

SECURITIES AND EXCHANGE COMMISSION

FORM 485APOS

Post-effective amendments [Rule 485(a)]

Filing Date: **1994-03-01**
SEC Accession No. **0000837441-94-000003**

([HTML Version](#) on secdatabase.com)

FILER

OPPENHEIMER CALIFORNIA TAX EXEMPT FUND

CIK: **837441** | State of Incorpor.: **NY** | Fiscal Year End: **1231**
Type: **485APOS** | Act: **33** | File No.: **033-23566** | Film No.: **94514089**

Business Address
*TWO WORLD TRADE CTR
STE 3400
NEW YORK NY 10048
2123230200*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 / X /
PRE-EFFECTIVE AMENDMENT NO. ____ / /
POST-EFFECTIVE AMENDMENT NO. 7 / X /

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 / X /
Amendment No. 9 / X /

OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND

(Exact Name of Registrant as Specified in Charter)

Two World Trade Center, New York, New York 10048-0203

(Address of Principal Executive Offices)

212-323-0200

(Registrant's Telephone Number)

ANDREW J. DONOHUE, ESQ.
Oppenheimer Management Corporation
Two World Trade Center, New York, New York 10048-0203

(Name and Address of Agent for Service)

It is proposed that this filing will become effective:

- / / Immediately upon filing pursuant to paragraph (b)
/ / On _____ pursuant to paragraph (b)
/ / 60 days after filing pursuant to paragraph (a)
/ X / On May 1, 1994 pursuant to paragraph (a)
of Rule 485.

The Registrant has registered an indefinite number of shares under the Securities Act of 1933 pursuant to Rule 24f-2 promulgated under the Investment Company Act of 1940. A Rule 24f-2 Notice for the Registrant's fiscal year ended December 31, 1993, was filed on February 25, 1994.

FORM N-1A

OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND

Cross Reference Sheet

Part A of
Form N-1A
Item No.

Prospectus Heading

- | | |
|----|--|
| 1 | Cover Page |
| 2 | Expenses |
| 3 | Financial History; Performance of the Fund |
| 4 | Cover Page; Investment Objectives and Policies |
| 5 | Expenses; How the Fund is Managed; Back Cover |
| 5A | Performance of the Fund |

6	Dividends, Capital Gains and Taxes;
7	How to Exchange Shares; Special Investor Services; Service Plan for Class A shares; Distribution and Service Plan for Class B Shares; How to Buy Shares; How to Sell Shares
8	How to Sell Shares; How to Exchange Shares; Special Investor Services
9	*

Part B of Form N-1A

Item No.	Heading in Statement of Additional Information or Prospectus
10	Cover Page
11	Cover Page
12	*
13	Investment Objective and Policies; Additional Investment Restrictions
14	Trustees and Officers of the Fund; How the Fund is Managed
15	Trustees and Officers of the Fund - Major Shareholders; How the Fund is Managed
16	How the Fund is Managed; Additional Information about the Fund; Distribution and Service Plans; Back Cover
17	How the Fund is Managed
18	Additional Information about the Fund
19	Your Investment Account
20	Dividends, Capital Gains and Taxes
21	How the Fund is Managed; Additional Information about the Fund - The Distributor; Distribution and Service Plans
22	Performance of the Fund
23	Financial Statements

* Not applicable or negative answer.

Oppenheimer California Tax-Exempt Bond Fund

Prospectus dated May 1, 1994.

Oppenheimer California Tax-Exempt Fund (the "Fund") is a mutual fund with the investment objective of seeking as high a level of current interest income exempt from Federal and California income taxes for individual investors as is consistent with preservation of capital. The Fund attempts to achieve its objective through investment primarily in municipal securities, the interest on which is exempt from the income taxes described above. The Fund may also use certain Hedging Instruments in an effort to protect against market risks, but not for speculation. (See, "The Fund and Its Investment Policies.")

The Fund offers two classes of shares: (1) Class A shares sold at a public offering price that includes a front-end sales charge, and (2) Class B shares, which are sold without a front-end sales charge, although you may pay a sales charge when you redeem your shares, depending on how long you own them. Class B shares are also subject to an annual "asset-based sales charge." Each class of shares bears different expenses. In deciding which class of shares to buy, you should consider how much you plan to purchase, how long you plan to keep your shares, and other factors discussed in "How to Buy Shares" on page ____.

This Prospectus explains concisely what you should know before investing in the Fund. Please read it carefully and keep it for future reference. You can find more detailed information about the Fund in the April 29, 1994, Statement of Additional Information. For a free copy, call Oppenheimer Shareholder Services, the Fund's Transfer Agent, at 1-800-525-7048, or write to the Transfer Agent at the address on the back cover. The Statement has been filed with the Securities and Exchange Commission and is incorporated into this Prospectus by reference (which means that it is legally part of this Prospectus).

Shares of the Fund are not deposits or obligations of any bank, nor are they guaranteed by any bank or insured by the F.D.I.C. or any other agency, and involve investment risks including possible loss of principal.

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

Contents

Page

INFORMATION ABOUT THE FUND

Expenses

Financial History

Investment Objective and Policies

How the Fund is Managed

Performance of the Fund

YOUR INVESTMENT ACCOUNT

How to Buy Shares

Class A Shares

Class B Shares

Special Investor Services

AccountLink

Automatic Withdrawal and Exchange

Plans

Reinvestment Privilege

Retirement Plans

How to Sell Shares

By Mail

By Telephone

Checkwriting

How to Exchange Shares

Shareholder Account Rules and Policies

Dividends, Capital Gains and Taxes

Appendix: Description of Ratings Categories

INFORMATION ABOUT THE FUND

Expenses

The Fund pays a variety of expenses directly for management of its assets, administration, distribution and other services and those expenses are reflected in the Fund's net asset value per share. As a shareholder, you pay these expenses indirectly. Shareholders pay other expenses directly, such as sales charges. The following tables are provided to help you understand your direct expenses of investing and your share of the Fund's operating expenses you might expect to bear indirectly, based on the Fund's expenses during its fiscal year ended December 31, 1993.

-- Shareholder Transaction Expenses are charges you pay when you buy or sell shares of the Fund. Please refer to pages ____ through ____ for an explanation of how and when these charges apply.

	Class A Shares	Class B Shares
Maximum Sales Charge on Purchases (as a % of offering price)	4.75%	None
Sales Charge on		

Reinvested Dividends	None	None
Deferred Sales Charge (as a % of the lower of the original purchase price or redemption proceeds)	None*	5% in the first year, declining to 1% in the sixth year and eliminated thereafter
Exchange Fee	\$5.00**	\$5.00**

*If you invest more than \$1 million in Class A shares, you may have to pay a sales charge of up to 1% if you sell your shares within 18 calendar months from the end of the calendar month during which you purchased those shares. See "How to Buy Shares - Class A Shares," below.

**Fee is waived for automated exchanges on PhoneLink, described in "How to Buy Shares."

-- Annual Fund Operating Expenses are paid out of the Fund's assets. The Fund pays management fees to its investment adviser, Oppenheimer Management Corporation (the "Manager") and other regular expenses for services, such as transfer agent fees, custodial fees, audit, legal and other business expenses. The following numbers are projections based on the Fund's historical expenses and are calculated as a percentage of average net assets. The actual numbers may be more or less, depending on a number of factors, including the Fund's actual net assets.

	Class A Shares	Class B Shares
Management Fees	%	%
12b-1 Distribution Plan Fees	%	%
Shareholder Service Plan Fees	%	%
Other Expenses	%	%
Total Fund Operating Expenses	%	%

-- Examples. Assume that you made a \$1,000 investment in the Fund, that the Fund's annual return is 5% and that its operating expenses are as described above in the charts.

If you redeemed your shares at the end of each period below, your investment would incur the following expenses:

	1 year	3 years	5 years	10 years*
Class A Shares	\$	\$	\$	\$
Class B Shares	\$	\$	\$	\$

If you did not redeem your investment, it would incur the following expenses:

	1 year	3 years	5 years	10 years*
Class A Shares	\$	\$	\$	\$
Class B Shares	\$	\$	\$	\$

* The Class B expenses in years 7 through 10 are based on the Class A expenses shown above, because the Fund automatically converts your Class B shares into Class A shares after 6 years. Long-term Class B shareholders could pay the economic equivalent of more than the maximum front-end sales charge allowed under applicable regulations, because of the effect of the asset-based sales charge and contingent deferred sales charge. The automatic conversion is designed to minimize the likelihood that this will occur. Please refer to "How to Buy Shares - Class B Shares" for more information.

This example illustrates the effect of expenses on an investment, but it is not meant to state or predict actual or expected costs or investment returns, all of which will vary.

Financial History

The table on this page presents selected per share data and ratios for the Fund. This information has been audited by KPMG Peat Marwick, the Fund's independent auditors, whose report on the Fund's financial

statements is included in the Annual Report in the Statement of Additional Information. No Class B shares were publicly offered prior to May 3, 1993, and therefore no information on Class B shares is reflected in the table below or in the Fund's other financial statements.

Investment Objective and Policies

Objective. The Fund seeks as high a level of current interest income exempt from Federal and California income taxes for individual investors as is available from investment in Municipal Securities (defined below), consistent with preservation of capital. Toward that objective, the Fund may use certain Hedging Instruments (discussed below) in an effort to protect against market risks. Since market risks are inherent in all securities to varying degrees, assurance cannot be given that the Fund's investment objective will be met.

Investment Policies and Strategies

Under normal market conditions, the Fund attempts to achieve its investment objective by investing 100% of its total assets, and, as a matter of fundamental policy, seeks to invest at least 80% of its total assets, in municipal bonds and municipal notes (including tax anticipation notes, bond anticipation notes, revenue anticipation notes, construction loan notes and other short-term loans) and municipal commercial paper issued by or on behalf of the State of California, other states and the District of Columbia, their political subdivisions or any commonwealths, territories or possessions of the United States, or their respective agencies, instrumentalities or authorities, the interest on which is, in the opinion of bond counsel to the respective issuer at the time of issue, not subject to Federal individual income tax (collectively, these are referred to as "Municipal Securities"). Under normal market conditions, the Fund will invest at least 65% of its total assets in obligations of the State of California and its political subdivisions, and their respective agencies, authorities or instrumentalities, the interest from which is, in the opinion of bond counsel to the respective issuer at the time of issue, not subject to California individual income tax (collectively, these are referred to as "California Municipal Securities"). No independent investigation has been made by Oppenheimer Management Corporation (the "Manager") as to the users of proceeds of bond offerings or the application of such proceeds. The Fund may invest the remainder of its assets in investments the income from which may be taxable, including: (i) Municipal Securities issued to benefit a private user ("Private Activity Municipal Securities"), the interest from which may be subject to Federal or state alternative minimum tax (see "Dividends, Distributions and Taxes," below and "Private Activity Municipal Securities" in the Additional Statement); (ii) Hedging Instruments (see "Covered Calls and Hedging," below); (iii) certain other taxable investments described in "Investments in Taxable Securities," below; and (iv) repurchase agreements (explained below).

-- Can the Fund's Investment Objective and Policies Change? The Fund has an investment objective, which is described above, as well as investment policies that it follows to try to achieve its objective. Additionally, it uses certain investment techniques and strategies in carrying out those policies. The Fund's investment policies and practices are not "fundamental" unless a particular policy is identified in this Prospectus as "fundamental."

Fundamental policies are those that cannot be changed without the approval of a "majority" of the Fund's outstanding voting shares. The term "majority" is defined in the Investment Company Act to be a particular level of shareholder approval (and this term is explained in the Statement of Additional Information). The Fund's investment objective is a "fundamental policy." The Fund's Board of Trustees may change non-fundamental policies, strategies and techniques without shareholder approval, although significant changes will be described in amendments to this Prospectus.

Municipal Securities

"Municipal bonds" are Municipal Securities that have a maturity when issued of one year or more and "municipal notes" are Municipal Securities that have a maturity when issued of less than one year. The two principal classifications of Municipal Securities are "general obligations" (secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest) and "revenue obligations" (payable only from the revenues derived from a particular facility or class of facilities, or specific excise tax or other revenue source). The Fund may invest in municipal securities of both classifications. Normally, the Fund will not invest more than 20% of its total assets in Private Activity Municipal Securities and other taxable investments described above.

However, in times of unstable economic or market conditions, when the Manager determines it appropriate to do so, the Fund may assume a temporary defensive position and invest an unlimited amount of its assets in taxable securities or Municipal Securities other than California Municipal Securities. To the extent the Fund assumes a temporary defensive position, all or a significant portion of the Fund's distributions may be subject to Federal and/or California state income tax. See "Investments in Taxable Securities," below.

Dividends paid by the Fund derived from interest attributable to California Municipal Securities will be exempt from Federal individual income taxes, such dividends will also be exempt from California individual income taxes provided that at the close of each quarter, at least 50% of the value of the Fund's assets are invested in obligations the interest of which is exempt from taxation under California law (the "California Investment Requirement"). Dividends derived from interest on Municipal Securities of other governmental issuers will be exempt from Federal individual income tax, but will be subject to California individual income taxes. Any net interest income on taxable investments and repurchase agreements will be taxable as ordinary income when distributed to shareholders (see "Dividends, Distributions and Taxes" below and "Investment Objective and Policies" in the Additional Statement).

Municipal Securities purchased by the Fund must be rated at the time of purchase within the four highest rating categories of Moody's Investor Services, Inc. ("Moody's"), Standard & Poor's Corporation ("S&P"), Fitch Investors Service, Inc. ("Fitch") or, if unrated, judged by the Manager to be of comparable quality to Municipal Securities rated within such grades. (See Appendix A to the Additional Statement for a description of those ratings.) Investments in unrated Municipal Securities will not, at the time of purchase, exceed 20% of the Fund's total assets. No more than 25% of the Fund's total assets will be invested in Municipal Securities that are: (a) municipal bonds rated either "Baa" by Moody's or "BBB" by either S&P or Fitch, (b) municipal notes rated "SP-2" by S&P, "MIG2" by Moody's, or "F-2" by Fitch, or (c) unrated Municipal Securities judged by the Manager to be of comparable quality to Municipal Securities rated within the grades described in (a) or (b), above, because such Municipal Securities, although of investment grade, may be subject to greater market fluctuations and risks of loss of income and principal than higher-rated Municipal Securities, and may be considered to have some speculative characteristics. A reduction of the rating of a security after its purchase by the Fund will not require the Fund to dispose of such security. Securities that have fallen below investment grade entail a greater risk that the ability of their issuers to meet their debt obligations will be impaired. It is anticipated that the Municipal Securities purchased for the Fund's portfolio will normally be those having relatively longer maturities (approximately 7 to 30 years), but the Fund may invest in Municipal Securities having a broad range of maturities.

The values of Municipal Securities will vary as a result of changing evaluations by rating services and investors of the ability of the issuers of such securities to meet interest and principal payments (see "Special Considerations," below). Such values will also change in response to changes in interest rates. Should interest rates rise, the values of outstanding Municipal Securities will probably decline and (if purchased at principal amount) would sell at a discount. If interest rates fall, the values of outstanding Municipal Securities will probably increase and (if purchased at principal amount) would sell at a premium. Changes in the value of Municipal Securities held in the Fund's portfolio arising from these or other factors will not affect interest income derived from these securities but will affect the Fund's net asset value per share. Yields on Municipal Securities depend on a variety of factors, including the general condition of the financial markets and of the Municipal Securities market in particular, the size of a particular offering, the maturity of the security and the credit rating of the issue. Generally, Municipal Securities of longer maturities produce higher current yields but are subject to greater price fluctuation due to changes in interest rates, tax laws, and other general market factors than are Municipal Securities with shorter maturities. Similarly, lower-rated Municipal Securities generally produce a greater yield than higher-rated Municipal Securities, due to the perception of a greater risk as to the ability of the issuer to meet principal and interest obligations. See "Investment Objective and Policies" in the Additional Statement for further information concerning the Fund's investment policies and more information about Municipal Securities. The Fund generally will not engage in the trading of securities to realize short-term gains, but the Fund may sell securities as the Manager deems advisable to take advantage of

differentials in yield. While short-term trading increases portfolio turnover, the Fund incurs little or no brokerage costs.

-- When-Issued Securities. The Fund may invest in Municipal Securities on a "when-issued" or "delayed delivery" basis. In those transactions, the Fund obligates itself to purchase or sell securities with delivery and payment to occur at a later date to secure what is considered to be an advantageous price and yield at the time the obligation is entered into. The price, which is generally expressed in yield terms, is fixed at the time the commitment to purchase is made, but delivery and payment for when-issued securities takes place at a later date (normally within 45 days of purchase). The Fund is subject to the risk of adverse market fluctuation between purchase and settlement. During the period between purchase and settlement, no payment is made by the Fund for the security, and no interest accrues to the Fund from the investment. Although the Fund is subject to the risk of market fluctuation between purchase and settlement, the Manager does not believe that the Fund's net asset value or income will be materially adversely affected by its purchase of Municipal Securities on a "when-issued" or "delayed delivery" basis. See "When-Issued and Delayed Delivery Transactions" in the Additional Statement for more details.

-- Municipal Lease Obligations. The Fund may invest in certificate of participation that represent a proportionate interest in or right to the lease-purchase payment made under municipal lease obligations. While some municipal lease securities may be deemed to be "illiquid" securities (the purchase of which would be limited as described below in "Illiquid and Restricted Securities"), from time to time the Fund may invest more than 5% of its net assets in municipal lease obligations that the Manager has determined to be liquid under guidelines set by the Board of Trustees. Those guidelines require the Manager to evaluate: (1) the frequency of trades and price quotations for such securities; (2) the number of dealers or other potential buyers willing to purchase or sell such securities; (3) the availability of market-makers; and (4) the nature of the trades for such securities. The Manager will also evaluate the likelihood of a continuing market for such securities throughout the time they are held by the Fund and the credit quality of the instrument. See "Investment Objective and Policies - Municipal Securities - Municipal Lease Obligations" in the Additional Statement for more details.

-- Non-diversification. The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940 (the "Investment Company Act"), so that the proportion of the Fund's assets that may be invested in the securities of a single issuer is not limited by the Investment Company Act. An investment in the Fund therefore will entail greater risk than an investment in a diversified investment company because a higher percentage of investments among fewer issuers may result in greater fluctuation in the total market value of the Fund's portfolio, and economic, political or regulatory developments may have a greater impact on the value of the Fund's portfolio than would be the case if the portfolio were diversified among more issuers. However, the Fund intends to conduct its operations so as to qualify as a "regulated investment company" for purposes of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), which will relieve the Fund from liability for Federal income tax to the extent its earnings are distributed to shareholders. Among the requirements for such qualification are that: (1) not more than 25% of the market value of the Fund's total assets will be invested in the securities of a single issuer, and (2) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets may be invested in the securities of a single issuer and the Fund must not own more than 10% of the outstanding voting securities of a single issuer.

-- Floating Rate/Variable Rate Obligations. Some of the Municipal Securities the Fund may purchase may have variable or floating interest rates. Variable rates are adjustable at stated periodic intervals. Floating rates are automatically adjusted according to a specified market rate for such investments, such as the percentage of the prime rate of a bank, or the 91-day U.S. Treasury Bill rate. Such obligations may be secured by bank letters of credit or other credit support arrangements. See "Floating Rate/Variable Rate Obligations" in the Additional Statement for more details.

-- Inverse Floaters. From time to time the Fund may invest in variable rate bonds having an interest rate that varies inversely with movements in short-term tax-exempt yields. Such bonds are known as "inverse floaters." As short-term rates rise, inverse floaters produce less current income than conventional long-term municipal bonds having fixed rates.

Special Considerations - California Municipal Securities

Because the Fund concentrates its investments in California Municipal Securities, the market value and marketability of such Municipal Securities and the interest income to the Fund from them could be adversely affected by a default or a financial crisis relating to any of such issuers. Investors should consider these matters as well as economic trends in California, summarized in the Additional Statement under "Special Investment Considerations - California Municipal Securities."

Covered Calls and Hedging

The Fund may write (i.e., sell) covered call options to increase income for liquidity purposes. For hedging purposes it may purchase certain put and call options, Interest Rate Futures, Municipal Bond Index Futures (both described below), and options on Interest Rate Futures and Municipal Bond Index Futures, and engage in Interest Rate Swap transactions, all of which are referred to as "Hedging Instruments." In general, the Fund may use Hedging Instruments: (1) to attempt to protect against declines in the market value of the Fund's portfolio, and thus protect the Fund's net asset value per share against downward market trends, and (2) to establish a position in the debt securities market as a temporary substitute for the purchase of particular debt securities. The Fund will not use Hedging Instruments for speculation. The covered calls and Hedging Instruments the Fund may use are described below and in greater detail under "Covered Calls and Hedging" in the Additional Statement. All puts and calls on securities, Interest Rate Futures or Municipal Bond Index Futures or options on such futures purchased or sold by the Fund will be listed on a national securities or commodities exchange or quoted on the automatic quotation system of the National Association of Securities Dealers, Inc. ("NASDAQ"). The aggregate premiums paid on all such options which are held at any time will be limited to 20% of the Fund's total assets and the aggregate margin deposits on all such futures or options thereon held at any time will be limited to 5% of the Fund's total assets.

-- Writing Covered Call Options. The Fund may write call options ("calls") if: (i) after any sale not more than 25% of the Fund's total assets are subject to calls; (ii) the calls are listed on a domestic securities or commodities exchange or quoted on NASDAQ; (iii) the calls are "covered," i.e., the Fund owns the securities subject to the call (or other securities acceptable for applicable escrow arrangements) while the call is outstanding; and (iv) the calls are issued by the Options Clearing Corporation. If a covered call written by the Fund is exercised, the Fund forgoes any profit from an increase in the market price above the call price of the underlying investment on which the call was written.

-- Purchasing Puts, Stand-By Commitments and Calls. The Fund may purchase put options ("puts") which relate to a debt security, Interest Rate Futures or Municipal Bond Index Futures. The Fund may not write ("sell") puts. Under a stand-by commitment, a dealer agrees to purchase, at the Fund's option, specified Municipal Securities at a stated price on same day settlement. The aggregate price of a security subject to a stand-by commitment may be higher than the price which would otherwise be paid for the security without such stand-by commitment, thus increasing the cost of the security and reducing its yield. The Fund may purchase calls (i) as to debt securities, Interest Rate Futures or Municipal Bond Index Futures, or (ii) to effect a "closing purchase transaction" to terminate its obligation as to a call it has previously written. A call or put may be purchased only if, after such purchase, the value of all options (puts and calls) held by the Fund would not exceed 5% of the Fund's total assets.

-- Interest Rate Futures and Municipal Bond Index Futures. The Fund may buy and sell futures contracts only if they relate to debt securities ("Interest Rate Futures") or municipal bond indices ("Municipal Bond Index Futures").

-- Interest Rate Swap Transactions. The Fund may enter into interest rate swaps. In an interest rate swap, the Fund and another party exchange their respective commitments to pay or receive interest on a security, (e.g., an exchange on floating rate payments for fixed rate payments). The Fund will not use interest rate swaps for leverage. Swap transactions will be entered into only as to security positions held by the Fund. The Fund may not enter into swap transactions with respect to more than 50% of its total assets.

The Fund will segregate liquid assets (e.g., cash, U.S. Government securities or other appropriate high grade debt obligations) equal to the net excess, if any, of its obligations over its entitlements under the

swap and will mark to market that amount daily. There is a risk of loss on a swap equal to the net amount of interest payments that the Fund is contractually obligated to make. The credit risk of an interest rate swap depends on the counterparty's ability to perform. The value of the swap may decline if the counterparty's creditworthiness deteriorates. If the counterparty defaults, the Fund risks the loss of the net amount of interest payments that it is contractually entitled to receive. The Fund may be able to reduce or eliminate its exposure to losses under swap agreements either by assignment them to another party, or by entering into an offsetting swap agreement with the same counterparty or another creditworthy counterparty. See "Covered Calls and Hedging" in the Additional Statement for further details.

-- Risks of Options and Futures Trading. "Covered Calls and Hedging" in the Additional Statement contains further information about the characteristics, risks and possible benefits of trading in options, Interest Rate Futures, Municipal Bond Index Futures and options on such Futures, and about the Fund's other limitations (which are not fundamental policies) on investment in such Futures and options thereon. There are certain risks in writing calls. If a call written by the Fund is exercised, the Fund forgoes any profit from any increase in the market price above the call price of the underlying investment. In addition, the Fund could experience capital losses that might cause previously distributed short-term capital gains to be re-characterized as nontaxable return of capital to shareholders. The principal risks of Futures trading are: (a) possible imperfect correlation between the prices of the Futures and the market value of the Fund's portfolio securities; (b) possible lack of a liquid secondary market for closing out a Futures position; (c) the need for additional skills and techniques beyond those required for normal portfolio management; and (d) losses resulting from market movements or interest rate movements not anticipated by the Manager.

Repurchase Agreements

The Fund may acquire securities subject to repurchase agreements, to generate income for liquidity purposes. The Fund's repurchase agreements will be fully collateralized. However, if the seller of the securities fails to pay the agreed-upon repurchase price on the delivery date, the Fund's risks may include the costs of disposing of the collateral for the agreement, and the losses that might result from any delays in foreclosing on the collateral. There is no limit on the amount of the Fund's assets that may be subject to repurchase agreements if the agreement has a maturity of seven days or less. The Fund will not enter into a repurchase agreement which will cause more than 10% of its net assets to be subject to repurchase agreements having a maturity beyond seven days. See "Repurchase Agreements" in the Additional Statement for further details.

Investments in Taxable Securities

In times of unstable market or economic conditions, when the Manager determines it appropriate to do so, the Fund may assume a temporary defensive position and invest an unlimited amount of its assets in taxable securities. The Fund may also invest in taxable securities in any of the following circumstances: (a) to maintain liquidity to meet anticipated redemptions or exchanges; (b) pending the investment of proceeds from sales of Fund shares or portfolio securities; or (c) pending settlement of purchases of portfolio investments. The types of taxable securities the Fund may invest in include: (i) obligations of, or guaranteed by, the U.S. Government, its instrumentalities or agencies; (ii) cash equivalents, including bankers acceptances, certificates of deposit and time deposits of domestic banks with assets of \$1 billion or more; (iii) commercial paper rated in the highest category by an established rating agency; or (iv) short-term taxable debt obligations rated "A-3" or better by S&P, "P-3" or better by Moody's, or F-3 or better by Fitch. Any net interest income derived from taxable securities and distributed by the Fund will be taxable as ordinary income when distributed. Furthermore, if investments by the Fund in taxable securities cause the Fund to fail to meet the California Investment Requirement, all of the Fund's dividends would be taxable as ordinary income for California individual income tax purposes. To the extent the Fund generates taxable income, it will not be meeting its investment objective.

Illiquid Securities

The Fund may not enter into repurchase agreements maturing in more than seven days or invest in securities for which there are no readily-available market quotations ("illiquid securities") if more than 15% of the value of the Fund's net assets would consist of such securities. Over-the-counter options held by the Fund, the assets used to cover over-the-counter options, repurchase transactions having a maturity beyond seven days, and certain municipal lease obligations are considered illiquid securities. The Fund may not invest any portion of its assets in

securities the public sale of which would require registration under the Securities Act of 1933. The Fund currently intends to invest no more than 10% of its net assets in illiquid securities.

Loans of Portfolio Securities

To attempt to increase its income for liquidity purposes, the Fund may lend its portfolio securities (other than in repurchase transactions) if the loan is collateralized in accordance with applicable regulatory requirements and if, after any loan, the value of the securities loaned does not exceed 25% of the value of its total assets. The Fund presently does not intend that the value of securities loaned during the coming year will exceed 5% of the Fund's total assets. The income from such loans, when distributed by the Fund, will be taxable. See "Loans of Portfolio Securities" in the Additional Statement for further information.

Other Investment Restrictions

The Fund has certain investment restrictions which, together with its investment objective and the requirement that the Fund normally invest at least 80% of its assets in Municipal Securities, are fundamental policies, that is, subject to change only by the vote of a "majority" (as defined in the Investment Company Act) of the Fund's outstanding voting securities.

Under some of those restrictions, the Fund cannot: (1) invest in securities or any other investment other than Municipal Securities, the taxable securities and Hedging Instruments described in "The Fund and Its Investment Policies" above; (2) make loans, except through the purchase of portfolio securities subject to repurchase agreements or through loans of portfolio securities as described under "Loans of Portfolio Securities"; (3) borrow money in excess of 10% of the value of its total assets, or make any additional investments whenever borrowings exceed 5% of the Fund's assets; it may borrow only from banks as a temporary measure for extraordinary or emergency purposes (not for the purpose of leveraging its investments); (4) pledge, mortgage or otherwise encumber, transfer or assign any of its assets to secure a debt; collateral arrangements for premium and margin payments in connection with Hedging Instruments are not deemed to be a pledge of assets; (5) concentrate investments to the extent of more than 25% of its total assets in any industry; however, there is no limitation as to investment in Municipal Securities, U.S. Government obligations or California Municipal Securities; or (6) buy or sell futures contracts other than Interest Rate Futures or Municipal Bond Index Futures.

All of the percentage limitations described above and elsewhere in this Prospectus, other than those that apply to borrowing, apply to the Fund only at the time of purchasing a security, and the Fund need not dispose of a security merely because the Fund's assets have changed or the security has increased in value relative to the size of the Fund. There are other fundamental policies discussed in "Additional Investment Restrictions" the Statement of Additional Information, along with more information about the Fund's non-fundamental investment policies and strategies.

How the Fund is Managed

Organization and History. The Fund is an open-end, non-diversified management investment company organized as a Massachusetts business trust in July, 1988.

The Board of Trustees has the power, without shareholder approval, to divide unissued shares of this Fund into two or more classes, each having its own dividends, distributions and expenses. Each class may have a different net asset value. The Board has done so, and the Fund currently has two classes of shares, Class A and Class B. Each share has one vote at shareholder meetings, with fractional shares voting proportionally. Only shares of a class vote together on matters that affect that class alone. Shares are freely transferrable.

The Fund is governed by a Board of Trustees, which is responsible for protecting the interests of shareholders under Massachusetts law. The Trustees meet throughout the year to oversee the Fund's activities, review performance, and review the actions of the Manager. "Trustees and Officers of the Fund" in the Statement of Additional Information names the Trustees and provides more information about them and the officers of the Fund. Although the Fund is not required by law to hold annual meetings, it may hold meetings from time to time on important matters, and shareholders have the right to call a meeting to remove Trustees or to take other action described in the Declaration of Trust.

The Manager and its Affiliates. The Fund is managed by the Manager, which chooses the Fund's investments and handles its day-to-day business. The Manager carries out its duties, subject to the policies established by the Board of Trustees, under an Investment Advisory Agreement which states the Manager's responsibilities and its fees, and describes the expenses that the Fund pays to conduct its business.

The Manager has operated as an investment adviser since April 30, 1959. The Manager and its affiliates currently manage investment companies, including other OppenheimerFunds with assets aggregating over \$26 billion as of December 31, 1993, and having more than 1.8 million shareholder accounts. The Manager is owned by Oppenheimer Acquisition Corp., a holding company owned in part by senior officers of the Manager and controlled by Massachusetts Mutual Life Insurance Company, a mutual life insurance company.

-- Portfolio Manager. Robert E. Patterson, a Senior Vice President of the Manager, serves as Portfolio Manager of the Fund and has been primarily responsible for the day-to-day management of the Fund's portfolio since November, 1988. During the past five years, Mr. Patterson has also served as an officer and portfolio manager for other OppenheimerFunds. For more information about the Fund's other officers and Trustees, see "Trustees and Officers" in the Additional Statement.

-- Fees and Expenses. Under the Investment Advisory Agreement, the Fund pays the Manager the following annual fees, which decline on additional assets as the Fund grows: 0.60% of the first \$200 million of the Fund's average annual net assets, 0.55% of the next \$100 million, 0.50% of the next \$200 million, 0.45% of the next \$250 million, 0.40% of the next \$250 million, and 0.35% of net assets in excess of \$1 billion. The Fund's management fee for its last fiscal year was ____% of average annual net assets for Class A shares and ____% for Class B shares, which may be higher than the rate paid by some other mutual funds.

The Fund pays expenses related to its daily operations, such as custodian fees, transfer agency fees, legal and auditing costs. Those expenses are paid out of the Fund's assets and are not paid directly by shareholders. However, those expenses affect the net asset value of shares, and therefore are indirectly borne by shareholders through their investment. More information about the investment advisory agreement and the other expenses paid by the Fund is contained in the Statement of Additional Information.

There is also information about the Fund's brokerage policies and portfolio transactions in "Brokerage Policies of the Fund" in the Statement of Additional Information. Because the Fund purchases most of its portfolio securities directly from the sellers and not through brokers, it therefore incurs relatively little expense for brokerage. From time to time it may use brokers when buying portfolio securities. When deciding which brokers to use in those cases, the investment advisory agreement allows the Manager to consider whether brokers have sold shares of the Fund or any other funds for which the Manager also serves as investment adviser.

-- The Distributor. The Fund's shares are sold through dealers or brokers that have a sales agreement with Oppenheimer Funds Distributor, Inc., a subsidiary of the Manager that acts as the Distributor. The Distributor also distributes the shares of other mutual funds managed by the Manager (the "OppenheimerFunds") and is sub-distributor for funds managed by a subsidiary of the Manager.

-- The Transfer Agent. The Fund's transfer agent is Oppenheimer Shareholder Services, a division of the Manager, which acts as the shareholder servicing agent for the Fund and the other OppenheimerFunds on an "at-cost" basis. Shareholders should direct inquiries to the Transfer Agent at the address and toll-free numbers shown elsewhere in this Prospectus or on the back cover.

Performance of the Fund

Explanation of Performance Terminology. The Fund uses certain terms to illustrate its performance: "total return" and "yield." These terms are used to show the performance of each class of shares separately, because the performance of each class of shares will usually be different, as a result of the different kinds of expenses each class bears. This performance information may be in advertisements about the Fund or in communications to shareholders. It may be useful to help you see how well your investment has done and to compare it to other funds or market

indices, as we have done below.

It is important to understand that the Fund's yields and total returns represent past performance and should not be considered to be predictions of future returns or performance. This performance data is described below, but more detailed information about how total returns and yields are calculated is contained in the Statement of Additional Information, which also contains information about indices and other ways to compare the Fund's performance. The Fund's investment performance will vary, depending on market conditions, the composition of the portfolio, expenses and which class of shares you purchase.

-- Total Returns. There are different types of "total returns" used to measure the Fund's performance. Total return is the change in value of a hypothetical investment in the Fund over a given period, assuming that all dividends and capital gains distributions are reinvested in additional shares. The cumulative total return measures the change in value over the entire period (for example, ten years). An average annual total return shows the average rate of return for each year in a period that would produce the cumulative total return over the entire period. However, average annual total returns do not show the Fund's actual year-by-year performance.

When total returns are quoted for Class A shares, they reflect the payment of the maximum initial sales charge. Total returns may be quoted "at net asset value," without considering the effect of the sales charge, and these returns would be reduced if sales charges were deducted. When total returns are shown for Class B shares, they reflect the effect of the contingent deferred sales charge that applies to the period for which total return is shown, or else they may be shown based just on the change in net asset value, without considering the effect of the contingent deferred sales charge.

-- Yield. Each Class of shares calculates its yield by dividing the annualized net investment income per share on the portfolio during a 30-day period by the maximum offering price on the last day of the period. The yield of each Class will differ because of the different expenses of each Class of shares. The yield data represents a hypothetical investment return on the portfolio, and does not measure an investment return based on dividends actually paid to shareholders. To show that return, a dividend yield may be calculated. Dividend yield is calculated by dividing the dividends of a Class derived from net investment income during a stated period by the maximum offering price on the last day of the period. Yields and dividend yields for Class A shares reflect the deduction of the maximum initial sales charge, but may also be shown based on the Fund's net asset value per share. Yields for Class B shares do not reflect the deduction of the contingent deferred sales charge.

How Has the Fund Performed? Below is a discussion by the Manager of the Fund's performance during its last fiscal year ended December 31, 1993, followed by a graphical comparison of the Fund's performance to an appropriate broad-based market index.

Management's Discussion of Performance

During the twelve months ended December 31, 1993, the performance of the California municipal bond market was favorably affected by low interest rates, Federal tax increases and gradual economic growth. The Fund continued to maintain a strong position in higher quality bonds that the Manager considered to be related to essential services and projects that benefit the entire community, such as toll roads, utilities and hospitals. Recent additions to the portfolio followed this basic strategy. The Fund also sought to lock-in attractive rates with call protection, which prevents the issuer of the bond from calling or redeeming it before maturity. In the opinion of the Manager, the Fund is diversified both by geographic location and by market sector within California.

-- Comparing the Fund's Performance to the Market. The chart below shows the performance of a hypothetical \$10,000 investment in each Class of shares of the Fund from the inception of the Class held through December 31, 1993, with all dividends and capital gains distributions reinvested in additional shares. The graph reflects the deduction of the 4.75% maximum initial sales charge on Class A shares and the maximum 5% contingent deferred sales charge for Class B shares.

Because the Fund invests in a variety of debt securities in domestic and foreign markets, the Fund's performance is compared to the performance of the Lehman Brothers Municipal Bond Index. The Lehman Brothers Municipal Bond Index is an unmanaged index of a broad range of investment

grade municipal bonds, widely regarded as a measure of the performance of the general municipal bond market and includes a factor for the reinvestment of interest but does not reflect expenses. Index performance reflects reinvestment of income but not capital gains or transaction costs, and none of the data below shows the effect of taxes. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that the Fund's investments are not limited to the securities in any one index and the index data does not reflect any assessment of the risk of the investments included in the index.

Comparison of Change
 In Value of \$10,000
 Hypothetical Investment in
 Oppenheimer California
 Tax-Exempt Fund and Lehman
 Brothers Municipal Bond Index

Average Annual Total Return of the Fund at 12/31/93

A Shares	1 Year	Life
	7.88	9.00%

Cumulative Total Return of the Fund at 12/31/93

B Shares	Life
	1.66%

	Oppenheimer California Tax-Exempt Fund A	Lehman Bros. Muni Bond Index	Oppenheimer California Tax-Exempt Fund B	Lehman Bros. Muni Bond Index
11/03/88	\$ 9,525	\$10,000		
12/31/88	\$ 9,661	\$10,102		
12/31/89	\$10,783	\$11,192		
12/31/90	\$11,468	\$12,008		
12/31/91	\$12,719	\$13,466		
12/31/92	\$13,768	\$14,653		
12/31/93	\$15,604	\$16,453		
05/01/93			\$10,000	\$10,000
12/31/93			\$10,166	\$10,718

Past Performance is not predictive of future performance.

YOUR INVESTMENT ACCOUNT

How to Buy Shares

The Fund offers investors two different classes of shares. The different classes of shares represent investments in the same portfolio of securities but are subject to different expenses and will likely have different share prices.

-- Class A Shares. If you buy Class A shares, you pay an initial sales charge (on investments up to \$1 million). If you purchase Class A shares as part of an investment of at least \$1 million in shares of one or more Oppenheimer Funds, and you sell any of those shares within 18 months after your purchase, you will pay a contingent deferred sales charge, which will vary depending on the amount you invested.

-- Class B Shares. If you buy Class B shares, you pay no sales charge at the time of purchase, but if you sell your shares within six years, you will normally pay a contingent deferred sales charge that varies depending on how long you own your shares.

-- Which Class of Shares Should You Choose? Once you decide that the Fund is an appropriate investment for you, the decision as to which class of shares is better suited to your needs depends on a number of factors which you should discuss with your financial advisors:

-- How much do you plan to invest? If you plan to invest a substantial amount, the reduced sales charges available for larger purchases of Class A shares may be more beneficial to you, and for purchases over \$1 million, the contingent deferred sales charge on Class A shares may be more beneficial. The Distributor will not accept any order for \$1 million or more for Class B shares on behalf of a single investor for that reason.

-- How long do you expect to hold your investment? While future financial needs cannot be predicted with certainty, investors who

prefer not to pay an initial sales charge and who plan to hold their shares for more than 6 years might consider Class B shares. Investors who plan to redeem shares within 7 years might prefer Class A shares.

-- Are there differences in account features that matter to you? Because some account features may not be available for Class B shareholders, such as checkwriting, you should carefully review how you plan to use your investment account before deciding which class of shares is better for you. Additionally, the dividends payable to Class B shareholders will be reduced by the additional expenses borne solely by that class, such as the asset-based sales charge to which Class B shares are subject, as described below and in the Statement of Additional Information.

--How does it affect payments to my broker? A salesperson or any other person who is entitled to receive compensation for selling Fund shares may receive different compensation for selling one class than for selling another class. It is important that investors understand that the purpose of the contingent deferred sales charge and asset-based sales charge for Class B shares is the same as the purpose of the front-end sales charge on sales of Class A shares.

-- How Much Must You Invest? You can open a Fund account with a minimum initial investment of \$1,000 and make additional investments at any time with as little as \$25. There are reduced minimum investments under special investment plans:

-- With Asset Builder Plans, Automatic Exchange Plans, 403(b)(7) custodial plans and military allotment plans, you can make initial and subsequent investments for as little as \$25; and subsequent purchases of at least \$25 can be made by telephone through AccountLink.

-- Under pension and profit-sharing plans and Individual Retirement Accounts (IRAs), you can make an initial investment of as little as \$250 (if your IRA is established under an Asset Builder Plan, the \$25 minimum applies), and subsequent investments may be as little as \$25.

-- There is no minimum investment requirement if you are buying shares by reinvesting dividends from the Fund or other OppenheimerFunds (a list of them appears in the Statement of Additional Information, or you can ask your dealer or call the Transfer Agent), or by reinvesting distributions from unit investment trusts that have made arrangements with the Distributor.

-- How Are Shares Purchased? You can buy shares several ways -- through any dealer, broker or financial institution that has a sales agreement with the Distributor, or directly through the Distributor, or automatically from your bank account through an Asset Builder Plan under the OppenheimerFunds AccountLink service. When you buy shares, be sure to specify Class A or Class B shares. If you do not choose, your investment will be made in Class A shares.

-- Buying Shares Through Your Dealer. Your dealer will place your order with the Distributor on your behalf.

-- Buying Shares Through the Distributor. Complete an OppenheimerFunds New Account Application and return it with a check payable to "Oppenheimer Funds Distributor, Inc." Mail it to P.O. Box 5270, Denver, Colorado 80217. If you don't list a dealer on the application, the Distributor will act as your agent in buying the shares.

-- Buying Shares Through OppenheimerFunds AccountLink. You can use AccountLink to link your Fund account with an account at a U.S. bank or other financial institution that is an Automated Clearing House (ACH) member, to transmit funds electronically to purchase shares, to send redemption proceeds, and to transmit dividends and distributions. Shares are purchased for your account on the regular business day the Distributor is instructed by you to initiate the ACH transfer to buy shares. You can provide those instructions automatically, under an Asset Builder Plan, described below, or by telephone instructions using OppenheimerFunds PhoneLink, also described below. You must request AccountLink privileges on the application or dealer settlement instructions used to establish your account. Please refer to "AccountLink," below for more details.

Shares are sold at the public offering price based on the net asset value that is next determined after the Distributor receives the purchase

order in Denver. In most cases, to receive that day's offering price, the Distributor must receive your order by 4:00 P.M., New York time (all references to time in this Prospectus mean "New York time."). The net asset value of each class of shares is determined as of that time on each day The New York Stock Exchange is open (which is a "regular business day"). If you buy shares through a dealer, the dealer must receive your order by 4:00 P.M., on a regular business day and transmit it to the Distributor so that it is received before the Distributor's close of business that day, which is normally 5:00 P.M. The Distributor may reject any purchase order for the Fund's shares, in its sole discretion.

-- Asset Builder Plans. You may purchase shares of the Fund (and up to four other OppenheimerFunds) automatically each month from your account at a bank or other financial institution under an Asset Builder Plan with AccountLink. Details are on the Application and in the Statement of Additional Information.

Class A Shares. Class A shares are sold at their offering price, which is normally net asset value plus an initial sales charge. However, in some cases, described below, where purchases are not subject to an initial sales charge, the offering price may be net asset value. In some cases, reduced sales charges may be available, as described below. When you invest, the Fund receives the net asset value for your account. The sales charge varies depending on the amount of your purchase and a portion may be retained by the Distributor and allocated to your dealer. The current sales charge rates and commissions paid to dealers and brokers are as follows:

Amount of Purchase	Front-End Sales Charge As a Percentage of: Offering Price	Commission as Percentage of Amount Invested	Commission as Percentage of Offering Price
Less than \$50,000	4.75%	4.98%	4.00%
\$50,000 or more but less than \$100,000	4.50%	4.71%	3.75%
\$100,000 or more but less than \$250,000	3.50%	3.63%	2.75%
\$250,000 or more but less than \$500,000	2.50%	2.56%	2.00%
\$500,000 or more but less than \$1 million	2.00%	2.04%	1.60%

The Distributor reserves the right to reallocate the entire commission to dealers. If that occurs, the dealer may be considered an "underwriter" under Federal securities laws.

-- Class A Contingent Deferred Sales Charge. There is no initial sales charge on purchases of Class A shares of any one or more OppenheimerFunds aggregating \$1 million or more. However, the Distributor pays dealers of record commissions on such purchases in an amount equal to the sum of 1.0% of the first \$2.5 million, plus 0.50% of the next \$2.5 million, plus 0.25% of share purchases over \$5 million. However, that commission will be paid only on the amount of those purchases in excess of \$1 million that were not previously subject to a front-end sales charge and dealer commission.

If you redeem any of those shares within 18 months of the end of the calendar month of their purchase, a contingent deferred sales charge (called the "Class A contingent deferred sales charge") will be deducted from the redemption proceeds. That sales charge will be equal to 1.0% of the aggregate net asset value of either (1) the redeemed shares (not including shares purchased by reinvestment of dividends or capital gain distributions) or (2) the original cost of the shares, whichever is less. However, the Class A contingent deferred sales charge will not exceed the aggregate commissions the Distributor paid to your dealer on all Class A shares of all OppenheimerFunds you purchased subject to the Class A contingent deferred sales charge. In determining whether a contingent deferred sales charge is payable, the Fund will first redeem shares that are not subject to the sales charge, including shares purchased by reinvestment of dividends and capital gains, and then will redeem other shares in the order that you purchased them. The Class A contingent deferred sales charge is waived in certain cases described in "Waivers of Class A Sales Charges" below.

No Class A contingent deferred sales charge is charged on exchanges

of shares under the Fund's Exchange Privilege (described below). However, if the shares acquired by exchange are redeemed within 18 months of the end of the calendar month of the purchase of the exchanged shares, the sales charge will apply.

-- Special Arrangements With Dealers. The Distributor may advance up to 13 months' commissions to dealers that have established special arrangements with the Distributor for Asset Builder Plans for their clients. From time to time, the Distributor may make special arrangements with dealers and make additional payments if the dealer meets specified sales criteria and other requirements. Dealers whose sales of OppenheimerFunds (other than money market funds) under OppenheimerFunds-sponsored 403(b) custodial plans exceed \$5 million per year (calculated per quarter), will receive monthly one-half of the Distributor's retained commissions on those sales, and if those sales exceed \$10 million per year, those dealers will receive the Distributor's entire retained commission on those sales. The Distributor may sponsor an annual sales conference to which a dealer firm is eligible to send, with a guest, a registered representative who sells more than \$2.5 million of Class A shares of OppenheimerFunds (other than money market funds) in a calendar year, or the dealer may, at its option, receive the equivalent cash value of that award as additional commission.

-- Reduced Sales Charges for Class A Share Purchases. You may be eligible to buy Class A shares at reduced sales charge rates in one or more of the following ways:

-- Right of Accumulation. You and your spouse can cumulate Class A shares you purchase for your own accounts, or jointly, or on behalf of your children who are minors, under trust or custodial accounts. A fiduciary can cumulate shares purchased for a trust, estate or other fiduciary account (including one or more employee benefit plans of the same employer) that has multiple accounts.

Additionally, you can cumulate current purchases of Class A shares of the Fund and other OppenheimerFunds with Class A shares of OppenheimerFunds you previously purchased subject to a sales charge, provided that you still hold your investment in one of the OppenheimerFunds; the value of those shares will be based on the greater of the amount you paid for the shares or their current value (at offering price). The OppenheimerFunds are listed in "Reduced Sales Charges" in the Statement of Additional Information, or a list can be obtained from the Transfer Agent. The reduced sales charge will apply only to current purchases and must be requested when you buy your shares.

-- Letter of Intent. Under a Letter of Intent, you may purchase Class A shares of the Fund and other OppenheimerFunds during a 13-month period at the reduced sales charge rate that applies to the aggregate amount of the intended purchases, including purchases made up to 90 days before the date of the Letter. More information is contained in the Application and in "Reduced Sales Charges" in the Statement of Additional Information.

-- Waivers of Class A Sales Charges. No sales charge is imposed on sales of Class A shares to the following persons: (1) the Manager or its affiliates; (2) present or former officers, directors, trustees and employees (and their "immediate families" as defined in "Reduced Sales Charges" in the Statement of Additional Information) of the Fund, the Manager and its affiliates, and retirement plans established by them for their employees; (3) registered management investment companies, or separate accounts of insurance companies having an agreement with the Manager or the Distributor for that purpose; (4) dealers or brokers that have a sales agreement with the Distributor, if they purchase shares for their own accounts or for retirement plans for their employees; (5) employees (and their spouses) of dealers or brokers described above or financial institutions that have entered into sales arrangements with such dealers or brokers (and are identified to the Distributor) or with the Distributor; the purchaser must certify to the Distributor at the time of purchase that the purchase is for the purchaser's own account (or for the benefit of such employee's spouse or minor children); (6) dealers, brokers or registered investment advisers that have entered into an agreement with the Distributor providing specifically for the use of shares of the Fund in particular investment products made available to their clients.

Additionally, no sales charge is imposed on shares that are (a) issued in plans of reorganization, such as mergers, asset acquisitions and exchange offers, to which the Fund is a party or (b) purchased by the reinvestment of loan repayments by a participant in a retirement plan for

which the Manager or its affiliates acts as sponsor, or (c) purchased by the reinvestment of dividends or other distributions reinvested from the Fund or other Oppenheimer Funds (other than the Cash Reserves Funds) or unit investment trusts for which reinvestment arrangements have been made with the Distributor. There is a further discussion of this policy in "Reduced Sales Charges" in the Statement of Additional Information.

The Class A contingent deferred sales charge is also waived if shares are redeemed in the following cases: (1) retirement distributions or loans to participants or beneficiaries from qualified retirement plans, deferred compensation plans or other employee benefit plans ("Retirement Plans"), (2) returns of excess contributions made to Retirement Plans, (3) Automatic Withdrawal Plan payments that are limited to no more than 12% of the original account value annually, and (4) involuntary redemptions of shares by operation of law or under the procedures set forth in the Fund's Declaration of Trust or adopted by the Board of Trustees.

-- Service Plan for Class A Shares. The Fund has adopted a Service Plan for Class A shares to reimburse the Distributor for a portion of its costs incurred in connection with the personal service and maintenance of accounts that hold Class A shares. Reimbursement is made quarterly at an annual rate that may not exceed 0.25% of the average annual net assets of Class A shares of the Fund. The Distributor uses all of those fees to compensate dealers, brokers, banks and other financial institutions quarterly for providing personal service and maintenance of accounts of their customers that hold Class A shares and to reimburse itself (if the Fund's Board of Trustees authorizes such reimbursements, which it has not yet done) for its other expenditures under the Plan.

Services to be provided include, among others, answering customer inquiries about the Fund, assisting in establishing and maintaining accounts in the Fund, making the Fund's investment plans available and providing other services at the request of the Fund or the Distributor. Payments are made by the Distributor quarterly at an annual rate not to exceed 0.25% of the average annual net assets of Class A shares held in accounts of the dealer or its customers. The payments under the Plan increase the annual expenses of Class A shares. For more details, please refer to "Distribution and Service Plans" in the Statement of Additional Information.

Class B Shares. Class B shares are sold at net asset value per share without an initial sales charge. However, if Class B shares are redeemed within 6 years of their purchase, a contingent deferred sales charge will be deducted from the redemption proceeds. That sales charge will not apply to shares purchased by the reinvestment of dividends or capital gains distributions. The charge will be assessed on the lesser of the net asset value of the shares at the time of redemption or the original purchase price. The contingent deferred sales charge is not imposed on the amount of your account value represented by the increase in net asset value over the initial purchase price (including increases due to the reinvestment of dividends and capital gains distributions). The Class B contingent deferred sales charge is paid to the Distributor to reimburse its expenses of providing distribution-related services to the Fund in connection with the sale of Class B shares.

To determine whether the contingent deferred sales charge applies to a redemption, the Fund redeems shares in the following order: (1) shares acquired by reinvestment of dividends and capital gains distributions, (2) shares held for over 6 years, and (3) shares held the longest during the 6-year period.

The amount of the contingent deferred sales charge will depend on the number of years since you invested and the dollar amount being redeemed, according to the following schedule:

Years Since Purchase Payment Was Made	Contingent Deferred Sales Charge On Redemptions in That Year (As % of Amount Subject to Charge)
0-1	5.0%
-----	-----
1-2	4.0%
-----	-----
2-3	3.0%
-----	-----
3-4	3.0%
-----	-----
4-5	2.0%
-----	-----

5-6	1.0%
6 and following	None

In the table, a "year" is a 12-month period. All purchases are considered to have been made on the first regular business day of the month in which the purchase was made.

-- Waivers of Class B Sales Charge. The Class B contingent deferred sales charge will be waived if the shareholder requests it for any of the following redemptions: (1) distributions to participants or beneficiaries from Retirement Plans, if the distributions are made (a) under an Automatic Withdrawal Plan after the participant reaches age 59-1/2, as long as the payments are no more than 10% of the account value annually (measured from the date the Transfer Agent receives the request), or (b) following the death or disability (as defined in the Internal Revenue Code) of the participant or beneficiary; (2) redemptions from accounts other than Retirement Plans following the death or disability of the shareholder (as evidenced by a determination of disability by the Social Security Administration), and (3) returns of excess contributions to Retirement Plans.

The contingent deferred sales charge is also waived on Class B shares in the following cases: (i) shares sold to the Manager or its affiliates; (ii) shares sold to registered management investment companies or separate accounts of insurance companies having an agreement with the Manager or the Distributor for that purpose; (iii) shares issued in plans of reorganization to which the Fund is a party; and (iv) shares redeemed in involuntary redemptions as described above. Further details about this policy are contained in "Reduced Sales Charges" in the Statement of Additional Information.

-- Automatic Conversion of Class B Shares. 72 months after you purchase Class B shares, those shares will automatically convert to Class A shares. This conversion feature relieves Class B shareholders of the asset-based sales charge that applies to Class B shares under the Class B Distribution Plan, described below. The conversion is based on the relative net asset value of the two classes, and no sales load or other charge is imposed. When Class B shares convert, any other Class B shares that were acquired by the reinvestment of dividends and distributions on the converted shares will also convert to Class A shares. The conversion feature is subject to the continued availability of a tax ruling described in "Alternative Sales Arrangements - Class A and Class B Shares" in the Statement of Additional Information.

-- Distribution and Service Plan for Class B Shares. The Fund has adopted a Distribution and Service Plan for Class B shares to compensate the Distributor for its services and costs in distributing Class B shares and servicing accounts. Under the Plan, the Fund pays the Distributor an annual "asset-based sales charge" of 0.75% per year on Class B shares that are outstanding for 6 years or less. The Distributor also receives a service fee of 0.25% per year. Both fees are computed on the average annual net assets of Class B shares, determined as of the close of each regular business day. The asset-based sales charge allows investors to buy Class B shares without a front-end sales charge while allowing the Distributor to compensate dealers that sell Class B shares.

The Distributor uses the service fee to compensate dealers for providing personal service for accounts that hold Class B shares. Those services are similar to those provided under the Class A Service Plan, described above. The asset-based sales charge and service fees increase Class B expenses by up to 1.00% of average net assets per year.

The Distributor pays the 0.25% service fee to dealers in advance for the first year after Class B shares have been sold by the dealer. After the shares have been held for a year, the Distributor pays the fee on a quarterly basis. The Distributor pays sales commissions of 3.75% of the purchase price to dealers from its own resources at the time of sale. The Distributor retains the asset-based sales charge to recoup the sales commissions it pays, the advances of service fee payments it makes, and its financing costs.

If the Plan is terminated by the Fund, it provides for continuing payments of the asset-based sales charge to the Distributor for certain expenses already incurred. The accounting treatment for the Fund's obligation under the Plan for those future payments is discussed in "Distribution and Service Plans" in the Statement of Additional Information. The accounting standards now used are currently under review

by the American Institute of Certified Public Accountants, and it is possible that those standards will change and that the Fund's Class B Plan would be changed as a result. At December 31, 1993, the end of the Plan year, the Distributor had incurred unreimbursed expenses under the Plan of \$ _____ (equal to _____% of the Fund's net assets represented by Class B shares on that date), which have been carried over into the present Plan year.

Special Investor Services

AccountLink. OppenheimerFunds AccountLink links your Fund account to your account at your bank or other financial institution to enable you to send money electronically between those accounts to perform a number of types of account transactions, including purchases of shares by telephone (either through a service representative or by PhoneLink, described below), automatic investments under Asset Builder Plans, and sending dividends and distributions or Automatic Withdrawal Plan payments directly to your bank account. Please refer to the Application for details or call the Transfer Agent for more information.

AccountLink privileges must be requested on the Application you use to buy shares, or on your dealer's settlement instructions if you buy your shares through your dealer. After your account is established, you can request AccountLink privileges on signature-guaranteed instructions to the Transfer Agent. AccountLink privileges will apply to each shareholder listed in the registration on your account as well as to your dealer representative of record unless and until the Transfer Agent receives written instructions terminating or changing those privileges. After you establish AccountLink for your account, any change of bank account information must be made by signature-guaranteed instructions to the Transfer Agent signed by all shareholders who own the account.

-- Using AccountLink to Buy Shares. Purchases may be made by telephone only after your account has been established. To purchase shares in amounts up to \$250,000 through a telephone representative, call the Distributor at 1-800-852-8457. The purchase payment will be debited from your bank account.

-- PhoneLink. PhoneLink is the OppenheimerFunds automated telephone system that enables shareholders to perform a number of account transactions automatically using a touch-tone phone. PhoneLink may be used on already-established Fund accounts after you obtain a Personal Identification Number (PIN), by calling the special PhoneLink number: 1-800-533-3310.

-- Purchasing Shares. You may purchase shares in amounts up to \$100,000 by phone, by calling 1-800-533-3310. You must have established AccountLink privileges to link your bank account with the Fund, to pay for these purchases.

-- Exchanging Shares. With the OppenheimerFunds Exchange Privilege, described below, you can exchange shares automatically by phone from your Fund account to another OppenheimerFunds account you have already established by calling the special PhoneLink number. Please refer to "Exchange Privilege," below, for details.

-- Selling Shares. You can redeem shares by telephone automatically by calling the PhoneLink number and the Fund will send the proceeds directly to your AccountLink bank account. Please refer to "How to Sell Shares," below for details.

Automatic Withdrawal and Exchange Plans. The Fund has several plans that enable you to sell shares automatically or exchange them to another OppenheimerFunds account on a regular basis:

-- Automatic Withdrawal Plans. If your Fund account is \$5,000 or more, you can establish an Automatic Withdrawal Plan to receive payments of at least \$50 on a monthly, quarterly, semi-annual or annual basis. The checks may be sent to you or sent automatically to your bank account on AccountLink. You may even set up certain types of Withdrawals of up to \$1,500 per month by telephone. You should consult the Application and Statement of Additional Information for more details.

-- Automatic Exchange Plans. You can authorize the Transfer Agent to exchange an amount you establish in advance automatically for shares of up to five other OppenheimerFunds on a monthly, quarterly, semi-annual or annual basis under an Automatic Exchange Plan. The minimum purchase for each other OppenheimerFunds account is \$25. These exchanges are subject to the terms of the Exchange Privilege, described below.

Reinvestment Privilege. If you redeem some or all of your Fund shares, you have up to 6 months to reinvest all or part of the redemption proceeds in Class A shares of the Fund or other Oppenheimer Funds without paying sales charge. This privilege applies to Class A shares that you sell, and Class B shares on which you paid a contingent deferred sales charge when you redeemed them. You must be sure to ask the Distributor for this privilege when you send your payment. Please consult the Statement of Additional Information for more details.

How to Sell Shares

You can arrange to take money out of your account on any regular business day by selling (redeeming) some or all of your shares. Your shares will be sold at the next net asset value calculated after your order is received and accepted by the Transfer Agent. The Fund offers you a number of ways to sell your shares: in writing, by using the Fund's Checkwriting privilege or by telephone. You can also set up Automatic Withdrawal Plans to redeem shares on a regular basis, as described above. If you have questions about any of these procedures, and especially if you are redeeming shares in a special situation, such as due to the death of the owner, or from a retirement plan, please call the Transfer Agent first, at 1-800-525-7048, for assistance.

-- To sell shares in an Oppenheimer Funds retirement account in your name, call the Transfer Agent for a distribution request form. There are special income tax withholding requirements for distributions from retirement plans and you must submit a Withholding form with your request to avoid delay. If your retirement plan account is held for you by your employer, you must arrange for the distribution request to be sent by the plan administrator or trustee. There are additional details in the Statement of Additional Information.

-- Certain Requests Require a Signature Guarantee. To protect you and the Fund from fraud, certain redemption requests must be in writing and must include a signature guarantee in the following situations (there may be other situations also requiring a signature guarantee):

- You wish to redeem more than \$50,000 worth of shares and receive a check
- The check is not payable to all shareholders listed on the account statement
- The check is not sent to the address of record on your statement
- Shares are being transferred to a Fund account with a different owner or name
- Shares are redeemed by someone other than the owners (such as an Executor)

-- Where Can I Have My Signature Guaranteed? The Transfer Agent will accept a guarantee of your signature by a number of financial institutions, including: a U.S. bank, trust company, credit union or savings association, or from a foreign bank that has a U.S. correspondent bank, or from a U.S. registered dealer or broker in securities, municipal securities or government securities, or from a U.S. national securities exchange, a registered securities association or a clearing agency. If you are signing as a fiduciary or on behalf of a corporation, partnership or other business, you must also include your title in the signature.

Selling Shares by Mail. Write a "letter of instructions" that includes:

- Your name
- The Fund's name
- Your Fund account number (from your statement)
- The dollar amount or number of shares to be redeemed
- Any special payment instructions
- Any share certificates for the shares you are selling, and
- Any special requirements or documents requested by the Transfer Agent to assure proper authorization of the person asking to sell shares.

Use the following address for requests by mail:

Oppenheimer Shareholder Services
P.O. Box 5270, Denver, Colorado 80217

Send courier or Express Mail requests to:

Oppenheimer Shareholder Services
10200 E. Girard Avenue, Building D
Denver, Colorado 80231

Selling Shares by Telephone. You and your dealer representative of record may also sell your shares by telephone. To receive the redemption price on a regular business day, your call must be received by the Transfer Agent by 4:00 P.M. You may not redeem shares held in an OppenheimerFunds retirement plan or under a share certificate by telephone.

- To redeem shares through a service representative, call 1-800-852-8457
- To redeem shares automatically on PhoneLink, call 1-800-533-3310

Whichever method you use, you may have a check sent to the address on the account, or, if you have linked your Fund account to your bank account on AccountLink, you may have the proceeds wired to that account.

-- Telephone Redemptions Paid by Check. Up to \$50,000 may be redeemed by telephone, once in each 7-day period. The check must be payable to all owners of record of the shares and must be sent to the address on the account. This service is not available within 30 days of changing the address on an account.

-- Telephone Redemptions Through AccountLink. There are no dollar limits on telephone redemption proceeds sent to a bank account designated when you establish AccountLink. Normally the ACH wire to your bank is initiated on the business day after the redemption. You do not receive dividends on the proceeds of the shares you redeemed while they are waiting to be wired.

CheckWriting. To be able to write checks against your Fund account, you may request that privilege on your account Application or you can contact the Transfer Agent for signature cards, which must be signed (with a signature guarantee) by all owners of the account and returned to the Transfer Agent so that checks can be sent to you to use. Shareholders with joint accounts can elect in writing to have checks paid over the signature of one owner.

- Checks can be written to the order of whomever you wish, but may not be cashed at the Fund's bank or custodian.
 - Checkwriting privileges are not available for accounts holding Class B shares or Class A shares that are subject to a contingent deferred sales charge.
 - Checks must be written for at least \$100.
 - Checks cannot be paid if they are written for more than your account value.
- Remember: your shares fluctuate in value and you should not write a check close to the total account value.
- You may not write a check that would require the Fund to redeem shares that were purchased by check or Asset Builder Plan payments within the prior 15 days.
 - Don't use your checks if you changed your Fund account number.

The Fund will charge a \$10 fee for any check that is not paid because (1) the owners of the account told the Fund not to pay the check, or (2) the check was for more than the account balance, or (3) the check did not have the proper signatures, (4) or the check was written for less than \$100.

How to Exchange Shares

Shares of the Fund may be exchanged for shares of certain OppenheimerFunds at net asset value per share at the time of exchange, without sales charge. A \$5 service fee will be deducted from the fund account you are exchanging into to help defray administrative costs. That charge is waived for automated exchanges on PhoneLink described below. To exchange shares, you must meet several conditions:

- Shares of the fund selected for exchange must be available for sale in your state of residence
- The prospectuses of this Fund and the fund whose shares you want to buy must offer the exchange privilege
- You must hold the shares you buy when you establish your account for at least 7 days before you can exchange them; after the account is open 7 days, you can exchange shares every regular business day
- You must meet the minimum purchase requirements for the fund you purchase by exchange
- Before exchanging into a fund, you should obtain and read its prospectus

Shares of a particular class may be exchanged only for shares of the same class in the other OppenheimerFunds. For example, you can exchange

Class A shares of this Fund only for Class A shares of another fund. At present, not all of the OppenheimerFunds offer the same two classes of shares. If a fund has only one class of shares that does not have a class designation, they are "Class A" shares for exchange purposes. In some cases, sales charges may be imposed on exchange transactions. Certain OppenheimerFunds offer Class A, Class B and/or Class C shares, and a list can be obtained by calling the Distributor at 1-800-525-7048. Please refer to the Statement of Additional Information for more details about this policy.

Exchanges may be requested in writing or by telephone:

-- Written Exchange Requests. Submit an OppenheimerFunds Exchange Request form, signed by all owners of the account. Send it to the Transfer Agent at the addresses listed in "How to Sell Shares."

-- Telephone Exchange Requests. Telephone exchange requests may be made either by calling a service representative at 1-800-852-8457 or by using PhoneLink for automated exchanges, by calling 1-800-533-3310. Telephone exchanges may be made only between accounts that are registered with the same names and address. Shares held under certificates may not be exchanged by telephone.

You can obtain a list of eligible OppenheimerFunds in the Statement of Additional Information or by calling the Transfer Agent at 1-800-525-7048. Exchanges of shares involve a redemption of the shares of the fund you own and a purchase of shares of the other fund.

There are certain exchange policies you should be aware of:

-- Shares are normally redeemed from one fund and purchased from the other fund in the exchange transaction on the same regular business day on which the Transfer Agent receives an exchange request by 4:00 P.M. that is in proper form, but either fund may delay the purchase of shares of the fund you are exchanging into if it determines it would be disadvantaged by a same-day transfer of the proceeds to buy shares. For example, the receipt of multiple exchange requests from a dealer in a "market-timing" strategy might require the disposition of securities at a time or price disadvantageous to the Fund.

-- Because excessive trading can hurt fund performance and harm shareholders, the Fund reserves the right to refuse any exchange request that will disadvantage it, or to refuse multiple exchange requests submitted by a shareholder or dealer.

-- The Fund may amend, suspend or terminate the exchange privilege at any time. Although the Fund will attempt to provide you notice whenever it is reasonably able to do so, it may impose these changes at any time.

-- If the Transfer Agent cannot exchange all the shares you request because of a restriction cited above, only the shares eligible for exchange will be exchanged.

Shareholder Account Rules and Policies

-- Net Asset Value Per Share is determined for each class of shares as of 4:00 P.M. each day The New York Stock Exchange is open by dividing the value of the Fund's net assets attributable to a class by the number of shares of that class that are outstanding. The Fund's Board of Trustees has established procedures to value the Fund's securities to determine net asset value. In general, securities values are based on market value. There are special procedures for valuing illiquid and restricted securities, short-term obligations for which market values cannot be readily obtained, and call options and hedging instruments. These procedures are described more completely in the Statement of Additional Information.

-- The offering of shares may be suspended during any period in which the determination of net asset value is suspended, and the offering may be suspended by the Board of Trustees at any time the Board believes it is in the Fund's best interest to do so.

-- Telephone Transaction Privileges for purchases, redemptions or exchanges may be modified, suspended or terminated by the Fund at any time. If an account has more than one owner, the Fund and the Transfer Agent may rely on the instructions of any one owner. Telephone privileges apply to each owner of the account and the dealer representative of record for the account unless and until the Transfer Agent receives cancellation

instructions from an owner of the account.

-- The Transfer Agent will record any telephone calls to verify data concerning transactions and has adopted other procedures to confirm that telephone instructions are genuine, by requiring callers to provide tax identification numbers and other account data or by using PINs, and by confirming such transactions in writing. If the Transfer Agent does not use reasonable procedures it may be liable for losses due to unauthorized transactions, but otherwise it will not be liable for losses or expenses arising out of telephone instructions reasonably believed to be genuine. If you are unable to reach the Transfer Agent during periods of unusual market activity, you may not be able to complete a telephone transaction and should consider placing your order by mail.

-- Redemption or transfer requests will not be honored until the Transfer Agent receives all required documents in proper form. From time to time, the Transfer Agent in its discretion may waive certain of the requirements for redemptions stated in this Prospectus.

-- Dealers that can perform account transactions for their clients by participating in NETWORKING through the National Securities Clearing Corporation are responsible for obtaining their clients' permission to perform those transactions and are responsible to their clients who are shareholders of the Fund if the Dealer performs any transaction erroneously.

-- The redemption price for shares will vary from day to day because the value of the securities in the Fund's portfolio fluctuates, and the redemption price, which is the net asset value per share, will normally be different for Class A and Class B shares. Therefore, the redemption value of your shares may be more or less than their original cost.

-- Payment for redeemed shares is made ordinarily in cash and forwarded by check or through AccountLink (as elected by the shareholder under the redemption procedures described above) within 7 days after the Transfer Agent receives redemption instructions in proper form, except under unusual circumstances determined by the Securities and Exchange Commission delaying or suspending such payments. The Transfer Agent may delay forwarding a check or processing a payment via AccountLink for recently purchased shares, but only until the purchase payment has cleared. That delay may be as much as 15 days from the date the shares were purchased. That delay may be avoided if you arrange with your bank to provide telephone or written assurance to the Transfer Agent that your purchase payment has cleared.

-- Involuntary redemptions of small accounts may be made by the Fund if the account value has fallen below \$200 for reasons other than the fact that the market value of shares has dropped, and in some cases involuntary redemptions may be made to repay the Distributor for losses from the cancellation of share purchase orders. Under unusual circumstances, shares of the Fund may be redeemed "in kind," which means that the redemption proceeds will be paid with securities from the Fund's portfolio. Please refer to the Statement of Additional Information for more details.

-- "Backup Withholding" of Federal income tax may be applied at the rate of 31% from dividends, distributions and redemption proceeds (including exchanges) if you fail to furnish the Fund a certified Social Security or taxpayer identification number when you sign your application, or if you violate Internal Revenue Service regulations on tax reporting of dividends.

-- The Fund does not charge a redemption fee, but if your dealer or broker handles your redemption, they may charge a fee. That fee can be avoided by redeeming your Fund shares directly through the Transfer Agent. Under the circumstances described in "How To Buy Shares," you may be subject to a contingent deferred sales charges when redeeming certain Class A and Class B shares.

Dividends, Capital Gains and Taxes

Dividends. The Fund declares dividends separately for Class A and Class B shares from net investment income each regular business day and pays those dividends to shareholders monthly. Normally, dividends are paid on or about the tenth business day every month, but the Board of Trustees can change that date. Distributions may be made monthly from any net short-term capital gains the Fund realizes in selling securities. It is expected that distributions paid with respect to Class A shares will generally be higher than for Class B shares because expenses allocable to

Class B shares will generally be higher.

Capital Gains. The Fund may make distributions annually in December out of any net short-term or long-term capital gains, and the Fund may make supplemental distributions of dividends and capital gains following the end of its fiscal year. Long-term capital gains will be separately identified in the tax information the Fund sends you after the end of the year. Short-term capital gains are treated as dividends.

Distribution Options. When you open your account, specify on your application how you want to receive your distributions. For OppenheimerFunds retirement accounts, all distributions are reinvested. For other accounts, you have four options:

-- Reinvest all distributions in the Fund. You can elect to reinvest all dividends and long-term capital gains distributions in additional shares of the Fund.

-- Reinvest capital gains only. You can elect to reinvest long-term capital gains in the Fund while receiving dividends by check or sent to your bank account on AccountLink.

-- Receive all distributions in cash. You can elect to receive a check for all dividends and long-term capital gains distributions or have them sent to your bank on AccountLink.

-- Reinvest your distributions in another OppenheimerFunds account. You can reinvest all distributions in another OppenheimerFunds account you have established.

Tax Status of the Fund's Dividends and Distributions

The Fund intends to qualify under the Internal Revenue Code during each fiscal year to pay "exempt-interest dividends" to its shareholders. Exempt-interest dividends which are derived from net investment income earned by the Fund on Municipal Securities will be excludable from gross income of shareholders for Federal income tax purposes. Net investment income includes the allocation of amounts of income from the Municipal Securities in the Fund's portfolio which are free from Federal income taxes. This allocation will be made by the use of one designated percentage applied uniformly to all income dividends made during the Fund's tax year. Such designation will normally be made following the end of each fiscal year as to income dividends paid in the prior year. The percentage of income designated as tax-exempt may substantially differ from the percentage of the Fund's income that was tax-exempt for a given period. A portion of the exempt-interest dividends paid by the Fund may be an item of tax preference for shareholders subject to the alternative minimum tax. All of the Fund's dividends (excluding capital gains distributions) paid during 1993 were exempt from Federal and California income taxes. The amount of any dividends attributable to tax preference items for purposes of the alternative minimum tax will be identified when tax information is distributed by the Fund. ____% of the Fund's dividends (excluding distributions) paid during 1993 were a tax preference item for shareholders subject to the alternative minimum tax. "Substantial users" of facilities financed by Private Activity Municipal Securities and Corporate shareholders should see "Private Activity Municipal Securities" in the Additional Statement before purchasing shares.

A shareholder receiving a dividend from income earned by the Fund from one or more of: (i) certain taxable investments, (ii) income from securities loans, (iii) income or gains from Hedging Instruments, (iv) an excess of net short-term capital gain over net long-term capital loss from the Fund, and (v) discount from certain stripped tax-exempt obligations or coupons treats the dividend as a receipt of either ordinary income or long-term capital gains in the computation of gross income, regardless of whether the dividend is reinvested. The Fund's dividends will not be eligible for the dividends-received deduction for corporations. Shareholders receiving Social Security benefits should be aware that exempt-interest dividends are a factor in determining whether such benefits are subject to Federal income tax. Losses realized by shareholders on the redemption of Fund shares within six months of purchase (which period may be shortened by regulation) will be disallowed for Federal income tax purposes to the extent of exempt-interest dividends received on such shares.

Long-term capital gains distributions, if any, are taxable as long-term capital gains, whether received in cash or reinvested and regardless of how long Fund shares have been held. Dividends paid by the Fund derived from net short-term capital gains are taxable to shareholders as ordinary income, whether received in cash or reinvested. For information on "backup" withholding on taxable dividends, see "How to Redeem Shares." Interest on loans used to purchase shares of the Fund may not be deducted for Federal or California tax purposes. Under rules used by the Internal

Revenue Service to determine when borrowed funds are deemed used for the purpose of purchasing or carrying particular assets, the purchase of Fund shares may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of shares.

In any year in which the Fund qualifies as a regulated investment company under the Internal Revenue Code and is exempt from Federal income tax, (i) the Fund will also be exempt from the California corporate income and franchise taxes and (ii) the Fund will be qualified under California law to pay certain exempt interest dividends which will be exempt from the California personal income tax. Individual shareholders of the Fund will generally not be subject to California personal income tax on exempt-interest dividends received from the Fund to the extent such distributions are attributable to interest on California Municipal Securities (and qualifying obligations of the United States Government), provided that at least 50% of the Fund's assets at the close of each quarter of its taxable year are invested in such obligations. Distributions from the Fund attributable to sources other than California Municipal Securities will generally be taxable to such shareholders as ordinary income. In addition, certain distributions to shareholders may be includable in income subject to the California alternative minimum tax.

Appendix: Description of Ratings Categories

Municipal Bonds

Moody's Investor Services, Inc.. The four highest ratings of Moody's Investors Service, Inc. ("Moody's") for Municipal Bonds are Aaa, Aa, A and Baa. Municipal Bonds rated Aaa are judged to be of the "best quality." The rating of Aa is assigned to bonds which are of "high quality by all standards," but as to which margins of protection or other elements make long-term risks appear somewhat larger than Aaa rated Municipal Bonds. The Aaa and Aa rated bonds comprise what are generally known as "high grade bonds." Municipal Bonds which are rated A by Moody's possess many favorable investment attributes and are considered "upper medium grade obligations." Factors giving security to principal and interest of A rated bonds are considered adequate, but elements may be present which suggest a susceptibility to impairment at some time in the future. Municipal Bonds rated Baa are considered "medium grade" obligations. 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. Those bonds in the Aa, A and Baa groups which Moody's believes possess the strongest attributes are designated Aa1, A1 and Baa1, respectively.

In addition to the alphabetic rating system described above, Municipal Bonds rated by Moody's which have a demand feature that provides the holder with the ability to periodically tender ("put") the portion of the debt covered by the demand feature, may also have a short-term rating assigned to such demand feature. The short-term rating uses the symbol VMIG to distinguish characteristics which include payment upon periodic demand rather than fund or scheduled maturity dates and potential reliance upon external liquidity, as well as other factors. The highest investment quality is designated by the VMIG 1 rating and the lowest by VMIG 4.

Standard & Poor's Corporation. The four highest ratings of Standard & Poor's Corporation ("S&P") for Municipal Bonds are AAA (Prime), AA (High Grade), A (Good Grade), and BBB (Medium Grade). Municipal Bonds rated AAA are "obligations of the highest quality." The rating of AA is accorded issues with investment characteristics "only slightly less marked than those of the prime quality issues." The category of A describes "the third strongest capacity for payment of debt service." Principal and interest payments on bonds in this category are regarded as safe. It differs from the two higher ratings because, with respect to general obligations bonds, there is some weakness, either in the local economic base, in debt burden, in the balance between revenues and expenditures, or in quality of management. Under certain adverse circumstances, any one such weakness might impair the ability of the issuer to meet debt obligations at some future date. With respect to revenue bonds, debt service coverage is good, but not exceptional. Stability of the pledged revenues could show some variations because of increased competition or economic influences on revenues. Basic security provisions, while satisfactory, are less stringent. Management performance appears adequate.

The BBB rating is the lowest "investment grade" security rating. The difference between A and BBB ratings is that the latter shows more than one fundamental weakness, or one very substantial fundamental weakness,

whereas the former shows only one deficiency among the factors considered. With respect to revenue bonds, debt coverage is only fair. Stability of the pledged revenues could show variations, with the revenue flow possibly being subject to erosion over time. Basic security provisions are no more than adequate. Management performance could be stronger. The ratings AA, A, and BBB may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Fitch. The four highest ratings of Fitch for Municipal Bonds are AAA, AA, A, and BBB. Municipal Bonds rated AAA are judged to be of the "highest credit quality." The rating of AA is assigned to bonds of "very high credit quality." Municipal Bonds which are rated A by Fitch are considered to be of "high credit quality." The rating of BBB is assigned to bonds of "satisfactory credit quality." The A and BBB rated bonds are more vulnerable to adverse changes in economic conditions than bonds with higher ratings.

Corporate Debt

The "other debt securities" included in the definition of temporary investments are corporate (as opposed to municipal) debt obligations rated Aaa, Aa or A by Moody's, AAA, AA or A by S&P or F+1-, F-1, F-2 or F-1 by Fitch. The Moody's corporate debt ratings shown do not differ materially from those set forth above for Municipal Bonds. Corporate debt obligations rated AAA by S&P are "highest grade obligations." Obligations bearing the rating of AA also qualify as "high grade obligations" and "in the majority of instances differ from AAA issues only in small degrees." Corporate debt obligations rated A by S&P are regarded as "upper medium grade" and have considerable investment strength, but are not entirely free from adverse effects of changes in economic and trade conditions. The Fitch ratings shown do not differ from those set forth below for tax-exempt municipal notes.

Commercial Paper

The commercial paper ratings of A-1 by S&P, P-1 by Moody's, and F-1+ by Fitch are the highest commercial paper ratings of the respective agencies. The issuer's earnings, quality of long-term debt, management and industry position are among the factors considered in assigning such ratings.

Tax-Exempt Municipal Notes

Moody's ratings for state and municipal notes and other short-term loans are designated Moody's Investment Grade ("MIG"). Notes bearing the designation MIG-1 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 financing. Notes bearing the designation "MIG-2" are of high quality with ample margins of protection, although not as large as notes rated "MIG." Such short-term notes which have demand features may also carry a rating using the symbol VMIG as described above, with the designation MIG-1/VMIG 1 denoting best quality, with superior liquidity support in addition to those characteristics attributable to the designation MIG-1.

S&P's rating for Municipal Notes due in three years or less are SP-1 and SP-2. SP-1 describes issues with a very strong capacity to pay principal and interest and compares with bonds rated A by S&P; if modified by a plus sign, it compares with bonds rated AA or AAA by S&P. SP-2 describes issues with a satisfactory capacity to pay principal and interest, and compares with bonds rated BBB by S&P.

Fitch's rating for Municipal Notes due in three years or less are F-1+, F-1, F-2 and F-3. F-1+ describes notes with an exceptionally strong credit quality and the strongest degree of assurance for timely payment. F-1 describes notes with a very strong credit quality and assurance of timely payment is only slightly less in degree than issues rated F-1+. F-2 describes notes with a good credit quality and a satisfactory assurance of timely payment, but the margin of safety is not as great for issues assigned F-1+ or F-1 ratings. F-3 describes notes with a fair credit quality and an adequate assurance of timely payment, but near-term adverse changes could cause such securities to be rated below investment grade.

Investment Adviser
Oppenheimer Management Corporation
Two World Trade Center
New York, New York 10048-0203

Prospectus

Distributor
Oppenheimer Funds Distributor, Inc.
Two World Trade Center
New York, New York 10048-0203

Transfer and Shareholder Servicing Agent
Oppenheimer Shareholder Services
P.O. Box 5270
Denver, Colorado 80217
1-800-525-7048

OPPENHEIMER
California
Tax-Exempt Fund

Effective May 1, 1994

Custodian of Portfolio Securities
Citibank, N.A.
One Citicorp Center
New York, New York 10154

Independent Auditors
KPMG Peat Marwick
707 Seventeenth Street
Denver, Colorado 80202

Counsel
Gordon Altman Butowsky
Weitzen Shalov & Wein
114 West 47th Street
New York, New York 10036

No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus or the Additional Statement, and if given or made, such information and representations must not be relied upon as having been authorized by the Fund, Oppenheimer Management Corporation, Oppenheimer Funds Distributor, Inc., or any affiliate thereof. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state.

[OppenheimerFunds Logo]

PR790 (5/94) <>Printed on recycled paper

Investment Adviser
Oppenheimer Management Corporation
Two World Trade Center
New York, New York 10048-0203

Prospectus and
New Account Application

Distributor
Oppenheimer Funds Distributor, Inc.
Two World Trade Center
New York, New York 10048-0203

Transfer and Shareholder Servicing Agent
Oppenheimer Shareholder Services
P.O. Box 5270
Denver, Colorado 80217
1-800-525-7048

OPPENHEIMER
California
Tax-Exempt Fund

Effective May 1, 1994

Custodian of Portfolio Securities
Citibank, N.A.
One Citicorp Center
New York, New York 10154

Independent Auditors
KPMG Peat Marwick
707 Seventeenth Street
Denver, Colorado 80202

Counsel
Gordon Altman Butowsky
Weitzen Shalov & Wein
114 West 47th Street
New York, New York 10036

No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus or the Additional Statement, and if given or made, such information and representations must not be relied upon as having been authorized by the Fund, Oppenheimer Management Corporation, Oppenheimer Funds Distributor, Inc., or any affiliate thereof. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state.

[OppenheimerFunds Logo]

PR790 (5/94) <>Printed on recycled paper

STATEMENT OF ADDITIONAL INFORMATION

OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND

Two World Trade Center, New York, New York 10048-0203
1-800-525-7048

This Statement of Additional Information (the "Additional Statement") is not a Prospectus. This Additional Statement contains more complete information about the investment policies and the account features of Oppenheimer California Tax-Exempt Fund (the "Fund") described in the Fund's Prospectus dated April 29, 1994, and should be read together with the Prospectus. A copy of the Prospectus may be obtained by writing to Oppenheimer Shareholder Services (the "Transfer Agent"), P.O. Box 5270, Denver, Colorado 80217 or by calling the Transfer Agent at the toll free number shown above.

TABLE OF CONTENTS

	Page
Investment Objective and Policies.	
Additional Investment Restrictions	
Trustees and Officers of the Fund.	
How the Fund is Managed.	
Brokerage Policies of the Fund	
Your Investment Account.	
Performance of the Fund.	
Dividends, Capital Gains and Taxes	
Distribution and Service Plans	
Additional Information About the Fund.	
Independent Auditors' Report	
Financial Statements of the Fund	
Appendix A: Tax-Equivalent Yields.	B-1

This Additional Statement is effective May 1, 1994.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective and policies of the Fund are described in the Prospectus. Supplemental information about those policies is set forth below. Certain capitalized terms used in this Additional Statement are defined in the Prospectus.

The Fund does not make investments with the objective of seeking capital growth. However, the value of the securities held by the Fund may be affected by changes in interest rates. Because the current value of

debt securities varies inversely with changes in prevailing interest rates, if interest rates increase after a security is purchased, that security would normally decline in value. Conversely, should interest rates decrease after a security is purchased, normally its value would rise. However, those fluctuations in value will not generally result in realized gains or losses to the Fund since the Fund does not usually intend to dispose of securities prior to their maturity. A debt security held to maturity is redeemable by its issuer at full principal value plus accrued interest. To a limited degree, the Fund may engage in short-term trading to attempt to take advantage of short-term market variations, or may dispose of a portfolio security prior to its maturity if, on the basis of a revised credit evaluation of the issuer or other considerations, the Fund believes such disposition advisable or it needs to generate cash to satisfy redemptions. In such cases, the Fund may realize a capital gain or loss. The annual rate of portfolio turnover is not expected to exceed 100%.

There are, of course, variations in the security of Municipal Securities, both within a particular classification and between classifications, depending on numerous factors. The yields of Municipal Securities depend on, among other things, general conditions of the Municipal Securities market, size of a particular offering, the maturity of the obligation and rating of the issue.

Municipal Securities. The types of Municipal Securities in which the Fund may invest are described in the Prospectus under "The Fund and Its Investment Policies." A discussion of the general characteristics of types of Municipal Securities follows below.

Municipal Bonds. The principal classifications of long-term municipal bonds are "general obligation" and "revenue" or "industrial development" bonds. In California, municipal bonds may also be funded by property taxes in specially created districts, (Mello-Roos or Special Assessment Bonds), tax allocations based on increased property tax assessments over a specified period (frequently for redevelopment projects) or specified redevelopment area sales allocations.

General Obligation Bonds. Issuers of general obligation bonds include states, counties, cities, towns, and regional districts. The proceeds of these obligations are used to fund a wide range of public projects, including construction or improvement of schools, highways and roads, and water and sewer systems. The basic security behind general obligation bonds is the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. The taxes that can be levied for the payment of debt service may be limited or unlimited as to the rate or amount of special assessments.

Revenue Bonds. The principal security for a revenue bond is generally the net revenues derived from a particular facility, group of facilities, or, in some cases, the proceeds of a special excise or other specific revenue source. Revenue bonds are issued to finance a wide variety of capital projects including: electric, gas, water and sewer systems; highways, bridges, and tunnels; port and airport facilities; colleges and universities; and hospitals. Although the principal security behind these bonds may vary, many provide additional security in the form of a debt service reserve fund whose money may be used to make principal and interest payments on the issuer's obligations. Housing finance authorities have a wide range of security, including partially or fully insured mortgages, rent subsidized and/or collateralized mortgages, and/or the net revenues from housing or other public projects. Some authorities provide further security in the form of a state's ability (without obligation) to make up deficiencies in the debt service reserve fund.

Industrial Development Bonds. Industrial development bonds, which are considered municipal bonds if the interest paid is exempt from federal income tax, are issued by or on behalf of public authorities to raise money to finance various privately operated facilities for business and manufacturing, housing, sports, and pollution control. These bonds are also used to finance public facilities such as airports, mass transit systems, ports, and parking. The payment of the principal and interest on such bonds is dependent solely on the ability of the facility's user to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment.

Mello-Roos Bonds. Bonds issued pursuant to the California Mello-Roos Community Facilities Act ("Mello-Roos bonds") are used to finance infrastructure projects (such as roads or sewage treatment plants) and are primarily secured by real estate taxes levied on property located in the same community as that project. Mello-Roos bond financing arose in

response to limitations contained in California's statutory limitations on real property taxes (see "Special Investment Considerations -- California Municipal Securities" below), and do not constitute obligations of a municipality. Timely payment of such bonds depends on the developer or other property owners' ability to pay their real estate taxes which could be adversely affected by a declining economy and/or real estate market.

Municipal Notes. Municipal Securities having a maturity when issued of less than one year are generally known as municipal notes. Municipal notes generally are used to provide for short-term working capital needs and include:

Tax Anticipation Notes. Tax anticipation notes are issued to finance working capital needs of municipalities. Generally, they are issued in anticipation of various seasonal tax revenue, such as income, sales, use of business taxes, and are payable from these specific future taxes.

Revenue Anticipation Notes. Revenue anticipation notes are issued in expectation of receipt of other types of revenue, such as federal revenues available under the Federal revenue sharing programs.

Bond Anticipation Notes. Bond anticipation notes are issued to provide interim financing until long-term financing can be arranged. In most cases, the long-term bonds then provide the money for the repayment of the notes.

Construction Loan Notes. Construction loan notes are sold to provide construction financing. After successful completion and acceptance, many projects receive permanent financing through the Federal Housing Administration.

Tax-Exempt Commercial Paper. Tax-exempt commercial paper is a short-term obligation with a stated maturity of 365 days or less. It is issued by state and local governments or their agencies to finance seasonal working capital needs or as short-term financing in anticipation of longer-term financing.

When-Issued and Delayed Delivery Transactions. As stated in the Prospectus, the Fund may invest in Municipal Securities on a "when-issued" or "delayed delivery" basis. Payment for and delivery of the securities generally settles within sixty days of the date the offer is accepted. The purchase price and yield are fixed at the time the buyer enters into the commitment. During the period between purchase and settlement, no payment is made by the Fund to the issuer and no interest accrues to the Fund from this investment. However, the Fund intends to be as fully invested as possible and will not invest in when-issued securities if its income or net asset value will be materially adversely affected. At the time the Fund makes the commitment to purchase a Municipal Security on a when-issued basis, it will record the transaction on its books and reflect the value of the security in determining its net asset value. It will also segregate cash or liquid high-grade obligations equal in value to the commitment for the when-issued securities. While when-issued securities may be sold prior to settlement date, the Fund intends to acquire the securities upon settlement unless a prior sale appears desirable for investment reasons. There is a risk that the yield available in the market when delivery occurs may be higher than the yield on the security acquired.

Floating Rate/Variable Rate Obligations. Floating rate and variable rate demand notes are tax-exempt obligations which may have a stated maturity in excess of one year, but may include features that permit the holder to recover the principal amount of the underlying security at specified intervals not exceeding one year and upon no more than 30 days' notice. The issuer of such notes normally has a corresponding right, after a given period, to prepay in its discretion the outstanding principal amount of the note plus accrued interest upon a specified number of days notice to the holder. The interest rate on a floating rate demand note is based on a stated prevailing market rate, such as a bank's prime rate, the 90-day U.S. Treasury Bill rate, or some other standard, and is adjusted automatically each time such rate is adjusted. The interest rate on a variable rate demand note is also based on a stated prevailing market rate but is adjusted automatically at specified intervals of no less than one year. Generally, the changes in the interest rate on such securities reduce the fluctuation in their market value. As interest rates decrease or increase, the potential for capital appreciation or depreciation is less than that for fixed-rate obligations of the same maturity. The Fund's investment advisor, Oppenheimer Management Corporation (the

"Manager"), may determine that an unrated floating rate or variable rate demand obligation meets the Fund's quality standards by reason of being backed by a letter of credit or guarantee issued by a bank that meets those quality standards. Floating rate or variable rate obligations which do not provide for recovery of principal and interest within seven days will be subject to the limitations applicable to illiquid securities described in "The Fund and Its Investment Policies - Restricted and Illiquid Securities" in the Prospectus. There is otherwise no limit on the amount of the Fund's assets that may be invested in floating rate and variable rate obligations.

Inverse Floaters. The Fund will invest in inverse floaters in the expectation that they will provide higher expected tax-exempt yields than are available for fixed-rate bonds having comparable credit ratings and maturity. In certain instances, the holder of an inverse floater may have an option to convert it into a fixed-rate bond pursuant to a "rate lock option." Inverse floaters may produce relatively high current income, reflecting the spread between short-term and long-term tax-exempt interest rates. As long as the municipal yield curve remains relatively steep and short-term rates remain relatively low, owners of inverse floaters will continue to earn above-market interest rates because they are receiving the higher long-term rates and have paid for bonds with lower short-term rates. If the yield curve flattens and shifts upward, an inverse floater will lose value more quickly than conventional long-term municipal bonds.

Municipal Lease Obligations. Municipal leases may take the form of a lease or an installment purchase contract issued by a state or local government authority to obtain funds to acquire a wide variety of equipment and facilities. Although lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, a lease obligation is ordinarily backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation. However, certain lease obligations contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. In addition to the risk of "non-appropriation," municipal lease securities do not yet have a highly developed market to provide the degree of liquidity of conventional municipal bonds. Municipal leases, like other municipal debt obligations, are subject to the risk of non-payment. The ability of issuers of municipal leases to make timely lease payments may be adversely affected in general economic downturns and as relative governmental cost burdens are reallocated among federal, state and local governmental units. Such non-payment would result in a reduction of income to the Fund, and could result in a reduction in the value of the municipal lease experiencing non-payment and a potential decrease in the net asset value of the Fund.

Puts and Standby Commitments. When the Fund buys Municipal Securities, it may obtain a standby commitment to repurchase the securities that entitles it to achieve same-day settlement from the purchaser and to receive an exercise price equal to the amortized cost of the underlying security plus accrued interest, if any, at the time of exercise. A put purchased in conjunction with a Municipal Security enables the Fund to sell the underlying security within a specified period of time at a fixed exercise price. The Fund may pay for a standby commitment or put either separately in cash or by paying a higher price for the securities acquired subject to the standby commitment or put. The Fund will enter into these transactions only with banks and dealers which, in the Manager's opinion, present minimal credit risks. The Fund's ability to exercise a put or standby commitment will depend on the ability of the bank or dealer to pay for the securities if the put or standby commitment is exercised. If the bank or dealer should default on its obligation, the Fund might not be able to recover all or a portion of any loss sustained from having to sell the security elsewhere. Puts and standby commitments are not transferrable by the Fund, and therefore terminate if the Fund sells the underlying security to a third party. The Fund intends to enter into these arrangements to facilitate portfolio liquidity, although such arrangements may enable the Fund to sell a security at a pre-arranged price which may be higher than the prevailing market price at the time the put or standby commitment is exercised. However, the Fund might refrain from exercising a put or standby commitment if the exercise price is significantly higher than the prevailing market price, to avoid imposing a loss on the seller which could jeopardize the Fund's business relationships with the seller. Any consideration paid by the Fund for the put or standby commitment (which increases the cost of the security and reduces the yield otherwise available from the security) will be reflected on the Fund's books as unrealized depreciation while the put or standby commitment is held, and

a realized gain or loss when the put or commitment is exercised or expires. Interest income received by the Fund from Municipal Securities subject to puts or stand-by commitments may not qualify as tax exempt in its hands if the terms of the put or stand-by commitment cause the Fund not to be treated as the tax owner of the underlying Municipal Securities.

Private Activity Municipal Securities. The Tax Reform Act of 1986 (the "Tax Reform Act") reorganized, as well as amended, the rules governing tax exemption for interest on Municipal Securities. The Tax Reform Act generally did not change the tax treatment of bonds issued to finance governmental operations. Thus, interest on obligations issued by or on behalf of state or local governments, the proceeds of which are used to finance the operations of such governments (e.g., general obligation bonds) continues to be tax-exempt. However, the Tax Reform Act further limited the use of tax-exempt bonds for non-governmental (private) purposes. More stringent restrictions were placed on the use of proceeds of such bonds. Interest on certain private activity bonds (other than those specified as "qualified" tax-exempt private activity bonds, e.g., exempt facility bonds including certain industrial development bonds, qualified mortgage bonds, qualified Section 501(c)(3) bonds, qualified student loan bonds, etc.) is taxable under the revised rules.

Interest on certain private activity bonds issued after August 7, 1986, which continues to be tax-exempt will be treated as a tax preference item subject to the alternative minimum tax (discussed below) to which certain taxpayers are subject. Furthermore, a private activity bond which would otherwise be a qualified tax-exempt private activity bond will not, under Internal Revenue Code Section 147(a), be a qualified bond for any period during which it is held by a person who is a "substantial user" of the facilities or by a "related person" of such a substantial user. This "substantial user" provision is applicable primarily to exempt facility bonds and industrial development bonds. The Fund may not be an appropriate investment for entities which are "substantial users" (or persons related thereto) of such exempt facilities, and such persons should consult their own tax advisers before purchasing shares. A "substantial user" of such facilities is defined generally as a "non-exempt person who regularly uses part of a facility" financed from the proceeds of exempt facility bonds. Generally, an individual will not be a "related person" under the Internal Revenue Code unless such investor or the investor's immediate family (spouse, brothers, sisters and immediate descendants) own directly or indirectly in the aggregate more than 50% in value of the equity of a corporation or partnership which is a "substantial user" of a facility financed from the proceeds of exempt facility bonds. In addition, the limitations as to the amount of private activity bonds which each state may issue were reduced, which will reduce the supply of such bonds. The value of the Fund's portfolio could be affected if there is a reduction in the availability of such bonds. That value may also be affected by a 1988 U.S. Supreme Court decision upholding the constitutionality of the imposition of a Federal tax on the interest earned on Municipal Securities issued in bearer form.

A Municipal Security is treated as a taxable private activity bond under a test for (a) a trade or business use and security interest, or (b) a private loan restriction. Under the trade or business use and security interest test, an obligation is a private activity bond if (i) more than 10% of bond proceeds are used for private business purposes and (ii) 10% or more of the payment of principal or interest on the issue is directly or indirectly derived from such private use or is secured by the privately used property or the payments related to the use of the property. For certain types of users, a 5% threshold is substituted for the 10% threshold. (The term "private business use" means any direct or indirect use in a trade or business carried on by an individual or entity other than a state or municipal governmental unit.) Under the private loan restriction, the amount of bond proceeds that may be used to make private loans is limited to the lesser of 5% or \$5 million of the proceeds. Thus, certain issues of Municipal Securities could lose their tax-exempt status retroactively if the issuer fails to meet certain requirements as to the expenditure of the proceeds of that issue or use of the bond-financed facility. The Fund makes no independent investigation of the users of such bonds or their use of proceeds. If the Fund should hold a bond that loses the tax exempt status retroactively, there might be an adjustment to the tax-exempt income previously paid to shareholders.

The Federal alternative minimum tax is designed to ensure that all taxpayers pay some tax, even if their regular tax is zero. This is accomplished in part by including in taxable income certain tax preference items in arriving at alternative minimum taxable income. The Tax Reform Act made tax-exempt interest from certain private activity bonds a tax preference item for purposes of the alternative minimum tax on individuals

and corporations. Any exempt-interest dividend paid by a regulated investment company will be treated as interest on a specific private activity bond to the extent of its proportionate share of the interest on such bonds received by the regulated investment company. The U.S. Treasury is authorized to issue regulations implementing this provision. In addition, corporate taxpayers subject to the alternative minimum tax may, under some circumstances, have to include exempt-interest dividends in calculating their alternative minimum taxable income in situations where the "adjusted current earnings" of the corporation exceeds its alternative minimum taxable income. The Fund may hold Municipal Securities the interest on which (and thus a proportionate share of the exempt-interest dividends paid by the Fund) will be subject to the Federal alternative minimum tax on individuals and corporations. The Fund anticipates that under normal circumstances it will not purchase any such securities in an amount greater than 20% of its total assets.

Changes in Ratings. Subsequent to its purchase by the Fund, a Municipal Security may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event requires the Fund to sell the security, but the Manager will consider such events in determining whether the Fund should continue to hold the security. To the extent that ratings given by Moody's, Standard & Poor's, or Fitch change as a result of changes in such organizations or their rating systems, the Fund will attempt to use comparable ratings as standards for investments in accordance with the Fund's investment policies.

Special Investment Considerations - California Municipal Securities. As stated in the Prospectus, the values of the Fund's California Municipal Securities are highly sensitive to the fiscal stability of California and its subdivisions, agencies, instrumentalities or authorities, which issue the Municipal Securities in which the Trust concentrates its investments. Certain amendments to the California State constitution, legislative measures, executive orders, civil actions and voter initiatives in recent years that could adversely affect the ability of California issuers to pay interest and principal on Municipal Securities are described below. The following constitutes only a brief summary, and is based on information drawn from the relevant statutes and certain other publicly available information. The Fund has not independently verified such information.

Changes in California constitutional and other laws during the last several years have caused concerns about the ability of California state and municipal issuers to obtain sufficient revenue to pay their bond obligations. In 1978, California voters approved an amendment to the California Constitution known as Proposition 13. Proposition 13 limits ad valorem taxes on real property and restricts the ability of taxing entities to increase real property taxes. However, legislation passed subsequent to Proposition 13 provided for the redistribution of California's General Fund surplus to local agencies, the reallocation of revenues to local agencies and the assumption of certain local obligations by the state so as to help California municipal issuers to raise revenue to pay their bond obligations. It is unknown whether additional revenue redistribution legislation will be enacted in the future and whether, if enacted, such legislation would provide sufficient revenue for such California issuers to pay their obligations. The state is also subject to another constitutional amendment, Article XIII B, which may have an adverse impact on California state and municipal issuers. Article XIII B restricts the state from spending certain appropriations in excess of an appropriations limit imposed for each state and local government entity. If revenues exceed such appropriations limit, such revenues must be returned either as revisions in the tax rates or fee schedules. Because of the uncertain impact of the aforementioned legislation, the possible inconsistencies in the respective terms of the statutes and the impossibility of predicting the level of future appropriations and applicability of related statutes to such questions, it is not currently possible to assess the impact of such legislation and policies on the long term ability of California state and municipal issuers to pay interest or repay principal on their obligations.

California has substantial size, wealth and a diverse economy. California's economy is the eighth largest in the world and the state ranks number one among the 50 states in manufacturing, foreign trade, agriculture, construction, and tourism. It is the largest in population of the states, and accounts for about 11% of the total national income and about 13% of personal income in the U.S. Through the 1980s, the rate of state population growth was more than twice that for the country.

Currently California's economy is experiencing the effects of a recession. Substantial contraction in California's defense related

industries, overbuilding in commercial real estate, and consolidation and decline in the state's financial services industry will likely produce slower overall growth for several years.

During the past year, declining income, sales, and production strained an already weak economy. The economy experienced its most difficult year in more than a half a century. In California, the recessionary trend was reinforced by sharp declines in defense-related manufacturing and commercial office construction.

Home prices and sales have continued to decline. Median home prices in July 1992 were 3.7% lower than a year earlier, compared with a national decline of only 0.8%. Unemployment in California in February 1992 stood at 8.7% versus 7.3% for the nation. March figures dropped in California to 8.5% because of shrinkage in the labor force. The nation's rate remained steady at 7.3%. 1991 figures have been revised to show 740,000 jobs (approximately 5%) lost from a labor force of approximately 15 million since the peak in June of 1990, notwithstanding the continued increase in the state's population. In California, personal bankruptcy filings rose 24% for the fiscal year ended June 1991 versus a 5% increase in 1990. Statewide filings were up by 27% for the first six months of the year ended June 30, 1992, while the national figures have peaked and are starting to slow. This is attributable to the fact California was hit by the recession after the rest of the nation. Employment numbers are not expected to improve in the near term. The state's budget deficit also looms large with regards to employment, with the probability of a hiring freeze and layoffs. The government sector is California's largest employer and little to no growth is expected. Employment grew by only 0.5% in 1990 and fell 1.0% in 1991. With a slow recovery, economic forecasts have annual growth of employment at 2.0% for 1992 and 2.9% in 1993 and 1994.

In January 1992, Governor Wilson introduced a balanced budget plan for fiscal year 1992-93. However, because of deteriorating economic conditions both nationally and statewide, the budget plan became increasingly unbalanced.

The state experienced a budget deficit for its 1991 fiscal year of over \$14 billion. In January 1992, the estimated deficit for the year ended June 30, 1992, was \$1.3 billion. By the May revision of the budget plan, the estimated deficit had grown to \$4 billion, with a budget year funding gap of \$10.7 billion. California entered its 1992-93 fiscal year with no budget agreement. Accordingly, scrip (IOUs) had to be used to pay the state's bills. As of September 2, 1992, the state had issued and outstanding over \$3 billion of such scrip. Effective July 1, the rating on the state's outstanding debt obligations had been downgraded by both major bond rating services. On September 2, 1992, 79 days after the budget adoption deadline of June 15, and 64 days into the state's fiscal year, the California legislature adopted, and the Governor signed a \$57.6 billion state budget for 1992-93, along with certain accompanying enabling legislation. With the budget in place, the state's largest banks returned to accepting the state's IOUs. The banks had stopped accepting IOUs in early August.

Repurchase Agreements. In a repurchase transaction, the Fund purchases a security from, and simultaneously resells it to, an approved vendor (a U.S. commercial bank or the U.S. branch of a foreign bank with total domestic assets of at least \$1 billion or broker-dealer with net capital of at least \$50 million which has been designated a primary dealer in government securities) for delivery on an agreed-on future date. The resale price exceeds the purchase price by an amount that reflects an agreed-upon interest rate effective for the period during which the repurchase agreement is in effect. The majority of these transactions run from day to day, and delivery pursuant to the resale typically will occur within one to five days of the purchase. Repurchase agreements are considered loans under the Investment Company Act, collateralized by the underlying security. The Fund's repurchase agreements require that at all times while the repurchase agreement is in effect, the value of the collateral must equal or exceed the repurchase price to fully collateralize the loan. Additionally, the Manager will continuously monitor the collateral's value and will impose creditworthiness requirements to confirm that the vendor is financially sound.

Loans of Portfolio Securities. The Fund may lend its portfolio securities subject to the restrictions stated in the Prospectus, to attempt to increase the Fund's income for liquidity purposes. Under applicable regulatory requirements (which are subject to change), the loan collateral must, on each business day, be at least equal to the value of the loaned securities and must consist of cash, bank letters of credit or securities

of the U.S. Government (or its agencies or instrumentalities) or other cash equivalents in which the Fund is permitted to invest. To be acceptable as collateral, letters of credit must obligate a bank to pay amounts demanded by the Fund if the demand meets the terms of the letter. Such terms and the issuing bank must be satisfactory to the Fund. The Fund receives an amount equal to the dividends or interest on loaned securities and also receives one or more of: (a) negotiated loan fees, (b) interest on securities used as collateral, or (c) interest on short-term debt securities purchased with such loan collateral; either type of interest may be shared with the borrower. The Fund may also pay reasonable finder's, custodian and administrative fees. The terms of the Fund's loans must meet certain tests under the Internal Revenue Code and permit the Fund to reacquire loaned securities on five days' notice or in time to vote on any important matter. Income from securities loans is not included in the exempt-interest dividends paid by the Fund.

Covered Calls and Hedging. As described in the Prospectus, the Fund may write covered calls or employ one or more types of Hedging Instruments. When hedging to attempt to protect against declines in the market value of the Fund's portfolio, to permit the Fund to retain unrealized gains in the value of portfolio securities which have appreciated, or to facilitate selling securities for investment reasons, the Fund may: (i) sell Interest Rate Futures or Municipal Bond Futures, (ii) buy puts, or (iii) write covered calls on securities, Interest Rate Futures or Municipal Bond Futures (as described in the Prospectus). When hedging to permit the Fund to establish a position in the debt securities market as a temporary substitute for purchasing particular debt securities (which the Fund will normally purchase, and then terminate that hedging position), the Fund may: (i) buy Interest Rate Futures or Municipal Bond Index Futures, or (ii) buy calls on such Futures or on securities. The Fund's strategy of hedging with Futures and options on Futures will be incidental to the Fund's activities in the underlying cash market. Additional Information about the covered calls and Hedging Instruments the Fund may use is provided below.

Writing Covered Call Options. When the Fund writes a call on a security, it receives a premium and agrees to sell the callable investment to a purchaser of a corresponding call during the call period (usually not more than nine months) at a fixed exercise price (which may differ from the market price of the underlying investment) regardless of market price changes during the call period. To terminate its obligation on a call it has written, the Fund may purchase a corresponding call in a "closing purchase transaction." A profit or loss will be realized, depending upon whether the net of the amount of option transaction costs and the premium previously received on the call written is more or less than the price of the call subsequently purchased. A profit may also be realized if the call lapses unexercised, because the Fund retains the related investments and the premium received. An option position may be closed out only on a market which provides secondary trading for options of the same series, and there is no assurance that a liquid secondary market will exist for any particular option. If the Fund could not effect a closing purchase transaction due to a lack of a market, it would have to hold the callable securities until the call lapsed or was exercised.

Additional Information About Hedging Instruments and Their Use. The Fund's Custodian, or a securities depository acting for the Custodian, will act as the Fund's escrow agent through the facilities of the Options Clearing Corporation ("OCC"), as to the investments on which the Fund has written options, traded on exchanges, or as to other acceptable escrow securities, so that no margin will be required for such transactions. OCC will release the securities on the expiration of the calls or upon the Fund's entering into a closing purchase transaction. Call writing affects the Fund's turnover rate and the brokerage commissions it pays. Commissions payable on writing or purchasing a call are normally higher on a relative basis than on general securities transactions.

Interest Rate Futures. The Fund may buy and sell futures contracts relating to debt securities ("Interest Rate Futures") and municipal bond indices ("Municipal Bond Index Futures," discussed below). An Interest Rate Future obligates the seller to deliver and the purchaser to take a specific type of debt security or cash to settle the futures transaction, or to enter into an offsetting contract. Upon entering into a Futures transaction, the Fund will be required to deposit an initial margin payment in cash or U.S. Treasury bills with the futures commission merchant (the "futures broker"). The initial margin will be deposited with the Fund's Custodian in an account registered in the futures broker's name; however, the futures broker can gain access to that account only under specified conditions. As the Future is marked to market to reflect changes in its market value, subsequent margin payments, called variation

margin, will be paid to or by the futures broker on a daily basis. Prior to the expiration of the Future, if the Fund elects to close out its position by taking an opposite position, a final determination of variation margin is made and additional cash is required to be paid by or released to the Fund. Any gain or loss is then realized. Although Interest Rate Futures by their terms call for settlement by the delivery of debt securities, in most cases the obligation is fulfilled without such delivery by entering into an offsetting transaction. All futures transactions are effected through a clearinghouse associated with the exchange on which the contracts are traded.

Municipal Bond Index Futures. Municipal Bond Index Futures are similar to Interest Rate Futures except that settlement is made in cash. No physical delivery is made of the underlying bonds in the index. The obligation under such contracts may also be satisfied by entering into an offsetting contract to close out the futures position. Net gain or loss on options on Municipal Bond Index Futures depends on the price movements of the securities included in the index. The strategies which the Fund employs regarding Municipal Bond Index Futures are similar to those described above with regard to Interest Rate Futures.

Purchasing Calls and Puts. When the Fund purchases a call (other than in a closing purchase transaction), it pays a premium and, except as to calls on Municipal Bond Index Futures, has the right to buy the underlying investment from a seller of a corresponding call on the same investment during the call period at a fixed exercise price. The Fund benefits only if the call is sold at a profit or if, during the call period, the market price of the underlying investment is above the sum of the call price plus the transaction costs and premium paid for the call, and the call is exercised. If the call is not exercised or sold (whether or not at a profit), it will become worthless at its expiration date and the Fund will lose its premium payment and the right to purchase the underlying investment. When the Fund purchases a call or put a municipal bond index, Municipal Bond Index Future or Interest Rate Future, it pays a premium, but settlement is in cash rather than by delivery of the underlying investment to the Fund. Gain or loss depends on changes in the index in question (and thus on price movements in the debt securities market generally) rather than on price movements in individual futures contracts.

When the Fund buys a put, it pays a premium and, except as to puts on municipal bond indices, has the right to sell the underlying investment to a seller of a corresponding put on the same investment during the put period at a fixed exercise price. Buying a put on a debt security, Interest Rate Future or Municipal Bond Index Future the Fund owns enables the Fund to protect itself during the put period against a decline in the value of the underlying investment below the exercise price by selling such underlying investment at the exercise price to a seller of a corresponding put. If the market price of the underlying investment is equal to or above the exercise price and as a result the put is not exercised or resold, the put will become worthless at its expiration date and the Fund will lose its premium payment and the right to sell the underlying investment. The put may, however, be sold prior to expiration (whether or not at a profit).

The Fund's option activities may affect its turnover rate and brokerage commissions. The exercise of calls written by the Fund may cause it to sell underlying investments, thus increasing its turnover rate in a manner beyond its control. The exercise by the Fund of puts may also cause the sale of underlying investments, also causing turnover, since the underlying investment might be sold for reasons which would not exist in the absence of the put. The Fund will pay a brokerage commission each time it buys a call or a put or sells a call. Premiums paid for options are small in relation to the market value of the related investments and, consequently, put and call options offer large amounts of leverage. The leverage offered by trading in options could cause the Fund's net asset value to be more sensitive to changes in the value of the underlying investments.

Interest Rate Swap Transactions. Swap agreements entail both interest rate risk and credit risk. There is a risk that, based on movements of interest rates in the future, the payments made by the Fund under a swap agreement will have been greater than those received by it. Credit risk arises from the possibility that the counterparty will default. If the counterparty to an interest rate swap defaults, the Fund's loss will consist of the net amount of contractual interest payments that the Fund has not yet received. The Manager will monitor the creditworthiness of counterparties to the Fund's interest rate swap transactions on an ongoing basis. The Fund will enter into swap

transactions with appropriate counterparties pursuant to master netting agreements. A master netting agreement provides that all swaps done between the Fund and that counterparty under the master agreement shall be regarded as parts of an integral agreement. If on any date amounts are payable in the same currency in respect of one or more swap transactions, the net amount payable on that date in that currency shall be paid. In addition, the master netting agreement may provide that if one party defaults generally or on one swap, the counterparty may terminate the swaps with that party. Under such agreements, if there is a default resulting in a loss to one party, the measure of that party's damages is calculated by reference to the average cost of a replacement swap with respect to each swap (i.e., the mark-to-market value at the time of the termination of each swap). The gains and losses on all swaps are then netted, and the result is the counterparty's gain or loss on termination. The termination of all swaps and the netting of gains and losses on termination is generally referred to as "aggregation."

Regulatory Aspects of Hedging Instruments. The use of Futures and options thereon to attempt to protect against the market risk of a decline in the value of portfolio securities is referred to as having a "short futures position," and the use of such instruments to attempt to protect against the market risk that portfolio securities are not fully included in an increase in value of the market as a whole is referred to as having a "long futures position." The Fund must operate within certain restrictions as to its long and short positions in Futures and options thereon under a rule ("CFTC Rule") adopted by the Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act (the "CEA"), which excludes the Fund from registration with the CFTC as a "commodity pool operator" (as defined under the CEA), if it complies with the CFTC Rule. Under those restrictions, the Fund will not, as to any positions, whether long, short or a combination thereof, enter into Futures contracts and options thereon for which the aggregate initial margins and premiums exceed 5% of the fair market value of its net assets, with certain exclusions as defined in the CFTC Rule. Under the restrictions, the Fund also must, as to its short positions, use Futures and options thereon solely for bona fide hedging purposes within the meaning and intent of the applicable provisions of the CEA.

Transactions in options by the Fund are subject to limitations established by each of the exchanges governing the maximum number of options which may be written or held by a single investor or group of investors acting in concert, regardless of whether the options were written or purchased on the same or different exchanges or are held in one or more accounts or through one or more different exchanges or through one or more brokers. Thus, the number of options which the Fund may write or hold may be affected by options written or held by other entities, including other investment companies having the same adviser as the Fund or an affiliated investment adviser. Position limits also apply to Futures. An exchange may order the liquidation of positions found to be in violation of these limits and may impose certain other sanctions. Due to requirements under the Investment Company Act, when the Fund purchases an Interest Rate Future or Municipal Bond Index Future, the Fund will maintain, in a segregated account or accounts with its Custodian, cash or readily-marketable, short-term (maturing in one year or less) debt instruments in an amount equal to the market value of the investments underlying such Future, less the margin deposit applicable to it.

Tax Aspects of Hedging Instruments. The Fund intends to qualify as a "regulated investment company" under the Internal Revenue Code. One of the tests for such qualification is that less than 30% of its gross income must be derived from gains realized on the sale of securities held for less than three months. Due to this limitation, the Fund will limit the extent to which it engages in the following activities, but will not be precluded from them: (i) selling investments, including Interest Rate Futures and Municipal Bond Index Futures, held for less than three months, whether or not they were purchased on the exercise of a call held by the Fund; (ii) writing calls on investments held less than three months; (iii) purchasing calls or puts which expire in less than three months; (iv) effecting closing transactions with respect to calls or puts purchased less than three months previously; and (v) exercising puts or calls held by the Fund for less than three months.

Possible Risk Factors in Hedging. In addition to the risks with respect to Futures and options discussed in the Prospectus and above, there is a risk in using short hedging by selling Interest Rate Futures and Municipal Bond Index Futures that the prices of such Futures will correlate imperfectly with the behavior of the cash (i.e., market value) prices of the Fund's securities. The ordinary spreads between prices in the cash and futures markets are subject to distortions due to

differences in the natures of those markets. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close out futures contracts through offsetting transactions which could distort the normal relationship between the cash and futures markets. Second, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced, thus producing distortion. Third, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may cause temporary price distortions.

The risk of imperfect correlation increases as the composition of the Fund's portfolio diverges from the securities included in the applicable index. To compensate for the imperfect correlation of movements in the price of the debt securities being hedged and movements in the price of the Hedging Instruments, the Fund may use Hedging Instruments in a greater dollar amount than the dollar amount of debt securities being hedged if the historical volatility of the prices of such debt securities being hedged is more than the historical volatility of the applicable index. It is also possible that when the Fund has used Hedging Instruments in a short hedge, the market may advance and the value of the debt securities held in the Fund's portfolio may decline. If this occurred, the Fund would lose money on the Hedging Instruments and also experience a decline in value of its debt securities. However, while this could occur for a very brief period or to a very small degree, over time the value of a diversified portfolio of debt securities will tend to move in the same direction as the indices upon which the Hedging Instruments are based. If the Fund uses Hedging Instruments to establish a position in the debt securities markets as a temporary substitute for the purchase of particular debt securities (long hedging) by buying Interest Rate Futures, Municipal Bond Index Futures and/or calls on such Futures or debt securities, it is possible that the market may decline; if the Fund then concludes not to invest in such securities at that time because of concerns as to possible further market decline or for other reasons, the Fund will realize a loss on the Hedging Instruments that is not offset by a reduction in the price of the debt securities purchased.

ADDITIONAL INVESTMENT RESTRICTIONS

The Fund's significant investment restrictions are set forth in the Prospectus. The following investment restrictions, are also fundamental policies, and together with the fundamental policies described in the Prospectus, cannot be changed without the vote of a "majority" of the Fund's outstanding voting securities. Under the Investment Company Act, such a "majority" vote is defined as the vote of the holders of the lesser of (i) 67% or more of the shares present or represented by proxy at a shareholders meeting, if the holders of more than 50% of the outstanding shares are present or represented by proxy, or (ii) more than 50% of the outstanding shares.

Under these additional restrictions, the Fund cannot: (1) invest in real estate, but this shall not prevent the Fund from investing in Municipal Securities or other permitted securities secured by real estate or interests therein; (2) purchase securities other than Hedging Instruments on margin; however, the Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities; (3) make short sales of securities; (4) underwrite securities or invest in securities subject to restrictions on resale; (5) invest in or hold securities of any "issuer" (see below) if officers and Trustees or Directors of the Fund and the Manager individually own more than .5% of the securities of such issuer together own more than 5% of the securities of such issuer; or (6) invest in securities of any other investment company, except in connection with a merger with another investment company.

Under restriction (5) above, the identification of the issuer of a Municipal Security depends on the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision and the security is backed only by the assets and revenues of the subdivision, such subdivision would be deemed to be the sole issuer. Similarly, in the case of an industrial development bond, if that bond is backed only by the assets and revenues of the nongovernmental user, then such nongovernmental user would be deemed the sole issuer. However, if in either case the creating government or some

other entity guarantees a security, such a guarantee would be considered a separate security and is to be treated as an issue of such government or other agency.

In applying restrictions as to the Fund's investments, the Manager will consider a nongovernmental user of facilities financed by industrial development bonds as being in a particular industry, despite the fact that such bonds are Municipal Securities as to which there is no industry concentration limitation. Although this application of the restriction is not technically a fundamental policy under the Investment Company Act, it will not be changed without shareholder approval. The Manager has no present intention of investing more than 25% of the total assets of the Fund in securities the interest on which is paid from revenues of similar types of projects or in industrial development bonds. Neither of these are fundamental policies, and therefore either of them may be changed without shareholder approval. Should any such change be made, the Prospectus and/or this Additional Statement will be supplemented to reflect the change.

TRUSTEES AND OFFICERS OF THE FUND

The Fund's Trustees and officers and their principal occupations and business affiliations during the past five years are set forth below. The address of each, except as noted, is Two World Trade Center, New York, New York 10048-0203. Except for Mr. Patterson, each serves in similar capacities with Oppenheimer Fund, Oppenheimer Time Fund, Oppenheimer Special Fund, Oppenheimer Global Fund, Oppenheimer Money Market Fund, Inc., Oppenheimer U.S. Government Trust, Oppenheimer Gold & Special Minerals Fund, Oppenheimer Discovery Fund, Oppenheimer Target Fund, Oppenheimer Asset Allocation Fund, Oppenheimer Mortgage Income Fund, Oppenheimer Global Bio-Tech Fund, Oppenheimer Global Environment Fund, Oppenheimer Global Growth & Income Fund, Oppenheimer Tax-Free Bond Fund, Oppenheimer New York Tax-Exempt Fund, Oppenheimer Pennsylvania Tax-Exempt Fund, Oppenheimer Multi-Sector Income Trust and Oppenheimer Multi-Government Trust. As of _____, the Trustees and officers of the Fund in the aggregate owned less than 1% of the Fund's outstanding shares.

LEON LEVY, Chairman of the Board of Trustees
General Partner of Odyssey Partners, L.P. (investment partnership);
Chairman of Avatar Holdings Inc. (real estate development).

LEO CHERNE, Trustee
386 Park Avenue South, New York, New York 10016
Chairman Emeritus of the International Rescue Committee
(philanthropic organization); formerly Executive Director of The
Research Institute of America.

EDMUND T. DELANEY, Trustee
5 Gorham Road, Chester, Connecticut 06412
Attorney-at-law; formerly a member of the Connecticut State
Historical Commission and Counsel to Copp, Berall & Hempstead (a law
firm).

ROBERT G. GALLI, Trustee*
Vice Chairman of the Manager and Vice President and Counsel of
Oppenheimer Acquisition Corp. ("OAC") the Manager's parent holding
company; formerly he held the following positions: a director of the
Manager and the Distributor, Vice President and a director of
HarbourView Asset Management Corporation ("HarbourView") and
Centennial Asset Management Corporation ("Centennial"), investment
adviser subsidiaries of the Manager, a director of Shareholder
Financial Services, Inc. ("SFSI") and Shareholder Services, Inc.
("SSI"), transfer agent subsidiaries of the Manager, an officer of
other Oppenheimer Funds and Executive Vice President & General Counsel
of the Manager and the Distributor.

BENJAMIN LIPSTEIN, Trustee
591 Breezy Hill Road, Hillsdale, New York 12529
Professor Emeritus of Marketing, Stern Graduate School of Business
Administration, New York University.

ELIZABETH B. MOYNIHAN, Trustee
801 Pennsylvania Avenue, N.W., Washington, D.C. 20004
Author and architectural historian; a trustee of the American Schools
of Oriental Research and of the Freer Gallery of Art, Smithsonian
Institution; a member of the Indo - U.S. Sub-Commission on Education
and Culture; a trustee of the Institute of Fine Arts, New York
University, and a trustee of the Preservation League of New York
State.

KENNETH A. RANDALL, Trustee

6 Whittaker's Mill, Williamsburg, Virginia 23185

A director of Northeast Bancorp, Inc. (bank holding company),
Dominion Resources, Inc. (electric utility holding company), and
Kemper Corporation (insurance and financial services company);
formerly Chairman of the Board of ICL, Inc. (information systems).

EDWARD V. REGAN, Trustee

40 Park Avenue, New York, New York 10016

President of Jerome Levy Institute, Bard College; Member of the U.S.
Competitiveness Policy Council; formerly New York State Comptroller.

RUSSELL S. REYNOLDS, JR., Trustee

200 Park Avenue, New York, New York 10166

Founder Chairman of Russell Reynolds Associates, Inc. (executive
recruiting); Chairman of Directors Publication, Inc. (consulting and
publishing); a trustee of Mystic Seaport Museum, International House,
Greenwich Historical Society and Greenwich Hospital.

SIDNEY M. ROBBINS, Trustee

50 Overlook Road, Ossining, NY 10562

Chase Manhattan Professor Emeritus of Financial Institutions,
Graduate School of Business, Columbia University; Visiting Professor
of Finance, University of Hawaii; a director of The Korea Fund, Inc.
and The Malaysia Fund, Inc. (closed-end investment companies); a
member of the Board of Advisors, Olympus Private Placement Fund,
L.P.; Professor Emeritus of Finance, Adelphi University.

DONALD W. SPIRO, President and Trustee*

Chairman Emeritus and a director of the Manager; formerly Chairman
of the Manager and Oppenheimer Fund Management, Inc. (the
"Distributor").

PAULINE TRIGERE, Trustee

550 Seventh Avenue, New York, NY 10018

Chairman and Chief Executive Officer of Trigere, Inc., (design and
sale of women's fashions).

CLAYTON K. YEUTTER, Trustee

1325 Merrie Ridge Road, McLean, Virginia 22101

Of counsel to Hogan & Hartson (a law firm); a director of B.A.T.
Industries, Inc. (tobacco and financial services), Caterpillar, Inc.
(machinery), ConAgra, Inc. (food and agricultural products), FMC
Corp. (chemicals and machinery), Lindsay Manufacturing Co. and Texas
Instruments, Inc. (electronics); formerly (in descending
chronological order) Deputy Chairman, Bush/Quayle Presidential
Campaign, Counsellor to the President (Bush) for Domestic Policy,
Chairman of the Republican National Committee, Secretary of the U.S.
Department of Agriculture, and U.S. Trade Representative, Executive
Office of the President.

ROBERT E. PATTERSON, Vice President and Portfolio Manager

Senior Vice President of the Manager; an officer of other
OppenheimerFunds.

ANDREW J. DONOHUE, Secretary

Executive Vice President and General Counsel of the Manager and the
Distributor; an officer of other OppenheimerFunds; formerly Senior
Vice President and Associate General Counsel of the Manager and the
Distributor, partner in Kraft & McManimon (a law firm), an officer
of First Investors Corporation (a broker-dealer) and First Investors
Management Company, Inc. (broker-dealer and investment adviser),
director and an officer of First Investors Family of Funds and First
Investors Life Insurance Company.

GEORGE C. BOWEN, Treasurer

3410 South Galena Street, Denver, Colorado 80231

Senior Vice President and Treasurer of the Manager; Vice President
and Treasurer of the Distributor and HarbourView; Senior Vice
President, Treasurer, Assistant Secretary and a director of
Centennial; Vice President, Secretary and Treasurer of SSI and SFSI;
an officer of other OppenheimerFunds; formerly Senior Vice
President/Comptroller and Secretary of OAMC.

ROBERT G. ZACK, Assistant Secretary

Senior Vice President and Associate General Counsel of the Manager;
Assistant Secretary of SSI, SFSI; an officer of other
OppenheimerFunds.

LYNN M. COLUCCY, Assistant Treasurer

3410 South Galena Street, Denver, Colorado 80231

Vice President and Assistant Treasurer of the Manager; an officer of other OppenheimerFunds; formerly Vice President/Director of Internal Audit of the Manager.

[FN]

*A Trustee who is an "interested person" of the Fund as defined in the Investment Company Act.

Remuneration of Trustees. The officers of the Fund, including Mr. Spiro, are affiliated with the Manager and receive no salary or fee from the Fund. During the Fund's fiscal year ended December 31, 1993, the remuneration (including expense reimbursements) paid to all Trustees of the Fund (excluding Mr. Spiro) as a group, and as members of one or more committees, totalled \$_____. In addition, the Fund has adopted a retirement plan that provides for payment to a retired independent Trustee of up to 80% of the average compensation paid during that Trustee's five years of service in which the highest compensation was received. A Trustee must serve in that capacity for any of the funds listed above for at least 15 years to be eligible for the maximum payment. No Trustee has retired since the adoption of the plan and no payments have been made by the Fund under it. During the fiscal year ended December 31, 1993, the Fund accrued \$_____ for projected benefit obligations under the Plan.

Major Shareholders. As of _____, the only person who owned of record or was known by the Fund to own beneficially 5% or more of the Fund's outstanding Class A or Class B shares was _____ which was the record owner of _____ shares (_____% of the shares then outstanding).

HOW THE FUND IS MANAGED

The Manager is owned by Oppenheimer Acquisition Corp., a holding company controlled by Massachusetts Mutual Life Insurance Company. OAC is also owned in part by certain of the Manager's directors and officers, some of whom may also serve as officers of the Fund, and one of whom (Mr. Spiro) serves as a Trustee of the Fund.

The investment advisory agreement between the Manager and the Fund (the "Agreement") requires the Manager, at its expense, to provide the Fund with adequate office space, facilities and equipment, and to provide and supervise the activities of all administrative and clerical personnel required to provide effective administration for the Fund, including the compilation and maintenance of records with respect to its operations, the preparation and filing of specified reports, and the composition of proxy materials and registration statements for continuous public sale of shares of the Fund. Expenses not expressly assumed by the Manager under the Agreement or by the Distributor are paid by the Fund. The Agreement lists examples of expenses paid by the Fund, the major categories of which relate to interest, taxes, brokerage commissions, fees to certain Trustees, legal and audit expenses, custodian and transfer agent expenses, share issuance costs, certain printing and registration costs, and non-recurring expenses, such as litigation.

The Agreement contains no expense limitation. However, independently of the Agreement, the Manager has voluntarily undertaken that the total expenses of the Fund in any fiscal year exclusive of taxes, interest, brokerage fees and extraordinary expenses such as litigation costs shall not exceed (and the Manager undertakes to reduce the Fund's management fee in the amount by which such expenses shall exceed) the most stringent state regulatory limitation applicable to the Fund. That limitation, imposed by California, limits expenses (with specific exclusions) to 2.5% of the first \$30 million of average annual net assets, 2% of the next \$70 million, and 1.5% of average annual net assets in excess of \$100 million. The payment of the management fee will be reduced monthly so that there will not be any accrued but unpaid liability under that expense assumption undertaking. The Manager reserves the right to change or eliminate that undertaking at any time. Any assumption of the Fund's expenses under that undertaking would lower the Fund's overall expense ratio and increase its total return during any period in which expenses are limited. Prior to November 1, 1993, independently of the Agreement, the Manager had undertaken to assume the Fund's expenses (exclusive of any non-recurring expenses, such as litigation) to the extent required to maintain the Fund's dividend rate at \$.0498 per share every 28 days. Effective November 1, 1993, the Manager terminated this undertaking. For the fiscal

year ended December 31, 1991, the management fee payable by the Fund to the Manager would have been \$693,924, absent the Manager's assumption of Fund expenses. The Manager assumed Fund expenses in the amount of \$359,854 in 1991. The management fee was reduced by the amount of the expense assumption, and the net paid to the Manager was \$334,070 in 1991. For the fiscal years ended December 31, 1992 and 1993, there were no assumption of expenses, and the management fees were \$1,044,275 and \$ _____, respectively.

The Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations thereunder, the Manager is not liable for any loss sustained by reason of any investment of Fund assets made with due care and in good faith. The Agreement permits the Manager to act as investment adviser for any other person, firm or corporation and to use the name "Oppenheimer" in connection with one or more additional companies for which it may act as investment adviser or general distributor. If the Manager shall no longer act as investment adviser to the Fund, the right of the Fund to use the name "Oppenheimer" as part of its name may be withdrawn.

Portfolio Transactions. Portfolio decisions are made by portfolio managers under the supervision of the Manager's executive officers. As most purchases made by the Fund are principal transactions at net prices, the Fund incurs little or no brokerage costs. The Fund usually deals directly with the selling or purchasing principal or market maker without incurring charges for the services of a broker on its behalf unless it is determined that better price or execution may be obtained by utilizing the services of a broker. Purchases of portfolio securities from underwriters include a commission or concession paid by the issuer to the underwriter, and purchases from dealers include a spread between the bid and asked price. The Fund seeks to obtain prompt execution of orders at the most favorable net price.

BROKERAGE POLICIES OF THE FUND

If a broker is used for the Fund's portfolio transactions, the Agreement contains provisions relating to the selection of brokers, dealers and futures commission merchants (collectively referred to as "brokers") for the Fund's futures, put and call transactions. The Manager is authorized by the Agreement to employ brokers as may, in its best judgment based on all relevant factors, implement the policy of the Fund to obtain, at reasonable expense, the "best execution" (prompt and reliable execution at the most favorable price obtainable) of such transactions. The Manager need not seek competitive commission bidding but is expected to minimize the commissions paid to the extent consistent with the interest and policies of the Fund.

When the Fund engages in an option transaction, ordinarily the same broker will be used for the purchase or sale of the option and any transactions in the securities to which the option relates. Where possible, concurrent orders to purchase or sell the same security by more than one of the accounts managed by the Manager or its affiliates are combined. The transactions effected pursuant to such combined orders are averaged as to price and allocated in accordance with the purchase or sale orders actually placed for each account.

Under the Agreement, the Manager is authorized to select brokers other than affiliates which provide brokerage and/or research services for the Fund and/or the other accounts over which the Manager or its affiliates have investment discretion. The commissions paid to such brokers may be higher than another qualified broker would have charged if a good faith determination is made by the Manager that the commission is reasonable and fair in relation to the services provided. There is no formula under which any of the brokers selected by the Manager are entitled to the allocation of a particular amount of commissions. Subject to the foregoing considerations, the Manager may also consider the willingness of particular broker-dealers to sell shares of the Fund and other funds advised by the Manager and its affiliates as a factor in their selection.

The research services provided by a particular broker may be useful only to one or more of the advisory accounts of the Manager and its affiliates, and investment research for the commissions of these other accounts may be useful both to the Fund and one or more of such other accounts. Such research, which may be supplied by a third party at the instance of a broker, includes information and analyses on particular companies, issuers and industries as well as market or economic trends and portfolio strategy, receipt of market quotations for portfolio evaluations, information systems, computer hardware and similar products

and services. It serves to broaden the scope and supplement the research activities of the Manager, to make available additional views for consideration and comparisons, and to enable the Manager to obtain market information for the valuation of securities held in the Fund's portfolio or being considered for purchase. If a research service also assists the Manager in a non-research capacity (such as bookkeeping or other administrative functions), then only the percentage or component that provides assistance to the Manager in the investment decision-making process may be paid for in commission dollars. The Board and the independent Trustees of the Fund annually review information furnished by the Manager relative to the commissions paid to brokers furnishing such services in an effort to ascertain that the amount of such commissions was reasonably related to the value or benefit of such services.

YOUR INVESTMENT ACCOUNT

How the Fund Determines Net Asset Value Per Share. The net asset values per share of Class A and Class B shares of the Fund are determined each day the New York Stock Exchange (the "NYSE") is open, as of 4:00 P.M., New York time, that day by dividing the value of the Fund's net assets attributable to that class by the number of shares of that class outstanding. The NYSE's most recent annual holiday schedule states that it will close New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day; the Exchange may also close on other days. Dealers other than NYSE members may conduct trading in Municipal Securities on certain days on which the NYSE is closed (e.g., Good Friday), so that securities of the same type held by the Fund may be traded, and the net asset values per share of Class A and Class B shares of the Fund may be significantly affected, on such days when shareholders will not have the ability to purchase or redeem shares.

The Fund's Board of Trustees has established procedures for the valuation of the Fund's securities, generally as follows: (i) long-term debt securities and short-term debt securities having a remaining maturity in excess of 60 days are valued at the mean between the bid and asked prices determined by a portfolio pricing service approved by the Fund's Board or obtained from active market makers in the security on the basis of reasonable inquiry; (ii) short-term debt securities having a remaining maturity of less than sixty days when purchased or which currently have maturities of sixty days or less are valued at cost, adjusted for amortization of premiums and accretion of discounts; and (iii) securities or assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision and responsibility of the Fund's Board of Trustees. In the case of U.S. Government Securities and Municipal Securities having a maturity of more than sixty days, such pricing procedures may include "matrix" comparisons to the prices for comparable debt instruments on the basis of quality, yield, maturity, and other special factors involved (such as the tax-exempt status of the interest paid by Municipal Securities). The Trustees will monitor the accuracy of pricing services by comparing prices used for portfolio evaluation to actual sales prices of selected securities.

The Fund values puts, calls, Interest Rate Futures and Municipal Bond Index Futures at the last sales price on the principal exchange on which they are traded. If there were no sales on the principal exchange, the last sale on any exchange is used. In the absence of any sales that day, value shall be the last reported sales price on the prior trading day or closing bid or asked prices on the principal exchange closest to the last reported sales price.

When the Fund writes a call, an amount equal to the premium received is included in the Fund's Statement of Assets and Liabilities as an asset, and an equivalent deferred credit is included in the liability section. The deferred credit is "marked-to-market" to reflect the current market value of the call. If a call written by the Fund expires or if the Fund enters into a closing purchase transaction, the Fund has a gain or loss from the sale of the underlying securities and the proceeds are increased by the premium originally received. If a call written by the Fund is exercised, the proceeds are increased by the premium originally received. If a put held by the Fund is exercised by it, the amount the Fund receives on its sale of the related investment is reduced by the amount of the premium paid by the Fund.

Alternative Sales Arrangements - Class A and Class B Shares. The Alternative Sales Arrangements permit an investor to choose the method of purchasing shares that is more beneficial to the investor depending on the amount of the purchase, the length of time the investor expects to hold

shares and other relevant circumstances. Investors should understand that the purpose and function of the deferred sales charge and asset-based sales charge with respect to Class B shares are the same as those of the initial sales charge with respect to Class A shares. Any salesperson or other person entitled to receive compensation for selling Fund shares may receive different compensation with respect to one class of shares than the other. The Distributor will not accept any order for \$1 million or more of Class B shares on behalf of a single investor (not including dealer "street name" or omnibus accounts) because generally it will be more advantageous for that investor to purchase Class A shares of the Fund instead.

The two classes of shares each represent an interest in the same portfolio investments of the Fund. However, each class has different shareholder privileges and features. The net income attributable to Class B shares and the dividends payable on Class B shares will be reduced by incremental expenses borne solely by that class, including the asset-based sales charge to which Class B shares are subject.

The conversion of Matured Class B shares to Class A shares is subject to the continuing availability of a private letter ruling from the Internal Revenue Service, or an opinion of counsel or tax adviser, to the effect that the conversion of Matured Class B shares does not constitute a taxable event for the holder under Federal income tax law. If such a revenue ruling or opinion is no longer available, the automatic conversion feature may be suspended, in which event no further conversions of Matured Class B shares would occur while such suspension remained in effect. Although Matured Class B shares could then be exchanged for Class A shares on the basis of relative net asset value of the two classes, without the imposition of a sales charge or fee, such exchange could constitute a taxable event for the holder, and absent such exchange, Class B shares might continue to be subject to the asset-based sales charge for longer than six years.

The methodology for calculating the net asset value, dividends and distributions of the Fund's Class A and Class B shares recognizes two types of expenses. General expenses that do not pertain specifically to either class are allocated pro rata to the shares of each class, based on the percentage of the net assets of such class to the Fund's total assets, and then equally to each outstanding share within a given class. Such general expenses include (i) management fees, (ii) legal, bookkeeping and audit fees, (iii) printing and mailing costs of shareholder reports, Prospectuses, Additional Statements and other materials for current shareholders, (iv) fees to unaffiliated Trustees, (v) custodian expenses, (vi) share issuance costs, (vii) organization and start-up costs, (viii) interest, taxes and brokerage commissions, and (ix) non-recurring expenses, such as litigation costs. Other expenses that are directly attributable to a class are allocated equally to each outstanding share within that class. Such expenses include (i) Distribution Plan fees, (ii) incremental transfer and shareholder servicing agent fees and expenses, (iii) registration fees and (iv) shareholder meeting expenses, to the extent that such expenses pertain to a specific class rather than to the Fund as a whole.

AccountLink. When shares are purchased through AccountLink, each purchase must be at least \$25.00. Shares will be purchased on the regular business day the Distributor is instructed to initiate the Automated Clearing House transfer to buy the shares. Dividends will begin to accrue on such shares on the day the Fund receives Federal Funds for such purchase through the ACH system before 4:00 P.M., which is normally 3 days after the ACH transfer is initiated. The Distributor and the Fund are not responsible for any delays. If the Federal Funds are received after 4:00 P.M., dividends will begin to accrue on the next regular business day after such Federal Funds are received.

Reduced Sales Charges. As discussed in the Prospectus, a reduced sales charge rate may be obtained for Class A shares under Right of Accumulation and Letters of Intent because of the economies of sales efforts and reduction of expenses realized by the Distributor and dealers making such sales. In the instances discussed in the Prospectus in which no sales charge is imposed, that policy has been adopted because the Distributor or dealer or broker incurs little or no selling expenses in such circumstances. The term "immediate family" refers to one's spouse, children, grandchildren, parents, grandparents, parents-in-law, siblings, a spouse's siblings and a sibling's spouse.

-- The OppenheimerFunds. The OppenheimerFunds are those mutual funds for which the Distributor acts as the distributor or the sub-Distributor and include the following:

Oppenheimer Tax-Free Bond Fund
Oppenheimer New York Tax-Exempt Fund
Oppenheimer California Tax-Exempt Fund
Oppenheimer Intermediate Tax-Exempt Bond Fund
Oppenheimer Insured Tax-Exempt Bond Fund
Oppenheimer Main Street California Tax-Exempt Fund
Oppenheimer Florida Tax-Exempt Fund
Oppenheimer Pennsylvania Tax-Exempt Fund
Oppenheimer Fund
Oppenheimer Discovery Fund
Oppenheimer Time Fund
Oppenheimer Target Fund
Oppenheimer Special Fund
Oppenheimer Equity Income Fund
Oppenheimer Value Stock Fund
Oppenheimer Asset Allocation Fund
Oppenheimer Total Return Fund, Inc.
Oppenheimer Main Street Income & Growth Fund
Oppenheimer High Yield Fund
Oppenheimer Champion High Yield Fund
Oppenheimer Investment Grade Bond Fund
Oppenheimer U.S. Government Trust
Oppenheimer Government Securities Fund
Oppenheimer Mortgage Income Fund
Oppenheimer Global Fund
Oppenheimer Global Bio-Tech Fund
Oppenheimer Global Environment Fund
Oppenheimer Global Growth & Income Fund
Oppenheimer Gold & Special Minerals Fund
Oppenheimer Strategic Income Fund
Oppenheimer Strategic Investment Grade Bond Fund
Oppenheimer Strategic Short-Term Income Fund
Oppenheimer Strategic Income & Growth Fund
Oppenheimer Strategic Diversified Income Fund

the following "Money Market Funds":

Oppenheimer Money Market Fund, Inc.
Oppenheimer Cash Reserves
Oppenheimer Tax-Exempt Cash Reserves
Centennial Money Market Trust
Centennial Tax Exempt Trust
Centennial Government Trust
Centennial New York Tax Exempt Trust
Centennial California Tax Exempt Trust
Centennial America Fund, L.P.
Daily Cash Accumulation Fund, Inc.

There is an initial sales charge on the purchase of Class A shares of each of the Oppenheimer Funds except Money Market Funds (under certain circumstances described herein, redemption proceeds of Money Market Fund shares may be subject to a CDSC).

-- Letters of Intent. A Letter of Intent ("Letter") is the investor's statement of intention to purchase Class A shares of the Fund (and other eligible Oppenheimer Funds) sold with a front-end sales charge during the 13-month period from the investor's first purchase pursuant to the Letter (the "Letter of Intent period"), which may, at the investor's request, include purchases made up to 90 days prior to the date of the Letter. The Letter states the investor's intention to make the aggregate amount of purchases (excluding any purchases made by reinvestments of dividends or distributions or purchases made at net asset value without sales charge), which together with the investor's holdings of such funds (calculated at their respective public offering prices calculated on the date of the Letter) will equal or exceed the amount specified in the Letter to obtain the reduced sales charge rate (as set forth in the Prospectus) applicable to purchases of shares in that amount (the "intended amount"). Each purchase under the Letter will be made at the public offering price applicable to a single lump-sum purchase of shares in the intended amount, as described in the Prospectus.

In submitting a Letter, the investor makes no commitment to purchase shares, but if the investor's purchases of shares within the Letter of Intent period, when added to the value (at offering price) of the investor's holdings of shares on the last day of that period, do not equal or exceed the intended amount, the investor agrees to pay the additional amount of sales charge applicable to such purchases, as set forth in "Terms of Escrow," below (as those terms may be amended from time to

time). The investor agrees that shares equal in value to 5% of the intended amount will be held in escrow by the Transfer Agent subject to the Terms of Escrow. Also, the investor agrees to be bound by the terms of the Prospectus, this Statement of Additional Information and the Application used for such Letter of Intent, and if such terms are amended, as they may be from time to time by the Fund, that those amendments will apply automatically to existing Letters of Intent.

If the total eligible purchases made during the Letter of Intent period do not equal or exceed the intended amount, the commissions previously paid to the dealer of record for the account and the amount of sales charge retained by the Distributor will be adjusted to the rates applicable to actual total purchases. If total eligible purchases during the Letter of Intent period exceed the intended amount and exceed the amount needed to qualify for the next sales charge rate reduction set forth in the applicable prospectus, the sales charges paid will be adjusted to the lower rate, but only if and when the dealer returns to the Distributor the excess of the amount of commissions allowed or paid to the dealer over the amount of commissions that apply to the actual amount of purchases. The excess commissions returned to the Distributor will be used to purchase additional shares for the investor's account at the net asset value per share in effect on the date of such purchase, promptly after the Distributor's receipt thereof.

In determining the total amount of purchases made under a Letter, shares redeemed by the investor prior to the termination of the Letter of Intent period will be deducted. It is the responsibility of the dealer of record and/or the investor to advise the Distributor about the Letter in placing any purchase orders for the investor during the Letter of Intent period. All of such purchases must be made through the Distributor.

Terms of Escrow that Apply to Letters of Intent.

1. Out of the initial purchase (or subsequent purchases if necessary) made pursuant to a Letter, shares of the Fund equal in value to 5% of the intended amount specified in the Letter shall be held in escrow by the Transfer Agent. For example, if the intended amount specified under the Letter is \$50,000, the escrow shall be shares valued in the amount of \$2,500 (computed at the public offering price adjusted for a \$50,000 purchase). Any dividends and capital gains distributions on the escrowed shares will be credited to the investor's account.

2. If the total minimum investment specified under the Letter is completed within the thirteen-month Letter of Intent period, the escrowed shares will be promptly released to the investor.

3. If, at the end of the thirteen-month Letter of Intent period the total purchases pursuant to the Letter are less than the intended amount specified in the Letter, the investor must remit to the Distributor an amount equal to the difference between the dollar amount of sales charges actually paid and the amount of sales charges which would have been paid if the total amount purchased had been made at a single time. Such sales charge adjustment will apply to any shares redeemed prior to the completion of the Letter. If such difference in sales charges is not paid within twenty days after a request from the Distributor or the dealer, the Distributor will, within sixty days of the expiration of the Letter, redeem the number of escrowed shares necessary to realize such difference in sales charges. Full and fractional shares remaining after such redemption will be released from escrow. If a request is received to redeem escrowed shares prior to the payment of such additional sales charge, the sales charge will be withheld from the redemption proceeds.

4. By signing the Letter, the investor irrevocably constitutes and appoints the Transfer Agent as attorney-in-fact to surrender for redemption any or all escrowed shares.

5. The shares eligible for purchase under the Letter (or the holding of which may be counted toward completion of the Letter) do not include any shares sold without a front-end sales charge or without being subject to a Class A contingent deferred sales charge unless (for the purpose of determining completion of the obligation to purchase shares under the Letter) the shares were acquired in exchange for shares of one of the Oppenheimer Funds whose shares were acquired by payment of a sales charge.

6. Shares held in escrow hereunder will automatically be exchanged for shares of another fund to which an exchange is requested, as described in the section of the Prospectus entitled "Exchange Privilege," and the escrow will be transferred to that other fund.

Redemptions. Information on how to redeem shares of the Fund is stated in the Prospectus. The Prospectus states that payment for shares tendered for redemption is ordinarily made in cash. If, however, the Board of Trustees determines that it would be detrimental to the best interests of the remaining shareholders of the Fund to make payment wholly or partly in cash, the redemption price may be paid in whole or in part by a distribution in kind of securities from the portfolio of the Fund in lieu of cash in conformity with applicable SEC rules. The Fund has elected to be governed by Rule 18f-1 under the Investment Company Act, pursuant to which it is obligated to redeem shares of the Fund solely in cash up to the lesser of \$250,000 or 1% of the net assets of that Fund during any 90-day period for any one shareholder. If shares are redeemed in kind, the redeeming shareholder might incur brokerage or other costs in converting the assets to cash. The method of valuing securities used to make redemptions in kind will be the same as the method of valuing portfolio securities described under "Determination of Net Asset Value Per Share," and such valuation will be made as of the same time the redemption price is determined.

The Fund's Board of Trustees has the right to cause the redemption of shares held in any account if the aggregate net asset value of such shares (taken at cost or value as determined by the Board) is less than \$200 or such lesser amount as the Board may fix. The Board of Trustees will not cause the involuntary redemption of shares held in an account unless the value of the shares has fallen below \$200 for reasons other than market fluctuations. Should the Board elect to exercise this right, it may also fix, in accordance with the Investment Company Act, the requirements for any notice to be given to the shareholders in question (not less than 30 days), or for permission to increase the investment so that the shares would not be involuntarily redeemed.

Asset Builder Plans. To establish an Asset Builder Plan from a bank account, a check (minimum \$25) for the initial purchase must accompany the application. Shares purchased by Asset Builder Plan payments from bank accounts are subject to the redemption restrictions for recent purchases described in "How To Sell Shares," in the Prospectus. Asset Builder Plans also enable shareholders of Oppenheimer Tax-Exempt Cash Reserves or Oppenheimer Cash Reserves to use those accounts for monthly automatic purchases of shares of up to four other Eligible Funds.

There is a sales charge on the purchase of certain Eligible Funds. An application should be obtained from the Transfer Agent, completed and returned, and a prospectus of the selected fund(s) (available from the Distributor) should be obtained before initiating Asset Builder payments. The amount of the Asset Builder investment may be changed or the automatic investments may be terminated at any time by writing to the Transfer Agent. A reasonable period (approximately 15 days) is required after the Transfer Agent's receipt of such instructions to implement them. The Fund reserves the right to amend, suspend, or discontinue offering such plans at any time without prior notice.

Cancellation of Purchase Orders. Cancellation of purchase orders for Fund shares (for example, when checks submitted to purchased shares are returned unpaid) causes a loss to be incurred when the net asset value of the Fund's shares on the cancellation date is less than on the purchase date. That loss is equal to the difference in net asset value times the number of shares in the purchase order. The investor is responsible for that loss. If the investor fails to compensate the Fund for the loss, the Distributor will do so. The Fund may reimburse the Distributor for that amount by redeeming shares from any account registered in that investor's name or by seeking other redress.

Checkwriting. When a check is presented to the Bank for clearance, the Bank will ask the Fund to redeem a sufficient number of full and fractional shares in the shareholder's account to cover the amount of the check. This enables the shareholder to continue receiving dividends on those shares until the check is presented to the Fund. Checks may not be presented for payment at the offices of the Bank or the Fund's Custodian. This limitation does not affect the use of checks for the payment of bills or to obtain cash at other banks. The Fund reserves the right to amend, suspend or discontinue offering checkwriting privileges at any time without prior notice.

Reinvestment Privilege. Within six months of a redemption, a shareholder may reinvest all or part of the redemption proceeds of (i) Class A shares, or (ii) Class B shares that were subject to the Class B contingent deferred sales charge when redeemed, in Class A shares of the Fund or any of the other Oppenheimer Funds into which shares of the Fund are

exchangeable as described below, at the net asset value next computed after receipt by the Transfer Agent of the reinvestment order. The shareholder must ask the Distributor for such privilege at the time of reinvestment. Any capital gain that was realized when the shares were redeemed is taxable, and reinvestment will not alter any capital gains tax payable on that gain. If there has been a capital loss on the redemption, some or all of the loss may not be tax deductible, depending on the timing and amount of the reinvestment. Under the Internal Revenue Code, if the redemption proceeds of Fund shares on which a sales charge was paid are reinvested in shares of the Fund or another of the OppenheimerFunds within 90 days of payment of the sales charge, the shareholder's basis in the shares of the Fund that were redeemed may not include the amount of the sales charge paid. That would reduce the loss or increase the gain recognized from the redemption. The Fund may amend, suspend or cease offering this reinvestment privilege at any time as to shares redeemed after the date of such amendment, suspension or cessation.

Transfers. Shareholders owning shares of both classes must specify whether they intend to transfer Class A or Class B shares. Shares are not subject to the payment of a CDSC of either class at the time of transfer (by absolute assignment, gift or bequest, not involving, directly or indirectly, a public sale). The transferred shares will remain subject to the CDSC, calculated as if the transferee shareholder had acquired the transferred shares in the same manner and at the same time as the transferring shareholder. If less than all shares in an account are transferred, and not all shares in the account would be subject to a CDSC if redeemed at the time of transfer, the priorities described in the Prospectus under "How to Buy Shares" for the imposition of the class b CDSC will be followed in determining the order in which shares are transferred.

Special Arrangements for Repurchase of Shares from Dealers and Brokers. The Distributor is the Fund's agent to repurchase its shares from authorized dealers or brokers. The repurchase price will be the net asset value next computed after the receipt of an order placed by such dealer or broker, except that orders received from dealers or brokers after 4:00 P.M. on a regular business day will be processed at that day's net asset value if such orders were received by the dealer or broker from its customers prior to 4:00 P.M., and were transmitted to and received by the Distributor prior to its close of business that day (normally 5:00 P.M.). Payment ordinarily will be made within seven days after the Distributor's receipt of the required documents, with signature(s) guaranteed as described above.

Automatic Withdrawal and Exchange Plans. Investors owning shares of the Fund valued at \$5,000 or more can authorize the Transfer Agent to redeem shares (minimum \$50) automatically on a monthly, quarterly, semi-annual or annual basis under an Automatic Withdrawal Plan. Shares will be redeemed three business days prior to the date requested by the shareholder for receipt of the payment. Automatic withdrawals of up to \$1,500 per month may be requested by telephone if payments are by check payable to all shareholders of record and sent to the address of record for the account (and if the address has not been changed within the prior 30 days). Required minimum distributions from OppenheimerFunds-sponsored retirement plans may not be arranged on this basis. Payments are normally made by check, but shareholders having AccountLink privileges (see "How To Buy Shares") may arrange to have Automatic Withdrawal Plan payments transferred to the bank account designated on the OppenheimerFunds New Account Application or signature-guaranteed instructions. The Fund cannot guarantee receipt of the payment on the date requested and reserves the right to amend, suspend or discontinue offering such plans at any time without prior notice. Because of the sales charge assessed on Class A share purchases, shareholders should not make regular additional Class A purchases while participating in an Automatic Withdrawal Plan. Class B shareholders should not establish withdrawal plans, because of the imposition of the Class B CDSC on such withdrawals (except where the Class B CDSC is waived as described in "Class B Contingent Deferred Sales Charge").

By requesting an Automatic Withdrawal or Exchange Plan, the shareholder agrees to the terms and conditions applicable to such plans, as stated below and in the provisions of the OppenheimerFunds Application relating to such Plans, as well as the Prospectus. These provisions may be amended from time to time by the Fund and/or the Distributor. When adopted, such amendments will automatically apply to existing Plans.

-- Automatic Exchange Plans. Shareholders can authorize the Transfer Agent (on the OppenheimerFunds Application or signature-guaranteed instructions) to exchange a pre-determined amount of shares of the Fund

for shares (of the same class) of other OppenheimerFunds automatically on a monthly, quarterly, semi-annual or annual basis under an Automatic Exchange Plan. The minimum amount that may be exchanged to each other fund account is \$25. Exchanges made under these plans are subject to the restrictions that apply to exchanges as set forth in "Exchange Privilege" in the Prospectus and "How to Exchange Shares" below in this Statement of Additional Information.

-- Automatic Withdrawal Plans. Fund shares will be redeemed as necessary to meet withdrawal payments. Shares acquired without a sales charge will be redeemed first and thereafter shares acquired with reinvested dividends and capital gains distributions will be redeemed next, followed by shares acquired with a sales charge, to the extent necessary to make withdrawal payments. Depending upon the amount withdrawn, the investor's principal may be depleted. Payments made under such plans should not be considered as a yield or income on your investment. It may not be desirable to purchase additional Class A shares while making automatic withdrawals because of the sales charges that apply to purchases when made. Accordingly, a shareholder normally may not maintain an Automatic Withdrawal Plan while simultaneously making regular purchases of Class A shares.

The transfer agent will administer the investor's Automatic Withdrawal Plan (the "Plan") as agent for the investor (the "Planholder") who executed the Plan authorization and application submitted to the Transfer Agent. The Transfer Agent shall incur no liability to the Planholder for any action taken or omitted by the Transfer Agent in good faith to administer the Plan. Certificates will not be issued for shares of the Fund purchased for and held under the Plan, but the Transfer Agent will credit all such shares to the account of the Planholder on the records of the Fund. Any share certificates held by a Planholder may be surrendered unendorsed to the Transfer Agent with the Plan application so that the shares represented by the certificate may be held under the Plan.

For accounts subject to Automatic Withdrawal Plans, distributions of capital gains must be reinvested in shares of the Fund, which will be done at net asset value without a sales charge. Dividends on shares held in the account may be paid in cash or reinvested.

Redemptions of shares needed to make withdrawal payments will be made at the net asset value per share determined on the redemption date. Checks or AccountLink payments of the proceeds of Plan withdrawals will normally be transmitted three business days prior to the date selected for receipt of the payment (the date selected for receipt is an approximate date), according to the choice specified in writing by the Planholder.

The amount and the interval of disbursement payments and the address to which checks are to be mailed or AccountLink payments are to be sent may be changed at any time by the Planholder by writing to the Transfer Agent. The Planholder should allow at least two weeks' time in mailing such notification for the requested change to be put in effect. The Planholder may, at any time, instruct the Transfer Agent by written notice (in proper form in accordance with the requirements of the then-current Prospectus of the Fund) to redeem all, or any part of, the shares held under the Plan. In that case, the Transfer Agent will redeem the number of shares requested at the net asset value per share in effect in accordance with the Fund's usual redemption procedures and will mail a check for the proceeds to the Planholder.

The Plan may be terminated at any time by the Planholder by writing to the Transfer Agent. A Plan may also be terminated at any time by the Transfer Agent upon receiving directions to that effect from the Fund. The Transfer Agent will also terminate a Plan upon receipt of evidence satisfactory to it of the death or legal incapacity of the Planholder. Upon termination of a Plan by the Transfer Agent or the Fund, shares that have not been redeemed from the account will be held in uncertificated form in the name of the Planholder, and the account will continue as a dividend-reinvestment, uncertificated account unless and until proper instructions are received from the Planholder or his or her executor or guardian, or other authorized person.

To use shares held under the Plan as collateral for a debt, the Planholder may request issuance of a portion of the shares in certificated form. Upon written request from the Planholder, the Transfer Agent will determine the number of shares for which a certificate may be issued without causing the withdrawal checks to stop because of exhaustion of uncertificated shares needed to continue payments. However, should such uncertificated shares become exhausted, Plan withdrawals will terminate.

If the Transfer Agent ceases to act as transfer agent for the Fund, the Planholder will be deemed to have appointed any successor transfer agent to act as agent in administering the Plan.

How to Exchange Shares. The list of Oppenheimer Funds to which exchanges of shares may be made (subject to restrictions in the Prospectus and in this Statement of Additional Information) is contained in "Reduced Sales Charges," above.

Class A shares of Oppenheimer Funds may be exchanged for shares of any Money Market Fund; shares of any Money Market Fund purchased without a sales charge may be exchanged for shares of Oppenheimer Funds offered with a sales charge upon payment of the sales charge (or, if applicable, may be used to purchase shares of Oppenheimer Funds subject to a CDSC); and shares of this Fund acquired by reinvestment of dividends or distributions from any other of the Oppenheimer Funds or from any unit investment trust for which reinvestment arrangements have been made with the Distributor may be exchanged at net asset value for shares of any of the Oppenheimer Funds. No CDSC is imposed on exchanges of shares of either class purchased subject to a CDSC. However, when Class A shares acquired by exchange of Class A shares purchased subject to a Class A CDSC are redeemed within 18 months of the end of the calendar month of the initial purchase of the exchanged Class A shares, the Class A CDSC is imposed on the redeemed shares (see "Class A Contingent Deferred Sales Charge" in the Prospectus), and the Class B CDSC is imposed on Class B shares redeemed within six years of the initial purchase of the exchanged Class B shares.

The Fund reserves the right to reject telephone or written exchange requests submitted in bulk by anyone on behalf of 10 or more accounts. The Fund may accept requests for exchanges of up to 50 accounts per day from representatives of authorized dealers that qualify for this privilege. In connection with any exchange request, the number of shares exchanged may be less than the number requested if the exchange or the number requested would include shares subject to a restriction cited in the Prospectus or this Statement of Additional Information or shares covered by a share certificate that is not tendered with the request. In those cases, only the shares available for exchange without restriction will be exchanged.

When Class B shares are redeemed to effect an exchange, the priorities described in "How To Buy Shares" in the Prospectus for the imposition of the Class B contingent deferred sales charge will be followed in determining the order in which the shares are exchanged. Shareholders should take into account the effect of any exchange on the applicability and rate of any contingent deferred sales charge that might be imposed in the subsequent redemption of remaining shares. Shareholders owning shares of both classes must specify whether they intend to exchange Class A or Class B shares.

When exchanging shares by telephone, the shareholder must either have an existing account in, or acknowledge receipt of a prospectus of, the fund to which the exchange is to be made. For full or partial exchanges of an account made by telephone, any special account features such as Asset Builder Plans, Automatic Withdrawal Plans and retirement plan contributions will be switched to the new account unless the Transfer Agent is instructed otherwise. If all telephone lines are busy (which might occur, for example, during periods of substantial market fluctuations), shareholders might not be able to request exchanges by telephone and would have to submit written exchange requests.

Shares to be exchanged are redeemed on the regular business day the Transfer Agent receives an exchange request in proper form (the "Redemption Date"). Normally, shares of the fund to be acquired are purchased on the Redemption Date, but such purchases may be delayed by either fund up to five business days if it determines that it would be disadvantaged by an immediate transfer of the redemption proceeds. The Fund reserves the right, in its discretion, to refuse any exchange request that may disadvantage it (for example, if the receipt of multiple exchange request from a dealer might require the disposition of portfolio securities at a time or at a price that might be disadvantageous to the Fund).

The different Oppenheimer Funds available for exchange have different investment objectives, policies and risks, and a shareholder should assure that the Fund selected is appropriate for his or her investment and should be aware of the tax consequences of an exchange. For federal tax purposes, an exchange transaction is treated as a redemption of shares of one fund and a purchase of shares of another. "Reinvestment Privilege," above, discusses some of the tax consequences of reinvestment of redemption proceeds in such cases. The Fund, the Distributor, and the

Transfer Agent are unable to provide investment, tax or legal advice to a shareholder in connection with an exchange request or any other transaction.

Exchanges of Class B Shares. As stated in the Prospectus, shares of a particular class of OppenheimerFunds having more than one class of shares may be exchanged only for shares of the same class of another of the OppenheimerFunds. All of the OppenheimerFunds (except Oppenheimer Strategic Diversified Income Fund) offer Class A shares; if the shares of a fund offering one class are not denominated with a class designation in the Prospectus, they are considered "Class A" shares. Only the following other OppenheimerFunds offer Class B shares as of the date of this Statement of Additional Information (this list may change from time to time, and to obtain a current list, please call the Transfer Agent at 1-800-525-7048):

Oppenheimer Strategic Income & Growth Fund
Oppenheimer Strategic Investment Grade Bond Fund
Oppenheimer Strategic Short-Term Income Fund
Oppenheimer New York Tax-Exempt Fund
Oppenheimer Tax-Free Bond Fund
Oppenheimer California Tax-Exempt Fund
Oppenheimer Pennsylvania Tax-Exempt Fund
Oppenheimer Florida Tax-Exempt Fund
Oppenheimer Insured Tax-Exempt Bond Fund
Oppenheimer Main Street California Tax-Exempt Fund
Oppenheimer Total Return Fund, Inc.
Oppenheimer Investment Grade Bond Fund
Oppenheimer Value Stock Fund
Oppenheimer Government Securities Fund
Oppenheimer High Yield Fund
Oppenheimer Mortgage Income Fund
Oppenheimer Cash Reserves (Class B shares are only available by exchange)
Oppenheimer Special Fund
Oppenheimer Equity Income Fund
Oppenheimer Global Fund

The Transfer Agent. Oppenheimer Shareholder Services, as transfer agent, is responsible for maintaining the Fund's shareholder registry and shareholder accounting records, and for shareholder servicing and administrative functions. For information about your account, call the toll-free number or write to the address of the Transfer Agent on the front cover.

PERFORMANCE OF THE FUND

As described in the Prospectus, from time to time the "standardized yield," "dividend yield," "average annual total return", "total return," and "total return at net asset value" of an investment in each class of Fund shares may be advertised. An explanation of how yields and total returns are calculated for each class and the components of those calculations is set forth below.

Yield and total return information may be useful to investors in reviewing the Fund's performance. The Fund's advertisement of its performance must, under applicable SEC rules, include the average annual total returns for each class of shares of the Fund for the 1, 5 and 10-year period (or the life of the class, if less) as of the most recently ended calendar quarter. This enables an investor to compare the Fund's performance to the performance of other funds for the same periods. However, a number of factors should be considered before using such information as a basis for comparison with other investments. An investment in the Fund is not insured; its yield and total return are not guaranteed and normally will fluctuate on a daily basis. When redeemed, an investor's shares may be worth more or less than their original cost. Yield and total return for any given past period are not a prediction or representation by the Fund of future yields or rates of return on its shares. The yield and total returns of the Class A and Class B shares of the Fund are affected by portfolio quality, portfolio maturity, the type of investments the Fund holds and its operating expenses.

Standardized Yields. The Fund's "yield" (referred to as "standardized yield") for a given 30-day period for a class of shares is calculated using the following formula set forth in rules adopted by the Securities and Exchange Commission that apply to all funds that quote yields:

$$\text{Standardized Yield} = 2 \left[\frac{(a-b)}{6} + 1 \right] - 1$$

The symbols above represent the following factors:

- a = dividends and interest earned during the 30-day period.
- b = expenses accrued for the period (net of any expense reimbursements).
- c = the average daily number of shares of that class outstanding during the 30-day period that were entitled to receive dividends.
- d = the maximum offering price per share of the class on the last day of the period, adjusted for undistributed net investment income.

The standardized yield of a class of shares for a 30-day period may differ from its yield for any other period. The SEC formula assumes that the standardized yield for a 30-day period occurs at a constant rate for a six-month period and is annualized at the end of the six-month period. This standardized yield is not based on actual distributions paid by the Fund to shareholders in the 30-day period, but is a hypothetical yield based upon the net investment income from the Fund's portfolio investments calculated for that period. The standardized yield may differ from the "dividend yield" of that class, described below. Additionally, because each class of shares is subject to different expenses, it is likely that the standardized yields of the Fund's classes of shares will differ. For the 30-day period ended December 31, 1993, the standardized yields for the Fund's Class A and Class B shares were ____% and ____%, respectively.

The Fund's "tax-equivalent yield" adjusts the Fund's current yield, as calculated above, by a stated combined Federal and state tax rate. The tax equivalent yield is based on a 30-day period, and is computed by dividing the tax-exempt portion of the Fund's current yield (as calculated above) by one minus a stated income tax rate and adding the result to the portion (if any) of the Fund's current yield that is not tax exempt. The tax equivalent yield may be used to compare the tax effects of income derived from the Fund with income from taxable investments at the tax rates stated. Appendix B includes a tax equivalent yield table, based on various effective tax brackets for individual taxpayers. Such tax brackets are determined by a taxpayer's Federal and state taxable income (the net amounts subject to Federal and state income taxes after deductions and exemptions). The tax equivalent yield table assumes that the investor is taxed at the highest bracket, regardless of whether a switch to non-taxable investments would cause a lower bracket to apply. For taxpayers with income above certain levels, otherwise allowable itemized deductions are limited. The Fund's tax-equivalent yield (after expense assumptions by the Manager) for the 30-day period ended December 31, 1993, for a single person in the California/Federal combined ____% tax bracket was ____%.

Dividend Yield and Distribution Return. From time to time the Fund may quote a "dividend yield" or a "distribution return" for each class. Dividend yield is based on the Class A or Class B share dividends derived from net investment income during a stated period. Distribution return includes dividends derived from net investment income and from realized capital gains declared during a stated period. Under those calculations, the dividends and/or distributions for that class declared during a stated period of one year or less (for example, 30 days) are added together, and the sum is divided by the maximum offering price per share of that class on the last day of the period. When the result is annualized for a period of less than one year, the "dividend yield" is calculated as follows:

$$\begin{aligned} &\text{Dividend Yield of the Class} = \\ &\frac{\text{Dividends of the Class}}{\text{Max. Offering Price of the Class (last day of period)}} \\ &\text{divided by Number of days (accrual period) } \times 365 \end{aligned}$$

The maximum offering price for Class A shares includes the maximum front-end sales charge. For Class B shares, the maximum offering price is the net asset value per share, without considering the effect of contingent deferred sales charges.

From time to time similar yield or distribution return calculations may also be made using the Class A net asset value (instead of its respective maximum offering price) at the end of the period. The dividend yields on Class A shares for the 30-day period ended December 31, 1993, were ____% and ____% when calculated at maximum offering price and at net

asset value, respectively. The dividend yield on Class B shares for the 30-day period ended December 31, 1993, was ____% when calculated at net asset value.

Total Returns. The "average annual total return" of each class is an average annual compounded rate of return for each year in a specified number of years. It is the rate of return based on the change in value of a hypothetical initial investment of \$1,000 ("P" in the formula below) held for a number of years ("n") to achieve an Ending Redeemable Value ("ERV"), according to the following formula:

$$\frac{1/n}{(ERV)} \quad (-) \quad -1 = \text{Average Annual Total Return} \quad (P)$$

The cumulative "total return" calculation measures the change in value of a hypothetical investment of \$1,000 over an entire period of years. Its calculation uses some of the same factors as average annual total return, but it does not average the rate of return on an annual basis. Total return is determined as follows:

$$\frac{ERV - P}{P} = \text{Total Return}$$

In calculating total returns for Class A shares, the current maximum sales charge of 4.75% (as a percentage of the offering price) is deducted from the initial investment ("P") (unless the return is shown at net asset value, as discussed below). For Class B shares, the payment of the applicable contingent deferred sales charge (5.0% for the first year, 4.0% for the second year, 3.0% for the third and fourth years, 2.0% in the fifth year, 1.0% in the sixth year and none thereafter) is applied to the investment result for the time period shown (unless the total return is shown at net asset value, as described below). Total returns also assume that all dividends and capital gains distributions during the period are reinvested to buy additional shares at net asset value per share, and that the investment is redeemed at the end of the period. The "average annual total returns" on an investment in Class A shares of the Fund for the one year period ended December 31, 1993 and for the period from _____ (commencement of operations) to December 31, 1993, were ____% and ____%, respectively. The cumulative "total return" on Class A shares for the latter period was ____%. For the fiscal period from _____, through December 31, 1993, the average annual total return and the cumulative total return on an investment in Class B shares of the Fund were ____% and ____%, respectively.

From time to time the Fund may also quote an "average annual total return at net asset value" or a cumulative "total return at net asset value" for Class A or Class B shares. It is based on the difference in net asset value per share at the beginning and the end of the period for a hypothetical investment in that class of shares (without considering front-end or contingent sales charges) and takes into consideration the reinvestment of dividends and capital gains distributions. The cumulative "total returns at net asset value" on the Fund's Class A shares for the fiscal year ended December 31, 1993, and for the period from _____ to December 31, 1993 were ____% and ____%, respectively. The cumulative total return at net asset value on the Fund's Class B shares for the fiscal period from _____ through December 31, 1993 was ____%.

Other Performance Comparisons. From time to time the Fund may publish the ranking of the performance of its Class A or Class B shares by Lipper Analytical Services, Inc. ("Lipper"), a widely-recognized independent mutual fund monitoring service. Lipper monitors the performance of regulated investment companies, including the Fund, and ranks their performance for various periods based on categories relating to investment objectives. The performance of the Fund's classes is ranked against (i) all other funds, excluding money market funds, and (ii) all other general bond funds. The Lipper performance rankings are based on total return that includes the reinvestment of capital gains distributions and income dividends but does not take sales charges or taxes into consideration. The Fund's performance may also be compared to the performance of the Lipper General Bond Fund Index, which is a net asset value weighted index of general bond funds compiled by Lipper. It is calculated with adjustments for income dividends and capital gains distributions as of the ex-dividend date.

From time to time the Fund may publish the ranking of the performance of its Class A or Class B shares by Morningstar, Inc., an independent

mutual fund monitoring service that ranks mutual funds, including the Fund, based upon each fund's three, five and ten-year average annual total returns (when available) and a risk adjustment factor that reflects Fund performance relative to three-month U.S. Treasury bill monthly returns. Such returns are adjusted for fees and sales loads. There are five ranking categories with a corresponding number of stars: highest (5), above average (4), neutral (3), below average (2) and lowest (1). Morningstar ranks the Class A and Class B shares of the Fund in relation to other taxable bond funds.

When comparing yield, total return and investment risk of an investment in Class A or Class B shares of the Fund with other investments, investors should understand that certain other investments have different risk characteristics than an investment in shares of the Fund. An investment in the Fund is not insured; its yield and total return are not guaranteed and normally will fluctuate on a daily basis. Yields and total return for any given period will not be an indication or representation by the Fund of future yields or rates of return on its shares. The yields and returns of the Class A and Class B shares of the Fund are affected by portfolio quality, portfolio maturity, type of investments held and operating expenses. When comparing the yields, returns and investment risks of an investment in Class A or Class B shares of the Fund with those of other investments, investors should understand that certain other investment alternatives such as certificates of deposit, U.S. Government Securities, money market instruments or bank accounts provide fixed yields, and also that bank accounts may be insured and U.S. Government securities may be guaranteed. In order to compare the Fund's dividends to the rate of return on taxable investments, federal income taxes on such investments should be considered.

DISTRIBUTION AND SERVICE PLANS

The Fund has adopted a Service Plan for Class A shares and a Distribution and Service Plan for Class B shares of the Fund under Rule 12b-1 of the Investment Company Act, pursuant to which the Fund will reimburse the Distributor for all or a portion of its costs incurred in connection with the distribution and/or servicing of the shares of that class.

Each Plan shall unless terminated as described below, continue in effect from year to year but only so long as such continuance is specifically approved at least annually by the Fund's Board of Trustees including its Independent Trustees by a vote cast in person at a meeting called for that purpose. Either Plan may be terminated at any time by the vote of a majority of the Independent Trustees or by the vote of the holders of a "majority" of the Fund's outstanding shares of the respective class. Neither Plan may be amended to increase materially the amount of payments to be made unless such amendment is approved by shareholders of the respective class, who vote exclusively on approval or amendment of the Plan for that class. All material amendments must be approved by the Board and the Independent Trustees.

While the Plans are in effect, the Treasurer of the Fund shall provide separate written reports to its Board of Trustees at least quarterly for its review on the amount of all payments made pursuant to each Plan and the identity of each Recipient that received any such payment. Each Plan further provides that while it is in effect, the selection and nomination of those Trustees of the Fund who are not "interested persons" of the Fund is committed to the discretion of the Independent Trustees. This does not prevent the involvement of others in such selection and nomination if the final decision of any such selection or nomination is approved by a majority of the Independent Trustees. The report for the Class B Plan shall also include the distribution costs for that quarter, and such costs for previous fiscal periods that are carried forward, as explained in the Prospectus and below. Those reports, including the allocations on which they are based, will be subject to the review and approval of the Independent Trustees in the exercise of their fiduciary duty.

Under the Plans, no payment will be made by the Distributor to any Recipient if the aggregate net asset value of the Fund shares held by it or its customers is less than the minimum amount, if any, set from time to time by the "Independent Trustees" (defined below). During the fiscal year ended December 31, 1993, reimbursement payments under the Class A Plan by the Fund to the Distributor totaled \$_____, all of which represented payments by the Distributor to Recipients, including \$_____ to an affiliate of the Distributor.

The Class B Plan allows the service fee payment to be paid by the

Distributor to Recipients in advance for the first year Class B shares are outstanding, and thereafter on a quarterly basis, as described in the Prospectus. The advance payment is based on the net assets of the Class B shares sold. An exchange of shares does not entitle the Recipient to an advance service fee payment. In the event Class B shares are redeemed during the first year such shares are outstanding, the Recipient will be obligated to repay a pro rata portion of such advance payment to the Distributor.

Although the Class B Plan permits the Distributor to retain both the asset-based sales charges and the service fee on Class B shares, or to pay Recipients the service fee on a quarterly basis, without payment in advance, the Distributor intends to pay the service fee to Recipients in the manner described above. A minimum holding period may be established from time to time under the Class B Plan by the Board. Initially, the Board has set no minimum holding period. All payments under the Class B Plan allows for the carry-forward of distribution expenses, to be recovered from asset-based sales charges in subsequent fiscal periods, as described in the Prospectus. For the fiscal period from _____ through December 31, 1993, payments under the Class B plan totaled _____.

Asset-based sales charge payments are designed to permit an investor to purchase shares of the Fund without the assessment of a front-end sales load and at the same time permit the Distributor to compensate brokers and dealers in connection with the sale of Class B shares of the Fund. The Distributor's actual distribution expenses for any given year may exceed the aggregate of payments received pursuant to the Class B Plan and from contingent deferred sales charges, and such expenses will be carried forward and paid in future years. The Fund will be charged only for interest expenses, carrying charges or other financial costs that are directly related to the carry-forward of actual distribution expenses. For example, if the Distributor incurred distribution expenses of \$4 million in a given fiscal year, of which \$2,000,000 was recovered in the form of contingent deferred sales charges paid by investors and \$1,600,000 was reimbursed in the form of payments made by the Fund to the Distributor under the Class B Plan, the balance of \$400,000 (plus interest) would be subject to recovery in future fiscal years from such sources.

The Fund believes that under current applicable accounting standards, its obligations under the Class B Plan for payments in future period of the asset-based sales charge is not required to be recognized as a liability. In the event that applicable accounting standards at some time in the future should be deemed to require that obligation to be recognized as a liability, this could result in a decrease in the net asset value per share of Class B shares. Were this to occur, such decrease would affect all Class B shares regardless of how long such shares were held. Furthermore, Class B shareholders would continue to remain subject to the Class B CDSC.

The asset-based sales charge paid to the Distributor by the Fund under the Class B Plan is intended to allow the Distributor to recoup the cost of sales commissions paid to authorized brokers and dealers at the time of sale, plus financing costs, as described in the Prospectus. Such payments may also be used to pay for the following expenses in connection with the distribution of Class B shares: (i) financing the advance of the service fee payment to Recipients under the Class B Plan, (ii) compensation and expenses of personnel employed by the Distributor to support distribution of Class B shares, and (iii) costs of sales literature, advertising and prospectuses (other than those furnished to current shareholders) and state "blue sky" registration fees.

The Glass-Steagall Act and other applicable laws and regulations, among other things, generally prohibit Federally-chartered or supervised banks from engaging in the business of underwriting, selling or distributing securities as principals. It is the understanding of the Manager and the Distributor that the Glass-Steagall Act and other applicable laws and regulations do not preclude a bank from performing the services required of a Recipient. However, judicial or administrative decisions or interpretations of such laws, as well as changes in either Federal or state statutes or regulations relating to the permissible activities of banks or their subsidiaries or affiliates, could prevent certain banks from continuing to perform all or a part of those services. If a bank were so prohibited, shareholders of the Fund who were clients of such bank would be permitted to remain as shareholders, and if a bank could no longer provide those service functions, alternate means for continuing the servicing of such shareholders would be sought. In such event, shareholders serviced by such bank might no longer be able to avail themselves of any automatic investment or other services then being

provided by such bank. It is not expected that shareholders would suffer any adverse financial consequences as a result of any of those occurrences. The Board of Trustees will consider appropriate modifications to the Fund's operations, including discontinuance of payments under the Plan to such institutions, in the event of any future change in such laws or regulations which may adversely affect the ability of such institutions to provide these services. In addition, certain banks and financial institutions may be required to register as dealers under state law.

DIVIDENDS, CAPITAL GAINS AND TAXES

Dividends and Distributions. Dividends will be payable on shares held of record at the time of the previous determination of net asset value, or as otherwise described in "How to Buy Shares." Daily dividends on newly purchased shares will not be declared or paid until such time as Federal Funds (funds credited to a member bank's account at the Federal Reserve Bank) are available from the purchase payment for such shares. Normally, purchase checks received from investors are converted to Federal Funds on the next business day. Dividends will be declared on shares repurchased by a dealer or broker for four business days following the trade date (i.e., to and including the day prior to settlement of the repurchase). If all shares in an account are redeemed, all dividends accrued on shares of the same class in the account will be paid together with the redemption proceeds.

Dividends, distributions and the proceeds of the redemption of Fund shares represented by checks returned to the Transfer Agent by the Postal Service as undeliverable will be invested in shares of Oppenheimer Money Market Fund, Inc., as promptly as possible after the return of such checks to the Transfer Agent, to enable the investor to earn a return on otherwise idle funds.

Special provisions of the Internal Revenue Code govern the eligibility of the Fund's dividends for the dividends-received deduction for corporate shareholders. Long-term capital gains distributions are not eligible for the deduction. In addition, the amount of dividends paid by the Fund which may qualify for the deduction is limited to the aggregate amount of qualifying dividends (generally dividends from domestic corporations) which the Fund derives from its portfolio investments held for a minimum period, usually 46 days. A corporate shareholder will not be eligible for the deduction on dividends paid on shares held by that shareholder for 45 days or less. To the extent the Fund's dividends are derived from its gross income from option premiums, interest income or short-term capital gains from the sale of securities, or dividends from foreign corporations, its dividends will not qualify for the deduction. It is expected that for the most part the Fund's dividends will not qualify, because of the nature of the investments held by the Fund in its portfolio.

The amount of a class's distributions may vary from time to time depending on market conditions, the composition of the Fund's portfolio, and expenses borne by the Fund or borne separately by a class, as described in "Alternative Sales Arrangements -- Class A and Class B Shares," above. Dividends are calculated in the same manner, at the same time and on the same day for shares of each class. However, dividends on Class B shares are expected to be lower as a result of the asset-based sales charge on Class B shares, and Class B dividends will also differ in amount as a consequence of any difference in net asset value between Class A and Class B shares.

Distributions may be made annually in December out of any net short-term or long-term capital gains realized from the sale of securities, premiums from expired calls written by the Fund and net profits from Hedging Instruments and closing purchase transactions realized in the twelve months ending on October 31 of the current year. Any difference between the net asset value of Class A and Class B shares will be reflected in such distributions. Distributions from net short-term capital gains are taxable to shareholders as ordinary income and when paid by the Fund are considered "dividends." The Fund may make a supplemental distribution of capital gains and ordinary income following the end of its fiscal year. Any long-term capital gains distributions will be identified separately when paid and when tax information is distributed by the Fund. If prior distributions must be re-characterized at the end of the fiscal year as a result of the effect of the Fund's investment policies, shareholders may have a non-taxable return of capital, which will be identified in notices to shareholders. There is no fixed dividend rate (although the Fund may have a targeted dividend rate for Class A shares) and there can be no assurance as to the payment of any dividends or the

realization of any capital gains.

If the Fund qualifies as a "regulated investment company" under the Internal Revenue Code, it will not be liable for Federal income taxes on amounts paid by it as dividends and distributions. The Fund qualified as a regulated investment company in its last fiscal year and intends to qualify in future years, but reserves the right not to qualify. The Internal Revenue Code contains a number of complex tests to determine whether the Fund will qualify, and the Fund might not meet those tests in a particular year. For example, if the Fund derives 30% or more of its gross income from the sale of securities held less than three months, it may fail to qualify (see "Tax Aspects of Covered Calls and Hedging Instruments," above). If it does not qualify, the Fund will be treated for tax purposes as an ordinary corporation and will receive no tax deduction for payments of dividends and distributions made to shareholders.

Under the Internal Revenue Code, by December 31 each year the Fund must distribute 98% of its taxable investment income earned from January 1 through December 31 of that year and 98% of its capital gains realized in the period from November 1 of the prior year through October 31 of the current year, or else the Fund must pay an excise tax on the amounts not distributed. The Manager might determine in a particular year that it might be in the best interest of shareholders for the Fund not to make distributions at the required levels and to pay the excise tax on the undistributed amounts. That would reduce the amount of income or capital gains available for distribution to shareholders.

Distributions by the Fund from investment income and long-term and short-term capital gains will generally not be excludable from taxable income in determining the California corporate franchise or income tax for corporate shareholders of the Fund. Based upon a California court decision and statements by the California Franchise Tax Board, it is possible that shareholders subject to the California corporation income tax may be allowed to exclude certain of the Fund's exempt-interest dividends from income. Certain distributions may also be includable in income subject to the corporate alternative minimum tax.

Dividend Reinvestment in Another Fund. Shareholders of the Fund may elect to reinvest all dividends and/or distributions in shares of the same class of any of the other funds listed in the Prospectus as "Eligible Funds" at net asset value without sales charge. Class B shareholders should be aware that as of the date of this Additional Statement, only a limited number of Eligible Funds offer Class B shares. To elect this option, a shareholder must notify the Transfer Agent in writing and either must have an existing account in the fund selected for investment or must obtain a prospectus for that fund and an application from the Distributor to establish an account. The investment will be made at the net asset value per share in effect at the close of business on the payable date of the dividend or distribution. Dividends and distributions from other Eligible Funds may be invested in shares of this Fund on the same basis.

ADDITIONAL INFORMATION ABOUT THE FUND

Information about the Fund's Declaration of Trust and Business Structure. Shares of the Fund represent an interest in the Fund proportionately equal to the interest of each other share of the same class and entitle their holders to one vote per share (and a proportional vote for a fractional share) on matters submitted to their vote at shareholder meetings. Only shareholders of a particular class vote on matters affecting only that class. The Trustees may divide or combine the shares of a class into a greater or lesser number of shares without thereby changing the proportionate beneficial interest in the Fund. Shares do not have cumulative voting rights or preemptive or subscription rights.

While Massachusetts law permits a shareholder of a business trust (such as the Fund) to be held personally liable as a "partner" under certain circumstances, the risk of a Fund shareholder incurring financial loss on account of shareholder liability is highly unlikely and is limited to the relatively remote circumstances in which the Fund would be unable to meet its obligations. The Fund's Declaration of Trust contains an express disclaimer of shareholder or Trustee liability for the Fund's obligations, and provides for indemnification and reimbursement of expenses out of its property for any shareholder held personally liable for its obligations. The Declaration of Trust also provides that the Fund shall, upon request, assume a defense of any claim made against any shareholder for any act or obligation of the Fund and satisfy any judgment thereon. Any person doing business with the Fund, and any shareholder of the Fund, agrees under the Fund's Declaration of Trust to look solely to the assets of the Fund for satisfaction of any claim or demand that may

arise out of any dealings with the Fund, and the Trustees shall have no personal liability to any such person, to the extent permitted by law.

It is not contemplated that regular annual meetings of shareholders will be held. The Fund will hold meetings when required to do so by the Investment Company Act or other applicable law, or when a shareholder meeting is called by the Trustees or upon proper request of the shareholders. Shareholders have the right, upon the declaration in writing or vote of two-thirds of the outstanding shares of the Fund, to remove a Trustee. The Trustees will call a meeting of shareholders to vote on the removal of a Trustee upon the written request of the holders of 10% of its outstanding shares. In addition, if the Trustees receive a request from at least 10 shareholders (who have been shareholders for at least six months) holding in the aggregate shares of the Fund valued at \$25,000 or more or holding 1% or more of the Fund's outstanding shares, whichever is less, that they wish to communicate with other shareholders to request a meeting to remove a Trustee, the Trustees will then either give the applicants access to the Fund's shareholder list, mail their communication to all other shareholders at the applicants' expense, or take alternative action as set forth in Section 16(c) of the Investment Company Act.

Information About the Custodian of the Fund's Portfolio Securities. The Custodian of the assets of the Fund is Citibank, N.A. The Custodian's responsibilities include safeguarding and controlling the Fund's portfolio securities, collecting income on the portfolio securities and handling the delivery of such securities to and from the Fund. The Manager and its affiliates have banking relationships with the Custodian. The Manager has represented to the Fund that its banking relationships with the Custodian have been and will continue to be unrelated to and unaffected by the relationship between the Fund and the Custodian. It will be the practice of the Fund to deal with the Custodian in a manner uninfluenced by any banking relationship the Custodian may have with the Manager and its affiliates. The Fund's cash balances with the Custodian in excess of \$100,000 are not protected by Federal deposit insurance. Such uninsured balances may at times be substantial.

The Distributor. Under the General Distributor's Agreement between the Fund and the Distributor, the Distributor acts as the Fund's principal underwriter in the continuous public offering of the Fund's Class A and Class B shares, but is not obligated to sell a specific number of shares. Expenses normally attributable to sales other than those paid under Plans of Distribution, including advertising and the cost of printing and mailing prospectuses (other than those furnished to existing shareholders), are borne by the Distributor. During the fiscal years ended 1991, 1992 and 1993, the aggregate sales charges on sales of the Fund's shares were \$1,457,519, \$1,863,832 and \$_____, respectively, of which the Distributor and an affiliated broker-dealer retained \$275,001 in the aggregate in 1991, \$400,938 in 1992 and \$_____ in 1993.

Independent Auditors. The independent auditors of the Fund examine the Fund's financial statements and perform other related audit services. They also serve as auditors for the Manager and certain other investment companies advised by the Manager and its affiliates.

APPENDIX A

TAX-EQUIVALENT YIELDS

The equivalent yield tables below compare tax-free income with taxable income under Federal individual income tax rates effective January 1, 1993, and California state individual income tax rates effective January 1, 1993 (California tax brackets are adjusted for inflation sometime between June 1 and August 1 of the current year). "Combined Taxable Income" refers to the net amount subject to Federal and California income taxes after deductions and exemptions. The tables assume that an investor's highest tax bracket applies to the change in taxable income resulting from a switch between taxable and non-taxable investments, and that state tax payments are currently deductible for Federal tax purposes and that the investor is not subject to Federal or state alternative minimum tax. The income tax brackets are subject to indexing in future years to reflect changes in the Consumer Price Index. The brackets do not reflect the phaseout of itemized deductions and personal exemptions at higher income levels, resulting in higher effective tax rates (and tax equivalent yields).

<TABLE>
<CAPTION>

Combine Taxable Income

			A Tax-Exempt Yield of:								
Joint Return	Effective Tax Bracket		3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%		
But											
Over	Not Over	FederalCal.	Combined	Is Equivalent	to a Taxable	Yield of:					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
\$ 21,578	\$ 34,054	15%	4.00%	18.40%	3.68%	4.29%	4.90%	5.51%	6.13%	6.74%	7.35%
\$ 34,054	\$ 36,900	15%	6.00%	20.10%	3.75%	4.38%	5.01%	5.63%	6.26%	6.88%	7.51%
\$ 36,900	\$ 47,274	28%	6.00%	32.32%	4.43%	5.17%	5.91%	6.65%	7.39%	8.13%	8.87%
\$ 47,274	\$ 59,746	28%	8.00%	33.76%	4.53%	5.28%	6.04%	6.79%	7.55%	8.30%	9.06%
\$ 59,746	\$ 89,150	28%	9.30%	34.70%	4.59%	5.36%	6.13%	6.89%	7.66%	8.42%	9.19%
\$ 89,150	\$207,200	31%	9.30%	37.42%	4.79%	5.59%	6.39%	7.19%	7.99%	8.79%	9.59%
\$207,200	\$414,400	31%	10.00%	37.90%	4.83%	5.64%	6.44%	7.25%	8.05%	8.86%	9.66%
\$414,400		31%	11.00%	38.59%	4.89%	5.70%	6.51%	7.33%	8.14%	8.96%	9.77%

Single return:

But											
Over	Not Over										
\$ 17,027	\$ 22,100	15%	6.00%	20.10%	3.75%	4.38%	5.01%	5.63%	6.26%	6.88%	7.51%
\$ 22,100	\$ 23,637	28%	6.00%	32.32%	4.34%	5.17%	5.91%	6.65%	7.39%	8.13%	8.87%
\$ 23,637	\$ 29,873	28%	8.00%	33.76%	4.53%	5.28%	6.04%	6.79%	7.55%	8.30%	9.06%
\$ 29,873	\$ 53,500	28%	9.30%	34.70%	4.59%	5.36%	6.13%	6.89%	7.66%	8.42%	9.19%
\$ 53,500	\$103,600	31%	9.30%	37.42%	4.79%	5.59%	6.39%	7.19%	7.99%	8.79%	9.59%
\$103,600	\$207,200	31%	10.00%	37.90%	4.83%	5.64%	6.44%	7.25%	8.05%	8.86%	9.66%
\$207,200		31%	11.00%	38.59%	4.89%	5.70%	6.51%	7.33%	8.14%	8.96%	9.77%

</TABLE>

Investment Adviser

Oppenheimer Management Corporation
Two World Trade Center
New York, New York 10048-0203

Distributor

Oppenheimer Funds Distributor, Inc.
Two World Trade Center
New York, New York 10048-0203

Transfer Agent and Shareholder Servicing Agent

Oppenheimer Shareholder Services
P.O. Box 5270
Denver, Colorado 80217
1-800-525-7048

Custodian of Portfolio Securities

Citibank, N.A.
399 Park Avenue
New York, New York 10043

Independent Auditors

KPMG Peat Marwick
707 Seventeenth Street
Denver, Colorado 80202

Counsel

Gordon Altman Butowsky Weitzen
Shalov & Wein
114 West 47th Street
New York, New York 10036

OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND

FORM N-1A

PART C

OTHER INFORMATION

Item 24. Financial Statements and Exhibits

(a) Financial Statements

- (1) Condensed Financial Information (See Part A): To be filed by amendment.
- (2) Independent Auditors' Report (See Part B): To be filed by amendment.
- (3) Statement of Investments (See Part B): To be filed by amendment.
- (4) Statement of Assets and Liabilities (See Part B): To be filed by amendment.
- (5) Statement of Operations (See Part B): To be filed by amendment.
- (6) Statements of Changes in Net Assets (See Part B): To be filed by amendment.
- (7) Notes to Financial Statements (See Part B): To be filed by amendment.
- (8) Independent Auditors' Consent: To be filed by amendment.

(b) Exhibits

- (1) Amended and Restated Declaration of Trust dated April 23, 1993: Filed with Post-Effective Amendment No. 6 to Registrant's Registration Statement, 4/28/93, and incorporated herein by reference.
- (2) By-Laws of the Registrant: Filed with Pre-Effective Amendment No. 1 to Registrant's Registration Statement, 10/7/88, and incorporated herein by reference.
- (3) Not applicable
- (4) (i) Specimen Class A Share Certificate: Filed with Post-Effective Amendment No. 6 to Registrant's Registration Statement, 4/28/93, and incorporated herein by reference.

(ii) Specimen Class B Share Certificate: Filed with Post-Effective Amendment No. 6 to Registrant's Registration Statement, 4/28/93, and incorporated herein by reference.
- (5) Investment Advisory Agreement dated 10/22/90 between the Registrant and Oppenheimer Management Corporation: Filed with Post-Effective Amendment No. 3 to Registrant's Registration Statement, 2/28/91 and incorporated herein by reference.
- (6) (a) General Distributor's Agreement dated 12/10/92 between the Registrant and Oppenheimer Fund Management, Inc.: Filed with Post-Effective Amendment No. 6 to Registrant's Registration Statement, 4/28/93, and incorporated herein by reference.

(b) Prototype Oppenheimer Fund Management, Inc. Dealer Agreement: Filed with Post-Effective Amendment No. 12 to the Registration Statement of Oppenheimer Government Securities Fund (Reg. No. 33-02769), 12/2/92, and incorporated herein by reference.

(c) Prototype Oppenheimer Fund Management, Inc. Agency Agreement: Filed with Post-Effective Amendment No. 12 to the Registration Statement of Oppenheimer Government Securities Fund (Reg. No. 33-02769), 12/2/92,

and incorporated herein by reference.

- (d) Broker Agreement between Oppenheimer Fund Management, Inc. and Newbridge Securities dated 10/1/86: Filed with Post-Effective Amendment No. 25 of Oppenheimer Special Fund (Reg. No. 2-45272), 11/1/86 and incorporated herein by reference.
- (e) Prototype Oppenheimer Fund Management, Inc. Broker Agreement: Filed with Post-Effective Amendment No. 12 to the Registration Statement of Oppenheimer Government Securities Fund (Reg. No. 33-02769), 12/2/92, and incorporated herein by reference.
- (7) Retirement Plan for Non-Interested Trustees or Directors (adopted 6/7/90): Filed with Post-Effective Amendment No. 97 of Oppenheimer Fund (Reg. No. 2-14586), and incorporated herein by reference.
- (8) Custodian Agreement dated 11/1/88: Filed with Pre-Effective Amendment No. 2 to Registrant's Registration Statement, 10/31/88, and incorporated herein by reference.
- (9) Not applicable
- (10) Opinion and Consent of Counsel dated 10/6/88: Filed with Pre-Effective Amendment No. 1 to Registrant's Registration Statement, 10/7/88, and incorporated herein by reference.
- (11) Not applicable.
- (12) Not applicable.
- (13) Investment Letter from Oppenheimer Management Corporation to Registrant: Filed with Pre-Effective Amendment No. 1 to Registrant's Registration Statement, 10/7/88, and incorporated herein by reference.
- (14) Not applicable.
- (15) (i) Service Plan and Agreement for Class A shares under Rule 12b-1 of the Investment Company Act of 1940 dated 2/10/93: Filed with Post-Effective Amendment No. 6 to Registrant's Registration Statement, 4/28/93, and incorporated herein by reference.

(ii) Distribution Plan and Agreement for Class B shares under Rule 12b-1 dated 2/10/93: Filed with Post-Effective Amendment No. 6 to Registrant's Registration Statement, 4/28/93, and incorporated herein by reference.
- (16) Performance Computation Schedule: To be filed by amendment.

-- Powers of Attorney, including certified Board resolutions: Filed herewith.

Item 25. Persons Controlled by or under Common Control with Registrant

None.

Item 26. Number of Holders of Securities

Title of Class	Number of Record Holders as of February 18, 1994
Class A Shares of Beneficial Interest	5,396
Class B Shares of Beneficial Interest	336

Item 27. Indemnification

Reference is made to paragraphs (c) through (f) of Section 12 of Article SEVENTH of Registrant's Declaration of Trust filed as Exhibit 24(b)(1)(i) to this Registration Statement and incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to trustees, officers and controlling persons of Registrant pursuant to the foregoing provisions or otherwise, Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Registrant of expenses incurred or paid by a trustee, officer or controlling person of Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person, Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Item 28. Business and Other Connections of Investment Adviser

(a) Oppenheimer Management Corporation is the investment adviser of the Registrant; it and certain affiliates act in the same capacity for other registered investment companies as described in Parts A and B of this Registration Statement.

(b) For information as to the business, profession, vocation or employment of a substantial nature of each of the directors and officers of Oppenheimer Management Corporation, reference is made to Parts A and B of this Registration Statement and to the registration on Form ADV filed by Oppenheimer Management Corporation under the Investment Advisers Act of 1940, which is incorporated herein by reference.

Item 29. Principal Underwriter

(a) Oppenheimer Funds Distributor, Inc. is the principal underwriter of Registrant's shares. It is also the principal underwriter of certain other open-end registered investment companies for which Oppenheimer Management Corporation is the investment adviser, as described in Parts A and B of this Registration Statement.

(b) The information contained in the registration on Form BD of Oppenheimer Funds Distributor, Inc., filed under the Securities Exchange Act of 1934, is incorporated herein by reference.

(c) Not applicable.

Item 30. Location of Accounts and Records

The accounts, books and other documents required to be maintained Registrant pursuant to Section 31(a) of the Investment Company Act and rules promulgated thereunder are in possession of Oppenheimer Management Corporation, at its offices at 3410 South Galena Street, Denver, Colorado 80231.

Item 31. Management Services

Inapplicable.

Item 32. Undertakings

(a) Not applicable.

(b) Not applicable.

(c) Registrant undertakes to call a meeting of shareholders for the purpose of voting upon the question of removal of a Trustee or Trustees when requested to do so by the holders of at least 10% of Registrant's outstanding shares and in connection with such meeting to in conformity with the provisions of Section 16(c) of

the Investment Company Act of 1940 relating to shareholder communications.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and/or the Investment Company Act of 1940, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York on the 28th day of February, 1994.

OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND

By: /s/ Donald W. Spiro*

Donald W. Spiro, President

Attest:

/s/ Andrew J. Donohue*

Andrew J. Donohue, Secretary

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities on the dates indicated:

Signatures -----	Title -----	Date -----
/s/ Leon Levy* ----- Leon Levy	Chairman of the Board of Trustees	February 28, 1994
/s/ Donald W. Spiro* ----- Donald W. Spiro	President, Principal Executive Officer and Trustee	February 28, 1994
/s/ George Bowen* ----- George Bowen	Treasurer and Principal Financial and Accounting Officer	February 28, 1994
/s/ Leo Cherne* ----- Leo Cherne	Trustee	February 28, 1994
/s/ Edmund T. Delaney* ----- Edmund T. Delaney	Trustee	February 28, 1994
/s/ Robert G. Galli* ----- Robert G. Galli	Trustee	February 28, 1994
/s/ Benjamin Lipstein* ----- Benjamin Lipstein	Trustee	February 28, 1994
/s/ Kenneth A. Randall* ----- Kenneth A. Randall	Trustee	February 28, 1994
/s/ Sidney M. Robbins* ----- Sidney M. Robbins	Trustee	February 28, 1994
/s/ Russell S. Reynolds, Jr.* ----- Russell S. Reynolds, Jr.	Trustee	February 28, 1994
/s/ Pauline Trigere* ----- Pauline Trigere	Trustee	February 28, 1994
/s/ Elizabeth B. Moynihan* -----	Trustee	February 28, 1994

Elizabeth B. Moynihan

/s/ Clayton K. Yeutter*

Clayton K. Yeutter

Trustee

February 28, 1994

/s/ Edward V. Regan*

Edward V. Regan

Trustee

February 28, 1994

*By: /s/ Robert G. Zack

Robert G. Zack, Attorney-in-Fact

OPPENHEIMER ASSET ALLOCATION FUND
OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND
OPPENHEIMER DISCOVERY FUND
OPPENHEIMER GLOBAL BIO-TECH FUND
OPPENHEIMER GLOBAL ENVIRONMENT FUND
OPPENHEIMER GLOBAL FUND
OPPENHEIMER GLOBAL GROWTH & INCOME FUND
OPPENHEIMER GOLD & SPECIAL MINERALS FUND
OPPENHEIMER MONEY MARKET FUND, INC.
OPPENHEIMER MORTGAGE INCOME FUND
OPPENHEIMER MULTI-GOVERNMENT TRUST
OPPENHEIMER MULTI-SECTOR INCOME TRUST
OPPENHEIMER NEW YORK TAX-EXEMPT FUND
OPPENHEIMER FUND
OPPENHEIMER PENNSYLVANIA TAX-EXEMPT FUND
OPPENHEIMER SPECIAL FUND
OPPENHEIMER TARGET FUND
OPPENHEIMER TAX-FREE BOND FUND
OPPENHEIMER TIME FUND
OPPENHEIMER U.S. GOVERNMENT TRUST

CERTIFIED RESOLUTIONS OF THE BOARDS

June 10, 1993

At a meeting of the Boards for the above referenced funds (the "Funds") held on June 10, 1993, the members thereof by unanimous vote of those present adopted and approved the following resolutions:

"RESOLVED, that Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, be, and the same hereby is, appointed the attorney-in-fact and agent of Donald W. Spiro, as President of the Funds, Robert G. Galli, as Secretary of the Funds, and George C. Bowen, as Treasurer of the Funds (Principal Financial and Accounting Officer), with full power of substitution and resubstitution, to sign on the behalf of such officers of each of the Funds any and all Registration Statements (including any post-effective amendments to such Registration Statements) under the Securities Act of 1933 and the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission; and be it further

RESOLVED, that Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, hereby is authorized, empowered and directed, in the name and on behalf of the Funds, to take such additional action and to execute and deliver such additional documents and instruments as any

of them may deem necessary or appropriate to implement the provisions of the foregoing resolution, the authority for the taking of such action and the execution and delivery of such documents and instruments of such documents and instruments to be conclusively evidenced thereby."

In witness whereof, the undersigned has hereunto set his hand this 26th day of July, 1993.

/s/ ROBERT G. ZACK

Robert G. Zack
Assistant Secretary

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ LEON LEVY

Leon Levy

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and

appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ DONALD W. SPIRO

Donald W. Spiro

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ LEO CHERNE

Leo Cherne

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ EDMUND T. DELANEY

Edmund T. Delaney

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND,

a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ BENJAMIN LIPSTEIN

Benjamin Lipstein

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ KENNETH A. RANDALL

Kenneth A. Randall

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ SIDNEY M. ROBBINS

Sidney M. Robbins

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective

amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ RUSSELL S. REYNOLDS, JR.

Russell S. Reynolds, Jr.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 12th day of June, 1993.

/S/ PAULINE TRIGERE

Pauline Trigere

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ ELIZABETH B. MOYNIHAN

Elizabeth B. Moynihan

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND,

a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ CLAYTON YEUTTER

Clayton Yeutter

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his capacity as the Treasurer (Principal Financial and Accounting Officer) of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 13th day of July, 1993.

/S/ GEORGE BOWEN

George Bowen

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his capacity as the President of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 13th day of July, 1993.

/S/ DONALD W. SPIRO

Donald W. Spiro

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and

appoints Andrew J. Donohue or Robert G. Zack, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his capacity as the Secretary of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully do or cause to be done by virtue hereof.

Dated this 13th day of July, 1993.

/S/ ROBERT G. GALLI

Robert G. Galli

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert G. Galli, Andrew J. Donohue or Robert G. Zack, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her capacities as a trustee of OPPENHEIMER CALIFORNIA TAX-EXEMPT FUND, a Massachusetts business trust (the "Fund"), to sign on his (her) behalf any and all Registration Statements (including any post-effective amendments to Registration Statements) under the Securities Act of 1933, the Investment Company Act of 1940 and any amendments and supplements thereto, and other documents in connection thereunder, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully as to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, may lawfully

do or cause to be done by virtue hereof.

Dated this 10th day of June, 1993.

/S/ EDWARD V. REGAN

Edward V. Regan