

SECURITIES AND EXCHANGE COMMISSION

FORM 485B24E

Post-effective amendments

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FILER

MUNICIPAL BOND TRUST INSURED SERIES 37

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Business Address
1285 AVENUE OF THE
AMERICAS
C/O PAINWEBBER INC
NEW YORK NY 10019

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 POST EFFECTIVE AMENDMENT NO. 9
 TO
 FORM S-6

For Registration Under the Securities Act of 1933 of Securities of
 Unit Investment Trusts Registered on Form N-8B-2.

- A. Exact name of Trust:
 THE MUNICIPAL BOND TRUST, INSURED SERIES 37
- B. Name of Depositor:
 PAINWEBBER INCORPORATED
- C. Complete address of Depositor's principal executive office:
 PAINWEBBER INCORPORATED
 1285 Avenue of the Americas
 New York, New York 10019
- D. Name and complete address of agents for service:
 PAINWEBBER INCORPORATED
 Attention: Mr. Robert E. Holley
 1200 Harbor Blvd.
 Weehawken, New Jersey 07087
- (x) Check if it is proposed that this filing should become effective
 (immediately upon filing or on February 21, 1995) pursuant to paragraph
 (b) of Rule 485.
- E. Total and amount of securities being registered:
 6,059 Units
- F. Proposed maximum offering price to the public of the securities being
 registered:
 \$6,202,416.53*
- * Estimated solely for the purpose of calculating the registration fee, at
 \$1,023.67 per unit.
- G. Amount of filing fee, computed at one-twenty-ninth of 1 percent of the
 proposed maximum aggregate offering price to the public:
 \$100.00*
- H. Approximate date of proposed sale to public:
 AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THE
 REGISTRATION STATEMENT.
- * The method of calculation is made pursuant to Rule 24e-2 under the
 Investment Company Act of 1940. The total amount of units redeemed or
 repurchased during the previous fiscal year ending 1994 is 5,776. There
 have been no previous filings of post-effective amendments during the
 current fiscal year 5,776 redeemed or repurchased units are being used
 to reduce the filing fee for this amendment.

THE MUNICIPAL BOND TRUST, INSURED SERIES 37
 Cross Reference Sheet
 Pursuant to Rule 404(c) of Regulation C
 under the Securities Act of 1933
 (Form N-8B-2 Items required by Instruction 1
 as to Prospectus on Form S-6)

Form N-8B-2 Item Number	I. Organization and General Information	Form S-6 Heading in Prospectus
1.	(a) Name of Trust)	Front Cover
	(b) Title of securities issued)	
2.	Name and address of Depositor)	Back Cover
3.	Name and address of Trustee)	Back Cover
4.	Name and address of Principal Underwriter)	Back Cover
5.	Organization of Trust)	Nature of Trust
6.	Execution and termination of Trust Agreement)	Nature of Trust
7.	Changes of name)	Termination of the Trust
8.	Fiscal Year)	*
9.	Litigation)	*
	II. General Description of the Trust and Securities of the Trust	
10.	General Information)	The Trust Portfolio
	regarding Trust's Securities and Rights of Holders)	Rights of Certificate-holders
(a)	Type of Securities (Registered or Bearer))	Nature of Trust
(b)	Type of Securities)	Nature of Trust

	(Registered or Bearer))	
*	Not applicable, answer negative or not required.		
(c)	Rights of Holders as to Withdrawal or Redemption	)	Rights of Certificate-holders
		)	Redemption of Units by the Trustee
		)	The Municipal Bond Trust
		)	Reinvestment Program
(d)	Rights of Holders as to conversion, transfer, etc.	)	Secondary Market for Units Exchange Option
(e)	Rights of Trust issues periodic payment plan certificates)	*
(f)	Voting rights as to Securities, under the Indenture	)	Rights of Certificate-holders
(g)	Notice to Holders as to change in)	
	(1)Assets of Trust	)	Amendment of the Indenture
	(2)Terms and Conditions of Trust's Securities	)	Supervision of Trust Investments
	(3)Provisions of Trust	)	Amendment of the Indenture
	(4)Identity of Depositor	)	Administration of the and Trustee Trust
(h)	Consent of Security Holders required to change)	
	(1)Composition of assets of Trust	)	Amendment of the Indenture
	(2)Terms and conditions of Trust's Securities	)	Amendment of the Indenture
	(3)Provisions of Indenture	)	Amendment of the Indenture
	(4)Identity of Depositor and Trustee	)	Administration of the Trust
(i)	Other provisions	)	The Trust-Part B
11.	Type of Securities Comprising Units	)	Front Cover-The Trust-Portfolio
12.	Type of securities comprising periodic payment certificates)	*
13.	(a)Load, fees, expenses, etc.	)	Public Offering Price of Units; Expenses of the Trust
*	Not applicable, answer negative or not required.		
	(b)Certain information regarding periodic payment certificates)	*
	(c)Certain percentages)	*
	(d)Certain other fees, etc. payable by holders	)	Expenses of the Trust
	(e)Certain profits receivable by depositor, principal underwriters, trustee or affiliated persons	)	Public Offering Price of Units
	(f)Ratio of annual charges to income	)	Public Offering of Units
14.	Issuance of Trust's securities	)	Nature of the Trust
		)	Public Offering of Units
15.	Receipt and handling of payments from purchasers)	*
16.	Acquisition and disposition of underlying securities	)	Acquisition of Securities for the Trust; Supervision of Trust Investments.
17.	Withdrawal or redemption	)	Redemption of Units by Trustee
18.	(a)Receipt and disposition of income	)	Distributions of Certificateholders
	(b)Reinvestment of distributions)	*

- (c) Reserves or special fund) Distributions to Certificateholders
 - (d) Schedule of distribution) *
 - 19. Records, accounts and report) Statements to Certificateholders; Administration of the Trust
 - 20. Certain miscellaneous provisions of Trust agreement) Administration of the Trust
 - 21. Loans to security holders) *
 - 22. Limitations on liability) Limitation of Liabilities
 - 23. Bonding arrangements) Included in Form N-8B-2
 - 24. Other material provisions of trust agreement) *
- * Not applicable, answer negative or not required.

III. Organization Personnel and Affiliated Persons of Depositor

- 25. Organization of Depositor) Sponsor
- 26. Fees received by Depositor) Public Offering Price of Units Expenses of the Trust
- 27. Business of Depositor) Sponsor
- 28. Certain information as to officials and affiliated persons of Depositor) Sponsor
- 29. Voting securities of Depositor) *
- 30. Persons controlling Depositor) Sponsor
- 31. Payments by Depositor for certain other services rendered to Trust) *
- 32. Payments by Depositor for certain other services rendered to Trust) *
- 33. Remuneration of employees of Depositor for certain services rendered to Trust) *
- 34. Remuneration of other persons for certain services rendered to Trust) *

IV. Distribution and Redemption of Securities

- 35. Distribution of Trust's securities by states) Public Offering of Units
- 36. Suspension of sales of Trust's securities) *
- 37. Revocation of authority to distribute) *
- 38. (a) Method of distribution) Public Offering of Units
- (b) Underwriting agreements)
- (c) Selling agreements)

* Not applicable, answer negative or not required.

- 39. (a) Organization of principal underwriter) Sponsor
- (b) N.A.S.D. membership of principal underwriter) Sponsor
- 40. Certain fees received by principal underwriter) Public Offering Price of Units
- 41. (a) Business of principal underwriter) Sponsor
- (b) Branch officers of principal underwriter) *
- (c) Salesman of principal underwriter) *
- 42. Ownership of Trust's) *

- securities
by certain persons)
43. Certain brokerage) *
commissions)
- received by principal)
underwriter)
44. (a)Method of valuation) Public Offering Price of
Units
(b)Schedule as to offering) *
price)
(c)Variation in Offering) Public Offering Price of
price to certain persons) Units
45. Suspension of) *
redemption rights)
46. (a)Redemption valuation) Redemption of Units by
Trustee
(b)Schedule as to redemption) *
price)
V. Information concerning the Trustee or Custodian
47. Maintenance of position) Secondary Market for Units
in
underlying securities) Redemption of Units by
Trustee
) Evaluation of the Trust
48. Organization and) Administration of the Trust
regulation of
Trustee) Trustee
49. Fees and expenses of) Expenses of the Trust
Trustee)
50. Trustee's lien) Expenses of the Trust

* Not applicable, answer negative or not required.

VI. Information concerning Insurance of Holders of Securities

51. (a)Name and address of) *
Insurance Company)
(b)Type of policies) *
(c)Type of risks insured and) *
excluded)
(d)Coverage of policies) *
(e)Beneficiaries of policies) *
(f)Terms and manner of) *
cancellation)
(g)Method of determining) *
premiums)
(h)Amount of aggregate) *
premiums paid)
(i)Who receives any part of) *
premiums)
(j)Other material provisions) *
of the Trust relating to)
insurance)

VII. Policy of Registrant

52. (a)Method of selecting and) Acquisition of Securities
eliminating securities) for the Trust
from the Trust)
(b)Elimination of securities) *
from the Trust)
(c)Policy of Trust regarding) Supervision of Trust
substitution and) Investments
elimination of securities)
(d)Description of any funda-) Acquisition of Securities
mental policy of the Trust) for the Trust
) Supervision of Trust
) Investments
53. (a)Taxable status of the) Tax status of the Trust
Trust)
(b)Qualification of the Trust) Tax status of the Trust
as a mutual investment)
company)

* Not applicable, answer negative or not required.

VIII. Financial and Statistical Information

54. Information regarding) *
the)
Trust's past ten fiscal)
years)
55. Certain information) *
regarding)

- periodic payment plan)
certificates)
56. Certain information) *
regarding
periodic payment plan)
certificates)
57. Certain information) *
regarding
periodic payment plan)
certificates)
58. Certain information) *
regarding
periodic payment plan)
certificates)
59. Financial statements) Statement of Financial
(Instruction 1(c) to) Condition
Form S-6)

* Not applicable, answer negative or not required.

THE MUNICIPAL BOND TRUST
INSURED SERIES 37

This Prospectus consists of two parts. Part A contains Essential Information Regarding the Trust including descriptive material relating to the Trust, Financial Statements of the Trust and a Schedule of Investments. Part B contains general information about the Trust. Part A may not be distributed unless accompanied by Part B.

Interest income to the Trust and to Certificateholders is 5,985 excludable, in the opinion of counsel, from gross income UNITS for Federal income tax purposes under existing law, but may be subject to state and local taxation. Capital gains, if any, are subject to tax.

THE INITIAL PUBLIC OFFERING OF UNITS IN THE TRUST HAS BEEN COMPLETED. THE UNITS OFFERED HEREBY ARE ISSUED AND OUTSTANDING UNITS WHICH HAVE BEEN ACQUIRED BY THE SPONSOR EITHER BY PURCHASE FROM THE TRUSTEE OF UNITS TENDERED FOR REDEMPTION OR IN THE SECONDARY MARKET.

THE OBJECTIVES OF THE MUNICIPAL BOND TRUST, INSURED SERIES 37 -The Municipal Bond Trust, Insured Series 37 (the "Trust") is a unit investment trust formed for the purpose of gaining Federally tax-exempt interest income consistent with the preservation of capital and diversification of risk through investment in a fixed insured portfolio comprised of insured interest-bearing municipal bonds (the "Bonds"). (At times, the Bonds deposited in the portfolio are referred to in this Prospectus as the "Securities"). The payment of interest and the preservation of capital is dependent upon the continuing ability of the bond insurers or the respective issuers of the Bonds to meet their obligations. Since PaineWebber Incorporated (the "Sponsor") and United States Trust Company of New York (the "Trustee") do not have control over the source of payment of the Bonds or insurance policy, they cannot guarantee that the objectives of the Trust will be achieved. Each unit at the date hereof represents 1/5,985th fractional undivided interest in the \$5,975,000 principal amount of bonds and net income of the Trust in the ratio of 1 Unit for each \$998.33 par value of Bonds in the Trust. (See "Nature of Trust" in Part B). The aggregate market value, based on the bid side of the market, of the Bonds in the Trust was, as of December 1, 1994, \$6,126,181.

INSURANCE --Insurance guaranteeing the payment of principal and interest, at their stated payment dates, on all of the Bonds in the Trust has been obtained from the Bond insurers (the

"Insurers") indicated under "Essential Information" in Part A. The insurance policies are noncancellable and will remain in force as long as the Bonds insured by such policy remain outstanding. Because of this Insurance the Bonds and Units are rated AAA by Standard & Poor's Corporation (see "Summary of Portfolio").

PUBLIC OFFERING PRICE --The Public Offering Price of Units is equal to the aggregate of the bid prices of the underlying Bonds divided by the number of Units outstanding plus a sales charge of up to 5.82% of the net amount invested (5.50% of the Public Offering Price). Units are offered at the Public Offering Price plus accrued interest. (See "Public Offering Price of Units" and "Secondary Market for Units" in Part B).

MARKET FOR UNITS --Although under no obligation to do so, the Sponsor intends to maintain a market for Units at prices

based on the aggregate bid price of the Bonds in the Trust. If such market is terminated, a Certificateholder may be able to dispose of his Units only through redemption (see "Secondary Market for Units" and "Redemption of Units by Trustee" in Part B).

DISTRIBUTIONS --Distributions of interest received by the Trust, less expenses, will be made on a monthly basis unless the Certificateholder elects to receive interest on a semi-annual basis. Distribution of principal, if any, will be made on a semi-annual or more frequent basis. See "Essential Information" in Part A and "Distributions to Certificateholders" in Part B for details of optional distributions.

ESTIMATED CURRENT RETURN--The Estimated Current Return per Unit is determined by dividing the net annual interest income per Unit by the Public Offering Price per Unit. Any change in either amount will result in a change in Estimated Current Return (see "Estimated Current Return per Unit" in Part B).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SPONSOR:

PaineWebber

Incorporated

Read and retain both parts of this prospectus for future reference.

ESSENTIAL INFORMATION REGARDING THE TRUST

Securities in the Trust Portfolio

The Trust consists of the Securities indicated under "Schedule of Investments", all undistributed interest received or accrued on the Securities, and any undistributed cash realized from the sale, redemption or other disposition of the Securities. Each of the Securities has been insured against loss of principal and against non-payment of interest by bond insurers. The Trust portfolio contains 17 issues of interest-bearing Bonds issued by or on behalf of states, counties and municipalities within the United States, and authorities, agencies and other such political subdivisions. The issuers of the Bonds in the Trust are located in 11 states of the United States.

An investment in the Trust should be made with an understanding that the value of the underlying Trust portfolio may decline with interest rates.

On December 1, 1994, the aggregate market value of the Securities in the Trust, based on the bid side of the market, was \$6,126,181.

Two of the bonds in the Trust are general obligations of the issuer secured by the power of such issuer to levy ad valorem taxes. Fifteen issues of Bonds in the Trust are revenue bonds payable from revenues derived by the issuers, and while income to pay such Bonds may be derived from more than one source, the primary source of such income, along with the number of issues of the Trust portfolio deriving income from such source are as follows: 2 Electric and Power facilities; 1 Health and Hospital facility; 1 Escrowed to Maturity; 10 Refunded Bonds and 1 Housing facility. The Trust may be considered "concentrated" in the following categories of Bonds:

	Percentage of
	Aggregate
Category of Bond	Market Value
Refunded	69%

See "Summary of Portfolio" contained in Part B for a summary of the investment risks associated with the Securities contained in the Trust.

Insurance

Insurance guaranteeing the payment of principal and interest, at their stated payment dates, on all of the Bonds in the Trusts has been obtained from the bond insurers indicated below and on the Schedule of Investments, and has been paid for by the issuers of all the Bonds in the Trusts or third parties and will remain in force for so long as the Bonds insured by such policies remain outstanding. Insurance does not protect against changes in the market value of Units due to changes in prevailing interest rates. The ratings

assigned to the Units is not a recommendation to purchase, sell or hold Units, in as much as the rating does not comment as to market price of the Units or suitability for a particular investor.

The Trust consists of the Securities indicated under "Schedule of Investments", all undistributed interest received or accrued on the Securities, and any undistributed cash realized from the sale, redemption or other disposition of the Securities. All of the Bonds in the trust are insured as to scheduled payment of interest and principal. In the event the issuer of these bonds defaults, the insurance company insuring the bond would be required to pay to the Trustee any interest or principal payments due. Only bonds covered by an insurance policy may be deposited in the Trust portfolio. The Bonds in the Trust are insured by the following insurers (See "Summary of the Portfolio-Insurance on the Bonds in the Portfolio" in Part B for a description of each of the insurers):

Insurers	Lot Nos.	Percentage of Aggregate Market Value
AMBAC	10, 14 & 17	21%
MBIA	1, 4, 8, 9, 12, 15 & 16	51
Financial Guaranty	2, 3, 5, 6, 7, 11 & 13	28

Ratings

Standard & Poor's Corporation rated each of the Units of the Trust "AAA" because the insurers have issued Insurance policies to insure each of the Bonds. The assignment of such "AAA" rating is due solely to Standard & Poor's assessment of the creditworthiness of the insurers and their ability to pay claims on their policies of insurance. This is the highest rating assigned by Standard & Poor's. (See "Bond Ratings", herein). The rating should not be construed as an approval of the offering of the Units by Standard & Poor's Corporation or as a guarantee of the market value of the Trust or of the Units. Standard & Poor's has been compensated by the Sponsor for its services in rating Units of the Trust.

Tax Status of the Trust

At the time of issuance of the Securities, opinions regarding the validity of such Securities and the exemption from federal income tax of interest on such Securities were or will be rendered by bond counsel to the respective issuers. Except in certain instances in which Orrick, Herrington & Sutcliffe acted as bond counsel to issuers of Securities, neither the Sponsor, the Trustee, nor counsel to either has made any review of the proceedings relating to the issuance of the Securities or the basis for such opinions. In the case of certain Securities in the Trust, the opinions of bond counsel indicate that interest on such obligations received by a "substantial user" of the facilities being financed with the proceeds of such obligations, or "related person," for periods such obligations are

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held by such "substantial user" or "related person," will not be exempt from federal income tax. Interest income attributable to such Securities received by a Unitholder who is a "substantial user" or "related person" may be taxable to such Unitholder.

In the opinion of Orrick, Herrington & Sutcliffe, counsel to the Sponsor, under existing law:

1. The Trust is not an association taxable as a corporation for Federal income tax purposes. Under the Internal Revenue Code of 1986, as amended (the "Code"), each holder of a certificate of ownership (a "Certificateholder") will be treated as the owner of a pro rata portion of the Trust, and income of the Trust will be treated as income of the Certificateholders. Interest on Securities in the Trust that is excludable from gross income for federal income tax purposes when received by the Trust will retain its status as excludable when distributed to Certificateholders, except that no opinion is expressed regarding the character of interest on any Security in the case of any Certificateholder who is a "related person" or a "substantial user", both as defined in Code Section 147(a).

2. Each Certificateholder will have a taxable event when the Trust disposes of a Security (whether by sale, exchange, redemption, or payment at maturity), or when the Certificateholder redeems or sells its Certificates. For purposes of determining gain or loss, the total tax cost of each Unit to a Certificateholder is allocated among each of the Securities in accordance with the proportion of the Trust comprised by each Security, to determine the Certificateholder's per Unit tax cost for each Security. Further, the tax cost reduction requirements of the Code relating to amortization of bond premium will apply separately to the per Unit tax cost of each Security.

3. The Trust is not an association taxable as a corporation for New York State income tax purposes. Under New York State law, each Certificateholder will be treated as the owner of a pro rata

portion of the Trust, and income of the Trust will be treated as income of the Certificateholders. Interest on Securities in the Trust that is exempt from personal income tax under New York State law when received by the Trust will retain its tax-exempt status when distributed to Certificateholders.

4. Any proceeds representing maturing interest on defaulted obligations derived by Certificateholders from insurance policies will be excluded from gross income for federal income tax purposes if, and to the same extent as, such interest would have been so excluded if paid by the issuer of such defaulted obligations.

Additional Tax Considerations

Recognition of Gain. The Code, by virtue of the Tax Reform Act of 1986, effects a substantial reduction in the number of income tax brackets and rate levels for individuals and corporations and adversely modifies the preferential treatment accorded the net gain from the sale or exchange of capital assets. The maximum rate for net capital gain of individuals in 1987 is limited to 28%. Net capital

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gain recognized by corporations after 1986 and by individuals after 1987 will be taxed at the same tax rates applicable to ordinary income.

As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances Unitholders may realize a taxable gain upon disposition of Units even though such Units are sold or redeemed for an amount equal to or less than their original cost.

Original Issue Discount and Market Discount. The portfolio may contain Securities originally issued at a discount ("original issue discount"). In general, original issue discount is defined as the difference between the price at which a bond is issued and its stated redemption price at maturity. With respect to tax-exempt obligations issued on or before September 3, 1982, original issue discount is deemed to accrue (be "earned") as tax-exempt interest ratably over the life of the obligations and is apportioned among the original holder of the obligation and subsequent purchasers in accordance with a ratio the numerator of which is the number of calendar days the obligation is owned by the holder and the denominator of which is the total number of calendar days from the date of issuance of the obligation to its maturity date. With respect to tax-exempt obligations issued after September 3, 1982, original issue discount is deemed earned in a geometric progression over the life of the obligations, taking into account the semi-annual compounding of accrued interest, resulting in an increasing amount of interest in each year.

In general, if a Unitholder acquires a pro rata interest in a Security for a price that is less than its stated redemption price at maturity (or less than the original issue price plus accrued original issue discount, if such Security was issued with original issue discount), such pro rata interest will be treated as having been purchased at a "market discount". If gain is realized upon the sale or other disposition of such pro rata interest, the market discount will constitute taxable gain. Such gain generally will be long-term capital gain to Unitholders, other than dealers in securities and certain financial institutions, if the Securities are held by the Trust for more than six months and such Unitholders have held their Units for more than one year.

Interest on Borrowed Funds. Interest paid on funds borrowed to purchase or carry units of a unit investment trust that distributes tax-exempt interest income during a tax year is not deductible. Under rules of the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of Units may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of Units.

Social Security Benefits. Code Section 86 provides that a portion of social security benefits received after December 31, 1983, are includible in taxable income for taxpayers whose "modified adjusted gross income", combined with 50% of their social security benefits, exceeds a base amount. The base amount is \$25,000 for

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an individual, \$32,000 for a married couple filing a joint return, and zero for married persons filing separate returns. Under Code Section 86, interest on tax-exempt bonds is to be added to adjusted gross income for purposes of determining whether an individual's income exceeds the base amount above which a portion of the benefits would be subject to tax. The amount of social security benefits that could be includible in taxable income would be the lesser of one-half of the benefits or one-half of the excess of the taxpayer's

combined income (modified adjusted gross income plus one-half of benefits) over the base amount.

Tax Reform Act of 1986--Effects on Tax-Exempt Interest. The Tax Reform Act of 1986, among other items, provided for the following: (1) Effective for taxable years beginning after December 31, 1986, the alternative minimum tax rate for individuals is increased to 21%, and the interest on certain Private Activity Bonds issued after August 7, 1986 is included in the calculation of the individual alternative minimum tax. Each Security in the Trust received or will receive an opinion of bond counsel to the effect that it is not a Private Activity Bond the interest on which is subject to the alternative minimum tax. (2) Effective for taxable years beginning after December 31, 1986, the alternative minimum tax rate for corporations is increased from 15% to 20%, and for purposes of this tax, interest on certain Private Activity Bonds issued after August 7, 1986, and 50% of the excess of a corporation's net book income (adjusted) over its alternative minimum taxable income (adjusted) are classified as tax preference items. Net book income includes interest on all tax-exempt bonds, such as the Securities. In taxable years beginning after 1989, the use of adjusted net book income in determining such alternative minimum tax is to be replaced by the use of adjusted current earnings, and 75% of the amount by which adjusted current earnings exceed alternative minimum taxable income, as modified for this calculation, will be included in alternative minimum taxable income. Interest on the Securities is includible in the adjusted net book income and adjusted current earnings of a corporation for purposes of such alternative minimum tax. The Tax Reform Act of 1986 does not otherwise require corporations, and does not require taxpayers other than corporations, including individuals, to treat interest on the Securities as an item of tax preference in computing alternative minimum tax. (3) Subject to certain exceptions, financial institutions may not deduct that portion of the institution's interest expense allocable to tax-exempt interest on tax-exempt bonds acquired after August 7, 1986. (4) The amount of the deduction allowed to property and casualty insurance companies for underwriting loss is decreased by an amount determined with regard to tax-exempt interest income and the deductible portion of dividends received by such companies, effective for taxable years beginning after December 31, 1986. (5) All taxpayers are required to report for informational purposes on their federal income tax returns the amount of tax-exempt interest they receive, effective for taxable years beginning after December 31, 1986. (6) An issuer must meet certain

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requirements on a continuing basis in order for interest on a tax-exempt bond to be tax exempt; failure to meet such requirements results in loss of tax exemption. (7) For taxable years beginning after December 31, 1986, a branch profits tax is imposed on the U.S. branches of foreign corporations which, because of the manner in which the branch profits tax is calculated, may have the effect of subjecting the U.S. branch of a foreign corporation to federal income tax on the interest on bonds otherwise exempt from such tax.

The Tax Reform Act of 1986 also significantly curtailed a taxpayer's ability to offset income with deductions and losses. In general, a lower overall rate of income taxation could make tax-exempt bonds less attractive to investors and could decrease the value of tax-exempt Securities held by the Trust, while the limitations on the ability to offset taxable income may have the opposite effect. In addition, certain "S Corporations" may have a tax imposed on passive income including tax-exempt interest, such as interest on the Securities.

Alternative Minimum Tax. Interest on the Securities in the Trust is not treated as a preference item for purposes of calculating the individual and corporate alternative minimum tax. However, the Code provides that for taxable years 1988 and 1989, 50% (75% for taxable years beginning after 1989) of the excess of a corporation's adjusted net book income over its adjusted alternative minimum taxable income will be treated as a preference item in the calculation of alternative minimum taxable income. For taxable years beginning after 1989, the use of adjusted net book income will be replaced by the use of adjusted current earnings. The adjusted net book income and adjusted current earnings of a corporation include the amount of any income received that is otherwise exempt from tax, such as interest on the Securities.

Superfund Revenue Act of 1986. The Superfund Revenue Act of 1986 (the "Superfund Act") imposed a deductible, broad-based tax on a corporation's alternative minimum taxable income (before net operating losses and any deduction for the tax) at a rate of \$12 per \$10,000 (0.12%) of alternative minimum taxable income in excess

of \$2,000,000. The tax is imposed for tax years beginning after 1986 and beginning before 1992. The tax is imposed even if the corporation pays no alternative minimum tax. For purposes of the Superfund Act, alternative minimum taxable income includes interest on all tax-exempt bonds to the same extent and in the same manner as does the Tax Reform Act of 1986. The Superfund Act does not impose an alternative minimum tax on taxpayers other than corporations.

Branch Profits Tax. The Code provides that interest on exempt obligations such as the Securities is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Property and Casualty Companies. The Code contains provisions relating to property and casualty companies whereunder the

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amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations after August 7, 1986 (other than certain "qualified" obligations). The Securities are not qualified for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Passive investment income includes interest on tax-exempt obligations.

Information Reporting. All taxpayers are required to report for informational purposes on their federal income tax returns the amount of tax-exempt interest they receive.

Future Legislation. Various proposals have been introduced before Congress from time to time to restrict or eliminate the federal income tax exemption for interest on municipal securities such as those deposited in the Trust. Such proposals may be introduced in the future. The Sponsor cannot predict what additional legislation, if any, may be proposed with respect to the tax-exempt status of interest on municipal securities, nor can it predict whether any legislation, if enacted, would apply to Securities in the Trust.

State Tax. The exemption from gross income of interest on municipal bonds for federal income tax purposes does not necessarily result in an exemption under the income tax laws of any state or local government. The laws of the several states vary with respect to the taxation of municipal bonds, and Unitholders are advised to consult with their tax advisors regarding such taxation.

Plan of Distribution

Certificateholders may elect to receive interest distributions on a monthly or semi-annual basis and may make such election at the time of purchase during the initial public offering period and prior to the initial Record Date. The plan of distribution selected by such Certificateholders will remain in effect until changed as provided below. Those not indicating a choice will be deemed to have chosen the monthly distribution plan. See "Essential Information" for information concerning interest distributions under the optional payment plans. The amounts of such distributions may change as Securities mature, are called for redemption, or are sold or if the expenses of the Trust change. Certificateholders purchasing Units in the secondary market will receive interest distributions in accordance with the election of the prior owner. In July and January of each year the Trustee will furnish all registered Certificateholders with a card to be returned to the Trustee not later than the following September 1 and March 1 respectively. Certificateholders desiring to change the plan of distribution in which they are participating may so indicate on the card and return it, with their Certificate, to the Trustee. If the card and Certificate are returned to the Trustee, the

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change in the interest distribution plan will become effective on September 2 and March 2 for the following 6 months. If the card is not returned to the Trustee, the Certificateholder will be deemed to have elected to continue with the same plan for the following 6 months.

Trustee

The Trustee is United States Trust Company of New York, 770 Broadway, New York, New York 10003. The Trustee is a member of the New York Clearing House Association and is subject to supervision and examination by the Superintendent of Banks of the State of New York, the Federal Deposit Insurance Corporation and the

ESSENTIAL INFORMATION REGARDING THE TRUST
AS OF DECEMBER 1, 1994Date of Deposit and of Trust Indenture and
Agreement

December 11, 1986

Principal amount of Bonds in Trust

\$5,975,000

Number of Units Outstanding

5,985

Minimum Purchase

1 Unit

Fractional undivided interest in Trust represented by
each Unit

1/5,985th

Public Offering Price

Aggregate Bid Price of Bonds in Trust \$6,123,354 *~

Divided By 5,985 Units \$1,023.12 *~

Plus Sales Charge of

4.03% of Public Offering Price 42.93

Public Offering Price per Unit \$1,066.05 *~

Redemption Value per Unit

\$1,023.12 *~

Excess of Public Offering Price per Unit over

Redemption Value Per Unit

\$42.93

Sponsor's Repurchase Price per Unit

\$1,023.12 *~

Excess of Public Offering Price per Unit over

Sponsor's Repurchase Price Per Unit

\$42.93

Minimum Principal Distribution

No distribution need be made from
Principal Account if balance in Account is
less than \$8,000.

Evaluation Time

4 P.M. New York Time

Mandatory Termination Date**

January 1, 2036

Discretionary Termination

Indenture may be terminated if value of
Trust is less than \$1,600,000.

<TABLE>

INFORMATION BASED UPON INTEREST DISTRIBUTION PLAN ELECTED

<CAPTION>

	Monthly Option	Semi-Annual Option
<S>		<C>
Gross annual interest income per unit	\$70.60	\$70.60
Less estimated annual fees and expenses per unit****	1.73	1.10
Estimated net annual interest income per unit	\$68.87	\$69.50
Estimated interest distribution per unit	\$5.73	\$34.75
Daily rate at which estimated net interest accrues per unit	\$.1910	\$.1930
Estimated current return***	6.46%	6.52%
Record dates	1st of each month	Sept./Mar. 1
Interest distribution dates	15th of each month	Sept./Mar. 15
Trustee's annual fee per \$1,000 principal amount of bonds****	\$1.06	\$.56
Evaluator's daily fee per bond****	.30	.30

* Plus accrued interest.

** The actual termination of the trust may be considerably earlier (see "Termination of the Trust" in Part B).

*** The estimated current return is increased for transactions entitled to a reduced sales charge (see "Public Offering Price of Units" in Part B).

**** See "Expenses of the Trust" in Part B.

~ Includes overdistributed principal funds.

</TABLE>

<TABLE>

FINANCIAL SUMMARY

The following sets forth a summary of distributions and redemption values per unit for The Municipal Bond Trust, Insured Series 37.

<CAPTION>

DISTRIBUTIONS

YEAR ENDING

PER UNIT

<S>	<C>	<C>
MONTHLY	December 1, 1992	\$69.56
	December 1, 1993	69.63
	December 1, 1994	69.28
SEMI-ANNUAL	December 1, 1992	70.14
	December 1, 1993	70.26
	December 1, 1994	70.01
PRINCIPAL	December 1, 1992	---
	December 1, 1993	---
	December 1, 1994	7.46

As of December 31, 1992, 1993 and December 1, 1994, the redemption values per unit were \$1,067.97, \$1,100.07 and \$1,023.12 plus accrued interest to the respective dates.

</TABLE>

<TABLE>

REPORT OF INDEPENDENT AUDITORS

<C>
THE CERTIFICATEHOLDERS, SPONSOR AND TRUSTEE
THE MUNICIPAL BOND TRUST, INSURED SERIES 37:

<S>

We have audited the accompanying statement of financial condition, including the schedule of investments, of The Municipal Bond Trust, Insured Series 37 as of December 1, 1994 and the related statements of operations and changes in net assets for each of the three years in the period then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of the securities owned as of December 1, 1994 as shown in the statement of financial condition and schedule of investments by correspondence with the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Municipal Bond Trust, Insured Series 37 at December 1, 1994 and the results of its operations and changes in its net assets for each of the three years in the period then ended, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

New York, New York
February 10, 1995

</TABLE>

<TABLE>

THE MUNICIPAL BOND TRUST
INSURED SERIES 37
STATEMENT OF FINANCIAL CONDITION
December 1, 1994
ASSETS

<S>	<C>	<C>
Investment in municipal bonds - at market value (Cost \$5,917,770) (note 3 to schedule of investments)		\$6,126,181
Accrued interest receivable		74,074
Cash		33,771
Total Assets		\$6,234,026
LIABILITIES AND NET ASSETS		
Distribution payable (note E)		\$62,505
Accrued expenses payable		827
Total Liabilities		63,332
Net assets (5,985 units of fractional undivided interest outstanding):		
Cost to Investors (note B)	\$6,262,184	
Less gross underwriting commissions (note C)	(344,414)	
	5,917,770	
Net unrealized market appreciation of investments (note D)	208,411	
	6,126,181	
Undistributed investment income-net	47,340	
Overdistributed proceeds from bonds sold or redeemed	(2,827)	
Net Assets		6,170,694
Total Liabilities and Net Assets		\$6,234,026
Net Asset Value Per Unit		\$1,031.03

STATEMENT OF OPERATIONS

<CAPTION>

<S>	Year Ended December 1,		
	1994	1993	1992
	<C>	<C>	<C>
Investment Income - Interest	\$435,066	\$481,431	\$522,495
Less Expenses:			
Trustee's fees and expenses	7,446	10,290	10,177
Evaluator's fees	1,354	1,289	1,159
Total expenses	8,800	11,579	11,336

Investment Income-net	426,266	469,852	511,159
Realized and unrealized gain (loss) on investments-net:			
Net realized gain on securities transactions	21,849	52,583	23,215
Net change in unrealized market appreciation (depreciation)	(416,462)	163,912	369,842
Net gain (loss) on investments	(394,613)	216,495	393,057
Net increase in net assets resulting from operations	\$31,653	\$686,347	\$904,216

See accompanying notes to financial statements.

</TABLE>

<TABLE>

THE MUNICIPAL BOND TRUST
INSURED SERIES 37
STATEMENT OF CHANGES IN NET ASSETS

<CAPTION>

	Year Ended December 1,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Operations:			
Investment Income-net	\$426,266	\$469,852	\$511,159
Net realized gain on securities transactions	21,849	52,583	23,215
Net change in unrealized market appreciation (depreciation)	(416,462)	163,912	369,842
Net increase in net assets resulting from operations	31,653	686,347	904,216
Less: Distributions to Certificateholders			
Investment income-net	422,928	463,452	507,012
Proceeds from securities sold or redeemed	45,426	---	---
Total Distributions	468,354	463,452	507,012
Less: Units Redeemed by Certificateholders (Note F)			
Value of units at date of redemption	448,087	783,490	307,772
Accrued interest at date of redemption	7,072	13,925	6,818
Total Redemptions	455,159	797,415	314,590
Increase (decrease) in net assets	(891,860)	(574,520)	82,614
Net Assets:			
Beginning of period	7,062,554	7,637,074	7,554,460
End of period	\$6,170,694	\$7,062,554	\$7,637,074

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
December 1, 1994

(A) The financial statements of the Trust are prepared on the accrual basis of accounting. Security transactions are accounted for on the date the securities are purchased or sold.

(B) Cost to the investors represents the initial public offering price as of the date of deposit computed on the basis set forth under "Public Offering Price of Units" included in Part B, adjusted for bonds called or sold since the date of deposit.

(C) The aggregate sales charge was computed on the basis set forth under "Public Offering Price of Units" included in Part B.

(D) At December 1, 1994 the gross unrealized market appreciation was \$211,612 and the gross unrealized market depreciation was (\$3,201). The net unrealized market appreciation was \$208,411.

(E) Distributions of the net interest income to Certificateholders are declared and paid in accordance with the distribution option (monthly or semi-annually) selected by the investor. See the Financial Summary included in Part A.

(F) The following units were redeemed with proceeds of bonds sold as follows:

<CAPTION>

	Year Ended December 1,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Number of units redeemed	418	722	287
Redemption amount	\$455,159	\$797,415	\$314,590

</TABLE>

<TABLE>

THE MUNICIPAL BOND TRUST, INSURED SERIES 37
Schedule of Investments as of December 1, 1994

<CAPTION>

Lot No.	Aggregate Principal Amount	Description	Rating(1)	Coupon Rate / Maturity Date(4)	Redemption Features (2) C.--Callable S.F.--Sinking Fund	Market Value(3)
<C>	<C>	<S>	<C>	<C>	<C>	<C>
1.	\$555,000	ALABAMA HOUSING FINANCE AUTHORITY SINGLE FAMILY MORTGAGE REVENUE BONDS, 1986 SERIES A (MBIA INS.)	AAA	7 1/8% 10/01/2014	C.10/01/96@102 S.F. 04/01/07	\$575,085
2.	100,000	HOSPITAL DISTRICT NO. ONE MARICOPA COUNTY, ARIZONA HOSPITAL FACILITIES REFUNDING BONDS SERIES 1986 (FINANCIAL GUARANTY INS.) (REFUNDED)	AAA	7 5/8% 06/30/1995	C.06/30/95@103 S.F. NONE	104,653
3.	575,000	CERTIFICATES OF PARTICIPATION (REFUNDING				

	SERIES 1986) EVIDENCING THE PROPORTIONATE INTERESTS OF THE OWNERS THEREOF IN LEASE PAYMENTS TO BE MADE BY THE CITY OF SCOTTSDALE, ARIZONA PURSUANT TO A LEASE AGREEMENT WITH THE CITY OF SCOTTSDALE MUNICIPAL PROPERTY CORPORATION (FINANCIAL GUARANTY INS.) (REFUNDED)	AAA	7 7/8%	C.11/01/96@102	617,032
				11/01/1996 S.F. NONE	
4. 285,000	CITY OF NORTH LITTLE ROCK, ARKANSAS ELECTRIC SYSTEM REFUNDING REVENUE BONDS (MURRAY LOCK AND DAM HYDROELECTRIC PROJECT) SERIES 1986 (MBIA INS.) (REFUNDED)	AAA	7.40%	C.07/01/96@102	301,393
			07/01/1996	S.F. NONE	
5. 15,000	CITY OF THORNTON ADAMS COUNTY, COLORADO GENERAL OBLIGATION WATER REFUNDING AND IMPROVEMENT BONDS SERIES 1986 (FINANCIAL GUARANTY INS.)	AAA	7 1/2%	(5)	15,312
			12/01/2007	S.F. 12/01/99	
6. 35,000	CITY OF THORNTON ADAMS COUNTY, COLORADO GENERAL OBLIGATION WATER REFUNDING AND IMPROVEMENT BONDS SERIES 1986 (FINANCIAL GUARANTY INS.)	AAA	7 1/2%	C.12/01/96@102	36,794
			12/01/2007	S.F. 12/01/99	
7. 230,000	CITY OF THORNTON ADAMS COUNTY, COLORADO WATER REFUNDING AND IMPROVEMENT BONDS SERIES 1986 (FINANCIAL GUARANTY INS.) (REFUNDED)	AAA	7 1/2%	C.12/01/96@102	245,801
			12/01/1996	S.F. NONE	
8. 45,000	DADE COUNTY, FLORIDA PUBLIC FACILITIES REVENUE BONDS (JACKSON MEMORIAL HOSPITAL) SERIES B (MBIA INS.)	AAA	5 3/4%	C.06/01/96@100	39,013
			06/01/2015	S.F. 06/01/13	
9. 445,000	DADE COUNTY, FLORIDA PUBLIC FACILITIES REVENUE BONDS (JACKSON MEMORIAL HOSPITAL) SERIES B (MBIA INS.) (REFUNDED)	AAA	5 3/4%	C.06/01/96@100	451,177
				06/01/1996 S.F. NONE	
10. 600,000	CITY OF JACKSONVILLE BEACH, FLORIDA UTILITY REVENUE BONDS SERIES 1986 (AMBAC INS.) (REFUNDED)	AAA	7 1/2%	C.10/01/96@102	638,826
			10/01/1996	S.F. NONE	

(Continued)

</TABLE>

<TABLE>

THE MUNICIPAL BOND TRUST, INSURED SERIES 37
Schedule of Investments as of December 1, 1994

<CAPTION>

Lot No.	Aggregate Principal Amount	Description	Rating (1)	Coupon Rate / Maturity Date (4)	Redemption Features (2) C.--Callable S.F.--Sinking Fund	Market Value (3)
<C> <C>	<S>		<C>	<C>	<C>	<C>
11. \$330,000		PINELLAS SPORTS AUTHORITY (FLORIDA) EXCISE TAX SECURED REVENUE BONDS, SERIES 1984 (FINANCIAL GUARANTY INS.) (REFUNDED)	AAA	7 3/8% 01/01/1997	C.01/01/97@103 S.F. NONE	\$353,565
12. 510,000		CHICAGO SCHOOL FINANCE AUTHORITY GENERAL OBLIGATION SCHOOL ASSISTANCE BONDS REFUNDING SERIES (1986B) (ILLINOIS) (MBIA INS.) (REFUNDED)	AAA	7 3/4% 06/01/1996	C.06/01/96@102 S.F. NONE	540,641
13. 310,000		HOSPITAL AUTHORITY OF LAKE COUNTY, INDIANA HOSPITAL REVENUE REFUNDING BONDS, SERIES C (SISTERS OF MERCY HEALTH CORPORATION) (FINANCIAL GUARANTY INS.) (REFUNDED)	AAA	7.20% 07/01/1996	C.07/01/96@102 S.F. NONE	326,994
14. 205,000		CITY OF MUSCATINE, IOWA ELECTRIC REVENUE REFUNDING BONDS, SERIES 1986 (AMBAC INS.)	AAA	7 5/8% 01/01/2004	C.01/01/96@102 S.F. 01/01/00	211,999
15. 600,000		HOSPITAL AUTHORITY NO. 1 OF SCOTTS BLUFF COUNTY, NEBRASKA HOSPITAL REVENUE REFUNDING BONDS, SERIES 1986 (WEST				

NEBRASKA GENERAL HOSPITAL PROJECT)						
	(MBIA INS.)	AAA	7 1/8%	C.10/01/96@102	613,518	
				10/01/2009 S.F. 10/01/02		
16.	600,000	ARLINGTON HOSPITAL AUTHORITY HOSPITAL MORTGAGE REVENUE REFUNDING BONDS (ARLINGTON MEMORIAL HOSPITAL), SERIES 1986 (MBIA INS.) (TEXAS) (REFUNDED)	AAA	7 1/4%	C.12/01/96@100	627,828
				12/01/1996 S.F. NONE		
17.	535,000	INTERMOUNTAIN POWER AGENCY (A POLITICAL SUBDIVISION OF THE STATE OF UTAH) POWER SUPPLY REVENUE REFUNDING BONDS, 1986 SERIES F (AMBAC INS.)	AAA	5.00%	C.07/01/96@100	426,550
				07/01/2013 S.F. 07/01/10		
	\$5,975,000				\$6,126,181	

(1) All ratings are by Standard & Poor's Corporation unless otherwise indicated. A brief description of applicable rating symbols is given under "Bond Ratings" included in Part B. For concentration of credit risk, see Securities in the Trust Portfolio in Part A.

(2) C.--Indicates the first year in which an issue of bonds is redeemable in whole, or in part, by the operation of the optional call provisions, and the redemption price for that year; unless otherwise indicated, each issue continues to be redeemable at declining prices thereafter but not below par. S.F.--Indicates the first year in which an issue of bonds is subject to scheduled sinking fund redemption and the redemption price for that year; unless otherwise indicated, such issue of bonds is subject to scheduled sinking fund redemption at par.

Bonds listed as non-callable, as well as those listed as callable, may also be redeemable at par, under certain circumstances, from special redemption payments.

(3) The Market Value is determined by the Evaluator on the bid side of the market, on a basis identical to that set forth under "Public Offering Price of Units" included in Part B.

(4) The Maturity Date noted for all Refunded Bonds is the date on which such Bonds have been irrevocably called for redemption by the issuers thereof.

(5) Escrowed to Maturity.

</TABLE>

MUNICIPAL BOND TRUST
INSURED SERIES PROSPECTUS PART B
PART B OF THIS PROSPECTUS MAY NOT BE DISTRIBUTED
UNLESS ACCOMPANIED BY PART A.

NATURE OF THE TRUST

Each series of The Municipal Bond Trust, Insured Series, is a unit investment trust formed for the purpose of obtaining federally tax-exempt interest consistent with the preservation of capital and diversification of risk through investment in a fixed portfolio comprised of "investment grade" (as of the Date of Deposit) insured interest-bearing Bonds. State Trusts were formed for the additional purpose of obtaining interest income exempt from state income taxes for purchasers who qualify as residents of the state for which each such Trust is named. The Sponsor and the Trustee do not have control over the course of payment of the principal of and interest on the Securities, or any insurance proceeds due thereon; therefore, they cannot guarantee that the objectives of the Trust will be achieved. The interest on the Bonds, in the opinion of counsel to the issuers of such Bonds, is, or upon their issuance and delivery will be, exempt from present Federal income taxes. Capital gains, if any, will be subject to taxation.

The portfolio of the Trust consists of interest-bearing Securities, issued by or on behalf of states, counties and municipalities within the United States, and their authorities, agencies and other such political subdivisions.

CREATION OF THE TRUST

The Trust was created under the laws of the State of New York pursuant to a Trust Indenture and Agreement* (the "Indenture"), dated as of the Date of Deposit, among PaineWebber Incorporated, as Sponsor, the Trustee identified in Part A of this prospectus and Kenny Information Systems, Inc. as Evaluator.

On the Date of Deposit, the Sponsor deposited with the Trustee the Securities or confirmations of contracts for the purchase of the Bonds at prices determined by the Evaluator on the basis of current offering prices of the Securities. Confirmations of contracts for the purchase of the Bonds were delivered to the Trustee together with an irrevocable letter of credit drawn on a commercial bank in an amount sufficient for their purchase. Following the deposit, the Trustee delivered to the Sponsor registered Certificates for Units evidencing entire ownership of the Trust. On the date of Deposit each Unit represented a fractional undivided interest in the Trust in an amount equal to one divided by the total number of Units outstanding. On the Date of Deposit there was one Unit for each \$1,000 face amount of Securities deposited in the appropriate Trust.

SUMMARY OF PORTFOLIO

An investment in Units of the Trust should be made with an understanding of the risks which an investment in fixed rate long-term debt obligations may entail, including the risk that the value of the Trust portfolio and hence of the Units will decline with increases in interest rates. The recent period of high inflation, together with the fiscal measures adopted to attempt to deal with it, has seen wide fluctuations in interest rates and thus in the value of fixed rate long-term debt obligations generally. The Sponsor cannot predict whether such fluctuations will continue in the future.

As set forth under "Essential Information" and "Schedule of Investments" in Part A, the Trust may contain or be concentrated in one or more of the categories of Securities referred to below. The types of issuers and percentages of any concentrations for this Trust are set forth in Part A. These categories are described in Part B because an investment in Units of the Trust should be made with an understanding of the risks which these investments may entail. Part B also contains a description of the features of this Trust.

The Portfolio

Insurance guaranteeing the payment of principal and interest, on their stated payment dates, in respect of the Bonds has been obtained either by the issuer at the time of issuance of the Bonds from one of the independent insurance companies described herein, by third-party purchasers of the Securities or by the Sponsor on the Date of Deposit from the insurers identified in Part A in an effort to protect Unitholders against loss of principal and against non-payment of interest. The insurance policies are non-cancellable and certain policies (as more fully disclosed under "Essential Information" in Part A) will continue in force so long as the Bonds so insured are outstanding (regardless of whether the Bonds remain in the Trust) (hereinafter "Insurance to Maturity"). The remainder of the insurance policies will continue in force only so long as the Bonds so insured are held in the Trust (hereinafter "Portfolio Insurance"). The premium for the Insurance to Maturity has been paid either by the issuer at the time of issuance, by third-party purchasers of the Securities or by the Sponsor and therefore is not an expense of the Trust. Portfolio Insurance premiums are an expense of the Trust.

*References are hereby made to said Trust Indenture and Agreement and any statements contained herein are qualified in their entirety by provisions of said Trust Indenture and Agreement.

There is no assurance that the objectives of the Trust will be met because they are subject to the continuing ability of the issuers of the Securities held in the Trust (the "Issuers" or the "Issuer") to meet their principal and interest payments and of the insurers to meet their obligations under the insurance policies. (See "Essential Information Regarding the Trust-Insurance".) On the Date of Deposit, an insurance policy or policies were obtained by the Sponsor in respect of certain of the Securities listed in the "Schedule of Investments" herein. That policy takes effect for each Security which it covers as and when it is delivered to the Trustee for deposit in the Trust.

General Obligation Bonds

General obligation debt of an issuer that is a political subdivision or instrumentality of a state is typically secured by the full faith and credit of the issuer, encompassing its ability to levy an unlimited ad valorem tax on real property or other revenue streams, such as sales or income taxes. The fiscal condition of an Issuer may be affected by socioeconomic factors beyond the Issuer's control (such as relocation by a major employer) or other unanticipated events, including: imposition of tax rate decreases or appropriations limitations by legislation or initiative; increased expenditures mandated by federal or state law or by judicial decree; reduction of unrestricted federal or state aid and of revenue-sharing programs due to subsequent legislative changes in appropriations or aid formulas; or disallowances by the federal or state governments for categorical grants. The fiscal condition of an Issuer that is a political subdivision or instrumentality of a state (such as a county, city, school district or other entity providing public services) is related to the size and diversification of its tax and revenue base and to such other factors as: the effect of inflation on the general operating budget and of other costs, including salaries and fringe benefits, energy and solid waste disposal; changes in state law and statutory interpretations affecting traditional home rule powers (which vary from state to state); levels of unrestricted state aid or revenue-sharing programs and state categorical grants subject to annual appropriation by a state legislature; increased expenditures mandated by state law or judicial decree; and disallowances for expenses incurred under Federal or state categorical grant programs. The local economy may be or become concentrated (i) in a single industry, which may be affected by natural or other disasters

or by fluctuations in commodity prices, or (ii) in a particular company, the operations of which may be impaired due to labor disputes, relocation, bankruptcy or corporate take-over. Such economic factors may, in turn, affect local tax collections and service demands. The ability of an Issuer to levy additional taxes may be subject to state constitutional provisions, assent of the state legislature or voter approval in a local referendum, or constrained by economic or political considerations.

Housing Facility Securities

These Securities are typically secured by mortgage revenues derived by state housing finance agencies, municipal housing authorities or certain non-profit organizations from repayments on mortgage and home improvement loans made by such entities. Special considerations affecting housing securities include: the condition of the local housing market, competition from conventional mortgage lenders, fluctuations in interest rates, increasing construction costs and the ability of the Issuers, lenders, servicers and borrowers to maintain program compliance under applicable statutory provisions. Securities issued on or before April 24, 1979 are subject to few restrictions on the use of proceeds. Federal tax legislation adopted during the 1980s imposed progressively more restrictive requirements for post-issuance compliance necessary to maintain the tax exemption on both single family and multi-family housing securities. IRS regulations provide, however, that retroactive taxation will not occur if the issuer corrects any noncompliance occurring after the issuance of a security within a reasonable period after such noncompliance is first discovered or should have been discovered by the Issuer. To maintain the security's tax exemption, the Issuer may be required pursuant to the legal documents governing the Security to redeem all or a portion of such obligations at par from (i) unexpended proceeds of the issue within a stated period that typically does not exceed three years from the date of issuance of such security or (ii) optional prepayments by mortgagors. If the Issuers of such securities are unable to or choose not to reloan these monies, they will generally redeem such securities at par in an amount approximately equal to such unexpended proceeds or prepayments. The Sponsor is unable to predict whether such redemptions will occur, or what effect, if any, such redemptions would have on any such Securities in the Trust.

Single Family Housing Securities

Securities issued after April 24, 1979 and prior to August 15, 1986 are subject to the requirements of Section 103A of the Internal Revenue Code of 1954, as amended (the "1954 Code"). Enacted in 1980 and subsequently amended, Section 103A established stringent criteria for the origination or assumption of mortgage loans and subjected Issuers to annual IRS reporting requirements. The Technical and Miscellaneous Revenue Act of 1988 may inhibit the ability of Issuers to make home mortgage loans after December 31, 1990 (and thereby increase the likelihood of redemptions from unexpended proceeds). Additional considerations include: the underwriting and management ability of the Issuers, lenders and servicers (i.e., the initial soundness of the loan and the effective use of available remedies should there be a default in loan payments); the financial condition and credit rating of the private mortgage insurer underwriting the insurance on the underlying mortgage or pool of mortgages; and special risks attendant to lending to mortgagors, most of whom are first time home buyers of low or moderate means.

During periods of declining interest rates, there may be increased redemptions of single family housing securities from unexpended proceeds due to insufficient demand, because conventional mortgage loans may become available at interest rates equal to or less than the interest rates charged on the mortgage loans made available from bond proceeds. In addition, certain mortgage loans may be prepaid earlier than their maturity dates, because mortgage loans made with bond proceeds usually do not carry prepayment penalties.

Multi-Family Housing Securities

Enacted in 1980, Section 103(b)(4)(A) of the 1954 Code, among other things, required that at least 20% of the units in each rental housing project financed pursuant to its provisions be occupied, in effect, by persons with low and moderate incomes. The 1986 Code further restricted the amount of bond proceeds that can be spent on unqualified costs in a housing project, and extended existing and added certain post-issuance compliance requirements, such as the low or moderate income occupancy requirements, the determination of income limitations, continuous rental requirements, annual current income determinations and the arbitrage rebate

requirement. The IRS has undertaken a review of a representative statistical sample of multi-family housing bonds issued in 1984, primarily to determine post-issuance compliance matters. If a bond issue is determined by the IRS to not be in compliance with the Code, income derived from such securities may be deemed to be taxable income. The Sponsor is unable to determine whether the IRS will expand its review, the outcome of any such review, or whether such review will have an impact on any of the Securities in the Trust. Authorizing state statutes may have imposed additional program requirements. Additional considerations include: increasing operating costs; the ability or failure to increase rental charges; and the financial condition of housing authority Issuers and their ability to meet certain requirements under the Section 8 program of the United States Housing Act of 1937, as amended.

Multi-family housing securities may also be subject to full or partial redemption at par from the proceeds of the sale, assignment or disposition of a defaulted mortgage loan or acceleration of principal payments thereunder; a condemnation or insurance award; or a result of the reduction of a required reserve fund.

Airport Facilities

Bonds in the airport facilities category are payable from and secured by revenues derived from the gross airport operating income. The major portion of gross airport operating income is generally derived from fees received from signatory airlines pursuant to use agreements which consist of annual payments for airport use, occupancy of certain terminal space, facilities, service fees, concessions and leases. Airport operating income may be affected by local economic conditions, air traffic patterns, noise abatement restrictions or the ability of the airlines to meet their obligations

under the use agreements. The air transport industry is experiencing significant variations in earnings and traffic due to deregulation, recent consolidations through mergers and acquisitions, fair competition, excess industry capacity, fluctuations in fuel and other costs, traffic constraints and other factors. In particular, facilities with use agreements involving airlines experiencing financial difficulty may experience a reduction in revenue due to the possible inability of these airlines to meet their use agreement obligations. Additionally the FAA has established a schedule for retrofitting certain existing aircraft to comply with operating noise standards. The Sponsor is now unable to predict what effect, if any, air transport industry conditions will have on the airport Bonds in the Trust.

Hospital Facility Securities

Bonds in the hospital facilities category are payable from revenues derived from hospital and health care facilities which, generally, were constructed or are being constructed from bond proceeds. The continuing availability of sufficient revenues is dependent upon several factors affecting all such facilities generally, including, among other factors: utilization rates; the cost and availability of malpractice insurance and the outcome of malpractice litigation; curtailment of operations due to shortages in qualified medical staff or labor disputes; and changes in federal, state and private insurance reimbursement regulations and health care delivery programs. The extent of the AIDS epidemic is undetermined, and the Sponsor cannot predict its full impact on the health care system or particular issuers. Utilization rates for a particular facility may be determined by cost containment programs implemented by third party governmental providers or private insurers; long-term advances in health care delivery reducing demand for in-patient services; technological developments which may be effectively rationed by the scarcity of equipment or specialists; governmental approval and the ability to finance equipment acquisitions; increased competition due to elimination of certain certificate of need requirements in some states; and physicians' and public perceptions as to standards of care. Requirements for Federal or state licenses, certifications and contract eligibility and for accreditation are subject to change, and may require participating facilities to effect costly modifications in operations. Prior to June 30, 1984, participating facilities in the Medicare program were reimbursed for their reasonable costs of furnishing services; thereafter, the Social Security Amendments Act of 1983 mandated implementation over a four year period of a prospective payment system, based upon diagnosis related groups ("DRGs"), for most in-patient services. DRG reimbursement rates, because they are set by the Federal government, may not fully cover the actual cost of furnishing services by any particular hospital, and Federal law prohibits health care providers from passing along the excess costs to Medicare beneficiaries. Medicare payments have been, and may continue to be, reduced under legislation adopting deficit reduction measures. Additionally, certain states have recently implemented prospective payment sys-

tems for their Medicaid programs, and have adopted other changes, including enrollment restrictions. The Sponsor cannot predict the effect, if any, of the DRG system or of further reductions in Medicare and Medicaid payments on the revenues of Issuers of hospital Securities in the Trust. Many hospitals, including certain Issuers (or the conduit obligors) of Securities in the Trust, have been experiencing significant financial difficulties in recent years. The number of hospital closings has increased during the late 1980s, particularly among smaller institutions located in rural or inner-city areas. Hospital revenues nationwide are primarily derived from private insurers, many of which have experienced significant operating losses in recent years. The Medicare program accounts for an increasing share of hospital revenues nationwide, and is financed by the Hospital Insurance Trust Fund through payroll taxes. Based upon preliminary projections including increased payroll taxes effective in 1991 (but not accounting for any recession) the Fund's trustees have forecast that expenditures will exceed tax revenues by 1995 and that the Fund will be insolvent in 2005. Generally, a number of additional legislative proposals concerning health care may be introduced in Congress at any time. Recently, these proposals have covered a wide range of topics, including cost controls, national health insurance, incentives for competition in the provisions of health care services, tax incentives and penalties related to health care insurance premiums, and promotion of prepaid health care plans. The Sponsor is unable to predict the effect of any of these proposals, if enacted, on any of the Bonds in the Trust portfolio.

Power and Electric Facility Securities

These Securities are typically secured by revenues derived from power generating facilities, which generally include revenues from the sale of electricity generated and distributed by power agencies using hydroelectric, nuclear, fossil fuel or other power sources. Certain aspects of the operation of such facilities, particularly with regard to generation and transmission at the wholesale level, are regulated by the Federal Energy Regulatory Commission ("FERC"); more extensive regulation (affecting retail rate structures) is provided by state public service commissions. Special considerations include: restrictions on operations and increased costs and delays attributable to environmental statutes and regulations; the difficulties of the utilities in financing or refinancing large construction programs and of the capital markets in absorbing utility debt and equity securities; fluctuations in fuel supplies and costs, and costs associated with conversion to alternate fuel sources; uncertainties with regard to demand projections due to changing economic conditions, implementation of energy conservation measures and competitive cogeneration projects; and other technical and cost factors. Recent scientific breakthroughs in fusion energy and superconductive materials may cause current technologies for the generation and transmission of electricity to become obsolete during the life of the Securities in the Portfolio. Issuers relying upon hydroelec-

tric generation may encounter contests when applying for periodic renewal of licenses from FERC to operate dams. Issuers relying upon coal as a fuel source may be subject to significant costs and operating restrictions to comply with emission standards which may be adopted to alleviate the problems associated with acid rain. Issuers relying upon fossil fuel sources and located in air quality regions designated as nonattainment areas may become subject to pollution control measures (which could include abandonment of construction projects in progress, plant shutdowns or relocation of facilities) ordered pursuant to the Clean Air Act. In addition, such Securities are sometimes secured by payments to be made to state and local joint action power agencies pursuant to "take or pay" agreements. Such agreements have been held unenforceable by state courts in Idaho, Vermont and Washington, which may cause an examination of the legal structure of certain projects in other states and could possibly lead to litigation challenging the enforceability of such agreements.

Some of the Issuers of Securities in the Trust may own, operate or participate on a contractual basis with nuclear generating facilities, which are licensed and regulated by the Nuclear Regulatory Commission (the "NRC"). Issuers of such securities may incur substantial expenditures as a result of complying with NRC requirements. Additional considerations include; the frequency and duration of plant shutdowns and associated costs due to maintenance or safety considerations; the problems and associated costs related to the use and disposal of radioactive materials and wastes in compliance with Federal and local law; the implementation of emergency evacuation plans for areas surrounding nuclear facilities; and other issues associated with construction, licensing, regulation, operation and eventual decommissioning of such facilities.

These Securities may be subject to industry-wide fluctuations in market value as a consequence of market perception of certain highly publicized events, as in the Washington Public Power Supply System's defaults on its Project 4 and 5 revenue bonds and the 1988 bankruptcy filing by the Public Service Corporation of New Hampshire. Federal, state or municipal governmental authorities, or voters by initiative, may from time to time impose additional regulations or take such other governmental action which might cause delays in the licensing, construction or operation of nuclear power plants, or the suspension or cessation of operations of facilities which have been or are being financed by proceeds of certain Securities in the Trust.

Industrial Development/Pollution Control Securities

These Securities were generally issued prior to the enactment of 1986 Code restrictions, and are typically secured by payments made under a loan agreement entered into between the Issuer and the obligor. In some cases, the Securities were additionally secured by guarantees provided by corporate guarantors or by a stand-by letter of credit issued by a bank. Special considerations include: the

financial condition of the corporate obligor (or guarantor), especially as it may be affected by subsequent corporate restructuring or changes in corporate control.

Public Facilities Securities

These Securities are typically secured by revenues derived from either (i) payments appropriated by governmental entities for the use of equipment or facilities, such as administrative or correctional buildings, or (ii) user charges or other revenues derived from such operations as parking facilities, convention centers or sports arenas. In the first instance, the pledged revenues may be subject to annual appropriation by a legislative body. In the latter case, the collection of revenues may be dependent upon the reliability of feasibility forecasts and assumptions concerning utilization rates.

Resource Recovery/Solid Waste Securities

These Securities are typically secured by revenues derived from the sale of electricity or steam generated as a by-product of the process of incinerating solid waste, and from contractual tipping fees, user charges and ancillary recycling earnings. Special considerations include: the supply of solid waste at levels sufficient for the facility to operate at design capacity; the frequency and duration of plant shutdowns for maintenance; the treatment and disposal of fly ash which contains toxic substances, especially dioxin; compliance with air pollution control standards; unanticipated problems associated with the use of developing technologies; and the continuation of FERC policies facilitating cogeneration and its certification of any particular qualifying facility. Governmental service contract payments may be subject to annual appropriation by a legislative body. Older facilities may require retrofitting to accommodate new technological developments or to comply with environmental standards.

Water and Sewer Facility Securities

Bonds described as "water and sewer" facilities Bonds are typically secured by a pledge of the net revenues derived from connection fees and user charges imposed by the enterprise. Such Bonds are subject to the risks typically associated with construction projects. Among the factors which may affect net revenues are the destruction of facilities due to natural or other disasters; relocation out of the service area by a major customer or customers due to economic factors beyond the Issuer's control; or costs incurred due to prior periods of deferred maintenance or compliance with Federal or state environmental standards. Water system revenues may be additionally affected by the terms of supply allocations and service agreements with major wholesale customers and the imposition of mandatory conservation measures in response to drought. Sewer system revenues may be additionally affected by costs to comply with effluent and other standards pursuant to the Federal and State laws.

Refunded Bonds

Refunded bonds (including bonds escrowed to a call date or maturity date) are bonds that originally had been issued generally as revenue bonds but have been refunded for reasons which may include changing the issuer's debt service requirements and removing restrictive bond covenants. Typically, a refunded bond is no longer secured by a pledge of revenues received by an issuer but rather by an escrow fund consisting of U.S. Government Obligations. In such cases the issuer establishes an escrow fund which is irrevocable and which cannot be depleted by the issuer so long as debt service on the refunded bonds is required to be paid. Each escrow fund is funded with U.S. Government Obligations which are designed to make payments on the refunded bonds and

which cannot be affected by a default of the issuer. An escrow agent pays principal, redemption premium, if any, and interest on the refunded bond from the principal of and interest on the U.S. Government Obligations in the escrow fund. The Trust, as holder of the refunded bonds, is entitled to receive such payment of principal, redemption premium, if any, and interest on the refunded bonds as it is paid by the escrow agents out of the respective refunded bond escrow funds.

Student Loan Securities

Student loan revenue securities are issued either by non-profit corporations organized for the purpose of acquiring student loans originated under the Higher Education Act or public agencies or instrumentalities of a state created to provide loans for educational purposes. Proceeds of securities issued by such entities generally are used to make or acquire student loans which are guaranteed by guaranty agencies; the obligation of such guaranty agency is reinsured by the U.S. Secretary of Education (the "Secretary"); such reinsurance obligation may range from 80% to 100% based on the default levels for loans serviced by such a guaranty agency. In addition, some loans may be insured directly by the Secretary. Bonds issued by such entities are generally secured by and dependent upon such state guarantee programs, Federal insurance and reimbursement programs, the proceeds from payment of principal and interest on the underlying student loans and federal interest subsidy and/or special allowance payments. Failure by the servicers of student loans or the guaranty agencies guaranteeing such loans to properly service and enforce the loans may cause the reimbursements to decline or be withheld by the Secretary.

Both the Higher Education Act and the regulations promulgated thereunder have been the subject of extensive amendments in recent years, and the Sponsor can give no assurance that further amendment will not materially change the provisions or the effect thereof. There can be no assurance that the other provisions of the Higher Education Act affecting the Federal Guaranteed Student Loan Program will be continued in their present form.

The availability of various Federal payments in connection with the Federal Guaranteed Student Loan Program is subject to federal

budgetary appropriation. In recent years, legislation has been enacted which has provided, subject to certain Federal budget expenditures (including expenditures in connection with the Federal Guaranteed Student Loan Program), for the recovery of certain advances previously made by the Federal government to state guaranty agencies in order to achieve deficit reduction. No representation is made as to the effect, if any, or future Congressional appropriation or legislation upon expenditures by the Department of Education or upon the financial condition of any guaranty agency.

Lease Payment Bonds

Certain Bonds may be principally secured by governmental lease payments which in turn are subject to the budget appropriations of the participating governmental entity. A governmental entity that enters into a lease agreement cannot obligate future governments to make lease payments but generally will covenant to take such action as is necessary to include all lease payments due under an agreement in its annual budgets and to make the appropriations therefor. The failure of a governmental entity to meet its obligations under a lease could result in an insufficient amount of funds to cover payment of the Bonds secured by such lease payments.

Tax Allocation Bonds

Bonds described as "tax allocation" securities are payable from and secured by incremental (increased) tax revenues collected on property within the areas where redevelopment projects, financed by bond proceeds, are located ("project areas"). Payments on these bonds are expected to be made from projected increases in tax revenues derived from higher assessed value of property resulting from development in the particular project area and not from an increase in the tax rates. Among the factors which could result in a reduction of the allocated tax revenues which secure a tax allocation Bond are: (i) reduction of, or a less than anticipated increase in, taxable values of property in the project area, caused either by economic factors beyond the Issuer's control (such as a relocation out of the project area by one or more major property owners) or by destruction of property due to natural or other disasters; (ii) successful appeals by property owners of assessed valuations; (iii) substantial delinquencies in the payment of property taxes; or (iv) imposition of any constitutional or legislative property tax rate decrease. Such reduction of tax revenues could have an adverse effect on an Issuer's ability to make timely payments of principal and of interest on the Bonds.

Crossover Refunding Bonds

Certain Bonds in the Trust may be cross-over refunding Bonds. Prior to a specified date, (the "Crossover Date"), such bonds are payable solely from an escrow fund invested in specified securities.

After the Crossover Date the Bonds are payable from a designated source of revenues. Such bonds are categorized in Part A as payable from such source of revenues.

Bonds Backed by Letters of Credit

The Trust may contain securities that are secured by letters of credit issued by commercial or savings banks which may be drawn upon (i) if an Issuer fails to make payments of principal of, premium, if any, or interest on a Bond backed by such a letter of credit or (ii) in the event interest on a Bond is deemed to be taxable and full payment of principal and any premium due is not made by the Issuer. The letters of credit are irrevocable obligations of the issuing banks. Banks are subject to extensive governmental regulations. The profitability of the banking industry is largely dependent upon the availability and cost of capital funds for the purpose of financing lending operations under prevailing money market conditions. Also, general economic conditions play an important part in the operations of the banking industry and exposure to credit losses arising from possible financial difficulties of borrowers or other issuers having letters of credit might affect a bank's ability to meet its obligations under a letter of credit.

An amendment to the Federal Bankruptcy Act relating to the adjustment of indebtedness owed by any political subdivision or public agency or instrumentality of any state, including municipalities, became effective in 1979. Among other things, this amendment facilitates the use of proceedings under the Federal Bankruptcy Act by any such entity to restructure or otherwise alter the terms of its obligations, including those of the type comprising the Trust's Portfolio. The Sponsor is unable to predict at this time what effect, if any, this legislation will have on the Trust.

Insurance on the Bonds in the Portfolio

Certain of the Bonds in the Trust may have been insured to maturity by AMBAC, MBIA, MBIAC, Financial Guaranty, BIG, Capital Guaranty, National Union or USFG as to payment of principal and interest by the issuer at the time of issuance, or by a third party purchaser of Bonds subsequent to issuance. For those bonds which were not so insured at the time of issuance, the Sponsor has obtained an insurance policy or policies (except as otherwise set forth in Part A). The policies obtained by the Sponsor provide either for insurance as long as the Bonds so insured remain outstanding ("Insurance to Maturity") or which continue in force only so long as the Bonds so insured remain in the Trust ("Portfolio Insurance"). (See Part A, "Essential Information-Insurance"). Portfolio Insurance, if any, has been obtained from Financial Guaranty. Any Trust which has obtained Portfolio Insurance has additionally ob-

tained an irrevocable commitment (the "Irrevocable Commitment") of Financial Guaranty to provide insurance to maturity ("Permanent Insurance") upon the sale of any Bond covered by the Portfolio Insurance from the Trust and upon payment of a premium (the "Permanent Insurance Premium") under certain conditions set forth in Part A under the heading "Essential Information Regarding the Trust". The value of the Bonds covered by the Portfolio Insurance and, therefore, the Units may decline in the event of declining credit quality. However, because of the Irrevocable Commitment to provide Permanent Insurance, whenever the value of a Bond which is below investment grade and which is covered by the Portfolio Insurance and insured to its maturity (less the Permanent Insurance Premium) exceeds the value of that Bond without such insurance, the value of that Bond will be higher, insured to maturity value (See "Evaluation of the Trust"). The insurance policies are non-cancellable and will remain in force as long as the Bonds insured by such policies remain outstanding. Premiums for Insurance to Maturity has been paid either at the time of issuance by the Issuer, by third-party purchasers or by the Sponsor on the Date of Deposit (see "Summary of Portfolio-Insurance Premiums"). Premiums for Portfolio Insurance are an expense of the Trust. (See "Expenses of the Trust"). Insurance does not guarantee the market value of the Bonds or the value of the Units. Although the insurance represents an element of market value with respect to the Bonds covered by Insurance to Maturity, the exact effect, if any, of this insurance on the market value cannot be predicted. No value is attributed to Portfolio Insurance unless the Bond so insured is rated below investment grade. See "Essential Information Regarding the Trust-Securities in the Trust Portfolio" in Part A for information on the

insurance features of this Trust and a description of the percentages of the Bonds covered by each of the insurers.

Payment under all of these insurance policies will be made in respect of principal of and interest on Bonds which shall be due for payment under the provisions of each policy, but shall be unpaid. All such policies provide for payment of the principal or interest due to a trustee or paying agent on the date such payment is due. In turn, such trustee or paying agent will make payment to the bondholder (in this case, the Trustee) upon presentation of satisfactory evidence of such Bondholder's right to receive such payment. Policies issued by Industrial Indemnity Insurance Company prior to December 17, 1984 permit the Company, at its option, to accelerate payments under the insurance policies.

Financial Guaranty. Financial Guaranty, a New York stock insurance company, is located at 551 Fifth Avenue, New York, New York 10017. In determining whether to insure the Bonds, Financial Guaranty has applied its own standards which correspond generally to the standards it has established for determining the insurability of new issues of municipal Bonds and which are not necessarily the criteria used in regard to the selection of Bonds by the Sponsor. To the extent standards of Financial Guaranty are more restrictive than those of the Sponsor, the Sponsor's investment criteria have been

limited to the more restrictive standards.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation, which is wholly-owned by General Electric Capital Corporation. The investors of FGIC Corporation are not obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of December 31, 1993, the total admitted assets were approximately \$1.947 billion and its policyholder's surplus was approximately \$777 million. Financial Guaranty is licensed in Vermont, currently authorized to write insurance in 49 states and the District of Columbia, files reports with state insurance regulatory agencies, and is subject to audit and review by such authorities. Standard & Poor's Corporation has rated the claims-paying ability of Financial Guaranty "AAA".

AMBAC Indemnity Corporation. AMBAC Indemnity is a Wisconsin-domiciled stock insurance company, regulated by the Insurance Department of Wisconsin, and licensed to do business in various states, with admitted assets (unaudited) of approximately \$1.956 billion and statutory capital (unaudited) of approximately \$737 million as of December 31, 1993. AMBAC Indemnity is a wholly-owned subsidiary of AMBAC Inc., a financial holding company which is publicly owned following a complete divestiture by Citibank during the first quarter of 1992. The address of AMBAC Indemnity administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340. Copies of certain statutorily required filings of AMBAC Indemnity can be obtained through AMBAC Indemnity at the address and telephone number specified in this paragraph. Standard & Poor's Corporation has rated the claims-paying ability of AMBAC Indemnity "AAA". Bonds insured by AMBAC Indemnity are rated "AAA" by Moody's Investors Service, Inc.

Municipal Bond Insurance Association. The insurance companies comprising the Municipal Bond Insurance Association ("MBIA") are: The Aetna Casualty and Surety Company, Fireman's Fund Insurance Company, The Travelers Indemnity Company, Aetna Insurance Company, and The Continental Insurance Company. As an obligor, each such insurance company will be obligated only to the extent of its percentage of any claim under the policy or policies and will not be obligated to pay any unpaid obligation of any other member. All policies are individual obligations of the participating insurance companies and their obligations thereunder cannot be increased beyond their percentage commitment, each company's participation is backed by its entire resources.

The MBIA companies listed above or their parent organizations have been in the insurance business from seventy to well over a hundred years.

Municipal Bond Investors Assurance Corporation. Municipal Bond Investors Assurance Corporation ("MBIAC") is the principal operating subsidiary of MBIA, Inc. The principal shareholders of MBIA, Inc., owning approximately 13% of its outstanding common stock are Aetna Life and Casualty Company, the Fund American Companies Inc., subsidiaries of CIGNA Corporation and Credit Local de France, CAECL, S.A., following a series of four public equity offerings over a five-year period. As of December 31, 1993 MBIAC had admitted assets of approximately \$3,051,000,000 and policyholders' surplus of approximately \$978,000,000. Neither MBIA, Inc. nor its shareholders are obligated to

pay the debts of or claims against MBIAC. MBIAC, which commenced municipal bond insurance operations on January 5, 1987, is a limited liability corporation rather than a several liability association. MBIAC is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. Copies of MBIAC's financial statement prepared in accordance with statutory accounting practices are available from MBIAC. The address of MBIAC is 445 Hamilton Avenue, White Plains, New York 10601. Some of the shareholders of MBIA, Inc. are among the members of MBIA; however, MBIAC is a separate and distinct entity from MBIA. Standard & Poor's Corporation rates all new issues insured by MBIAC "AAA" Prime Grade. Moody's Investors Service, Inc. rates all bond issues insured by MBIAC "Aaa", designated to be one of the highest quality.

Bond Investors Guaranty Insurance Company. In 1989, Bond Investors Guaranty Insurance Company (BIG), was purchased by Municipal Bond Investors Assurance Corporation (MBIAC). Bonds originally insured by BIG have been reinsured by MBIAC (see MBIAC above).

United States Fidelity and Guaranty Company. United States Fidelity and Guaranty Company ("USF&G") is a Maryland-domiciled property and casualty insurance company and a wholly-owned subsidiary of USF&G Corporation. The administrative offices of USF&G Company are located at 100 Light Street, Baltimore, Maryland 21202 (telephone (301) 547-3000). As of December 31, 1989, USF&G had total assets (unaudited) of approximately \$13.604 billion and stockholder's equity of approximately \$2.007 billion. USF&G is subject to regulation by the Maryland Insurance Commission and other governmental authorities, and is required to make certain public filings with such authorities. Copies of such filings

may be obtained from USF&G upon request. Bonds insured by USF&G are rated "BBB+" by Standard & Poor's Corporation. Reinsurance and assumption agreements effectively replace USF&G with Capital Guaranty Insurance Co. as the primary insurer. See "Capital Guaranty" for a discussion of reinsurance arrangements with USF&G.

National Union. National Union Fire Insurance Company of Pittsburgh, Pa. ("National Union"), a wholly-owned subsidiary of American International Group, Inc., was organized in 1901, is a stock insurance company and is incorporated in Pennsylvania. In addition to municipal bond insurance, National Union's business includes fire and casualty insurance. National Union's claims-paying ability is rated AAA by Standard & Poor's Corporation and as of December 31, 1990, its total capital and surplus as regards policyholders was approximately \$1,162. million (unaudited) as reported to the State of New York Insurance Department. National Union is currently licensed to provide insurance in 50 states and the District of Columbia, files reports with the state insurance regulatory agencies and is subject to regulation, audit and review by such authorities including the State of New York Insurance Department.

Industrial Indemnity Insurance Company. Certain of the Bonds in the Portfolio may be insured under the Health Industry Bond Insurance ("HIBI") Program of Industrial Indemnity Company ("Industrial Indemnity"). Industrial Indemnity is a wholly-owned subsidiary of Crum & Forester, Inc., ("Crum & Forester") which is ultimately owned by Xerox Corporation. Effective September 30, 1985, Xerox Corporation announced that the operations of Industrial Indemnity Corporation would be discontinued, but that Industrial Indemnity Corporation would fully honor all insurance contracts. Crum & Forester accrued \$86,400,100, net of an income tax benefit of \$73,600,000, for expected operating losses during the phase-out period. Industrial Indemnity's results of operations and the provision for estimated losses during the phase-out period resulted in a 1985 charge, after income tax benefits of \$111,300,000. At December 31, 1985, Industrial Indemnity had a \$212.2 million excess of liabilities over assets. Crum & Forester's claim-paying ability rating is "A+" and the short term liquidity rating for commercial paper backed by surety bonds from Industrial Indemnity Insurance Company is "A-1+". Crum & Forester is required by statute to maintain a net premium/statutory surplus ratio of 3:1. Xerox Corporation contributed \$366 million to Crum & Forester during the years 1984 and 1985 to maintain that ratio. For the fiscal years ending December 31, 1988 and 1989, Crum & Forester, Inc. generated statutory net income of (in millions) \$340. and \$364., and statutory policyholders surplus amounted to (in millions) \$1,409 and \$1,551, respectively.

Capital Guaranty Insurance Company. Capital Guaranty Insurance Company ("Capital Guaranty") is a wholly-owned subsidiary of Capital Guaranty Corp. and a California-domiciled insurance com-

pany. The investors of Capital Guaranty Corp. are Constellation Investments Inc., Fleet Financial Group, Inc., Norstar Bancorp Inc.,

Safeco Corporation, Sibag Finance Corporation and United States Fidelity and Guaranty Company. These investors are not obligated to pay the debts or claims against Capital Guaranty. As of December 31, 1993 Capital Guaranty had total admitted assets of \$285 million and policyholders surplus of approximately \$168 million (unaudited). Standard & Poor's Corporation has assigned "AAA" claims-paying ability to Capital Guaranty. The successful structuring of reinsurance and assumption agreements in 1987 effectively replaced USF&G with Capital Guaranty Insurance Co. as the primary insurer. Capital Guaranty services the portfolio and will honor any claims. The address of Capital Guaranty's administrative offices and its telephone number are 601 Montgomery Street, Suite 1410, San Francisco, California 94111-2618 and (415)392-4913.

The financial information relating to the above insurance companies has been obtained from publicly available information. No representation is made herein as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the dates thereof, but the Sponsor is not aware that the information herein is inaccurate or incomplete.

Ratings

On the Date of Deposit Standard & Poor's Corporation rated each of the Bonds in the Portfolio and the Units of the Trust "AAA" because the insurers have issued insurance policies to insure each of the Bonds. The Units of the Trust (with the exception of Units of the Trusts identified in part A) continue to be rated "AAA". See Part A for the current ratings on the Bonds and Units. (See also "Bond Ratings", herein). The Bond and Unit ratings should not be construed as an approval of the offering of the Units by Standard & Poor's Corporation or as a guarantee of the market value of the Trust or of the Units. Standard & Poor's has been compensated by the Sponsor for its services in rating Units of the Trust.

Insurance Premiums

The cost of the Insurance to Maturity has been paid either by the issuers at the time of issuance, by third-party purchasers or by the Sponsor. Portfolio Insurance premiums are a Trust expense.

ACQUISITION OF SECURITIES FOR THE TRUST

In selecting Securities for deposit in the Trust, many factors were considered, and based upon the experience and judgment of the Sponsor, the following requirements, among others, were deemed to be of primary importance.

1. Insurance guaranteeing scheduled payments of principal and interest and a Standard & Poor's Corporation's rating of "AAA" or, in the case of Securities not insured when acquired by the Sponsor, (i) a minimum of Standard & Poor's Corporation's rating of "A", (ii) a minimum Moody's Investors Service, Inc.'s rating of "A" or (iii) Bonds which the Sponsor reasonably believes will obtain such

minimum ratings in the near future.

2. Reasonable value relative to other issues of similar quality and maturity;

3. Diversification as to the purpose of each issue and the location of each issuer;

4. Availability and cost of insurance for the scheduled payment of principal and interest on the Securities not insured when acquired by the Sponsor; and

5. Income to the Unitholders of the Trust.

Cash, if any, received from Unitholders prior to the settlement date for the purchase of Units or prior to the payment for Bonds upon their delivery may be used in the Sponsor's business subject to the limitations of 17 C.F.R., Section 240, 15c3-3 under the Securities and Exchange Act of 1934 and may be of benefit to the Sponsor.

The Trustee has not participated in the selection of Securities for the Trust, and neither the Sponsor nor the Trustee will be liable in any way for any default, failure or defect in any Securities.

To the best knowledge of the Sponsor, there is no litigation pending as of the Date of Deposit in respect of any Securities which might reasonably be expected to have a material adverse effect upon the Trust. At any time after the Date of Deposit, litigation may be initiated on a variety of grounds with respect to Securities in the Trust. Such litigation may affect the validity of such Securities or the tax-exempt status of the interest thereon. While the outcome of litigation of such nature cannot be predicted, opinions of bond counsel are delivered with respect to each Security on the date of issuance to the effect that such Security has been validly issued and that the interest thereon is exempt from Federal income tax. If

legal proceedings are instituted after the Date of Deposit seeking, among other things, to restrain or enjoin the payment of any of the Securities or attacking their validity or the authorization or existence of the Issuer, the Sponsor may, in accordance with the Indenture, direct the Trustee to sell such securities and distribute the proceeds of such sale to Unitholders. In addition, other factors may arise from time to time which potentially may impair the ability of Issuers to meet obligations undertaken with respect to Securities.

PUBLIC OFFERING PRICE OF UNITS

The Public Offering Price per Unit during the secondary market will be computed by dividing the aggregate of the bid prices of the Bonds in the Trust plus any money in the principal account other than money required to redeem the tendered Units, by the number of Units outstanding, and then adding the appropriate sales charge. In the primary offering period, the Public Offering Price was determined on the basis of the offering prices of bonds plus a sales charge ranging from 3.5% to 5.5% of the Public Offering Price.

The sales charge is determined in accordance with the table set forth below based upon the number of years remaining to the maturity of each Bond. There is no sales charge with respect to

cash held in the Interest or Principal Accounts. For purposes of this calculation, Bonds will be deemed to mature on their stated maturity dates unless: (a) the Bonds have been called for redemption or funds or securities have been placed in escrow to redeem them on an earlier call date ("Refunded Bonds"), in which case such call date shall be deemed to be the date upon which they mature; or (b) such Bonds are subject to a "mandatory put", in which case such mandatory put date shall be deemed to be the date upon which they mature.

The effect of this method of sales charge calculation will be that different sales charge rates will be applied to the various Bonds in a Trust portfolio based upon the maturities of such Bonds, in accordance with the following schedule:

Remaining Years to Maturity	Maximum Percent of Public Offering Price	Percent of Net Amount Invested
Less than 1	0%	0%
1 but less than 6	3.50	3.63
6 but less than 11	4.00	4.17
More than 11	5.50	5.82

For example, the sales charge on a Trust consisting entirely of Bonds maturing in 13 to 16 years would be 5.50% (5.82% of the net amount invested) and that on a Trust consisting entirely of Bonds maturing in three to five years would be 3.50% (3.63% of the net amount invested). The actual sales charge included in the Public Offering Price of any particular Trust will depend on the maturities of the Bonds in the portfolio of such Trust.

Due to the realization of economies of scale in sales effort and sales-related expenses with respect to the purchase of Units by employees of the Sponsor, the Sponsor intends to permit employees of the Sponsor and certain of their relatives to purchase Units of the Trust at a price equal to the bid side evaluation of the Securities in the Trust, divided by the number of Units outstanding plus a reduced sales charge of \$5.00 per Unit.

A proportionate share of accrued interest and undistributed interest on the Units to the Unitholder's settlement date (the Unitholder's settlement date is the date so specified in the confirmation of sale of the Units to a Unitholder, normally five business days after purchase) is added to the Public Offering Price. Such proportionate share will be an asset of the Unitholder and will be received in subsequent distributions and upon the sale of his Units.

Aggregate bid prices of the Securities will be determined for the Trust by the Evaluator on the basis of: (1) the current bid prices for

the Securities; (2) the current bid prices for comparable bonds, if bid prices are not available for any of the Securities; (3) determining the value of the Securities on the bid side of the market by appraisal; or (4) any combination of the above. Evaluations for purposes of secondary market transactions by the Sponsor and redemptions by the Trustee will be made each business day as of the Evaluation Time, effective for all sales or redemptions made subsequent to the last preceding determination.

In addition to the sales charge on the Date of Deposit, the Sponsor will realize a profit or loss resulting from the difference between the purchase price paid by the Sponsor to buy the Securities and the cost of the securities to the Trust as determined by the Evaluator. In addition, the Sponsor may receive placement

fees or may realize profits or sustain losses with respect to Securities acquired from underwriting syndicates of which the Sponsor is a member. The Sponsor may realize additional profit or loss as a result of the possible change in the daily evaluation of the Bonds in the Trust. All proceeds received from purchasers of Units of the Trust will be retained by the Sponsor.

PUBLIC OFFERING OF UNITS

The Sponsor intends to qualify Units for sale in all of the states of the United States, except that for state trusts, the Sponsor intends to qualify Units for sale only to residents of that state. Sales may be made to dealers who are members of the National Association of Securities Dealers, Inc. at prices which include a concession of 75% of the applicable sales charge, subject to change from time to time. The difference between the dealer concession and sales charges will be retained by the Sponsor. The Sponsor reserves the right to reject, in whole or part, any order for the purchase of Units.

Initial Offering of Units. During the initial public offering period, Units will be offered to the public by the Sponsor at the Public Offering Price calculated on each business day, plus accrued interest.

Secondary Offering of Units. Upon the termination of the initial public offering period, unsold Units or Units acquired by the Sponsor in the secondary market referred to below may be offered to the public by the Sponsor by this Prospectus at the then current Public Offering Price, calculated daily, plus accrued interest.

SECONDARY MARKET FOR UNITS

While not obligated to do so, it is the Sponsor's present intention to maintain, at its expense, a secondary market for Units of this Series and to continuously offer to repurchase Units from Unitholders at the "Sponsor's Repurchase Price". The Sponsor's Repurchase Price is computed by dividing the value of the Trust (see "Evaluation of the Trust") by the number of Units outstanding (see "Evaluation of the Trust"). There is no sales charge incurred

when a Unitholder sells Units back to the Sponsor. Any Units repurchased by the Sponsor at the Sponsor's Repurchase Price may be reoffered to the public by the Sponsor at the then current Public Offering Price, plus accrued interest. Any profit or loss resulting from the resale of such Units will belong to the Sponsor.

If the supply of Units exceeds demand, or for some other business reason, the Sponsor may at any time or occasionally from time to time discontinue the repurchase of Units of this Series at the Sponsor's Repurchase Price. In such event, although under no obligation to do so, the Sponsor may, as a service to Unitholders, offer to repurchase Units at the "Redemption Value", a price based on the current bid price for the Securities, plus accrued interest. If the Sponsor repurchases Units in the secondary market at the "Redemption Value", it may reoffer these Units in the secondary market at the "Public Offering Price". In no event will the price offered by the Sponsor for the repurchase of Units be less than the current Redemption Value for those Units. See "Redemption of Units by Trustee" and "Comparison of Public Offering Price and Redemption Value".

Estimated Current Return and Estimated Long Term Return-

The Sponsor may from time to time give investors Estimated Current Return and Estimated Long Term Return information, each of which give investors different information about the return. Estimated Current Return on a Unit represents annual cash receipts from coupon-bearing debt obligations in the Trust (after estimated annual expenses) divided by the Public Offering Price (including the sales charge).

Unlike Estimated Current Return, Estimated Long Term Return is a measure of the estimated return to the investor earned over the estimated life of the Trust. Estimated Long Term Return is calculated using a formula which (1) takes into consideration, and determines and factors in the relative weightings of, the market values, yields (which takes into account the amortization of premiums and the accretion of discounts) and estimated retirements of all of the Securities in the Trust and (2) takes into account the expenses and maximum sales charge associated with each Unit. The Estimated Long Term Return calculation does not take into account certain delays in distributions of income and the timing of other receipts and distributions on Units and may, depending on maturities, over or understate the impact of sales charges. Both of these factors may result in a lower figure.

Both Estimated Current Return and Estimated Long Term Return are subject to fluctuation with changes in Trust composition, changes in market value of the underlying Securities and changes in fees and expenses, including sales charges. The size of any difference between Estimated Current Return and Estimated Long Term

Return can also be expected to fluctuate at least as frequently. In addition, both return figures may not be directly comparable to yield

figures used to measure other investments, and, since the return figures are based on certain assumptions and variables, the actual returns received by a Unitholder may be higher or lower.

ESTIMATED NET ANNUAL INTEREST INCOME PER UNIT

The estimated Net Annual Interest Income per Unit of the Trust is computed by dividing the total gross annual interest income to the Trust by the number of Units outstanding and then subtracting the per Unit estimated annual fees and expenses of the Trustee, the Sponsor and the Evaluator (see "Essential Information"). The estimated Net Annual Interest Income per Unit will be higher for Unitholders electing the semi-annual interest distribution plan than those electing the monthly plan. This is the result of the differing expenses and fees of the Trustee in administering the distributions of interest. See "Essential Information" and "Distributions to Unitholders".

The estimated Net Annual Interest Income per Unit will change whenever Securities mature, are called for redemption, or are sold. In addition, any change in the Trustee's or Evaluator's fees or expenses will result in a change in the estimated Net Annual Interest Income per Unit (see "Expenses of the Trust").

DISTRIBUTIONS TO UNITHOLDERS

The Trustee will collect the interest on the Securities as it becomes payable (including all interest accrued and unpaid prior to the Date of Deposit of the Securities and including that part of proceeds of the sale, liquidation or maturity of any Security which represents accrued interest thereon including interest attributable to a Failed Security for which no Replacement Security has been obtained and including all moneys paid, if any, pursuant to the Insurance policy providing for such payment, representing interest on Securities in the Trust) and credit such interest to a separate Interest Account created by the Indenture. All moneys received by the Trustee from sources other than interest will be credited to a separate Principal Account. All funds collected or received will be held by the Trustee in trust without interest to Unitholders as part of the Trust or the Reserve Account referred to below until required to be disbursed in accordance with the provisions of the Indenture. Such funds will be segregated by separate recordation on the Trust ledger of the Trustee so long as such practice preserves a valid preference under applicable law, or if such preference is not preserved, the Trustee shall handle such funds in such other manner as shall constitute the segregation and holding thereof in trust within the meaning of the Investment Company Act of 1940, as the same may be from time to time amended. To the extent permitted by the Indenture and applicable banking regulations, such funds are available for use by the Trustee pursuant to normal banking procedures.

The Trustee is authorized by the Indenture to withdraw from the Principal and/or Interest Accounts such amounts as it deems necessary to establish a reserve for any taxes or other governmental charges that may be payable out of the Trust, which amounts

will be deposited in a separate Reserve Account. If the Trustee determines that the amount that is in the Reserve Account is greater than the amount necessary for payment of any taxes or other governmental charges, it will promptly deposit the excess in the Account for which it was withdrawn.

The settlement date for the purchase of Units must occur on or prior to the Record Date in order for a purchaser to receive a distribution on the next Distribution Date. If the settlement date for the purchase of Units occurs after the Record Date, distribution will not occur until the second following Distribution Date.

Interest Account

After deduction of the fees and expenses of the Trustees and the Evaluator, the Trustee will distribute on each Distribution Date or shortly thereafter, to Unitholders of record on the preceding Record Date, an amount approximately equal to either one-twelfth or one-half of such Unitholder's pro rata share (depending on the plan of distribution selected) of the estimated annual amount to be deposited in the Interest Account, computed as of the preceding Record Date. However, all Unitholders of record on the initial Record Date will receive the initial interest distribution on the initial Interest Distribution Date. The Trustee's fee and expenses will be higher for monthly interest distributions than for semi-annual interest distributions. Therefore, the amount distributed per Unit to Unitholders electing the monthly plan will be correspondingly lower than under

the semi-annual plan. All interest distributions following the initial interest distribution will be in approximately the amounts shown under "Essential Information", depending on the plan of distribution selected. See "Essential Information-Plan of Distribution" in Part A for details on selecting interest distributions.

Because the Securities in the Trust pay interest at varying semi-annual intervals and Units pay interest at constant monthly or semi-annual intervals, the interest accrued on Units of the Trust will be greater than the amount available for distribution from the Interest Account. The Trustee will distribute on each Distribution Date an amount which will be less than the interest accrued to each Unitholder on a Record Date. Pursuant to the Indenture, in order to accommodate regular interest distributions, the Trust will contain undistributed cash balances. The difference between the amount accrued to each Unitholder on a Record Date and the amount distributed on the following Distribution Date is an asset of the Unitholder and will be included as part of accrued interest which will be received in subsequent interest distributions, upon the sale of his Units or, in part, upon the sale, redemption, or maturity of Securities in the Trust.

Principal Account

The Trustee will distribute on each semi-annual Distribution Date, or shortly thereafter, to Unitholders of record on the preceding Record Date, an amount equal to such Unitholder's pro rata share of the cash balance, if any, in the Principal Account computed as of

the preceding Record Date. Except for monies used to redeem tendered Units, proceeds received upon the disposition of any Securities subsequent to a Record Date and prior to the following semi-annual Distribution Date will be held in the Principal Account and will not be distributed until the next succeeding semi-annual Distribution Date. However, in the event of an early redemption of bonds, sale of bonds upon the occurrence of events set forth under "Supervision of Trust Investments", or maturity of bonds, there may occur a special principal distribution. Any special principal distribution will be made within 60 days of such event to Unitholders of record on the Record Date selected therefore by the Trustee as provided in the Indenture. No distribution need be made from the Principal Account if the cash balance therein is less than one-tenth of one per cent of the total principal amount of the Securities on the Date of Deposit.

Certain of the Bonds in the Trust are subject to sinking fund or special redemption by their issuers, as set forth under "Redemption Features" on the "Schedule of Investments". The redemption price for Bonds in the Trust called by an issuer pursuant to sinking fund or special redemption is normally equal to the principal amount of such Bonds, while the redemption price for Bonds called at the option of the issuer may include a redemption premium. In most cases Bonds are selected from among Bonds of like series and maturity either by lot or by such method as the bond trustee may adopt. A capital gain or loss may occur depending upon the price at which a Bond called was acquired by the Trust and the amount received by the Trust upon redemption (see "Tax Status of the Trust"). In general, optional redemption provisions are more likely to be exercised by an Issuer when the offering side valuation is greater than par than when offering side valuation is less than par. If future interest rates decline, an issuer of Bonds might find it advantageous to exercise its option to call Bonds prior to maturity even though, in most cases, the Issuer must pay a premium.

Reinvestment Program

Distributions are made to Unitholders monthly. The Unitholder has the option of receiving the monthly interest interest and/or principal distribution or reinvesting at net asset value in the PaineWebber Tax-Exempt Income Fund (the "Fund") an open-end investment company registered under the Investment Company Act. The Fund's investment objective is to provide high current income exempt from federal income tax, consistent with the preservation of capital and liquidity within the Fund's quality standards. Except under unusual market conditions, the Fund will invest at least 80% of its assets in municipal obligations with varying maturities, the interest from which, in the opinion of bond counsel to their respective issuers, is exempt from both federal income tax and the federal alternative minimum tax. There can be no assurance that the Fund will achieve its objective. For more information about the Fund, including a prospectus, Unitholders should contact their PaineWebber Investment Executive or call the Fund's shareholder service

number at 1(800)544-9300.

To participate in the Reinvestment Program, Unitholders must hold Units in their own name, must fill out an application establish-

ing an account and notify the Trustee of the account number at least 10 days before the Record Date. Elections may be revoked upon similar notice.

EXCHANGE OPTION

Unitholders may elect to exchange any or all of their Units of this series for units of one or more of any series of PaineWebber Municipal Bond Fund First Series; PaineWebber Municipal Bond Fund Second Series; PaineWebber Municipal Bond Fund Third Series (the "PaineWebber Series"); The Municipal Bond Fund, Series One through Series Forty-Three; The Municipal Bond Trust, Series Forty-Four and subsequent series (the "Multi-State Series"); The Municipal Bond Trust, California Series A and subsequent series (the "California Series"); The Corporate Bond Trust, Series One and subsequent series (the "Corporate Series"); The Municipal Bond Trust, Insured Series 1 and subsequent series (the "Insured Series"); and The PaineWebber Pathfinders Trust Treasury and Growth Stock Series 1 and subsequent series (the "Pathfinders Series"), The PaineWebber Federal Government Trust, GNMA Series 1 and subsequent series (the "Federal Government Series") or the PaineWebber Equity Trust, Growth Stock Series 1 and subsequent series (the "Equity Trust") (collectively referred to as the "Exchange Trusts") at a Public Offering Price for the units of the Exchange Trusts to be acquired based on a reduced sales charge of \$15 per unit.

The purpose of such reduced sales charge is to permit the Sponsor to pass on to the Unitholder who wishes to exchange Units the cost savings resulting from reductions in time and expense related to advice, financial planning and operational expense required for the Exchange Option. Each Exchange Trust has different investment objectives, therefore a Unitholder should read the prospectus for the applicable Exchange Trust carefully prior to exercising this option. Exchange Trust having as their objective the receipt of tax exempt interest income would not be suitable for tax deferred investment plans, such as Individual Retirement Accounts and a Unitholder who purchased Units of a series and paid a per unit sales charge that was less than the per unit sales charge of the series of Exchange Trusts into which such Unitholder desires to exchange, will be allowed to exercise the Exchange Option at the Unit Offering Price plus the reduced sales charge, provided the Unitholder has held the Units for at least five months. Any such Unitholder who has not held the Units to be exchanged for the five-month period will be required to exchange them at the Unit Offering Price plus a sales charge based on the greater of the reduced sales charge, or an amount which, together with initial sales charge paid in connection with the acquisition of the Units being exchanged, equals the sales charge of the series of the

Exchange Trust for which such Unitholder desires to exchange into, determined as of the date of the exchange.

The Sponsor will permit exchanges at the reduced sales charge provided there is a market maintained by the Sponsor in both the Units of this series and units of the applicable Exchange Trust, and there are units of applicable Exchange Trust available for sale. While the Sponsor has indicated that it intends to maintain a market for the units of the respective Trusts, there is no obligation on its part to maintain such a market. Therefore, there is no assurance that a market for units will in fact exist on any given date at which a Unitholder wishes to sell his Units of this series and thus there is no assurance that the Exchange Option will be available to a Unitholder. Exchanges will be effected in whole units only. Any excess proceeds from Unitholders' units being surrendered will be returned. Unitholders will be permitted to advance new money in order to complete an exchange.

An exchange of units pursuant to the Exchange Option will generally constitute a "taxable event" under the Code, i.e., a Unitholder will recognize a tax gain or loss at the time of exchange. However, under the position taken by the Internal Revenue Service in Revenue Ruling 81-204 (relating to the exchange of pools of residential mortgage loans by several savings and loan associations), an exchange of units for units of any other similar series of the PaineWebber Municipal Bond Trust, may not constitute a taxable event if the units exchanged do not differ materially either in kind or in extent from each other or if the exchange has no significant economic or business purpose or utility apart from the anticipated tax consequences. Unitholders are advised to consult their own tax advisors as to the tax consequences of exchanging Units in their particular case.

The Sponsor reserves the right to modify, suspend or terminate this plan at any time without further notice to Unitholders. In the event the Exchange Option is not available to a Unitholder at the time he wishes to exercise it, the Unitholder will be immediately

notified and no action will be taken with respect to his Units without further instruction from the Unitholder.

To exercise the Exchange Option, a Unitholder should notify the Sponsor of his desire to exercise the Exchange Option and to use the proceeds from the sale of his Units of this series to purchase units of one or more of the Exchange Trusts. If units of the applicable outstanding series of the Exchange Trust are at that time available for sale, and if such units may lawfully be sold in the state in which the Unitholder is resident, the Unitholder may select the series or group of series for which he desires his investment to be exchanged. The Unitholder will be provided with a current prospectus or prospectuses relating to each series in which he indicates interest.

The exchange transaction will operate in a manner essentially identical to any secondary market transaction, i.e., units will be repurchased at a price based on the aggregate bid price per Unit of the securities in the portfolio of the Trust. Units of the Exchange

Trust, however, will be sold to the Unitholder at a reduced sales charge. Units sold under the Exchange Option will be sold at the bid prices per unit of the underlying securities in the particular portfolio involved plus a fixed charge of \$15 per unit. Exchange transactions will be effected only in whole units; thus, any proceeds not used to acquire whole units will be paid to the selling Unitholder.

For example, assume that a Unitholder, who has three units of a trust with a current price of \$1,030 per unit based on the bid prices of the underlying securities, desires to sell his units and seeks to exchange the proceeds for units of a series of an Exchange Trust with a current price of \$890 per unit based on the bid prices of the underlying securities. In this example, which does not contemplate rounding up to the next highest number of units, the proceeds from the Unitholder's units will aggregate \$3,090. Since only whole units of an Exchange Trust may be purchased under the Exchange Option, the Unitholder would be able to acquire three units in the Exchange Trust for a total cost of \$2,715 (\$2,670 for the units and \$45 for the sales charge). The remaining \$375 would be returned to the Unitholder in cash.

CONVERSION OPTION

Owners of units of any registered unit investment trust sponsored by others which was initially offered at a maximum applicable sales charge of at least 3.0% (a Conversion Trust) may elect to apply the cash proceeds of the sale or redemption of those units directly to acquire available units of any Exchange Trust at a reduced sales charge of \$15 per Unit, per 100 Units in the case of Exchange Trusts having a Unit price of approximately \$10, or per 1,000 Units in the case of Exchange Trusts having a Unit price of approximately \$1, subject to the terms and conditions applicable to the Exchange Option (except that no secondary market is required for Conversion Trust units). To exercise this option, the owner should notify his retail broker. He will be given a prospectus for each series in which he indicates interest and for which units are available. The dealer must sell or redeem the units of the Conversion Trust. Any dealer other than PaineWebber must certify that the purchase of units of the Exchange Trust is being made pursuant to and is eligible for the Conversion Option. The dealer will be entitled to two-thirds of the applicable reduced sales charge. The Sponsor reserves the right to modify, suspend or terminate the Conversion Option at any time without further notice, including the right to increase the reduced sales charge applicable to this option (but not in excess of \$5 more per Unit, per 100 Units or per 1,000 Units, as applicable than the corresponding fee then being charged for the Exchange Option). For a description of the tax consequences of a conversion reference is made to the Exchange Option section herein.

EXPENSES OF THE TRUST

The cost of the preparation and printing of the Certificates, the Indenture and this Prospectus, the initial fees of the Trustee and the Trustee's counsel, the Evaluator's fees during the initial offering period, advertising expenses incurred in establishing the Trust, including insurance premiums for the Insurance to Maturity obtained by the Sponsor and legal and auditing fees, are paid by the Sponsor and not by the Trust. The Sponsor will receive no fee from the Trust for its services as Sponsor.

The cost of Portfolio Insurance on the Bonds covered thereby while held in the Trust is accounted for as an expense of the Trust. Any amount paid for Permanent Insurance on a Bond sold by the Trust will be accounted for as an offset to the amount received on the sale.

For services performed under the Indenture, the Trustee will be paid by the Trust at the rate set forth under "Essential Information" in Part A. Such compensation will be computed monthly or semi-annually on the basis of the greatest principal amount of the Securities in the Trust at any time during the preceding monthly or semi-annual period. In no event will the Trustee be paid less than \$2,000 in any one year. The Evaluator's fee for each daily evaluation is also set forth under "Essential Information" in Part A. The fees of the Evaluator will be payable by the Trust. See "Essential Information" in Part A for the estimated annual fees and expenses per Unit under the various optional interest distribution plans.

The Trustee's fees are payable monthly and semi-annually, and the Evaluator's fees are payable monthly on or before each Distribution Date from the Interest Account, to the extent funds are available, then from the Principal Account. Any of such fees may be increased without approval of the Unitholders by an amount not exceeding a proportionate increase in the category entitled "All Services Less Rent" in the Consumer Price Index published by the United States Department of Labor.

In addition to the above, the following charges are or may be incurred by the Trust and paid from the Interest Account, or, to the extent funds are not available in such Account, from the Principal Account: (1) fees for the Trustee for extraordinary services; (2) expenses of the Trustee (including legal and auditing expenses) and of counsel; (3) various governmental charges; (4) expenses and costs of any action taken by the Trustee to protect the Trust and the rights and interest of the Unitholders; (5) indemnification of the Trustee for any loss, liabilities or expenses incurred by it in the administration of the Trust without negligence, bad faith or willful misconduct on its part; and (6) expenses incurred in contacting Unitholders upon termination of the Trust. The fees and expenses set forth above are payable out of the Trust and when unpaid will be secured by a lien on the Trust.

The accounts of the Trust shall be audited not less than annually by independent public accountants selected by the Sponsor. The expenses of the audit shall be an expense of the Trust. So long as Sponsor maintains a secondary market, Sponsor will bear any audit expense which exceeds \$.50 per Unit. Unitholders covered

by the audit during the year may receive a copy of the audited financials upon request.

DESCRIPTION OF CERTIFICATES

Ownership of Units is evidenced by registered Certificates, executed by the Trustee and the Sponsor, issued in denominations of one Unit or any integral multiple thereof. A Unitholder may transfer his Certificate by presenting it to the Trustee at its corporate trust office. Such Certificate must be properly endorsed or accompanied by a written instrument or instruments of transfer executed by the Unitholder or his duly authorized attorney. A Unitholder may be required to pay \$2.00 per Certificate transferred to cover the Trustee's cost in implementing such transfer and to pay any tax or other governmental charge that may be imposed in connection with such transfer. The Trustee is required to execute and deliver a new Certificate in exchange and substitution for any Certificate mutilated, destroyed, stolen or lost, if and when the Unitholder furnishes the Trustee with proper identification and satisfactory indemnity, and pays such expenses as the Trustee may reasonably incur. Any mutilated Certificate must be presented to the Trustee before any substitute Certificate will be issued.

STATEMENTS TO UNITHOLDERS

With each distribution from the Interest and Principal Accounts, the Trustee will furnish each Unitholder with a statement setting forth the amount being distributed from each Account expressed as a dollar amount per Unit.

Promptly after the end of each calendar year, the Trustee will furnish to each person who at any time during the calendar year was a registered Unitholder a statement setting forth:

1. As to the Interest Account:
 - (a) the amount of Interest received on the Securities and the percentage of such amount by states and territories in which the issuers of the Bonds are located;
 - (b) the amount paid from the Interest Account representing accrued interest for any Certificates redeemed;
 - (c) the deductions from the Interest Account for fees and expenses of the Trustee, the Sponsor and the Evaluator or for other various fees, charges or expenses relating to the Trust;
 - (d) the deductions from the Interest Account for payment into the Reserve Account; and
 - (e) the net amount remaining after such payments and deductions expressed as a total dollar amount outstanding on the last business day of such calendar year.

2. As to the Principal Account:

(a) the dates of the redemption, sale or maturity of any of the Securities and the net proceeds received therefrom, excluding any portion credited to the Interest Account;

(b) the amount paid from the Principal Account representing the principal of any Certificates redeemed;

(c) the deductions from the Principal Account for fees and expenses of the Trustee, the Sponsor and the Evaluator or for other various fees, charges or expenses relating to the Trust;

(d) the deductions from the Principal Account for payment into the Reserve Account; and

(e) the net amount remaining after such payments and deductions expressed as a total dollar amount outstanding on the last business day of such calendar year.

3. The following information:

(a) a list of the Securities as of the last business day of such calendar year;

(b) the number of Units outstanding on the last business day of such calendar year;

(c) the Unit Value based on the last evaluation of the Trust made on the last business day during such calendar year; and

(d) the amounts actually distributed during such calendar year from the Interest and Principal Account, separately stated, expressed both as total dollar amounts and as dollar amounts per Unit outstanding on the Record Dates for such distributions.

REDEMPTION OF UNITS BY TRUSTEE

A Unitholder who wishes to dispose of its Units should inquire through its broker as to the current market price for such Units prior to making a tender for redemption to the Trustee in order to determine if there is a market for Units in excess of the then current Redemption Value or Sponsor's Repurchase Price. After the initial offering period the Redemption Value will be the same as the Sponsor's Repurchase Price.

During the period in which the Sponsor maintains a secondary market for Units as the Sponsor's Repurchase Price, the Sponsor has agreed to repurchase any Unit presented for tender to the Trustee for redemption no later than the close of business on the second business day following such presentation.

The Trustee is irrevocably authorized in its discretion, in lieu of redeeming Units presented for tender at the redemption value, to sell such Units in the over-the-counter market for the account of a tendering Unitholder at prices which will return to the Unitholder amounts in cash, net after brokerage commissions, transfer taxes and other charges, equal to or in excess of the Redemption Value for such Units. In the event of any such sale the Trustee will pay the net proceeds thereof to the Unitholder on the day he would otherwise be entitled to receive payment of the Redemption Value.

One or more Units represented by a Certificate may be redeemed at the Redemption Value upon tender of such Certificate to the Trustee at its corporate trust office in the City of New York, properly endorsed or accompanied by a written instrument of

transfer in form satisfactory to the Trustee, and executed by the Unitholder or its authorized attorney. A Unitholder may tender its Units for redemption at any time after the settlement date for purchase, whether or not it has received a definitive Certificate. The Redemption Value per Unit is calculated by dividing the current bid prices for the Securities in the Trust (see "Evaluation of the Trust") plus any money in the Principal Account other than money required to redeem tendered Units, by the number of Units outstanding, plus a proportionate share of accrued interest and undistributed interest income on the Securities determined to the day of tender. There is no sales charge incurred when a Unitholder tenders his Units to the Trustee for redemption. Subject to the payment of any applicable tax or governmental charges, the Redemption Value of Units redeemed by the Trustee will be paid on the seventh calendar day following the day of tender. If such day of payments is not a business day, the Redemption Value will be paid on the first business day prior thereto.

The Trustee may, in its discretion, and will when so directed by the Sponsor, suspend the right of redemption, or postpone the date of payment of the Redemption Value, for more than seven calendar days following the day of tender for any period during which New York Stock Exchange, Inc. is closed other than for weekend and holiday closings; or for any period during which the Securities and Exchange Commission determines that trading on the New York Stock Exchange, Inc. is restricted or for any period during which an emergency exists as a result of which disposal or evaluation of the

Securities is not reasonably practicable; or for such other period as the Securities and Exchange Commission may by order permit for the protection of Unitholders. The Trustee is not liable to any person or in any way for any loss or damages which may result from any such suspension or postponement.

Any amounts paid on the redemption representing interest will be withdrawn from the Interest Account to the extent that funds are available for such purpose. All other amounts paid on redemption will be withdrawn from the Principal Account. The Trustee is empowered to sell Securities out of the Portfolio as selected by the Sponsor in order to make funds available for the redemption of Certificates, and, to the extent Securities are sold for such purpose, the size and diversity of the Trust will be reduced. Such sales may be required at a time when Securities would not otherwise be sold and may result in lower prices than might otherwise be realized. In addition, because of the minimum principal amount in which securities may be required to be sold, the proceeds of such sales may exceed the amount necessary for payment of Units redeemed. Such excess proceeds will be distributed pro rata to all remaining Unitholders of record.

EVALUATION OF THE TRUST

The Evaluator is Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc., 65 Broadway, New York, New

York 10006.

The value of the Trust is computed as of the Evaluation Time shown under "Essential Information" (1) on each June 30 and December 31 (or at last business day prior thereto), (2) on each business day as long as the Sponsor is maintaining a bid in the secondary market, (3) on the day which any Unit is tendered for redemption and (4) on any other day desired by the Sponsor or the Trustee, by adding:

1. The aggregate value of Securities in the Trust, as determined by the Evaluator:

(a) on the basis of current bid prices for the Securities;

(b) on the basis of current bid prices for comparable bonds, if bid prices are not available for any of the Securities;

(c) by determining the value of the Securities on the bid side of the market by appraisal; or

(d) by any combination of the above.

2. Money on hand in the Trust, other than money deposited to purchase Securities or money credited to the Principal Account which is required to redeem tendered Units; and

3. Accrued but unpaid interest on the Securities at the close of business on the date of such Evaluation.

The Trustee will deduct from the resulting figure: amounts representing any applicable taxes or governmental charges payable by the Trust for the purpose of making an addition to the Reserve Account; amounts representing estimated accrued expenses of the Trust; amounts representing unpaid fees of the Trustee, the Sponsor and the Evaluator; and cash held for distribution to Unitholders of record as of the business day prior to the Evaluation being made on the days or dates set forth above.

For the purpose of the redemption of Units, the value per Unit is computed by the Trustee by dividing the result of the above computation by the total number of Units outstanding on the date of such Evaluation.

The Evaluator's evaluation of the Securities takes into account Insurance to Maturity insurance policies in respect of those Securities and the rating assigned to those Securities as a result of such insurance. Insurance to Maturity determined the quality of the insurance issued by each insurer, and then compared the Securities to other securities which had comparable insurance and which were of comparable quality. In addition, in the case of Securities not insured when acquired by the Sponsor and which are insured by Portfolio Insurance, the Evaluator has attributed no value to the Portfolio Insurance. Bonds rated below investment grade and insured by Portfolio Insurance will be valued at the greater of (i) the market value of such Securities with Permanent Insurance (less the Permanent Insurance Premium therefor) or (ii) the market value of such Securities uninsured. In addition, the Evaluator will consider the ability of Financial Guaranty to meet its commitments under the Portfolio Insurance, including the ability to issue Permanent Insurance. It is the position of the Sponsor that this is a fair method of valuing the Securities and reflects a proper valuation method in

accordance with the provisions of the Investment Company Act of 1940.

COMPARISON OF PUBLIC OFFERING PRICE AND REDEMPTION VALUE

While the Public Offering Price of Units during the initial offering period is determined on the basis of the current offering prices of the Securities, the Public Offering Price of Units in the secondary market and the Redemption Value is determined on the basis of the current bid prices of such Securities. On the business day prior to the Date of Deposit, the Public Offering Price per Unit (which figure includes the sales charge) exceeded the Redemption Value by the amount shown under "Essential Information". The difference between the bid and offering prices of the Securities is expected to average 1 1/2% to 2% of principal amount. This difference may vary between 3% or more of principal amount for inactively traded Securities and as little as 1/2 of 1% for actively traded Securities. For this reason and others, including the fact that the Public Offering Price includes the sales charge, the amount realized by a Unitholder upon redemption of Units may be less than the price paid by the Unitholder for such Units.

SUPERVISION OF TRUST INVESTMENTS

The acquisition by the Trust of any securities other than the Securities initially deposited (except for the limited right to replace securities in the case of a fail. Replacement Securities as provided herein) is prohibited by the Indenture. The Sponsor may direct the Trustee to sell and to liquidate any of the Securities upon the happening of any of the following events:

1. Default by an issuer in the payment of principal of or interest on such Securities, or any other outstanding obligations of such issuer, when due and payable and such payment is not guaranteed by a valid Insurance policy which, in the opinion of the Sponsor, will provide adequate payment;
2. Institution of legal proceedings seeking to restrain or enjoin the payment of any of the Securities or attacking their validity;
3. A breach of a covenant or warranty which could adversely affect the payment of debt service on the Securities;
4. In the case of revenue bonds, if the revenues, based upon official reports, fall substantially below the estimated revenues calculated to be necessary to pay principal of and interest on the Bonds;
5. A decline in market price, or such other market or credit factor, as in the opinion of the Sponsor would make retention of any of the Securities detrimental to the Unitholders; or
6. In the event that any of the Bonds are the subject of an advance refunding.

It is not anticipated or expected that disposal of any of the Bonds in the Trust for the reason described in (1) above will occur as long as the Bonds are insured. The Trustee will not be liable or

responsible in any way for depreciation or loss incurred by reason of any sale made by it either pursuant to a direction of the Sponsor or by reason of a failure of the Sponsor to give any such direction.

The Sponsor is required to instruct the Trustee to reject any offer made by an Issuer of any of the Bonds to issue new obligations in exchange and substitution for the Bonds pursuant to a refunding or refinancing plan; however, the Sponsor may instruct the Trustee to accept or reject such an offer or to take any other action with respect thereto as the Sponsor deems proper if the Issuer is in default with respect to the Securities or the Issuer will, in the written opinion of the Sponsor, probably default with respect to the Bonds in the reasonably foreseeable future.

Any obligations received by the Trust in the event of such an exchange or substitution will be held by the Trustee and will be subject to the terms and conditions of the Indenture to the same extent as the Securities originally deposited. Within five days after any exchange and deposit, notice of such will be mailed by the Trustee to each registered Unitholder, which identifies the Securities eliminated and the Securities substituted.

ADMINISTRATION OF THE TRUST

Records and Accounts. Pursuant to the Indenture, the Trustee is required to keep proper books or records and accounts of all transactions relating to the Trust at its office. Such records will include the name and address of every Unitholder, a list of the Certificate numbers and the number of Units of each Certificate issued to Unitholders. The Trustee is also required to keep a certified copy or duplicate original of the Indenture and current list of Securities held in the Trust on file at its office which will be open to inspection by any Unitholder during usual business hours.

The Trustee is required to make annual or other reports as may from time to time be required under any applicable state or Federal statute, rule or regulation.

Successor Trustee. Under the Indenture, the Trustee may resign and be discharged of the trust created by the Indenture by executing a notice of resignation in writing and filing it with the Sponsor. The resigning Trustee must also mail a copy of the notice of

resignation to all Unitholders then on record, not less than sixty days before the effective resignation date specified in such notice. Such resignation will become effective only upon the appointment of that acceptance of the Trust by a successor Trustee. The Sponsor, upon receiving notice of such registration, is obligated to appoint a successor Trustee promptly.

If within thirty days after notice of resignation has been received by the Sponsor, no successor Trustee has been appointed or, if appointed, has not accepted the appointment, the resigning Trustee may apply to a court of competent jurisdiction for the appointment of a successor. In case the Trustee becomes incapable of acting as such or is adjudged a bankrupt or is taken over by any public authority, the Sponsor may discharge the Trustee and ap-

point a successor Trustee as provided in the Indenture. Notice of such discharge and appointment shall be mailed to each Unitholder by the Sponsor.

Upon a successor Trustee's execution of a written acceptance of an appointment as Trustee for the Trust, such successor Trustee will become vested with all the rights, powers, duties and obligations of the original Trustee.

A successor Trustee is required to be a corporation organized and doing business under the laws of the United States or of the State of New York; to be authorized under such laws to exercise corporate trust powers; to have at all times an aggregate capital, surplus and undivided profit of not less than \$5,000,000; and to have its principal office in New York City.

Successor Sponsor. If at any time the Sponsor shall fail to undertake or perform or become incapable of undertaking or performing any of the duties which by the terms of the Indenture are required of it to be undertaken or performed, or if the Sponsor resigns, the Trustee may either appoint a successor Sponsor or Sponsors as will be satisfactory to the Trustee or it may terminate the Indenture and liquidate the Trust. Any successor Sponsor may be compensated at rates deemed by the Trustee to be reasonable.

The dissolution of the Sponsor or its ceasing to exist as a legal entity from, or for, any cause whatsoever will not cause the termination of the Indenture of the Trust unless the Trust deems termination to be in the best interests of Unitholders.

Successor Evaluator. The Evaluator may resign or may be removed by the Sponsor or the Trustee, and the Sponsor and the Trustee are to use their best efforts to appoint a satisfactory successor. Such resignation or removal will become effective upon the acceptance of appointment by a successor Evaluator. If upon resignation of the Evaluator no successor has accepted appointment within thirty days after notice of resignation, the Evaluator may apply to a court of competent jurisdiction for the appointment of a successor. Notice of such registration or removal and appointment will be mailed by the Trustee to each Unitholder.

LIMITATION OF LIABILITIES

The Sponsor. The Indenture provides that the Sponsor will not be liable to the Trustee, the Trust or to the Unitholders for taking any action or for refraining from taking any action made in good faith or for errors in judgment, but will be liable or responsible in any way for depreciation or loss incurred by reason of the sale of any Securities in the Trust.

The Trustee. The Indenture provides that the Trustee will not be liable for any action taken in good faith in reliance on properly executed documents or for the disposition of moneys, Securities or Certificates, except by reason of its own gross negligence, bad faith or willful misconduct, nor will the Trustee be liable or responsible in any way for depreciation or loss incurred by reason of the sale by the Trustee of any Securities in the Trust. In the event of the failure

of the Sponsor to act, the Trustee may act and will not be liable for any such action taken by it in good faith. The Trustee will not be personally liable for any taxes or other governmental charges imposed upon or in respect to the Securities or upon the interest thereon or upon it as Trustee or upon or in respect of the Trust which the Trustee may be required to pay under a present or future law of the United States of America or of any other taxing authority having jurisdiction. In addition, the Indenture contains other customary provisions limiting the liability of the Trustee. The Trustee will be indemnified and held harmless against any loss or liability accruing to it without negligence, bad faith or willful misconduct on its part, arising out of or in connection with its acceptance or administration of the Trust, including the costs and expenses (including counsel fees) of defending itself against any claim of liability.

The Evaluator. The Trustee, Sponsor and Unitholders may rely

on any evaluation furnished by the Evaluator and will have no responsibility for the accuracy thereof. The Indenture provides that the determinations made by the Evaluator will be made in good faith upon the basis of the best information available to it provided, however, that the Evaluator will be under no liability to the Trustee, Sponsor or Unitholders for errors in judgment, but will be liable only for its gross negligence, lack of good faith or willful misconduct.

AMENDMENT OF THE INDENTURE

The Indenture may be amended by the Trustee and the Sponsor without the consent of any of the Unitholders to cure any ambiguity or to correct or supplement any provision which may be defective or inconsistent or to make such other provisions as will not adversely affect the interest of the Unitholders; provided, however, that after the deposit of the Securities the Indenture may not be amended to increase the number of Units issued thereunder or to permit the deposit or acquisition of securities either in addition to or in substitution for any of the Securities initially deposited in the Trust, except for the substitution of certain refunding securities for the Securities. The Trustee will promptly notify Unitholders of the substance of any such amendment.

RIGHT OF UNITHOLDERS

A Unitholder may at any time tender his Certificate to the Trustee for redemption.

The death or incapacity of any Unitholder will not operate to terminate the Trust nor entitle his legal representatives or heirs to claim an accounting or to take any action proceeding in any court for a partition of winding up of the Trust.

No Unitholder will have the right to vote concerning the Trust,

except with respect to termination, or in any manner control the operation and management of the Trust, nor shall any Unitholder ever be liable to any other person by reason of any action taken by the Sponsor or the Trustee.

TERMINATION OF THE TRUST

The Indenture provides that the Trust will terminate upon the maturity, redemption, sale or other disposition of the last of the Securities held in the Trust. If the value of the Trust as shown by any evaluation is less than twenty per cent (20%) of the par value of the Securities originally deposited in the Trust, the Trustee may in its discretion, and will when so directed by the Sponsor, terminate the Trust. The Trust may also be terminated at any time by the written consent of 100% of the Certificateholders or by the Trustee upon the resignation or removal of the Sponsor if the Trustee determines termination to be in the best interest of the Unitholders. In no event will the Trust continue beyond the Mandatory Termination Date. Upon termination, the Trustee will sell the Securities then held in the Trust and credit the moneys derived from such sale to the Principal Account and the Interest Account. The Trustee will then, after deduction of any fees and expenses of the Trust and payment into Reserve Account of any amount required for taxes or other governmental charges that may be payable by the Trust, distribute to each Unitholder, upon surrender for cancellation of this Certificate after due notice of such termination, such Unitholders pro rata share in the Interest and Principal Accounts. The sale of securities in the Trust upon termination may result in a lower amount than might otherwise be realized if such sale were not required at such time. For this reason, among others, the amount realized by a Unitholder upon termination may be less than the principal amount of Securities represented by the Units held by such Unitholder.

SPONSOR

The Sponsor, PaineWebber Incorporated, is a corporation organized under the laws of the State of Delaware. The Sponsor is a member firm of the New York Stock Exchange, Inc. as well as other major securities and commodities exchanges and is a member of the National Association of Securities Dealers, Inc. The Sponsor is engaged in a security and commodity brokerage business as well as underwriting and distributing new issues. The Sponsor also acts as a dealer in unlisted securities and municipal bonds and, in addition to participating as a member of various selling groups or as agent of other investment companies, executes orders on behalf of investment companies for the purchase and sale of securities of such companies and sells securities to such companies in its capacity as a broker or dealer in securities.

LEGAL OPINION

The legality of the Units offered hereby has been passed upon by Orrick, Herrington & Sutcliffe, 599 Lexington Avenue, New York, New York, as counsel for the Sponsor.

INDEPENDENT AUDITORS

The financial statements, including the schedule of investments, of the Trust included in Part A of this Prospectus have been audited by Ernst & Young LLP, independent auditors, for the period indicated in their report appearing herein. The financial statements audited by Ernst & Young LLP have been included in reliance on their report given on their authority as experts in accounting and auditing.

BOND RATINGS*

Standard & Poor's Corporation

A Standard & Poor's corporate or municipal bond rating is a current assessment of the creditworthiness of an obligor with respect to a specific debt obligation. The assessment of creditworthiness may take into consideration obligors such as guarantors, insurers or lessees.

The bond rating is not a recommendation to purchase or sell a security, inasmuch as it does not comment as to market price.

The ratings are based on current information furnished to Standard & Poor's by the Issuer and obtained by Standard & Poor's from other sources it considers reliable. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information.

The ratings are based, in varying degrees, on the following considerations:

I. Likelihood of default-capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation

II. Nature of and provisions of the obligation

III. Protection afforded by, and relative position of, the obligation in event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA - This is the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay principal and interest.

AA - Bonds rated AA also have quality as high-quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from AAA issuers only in small degree.

A - Bonds rated A have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB - Bonds rated BBB are regarded as having an adequate capacity to pay principal and interest. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay principal and interest for bonds in this category than for bonds in the A category.

Plus (+) or Minus (-): To provide more detailed indications of credit quality, the ratings from "AA" to "BB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Provisional Ratings: The letter "p" following a rating indicates the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the issuance of the

bonds being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. Accordingly, the investor should exercise his own judgment with respect to such likelihood and risk.

Moody's Investor Service, Inc.

A brief description of the applicable Moody's Investors Service, Inc.'s rating symbols and their meanings is as follows:

Aaa - Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge". Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa - Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large

as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than in Aaa securities.

A - Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

BAA - Bonds which are rated BAA are considered as medium grade obligations; i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Rating symbols may include numerical modifiers 1, 2 or 3. The numerical modifier 1 indicates that the security ranks at the high end, 2 in the mid-range, and 3 nearer the low end of the generic category. These modifiers of rating symbols, Aa, A and Baa, are to give investors a more precise indication of relative debt quality in each of the historically defined categories.

*As described by Standard & Poor's Corporation.

Conditional ratings, indicated by "Con", are given to bonds for which the security depends upon the completion of some act on the fulfillment of some condition. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operating experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. A parenthetical rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

The following summarizes the applicable designations used by Moody's for short-term notes and short-term loans:

MIG1 - Loans bearing this designation are of the best quality, enjoying strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for refinancing, or both.

MIG2 - Loans bearing this designation are of high quality, with margins of protection ample although not so large as the preceding group.

Description of Rating of Units*

A Standard & Poor's Corporation's rating on the units of an investment trust (hereinafter referred to collectively as "units" and "fund") is current assessment of creditworthiness with respect to the investments held by such fund. The assessment takes into consideration the financial capacity of the Issuers and of any guarantors, issuers, lessees, or mortgagors with respect to such investments. The assessment, however, does not take into account the extent to which fund expenses or Portfolio asset sales for less than the Fund's purchase price will reduce payment to the Unitholder of the interest and principal required to be paid on the Portfolio assets. In addition, the rating is not a recommendation to purchase, sell, or hold Units, inasmuch as the rating does not comment as to market price of the Units or suitability for a particular investor.

Funds rated "AAA" are composed exclusively of assets that are rated "AAA", by Standard & Poor's or have, in the opinion of Standard & Poor's, credit characteristics comparable to assets that are rated "AAA", or certain short-term investments. Standard & Poor's defines its "AAA" rating for such assets as the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is very strong. Funds which are composed of assets that are rated below "AAA" by Standard & Poor's Corporation do not carry a Standard & Poor's Corporation rating on their Units.

*As described by Standard & Poor's Corporation.

CONTENTS OF REGISTRATION STATEMENT

This registration statement comprises the following documents:

The facing sheet.

The Prospectus.

The signatures.

The following exhibits:

1. Opinion of Counsel as to legality of securities being registered.
2. Financial Data Schedule
3. Consent of Kenny Information Systems, Inc.
4. Consent of Standard & Poor's Corporation.

5. Consent of Independent Auditors.
FINANCIAL STATEMENTS
1. Statement of Condition of the Trust as shown in the current Prospectus for this series.
2. Financial Statements of the Depositor.
PaineWebber Incorporated - Financial Statements as of December 31, 1993 and March 31, 1994 incorporated by reference to Form 10-k and Form 10-Q (File No. 1-7367) filed on March 31, 1994 and May 15, 1994, respectively.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant, The Municipal Bond Trust, Insured Series 37 certifies that it meets all of the requirements for effectiveness of this Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this registration statement to be signed on its behalf by the undersigned thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the City of New York, and the State of New York on the 21st day of February, 1995.

THE MUNICIPAL BOND TRUST, INSURED
SERIES 37

(Registrant)
By: PaineWebber Incorporated
(Depositor)
/s/ ROBERT E. HOLLEY
Robert E. Holley
Senior Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed on behalf of PaineWebber Incorporated, the Depositor, by the following persons in the following capacities and in the City of New York, and State of New York, on this 21st day of February, 1995.

PAINWEBBER INCORPORATED

Name	Office
Donald B. Marron	Chairman, Chief Executive Officer, Director & Member of the Executive Committee *
Paul B. Guenther	President, Director and Member of the Executive Committee *
Regina A. Dolan	Senior Vice President, Chief Financial Officer and Director *
Joseph J. Grano, Jr.	President, Retail Sale & Marketing, Director and Member of the Executive Committee *
Lee Fensterstock	Executive Vice President, Director and Member of the Executive Committee *
	By:/s/ ROBERT E. HOLLEY Attorney-in-fact*

* Executed copies of the powers of attorney have been filed with the Securities and Exchange Commission in connection with the Registration Statement for File No. 33-19786.

February 21, 1995
PaineWebber Incorporated
1200 Harbor Blvd.
Weehawken, New Jersey 07087

Ladies and Gentlemen:

We have served as counsel for PaineWebber Incorporated as sponsor and depositor (the "Depositor") of The Municipal Bond Trust, Insured Series 37 (hereinafter referred to as the "Trust"). The Depositor seeks by means of Post-Effective Amendment No. 9 to register for reoffering 6,059 Units acquired by the Depositor in the secondary market (hereinafter referred to as the "Units"). In this regard, we have examined executed originals or copies of the following:

- (a) The Restated Certificate of Incorporation, as amended, and the By-Laws of the Depositor, as amended;
- (b) Resolutions of the Board of Directors of the Depositor adopted on December 3, 1971 relating to the Trust and the sale of the Units;
- (c) Resolutions of the Executive Committee of the Depositor adopted on September 24, 1984;
- (d) Powers of Attorney referred to in the Amendment;
- (e) Post-Effective Amendment No. 9 to the Registration Statement on Form S-6 (File No. 33-7568) to be filed with the Securities and Exchange Commission (the "Commission") in accordance with the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder (collectively, the "1933 Act") proposed to be filed on or about the date hereof (the "Amendment");
- (f) The Notification of Registration of the Trust filed with the Commission under the Investment Company Act of 1940, as amended (collectively, the "1940 Act") on Form N-8A, as amended;
- (g) The registration of the Trust filed with the Commission under the 1940 Act on Form N-8B-2 (File No. 811-2599), as amended;
- (h) The prospectus included in the Amendment (the "Prospectus");
- (i) The Standard Terms and Conditions of the Trust dated as of February 8, 1984, as amended, among the Depositor, United States Trust Company of New York (the "Trustee"), and Standard & Poor's Corporation and Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. (the "Evaluator") (the "Standard Terms");
- (j) The Trust Indenture dated as of the Date of Deposit, among the Depositor, the Trustee and the Evaluator (the "Trust Indenture" and, collectively with the Standard Terms, the "Indenture and Agreement");
- (k) The form of certificate of ownership for units (the "Certificate") to be issued under the Indenture and Agreement; and
- (l) Such other pertinent records and documents as we have deemed

necessary.

With your permission, in such examination, we have assumed the following: (a) the authenticity of original documents and the genuineness of all signatures; (b) the conformity to the originals of all documents submitted to us as copies; (c) the truth, accuracy, and completeness of the information, representations, and warranties contained in the records, documents, instruments and certificates we have reviewed; (d) except as specifically covered in the opinions set forth below, the due authorization, execution, and delivery on behalf of the respective parties thereto of documents referred to herein and the legal, valid, and binding effect thereof on such parties; and (e) the absence of any evidence extrinsic to the provisions of the written agreement(s) between the parties that the parties intended a meaning contrary to that expressed by those provisions. However, we have not examined the securities deposited pursuant to the

Indenture and Agreement (the "Securities") nor the contracts for the Securities.

We express no opinion as to matters of law in jurisdictions other than the States of New York and California and the United States, except to the extent necessary to render the opinion as to the Depositor in paragraph (i) below with respect to Delaware law. As you know we are not licensed to practice law in the State of Delaware, and our opinion in paragraph (i) and (iii) as to Delaware law is based solely on review of the official statutes of the State of Delaware.

Based upon such examination, and having regard for legal considerations which we deem relevant, we are of the opinion that:

- (i) The Depositor is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware with full corporate power to conduct its business as described in the Prospectus;
- (ii) The Depositor is duly qualified as a foreign corporation and is in good standing as such within the State of New York;
- (iii) The terms and provisions of the Units conform in all material respects to the description thereof contained in the Prospectus;
- (iv) The consummation of the transactions contemplated under the Indenture and Agreement and the fulfillment of the terms thereof will not be in violation of the Depositor's Restated Certificate of Incorporation, as amended, or By-Laws, as amended and will not conflict with any applicable laws or regulations applicable to the Depositor in effect on the date hereof; and
- (v) The Certificates to be issued by the Trust, when duly executed by the Depositor and the Trustee in accordance with the Indenture and Agreement, upon delivery against payment therefor as described in the Prospectus will constitute fractional undivided interests in the Trust enforceable against the Trust in accordance with their terms, will be entitled to the benefits of the Indenture and Agreement and will be fully paid and non-assessable.

Our opinion that any document is valid, binding, or enforceable in

accordance with its terms is qualified as to:

- (a) limitations imposed by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, or other laws relating to or affecting the enforcement of creditors' rights generally;
- (b) rights to indemnification and contribution which may be limited by applicable law or equitable principles; and
- (c) general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law.

We hereby represent that the Amendment contains no disclosure which would render it ineligible to become effective immediately upon filing pursuant to paragraph (b) of Rule 485 of the Commission.

We hereby consent to the filing of this opinion as an exhibit to the Amendment and to the use of our name wherever it appears in the Amendment and the Prospectus.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE

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KENNY S&P EVALUATION
SERVICES

(A Division of Kenny Information
Systems Inc.)

February 21, 1995,

PaineWebber Incorporated

Unit Trust Department

1200 Harbor Blvd.

Weehawken, New Jersey 07087

RE: THE MUNICIPAL BOND TRUST, INSURED SERIES 37

Gentlemen:

We have examined the post-effective Amendment to the Registration Statement File No. 33-7568 for the above-captioned trust. We hereby acknowledge that Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. is currently acting as the evaluator for the trust. We hereby consent to the use in the Amendment of the reference to Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. as evaluator.

In addition, we hereby confirm that the ratings indicated in the above-referenced Amendment to the Registration Statement for the respective bonds comprising the trust portfolio are the ratings currently indicated in our KENNYBASE database.

You are hereby authorized to file a copy of this letter with the Securities and Exchange Commission.

Sincerely,

/s/ JOHN R. FITZGERALD

John R. Fitzgerald

Senior Vice President

February 21, 1995
Kathleen H. Moriarty
Orrick, Herrington & Sutcliffe
599 Lexington Avenue - 29th Floor
New York, New York 10022

RE: The Municipal Bond Trust, Insured Series 37

We have received the post-effective amendment to the registration statement SEC file number 33-7568 for the above captioned trust. Since the portfolio is composed solely of securities covered by bond insurance policies that insure against default in the payment of principal and interest on the securities for so long as they remain outstanding and such policies have been issued by one or more insurance companies which have been assigned 'AAA' claims paying ability rating by S&P, we reaffirm the assignment of a 'AAA' rating to the units of the trust and a 'AA' rating to the securities contained in the trust.

You have permission to use the name Standard & Poor's Corporation and the above-assigned ratings in connection with your dissemination of information relating to these units, provided that it is understood that the ratings are not "market" ratings nor recommendations to buy, hold, or sell the units of the trust or the securities in the trust. Further, it should be understood that the rating of the units does not take into account the extent to which fund expenses or portfolio asset sales for less than the fund's purchase price will reduce payment to the unitholders of the interest and principal required to be paid on the portfolio assets. S&P reserves the right to advise its own clients, subscribers, and the public of the ratings. S&P relies on the sponsor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the ratings. S&P does not independently verify the truth or accuracy of any such information.

This letter evidences our consent to the use of the name of Standard & Poor's Corporation in connection with the rating assigned to the units in the amendment referred to above. However, this letter should not be construed as a consent by us, within the meaning of Section 7 of the Securities Act of 1933, to the use of the name of Standard and Poor's Corporation in connection with the ratings assigned to the securities contained in the trust. You are hereby authorized to file a copy of this letter with the Securities and Exchange Commission.

We are pleased to have had the opportunity to be of service to you. If we can be of further help, please do not hesitate to call upon us.

STANDARD AND POOR'S CORPORATION

/S/Vincent S.Orgo

INDEPENDENT AUDITORS' CONSENT

We consent to the reference to our firm under the caption "Independent Auditors" and to the use of our report in the Registration Statement and related Prospectus of The Municipal Bond Trust, Insured Series 37.

/s/ ERNST & YOUNG LLP

New York, New York

February 21, 1995