

MEMO# 1310

August 1, 1989

AUGUST 10 -- SPECIAL MEETING TO DISCUSS PERFORMANCE NUMBERS FOR SECONDARY TRUSTS

August 1, 1989 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 44-89 RE: AUGUST 10 --
SPECIAL MEETING TO DISCUSS PERFORMANCE NUMBERS FOR SECONDARY TRUSTS

There will be a meeting at 10:00 a.m. on August 10 at the Institute to discuss the performance numbers to be used for secondary trusts. The three suggestions made by the SEC staff during the past week (in chronological order) are as follows: 1) starting in 80 days the only performance number that should be used for a secondary trust is a longterm number, such as internal rate of return; 2) "the information needed to make the prospectuses not misleading in terms of performance numbers can be supplied at the time of the annual update, except where the discrepancy between the short term and long term numbers is unreasonably large. Unreasonably large = 30 basis points on a trust maturing in two years or less. Ask us about others."; 3) "to be dealt with manyana." Before the meeting please thoroughly discuss the issues with counsel and your evaluator and explore all possibilities, e.g., are there simpler formulae than the Wesolowski formula or internal rate of return that could be used for secondary trusts, would it be feasible to calculate only one longterm number per series (assuming the highest sales load and most frequent payment option) rather than calculating for each sales load and frequency of payment, could a longterm number be calculated only once a week? Be creative. Please let Marie Stanley of the Institute (202-955-3524) know who will be attending the meeting from your organization. Craig S. Tyle Assistant General Counsel