under Item 14.

(i) Nature of securities, including role and guarantee of government agency;
(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.

Guide 19—Municipal Lease Obligations

For trust holding municipal lease obligations, provide the following information under Items 5 and 14. The information required should be concisely discussed in the prospectus, with a fuller discussion included in the Statement of Additional Information:

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. Risks disclosures specific to these kinds 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 possession of these obligations; and
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; and intermediate-term series (or portfolio within a series) must have a dollar-weighted average maturity of more than three years but not more than ten years; and a long-term series (or portfolio within a series) must have a dollar-weighted average 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 is the calculation of average portfolio maturity.

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DEPARTMENT OF ENERGY
Federal Energy Regulatory Commission
18 CFR Part 45

[Docket No. RM83-63-000]

Automatic Authorization for Holding Certain Positions That Require Commission Approval Under Section 305(b) of the Federal Power Act


AGENCY: Federal Energy Regulatory Commission, DOE.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Federal Energy Regulatory Commission (Commission) is proposing to amend Part 45 of its regulations to authorize generically certain “interlocking positions” that require Commission approval under section 305(b) of the Federal Power Act (FPA), 16 U.S.C. 825d(b) (1982). The Commission is proposing to provide this authorization to eliminate what it believes to be an unnecessary reporting burden on applicants and to reduce the time the Commission spends examining and processing certain applications to hold interlocking positions that are routinely approved.

DATES: Comments must be received by July 8, 1985.

ADDRESS: Comments must be submitted in writing to the Secretary Federal Energy Regulatory Commission, 825 North Capitol Street, NE., Washington, D.C. 20426 and should refer to Docket No. RM83-63-000. An original and 14 copies must be filed.


SUPPLEMENTARY INFORMATION:


1. Introduction

The Federal Energy Regulatory Commission (Commission) is proposing to amend Part 45 of its regulations to authorize generically certain “interlocking positions” that require Commission approval under section 305(b) of the Federal Power Act (FPA). 1

1 16 U.S.C. 825d(b) (1982).