SECURITIES AND EXCHANGE COMMISSION

FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

Filing Date: **1995-07-28**
SEC Accession No. 0000950112-95-002016

(HTML Version on secdatabase.com)

FILER

DEFINED ASSET FDS GOVT SEC INC FD US GOVT ZERO COUP BD SER 3

CIK:**845859**| State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **497** | Act: **33** | File No.: **033-26716** | Film No.: **95557046**

Business Address
ONE LIBERTY PLZ - 21ST FLR
165 BROADWAY
C/O MERRILL LYNCH PIERCE
FENNER & SMITH
NEW YORK NY 10080

DEFINED
ASSET FUNDSSM

GOVERNMENT SECURITIES
INCOME FUND

- --
U.S. GOVERNMENT
ZERO COUPON BOND
SERIES 3
(A UNIT INVESTMENT TRUST)

PROSPECTUS, PART A
DATED JULY 28, 1995

SPONSOR:
Merrill Lynch,
Pierce, Fenner & Smith Incorporated

This Series (the 'Fund') was formed to provide safety of capital and a high yield to maturity through investment in fixed portfolios consisting primarily of stripped debt obligations of the United States of America ('Stripped Treasury Securities'). There is no assurance that these objectives will be met if Units are sold before the underlying Securities mature because market prices of the Securities before maturity and therefore the value of the Units will vary with changes in interest rates and other factors. Stripped Treasury Securities do not make any periodic payments of interest prior to maturity; accordingly, each Trust's portfolio as a whole is priced at a deep discount from face amount and Unit prices may be subject to greater fluctuations in response to changing interest rates than a fund consisting of debt obligations of comparable maturities that pay interest currently. This risk is greater when the period to maturity is longer. See Risk Factors. The Fund consists of the 1999 and 2009 Trusts, each a separate unit investment trust ('Trust'), designated by the year in which its Stripped Treasury Securities mature. Each Trust also contains an interest-bearing Treasury security (the 'Treasury Note') to provide income to pay the expenses of the Trust and the Sponsor's administrative fee.

Units of interest ('Units') in the Trusts will be sold only to employee benefit plans (the 'Plans') as an investment alternative for Plan allocations to help participants meet their personal retirement needs and goals. The choice of maturities is offered to enable Plan allocations to be tailored to participants' retirement planning objectives and financial requirements. Each Plan will invest in Units of the Trusts in accordance with allocation instructions received from employees pursuant to the Plan. Accordingly, the interest of an employee in the Units is subject to the terms of the Plan. The rights of a Plan as a Holder of Units should be distinguished from the rights of an employee. The term 'Holder' in this Prospectus shall refer to the Plans, to the Sponsor if it holds Units (see Market for Units) and to any employee who holds Units distributed from a Plan.
- --

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.
- --
Read and retain this Prospectus for future reference.

DEFINED ASSET FUNDSSM is America's oldest and largest family of unit investment trusts with over $95 billion sponsored since 1971. Each Defined Fund is a portfolio of preselected securities. The portfolio is divided into 'units' representing equal shares of the underlying assets. Each unit receives an equal share of income and principal distributions.

With Defined Asset Funds you know in advance what you are investing in and that changes in the portfolio are limited. Most defined bond funds pay interest monthly and repay principal as bonds are called, redeemed, sold or as they mature. Defined equity funds offer preselected stock portfolios with defined termination dates.

Your financial advisor can help you select a Defined Fund to meet your personal investment objectives. Our size and market presence enable us to offer a wide variety of investments. Defined Funds are available in the following types of securities: municipal bonds, corporate bonds, government bonds, utility stocks, growth stocks, even international securities denominated in foreign currencies. Termination dates are as short as one year or as long as 30 years. Special funds are available for investors seeking extra features: insured funds, double and triple tax-free funds, and funds with 'laddered maturities' to help protect against rising interest rates. Defined Funds are offered by prospectus only.

- --
CONTENTS

INVESTMENT SUMMARY AS OF MARCH 31, 1995 THE EVALUATION DATE+

This Series consists of separate unit investment trusts, each designated for the maturity of its underlying Securities (see Portfolios).

	1999 TRUST	2009 TRUST
FACE AMOUNT OF SECURITIES..............	$ 48,178,324	$ 92,263,553
NUMBER OF UNITS........................	481,627.298	921,699.307
FACE AMOUNT OF SECURITIES PER UNIT.....	$ 100.032	$ 100.102
FRACTIONAL UNDIVIDED INTEREST IN FUND REPRESENTED BY EACH UNIT...............	1/481,627.298th	1/921,699.307th
OFFER PRICE PER UNIT		
Net Assets of Trust*...............	$ 35,303,526	$ 33,034,792
Divided by Number of Units.........	$ 73.301	$ 35.841
Plus Adjustment Factor**...........	.110	.107
Total++............................	73.411	35.948
REDEMPTION PRICE PER UNIT (net of Adjustment Factor**)++.......	$ 73.191	$ 35.734
REDEMPTION PRICE PER UNIT LESS THAN OFFER PRICE BY..................	$ .220	$ .214
CALCULATION OF ESTIMATED NET ANNUAL CASH INTEREST INCOME PER 1,000 FACE AMOUNT		
Gross annual cash income...........	1.82	1.38
Less estimated annual expenses.....	.71	.64
Less annual Sponsor's administrative fee***...............	1.11	.74
Estimated net annual cash income...	$ 0.00	$ 0.00
ESTIMATED YIELD TO MATURITY (based on Price per Unit).......................	6.810%	7.381%
ESTIMATED MAXIMUM DOLLAR AMOUNT PER 10 UNITS PAYABLE ON ACCOUNT OF SPONSOR'S ADMINISTRATIVE FEE****..............	$ 5.14	$ 10.45

INCOME ACCOUNT DISTRIBUTIONS

Although no periodic distributions of income should be expected, the Sponsor may direct the Trustee to distribute any accumulated net interest income on the business day in June or December of any year which immediately precedes the investment date in that month for Merrill Lynch's Savings & Investment Plan ('SIP'), as defined in the benefits handbook, to Holders of record at the close of business on the fifth day prior to that distribution date.

CAPITAL ACCOUNT DISTRIBUTIONS

Distributions from the Capital Account will be made on the first business day following the maturity of the Stripped Treasury Securities in a Trust to holders of record on the business day immediately preceding the date of the

distribution.		
TRUSTEE'S ANNUAL FEE AND EXPENSES***** Per 10 Units (see Expenses and Charges)	$ .71+++	$ .64+++
EVALUATOR'S FEE FOR EACH EVALUATION Minimum of $5.00 plus $0.25 for each issue of underlying Securities in excess of 50 issues, treating separate maturities as separate issues (see Expenses and Charges).		
EVALUATION TIME 3:30 P.M. New York Time		
MANDATORY TERMINATION DATE Each Trust must be terminated no later than one year after the maturity date of the last maturing Security in that Trust listed under Portfolio (see Portfolio).		

+ The Indenture was signed and the initial deposit was made as of February 2, 1989.

++ Plus any net cash.

+++ During the last 12 months of the 1999 Trust, and for up to 60 months in the 2009 Trust in the event the Treasury Note is called at its earliest call date, the Trustee's Annual Fee and Expenses will be reduced, and the estimated net annual income per Unit should remain the same (see Expenses and Charges--Fees).

* The net assets of the Trust represent the aggregate value of Securities (including amortization of discount) plus other assets less accrued liabilities, determined as described under Redemption--Computation of Redemption Price per Unit.

** The net asset value per Unit is adjusted by adding to the Offer Price and subtracting from the Redemption Price, an amount (the 'Adjustment Factor'), currently .0015 times the net assets per Unit for the 1999 Trust and .003 for the 2009 Trust. See Sale of Units--Unit Offer Price.

***There is no sales charge on purchases of Units. Income on the Units will be subject to a Sponsor's administrative fee accrued at the annual rate shown. This fee will be calculated on a daily basis and will accrue from the settlement date for Units purchased on the Initial Date of Deposit. This fee will be deducted from interest income on the U.S. Treasury Notes semi-annually (see Expenses and Charges). For Units that are tendered for redemption, a pro rata portion of the accrued administrative fee will be deducted at the time of redemption (see Redemption). See the chart at the end of this Investment Summary for the percentage which the present value of the Sponsor's administrative fee represents at various intervals of the Price per 10 Units.

**** This amount assumes that each Holder holds his Units until termination of the Trust. This amount may differ from actual payments on account of the Sponsor's administrative fee as a result of the length of time a Holder holds his Units and other factors.

***** Of this amount, the Trustee receives annually for its services as Trustee, $0.50 per 10 Units, payable in semi-annual installments.

INVESTMENT SUMMARY AS OF MARCH 31, 1995 THE EVALUATION DATE

TRUST PORTFOLIOS (SEE PORTFOLIOS)

SECURITIES--Each Trust consists primarily of issues of Stripped Treasury Securities purchased at a deep discount. The Securities are not rated but, in the opinion of the Sponsor, have credit characteristics comparable to those of Securities rated 'AAA' by nationally recognized rating agencies. Each Trust also contains one interest-bearing Treasury Security (the 'Treasury Note') deposited in order to provide cash income with which to pay the expenses, including the Sponsor's administrative fee, of the Trust.

RISK FACTORS--An investment in Units of a Trust should be made with an understanding of the risks which an investment in debt obligations, most of which were purchased at a deep discount, may entail, including the risk that the value of a Trust and hence of the Units will decline with increases in interest rates. The market value of Stripped Treasury Securities, and therefore the value of the Units, may be subject to greater fluctuations in response to changing interest rates than debt obligations of comparable maturities which pay interest currently. The risk is greater when the period to maturity is longer. (See pages 6-7.) For each 10 Units of a Trust purchased, a Holder will receive total distributions of approximately $1,000 for Units held until maturity of the underlying Securities of that Trust. Furthermore, the price per Unit will vary in accordance with fluctuations in the values of the Securities and the distributions could change if the Securities are paid or sold, or if the expenses or Sponsor's administrative fee of the Trust change. For a discussion of the economic differences between the Trusts and a fund consisting of customary securities, see Description of the Fund--Income and Estimated Yield to Maturity.

Additional Units may be offered subsequent to the Initial Date of Deposit, which may have an effect upon the value of previously existing Units. Additional Units may be created by depositing Securities (or contracts to purchase Securities accompanied by cash, or a bank letter of credit in an amount sufficient to complete the contracts) or cash (or a bank letter of credit) to purchase additional Securities, in each instance maintaining precisely the original proportionate relationship between the face amounts of Stripped Treasury Securities and the Treasury Notes of identical maturities. If cash (or a letter of credit) is deposited to purchase Securities, the value of existing Units will change to the extent the price of a Security increases or decreases between the time of deposit and the time the Security is purchased. See Fund Structure. The Adjustment Factor, which is added to the Offer Price and subtracted from the Redemption Price, is intended to cover the costs of acquiring and disposing of securities so that they are not borne by the Trust. See Sale of Units--Unit Offer Price.

ML PLANS--Units may be purchased by certain employee benefit plans established for employees of Merrill Lynch & Co., Inc. and its affiliates ('ML Plans'). A ML Plan may buy Units only directly from the Trustee and may realize the value of Units only by tendering them for redemption. See FUND STRUCTURE--ML Plans.

DISTRIBUTIONS--There will be no payments of interest on the Securities other than on the Treasury Note in each Trust, which will be used to pay the expenses of and Sponsor's administrative fee on the Trust. Consequently, no distributions of interest income should be expected; however, the Sponsor may direct the Trustee to distribute any accumulated net interest income to Holders of a Trust in June or December of any year (see 'Income Account Distributions' on page 3). Nevertheless, the gross interest income on all Securities in the Trust is taxable to Holders. Each Stripped Treasury Security will be treated for Federal income tax purposes as having 'original issue discount,' which must be amortized over the term of the Stripped Treasury Security and included in a Holder's ordinary gross income before the Holder receives the cash attributable to that income. These tax consequences would apply to an employee only if he becomes a Holder by taking Units upon terminating participation in the Plan. See Taxes. The final distribution will be made in cash following the maturity of the Stripped Treasury Securities in the Trust, and may include any amount received upon the sale of Securities to meet redemptions of Units which exceeds the amount necessary to meet those redemptions and any accumulated net interest income. Principal from maturity of the Treasury Note will not be distributed until disposition of the Stripped Treasury Security in the Trust. See Administration of the Fund--Accounts and Distributions.

ESTIMATED YIELD TO MATURITY ON UNITS--The yield to maturity on the Units of each Trust is the annual percentage return to the investor based on amortization of discount, compounded semi-annually, divided by the Offer Price per Unit. It is assumed that interest income will equal expenses and other deductions. The value of the Units will fluctuate with the value of the portfolio of underlying Securities. The yield to maturity will change with changes in the price per Unit (including the Adjustment Factor) and any change in the Trust's expenses or the Sponsor's administrative fee.

UNIT PRICE--The price of the Units is based on the net asset value per Unit, determined as described under Redemption--Computation of Redemption Price per Unit. The Adjustment Factor, at current rates described under Sale of Units--Unit Offer Price, is added in computing the Offer Price of Units and deducted in computing the Redemption Price or sale price. Units are subject to a Sponsor's administrative fee calculated on a daily basis at the annual rate of $1.11 per 10 Units of the 1999 Trust; and $.74 per 10 Units of the 2009 Trust. The following chart states these administrative fees as percentages of the prices at various intervals. It is assumed that Trust expenses and the accrued Sponsor's administrative fee will exactly offset any accrued interest. There is no minimum purchase.

PRESENT VALUE OF SPONSOR'S ADMINISTRATIVE FEE AS
PERCENT OF PRICE PER 10 UNITS AT SELECTED INTERVALS*

<TABLE><CAPTION>

		$25 LESS	PRICE PER $10 UNITS AS OF MARCH 31, 1995, THE EVALUATION DATE	$25 MORE	$50 MORE	$100 MORE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999 TRUST	Public Offering Price	$ 709.11	$ 734.11	$ 759.11	$ 784.11	$ 834.11
		4.27	4.35	4.42	4.50	4.65
	Present value of Sponsor's					

	administrative fee					
		0.60%	0.59%	0.58%	0.57%	0.56%
	Sponsor's Fee					
2009 TRUST	Public orrering Price	$ 334.48	$ 359.48	$ 384.48	$ 409.48	$ 459.48
		6.23	6.43	6.62	6.81	7.17
	Present value of Sponsor's administrative fee					
		1.86%	1.79%	1.72%	1.66%	1.56%
	Sponsor's Fee					

</TABLE>

- ------------------

* These represent the maximum fees and figures assume that Units are purchased on the Evaluation Date and are held until maturity of the Trust. Purchase after the Evaluation Date or sale before maturity will result in lesser deductions and therefore a lesser rate of administrative fee. The present value is computed at the same interest rate as the estimated yield to maturity at each purchase price.

MARKET FOR UNITS--The Sponsor, though not obligated to do so, intends to maintain a market for Units at the Redemption Price per Unit. See Page 12. If that market is not maintained, a Holder will be able to dispose of Units through redemption at prices computed on the same basis. See Redemption. Market conditions and the Adjustment Factor may cause the prices available in the market maintained by the Sponsor or upon exercise of redemption rights to be more or less than the amount paid for Units. The market prices of Stripped Treasury Securities, and hence of the Units, are subject to greater fluctuations than the prices of securities making current payments of interest.

FUND STRUCTURE

This Series (the 'Fund') consists of a number of separate unit investment trusts (each a 'Trust') created under New York law by one Trust indenture (the 'Indenture') among the Sponsor, the Trustee and the Evaluator. To the extent that references in the Prospectus are to articles and sections of the Indenture, which are hereby incorporated by reference, the statements made herein are qualified in their entirety by this reference. The record holders ('Holders') of Units of interest ('Units') in a Trust will have the right to have their Units redeemed (see Redemption) if the Units cannot be sold in the market which the Sponsor intends to maintain (see Market for Units). Redemption will be made in securities ('in kind') or in cash at the option of the Holder.

With the initial deposit in each Trust, a proportionate relationship was established between the face amounts of Stripped Treasury Securities and the Treasury Note therein. Additional Units may be issued on deposit of additional Securities by the Sponsor or on deposit of cash (or a bank letter of credit) to purchase Securities. In either case, the additional Securities will have maturities identical to those in the Trust and maintain precisely the original proportionate relationship among the face amounts of each type of Security. Units will to the extent practicable continue to represent the identical face amount of each Security. However, it may not be practicable to maintain this identical face amount per Unit because of, among other reasons, changes in prices. Units in the Trusts may be continuously offered for sale by means of this Prospectus (see Sale of Units--Distribution), resulting in a potential increase in the number of outstanding Units of each Trust (see Selection and Acquisition of Securities).

As used herein, 'Securities' includes the Stripped Treasury Securities and interest-bearing Treasury Note deposited in the Trusts and described under Portfolios and any additional Treasury Securities deposited thereafter or contracts for the purchase thereof together with an irrevocable letter or letters of credit sufficient to perform such contracts. As used herein, the term 'Units,' unless the context otherwise indicates, means the units of interest in all Trusts of the Fund.

ML PLANS

As the Sponsor is a 'party in interest' with respect to each ML Plan, it is prohibited by ERISA from selling Units to or buying them from any ML Plan. Accordingly, any ML Plan will purchase Units directly from the Trustee and may only tender Units to the Trustee for redemption. The Sponsor is also prohibited from acting as dealer, and from charging for its services as broker, for the Trust in acquiring Securities with monies paid for Units, and in selling Securities to pay redemptions of Units, by ML Plans. In addition, ERISA prohibits the Sponsor from receiving compensation or other consideration except for reimbursement of its direct expenses. Therefore, the proceeds of the Sponsor's administrative fee paid by any ML Plan will be used to reimburse the Sponsor for these expenses, and the Sponsor will not collect the administrative fee on Units held by ML Plans at any time when it has no unreimbursed expenses.

RISK FACTORS

An investment in Units should be made with an understanding of the risks which an investment in deep discount debt obligations may entail, including the risk that the value of the Trust's portfolio (the 'Portfolio') and hence of the Units will decline with increases in interest rates. High inflation and recession, together with the fiscal and monetary measures adopted to attempt to deal with those and other economic problems, have contributed to recent wide fluctuations in interest rates and thus in the value of fixed-rate debt obligations generally. The Sponsor cannot predict future economic policies or their consequences or, therefore, the course or extent of any similar fluctuations in the future. Furthermore, a Holder (but not employees before they terminate Plan participation--see Taxes) will have significant amounts of taxable income attributable to it before the receipt of the cash attributable to that income.

SPECIAL CHARACTERISTICS OF STRIPPED TREASURY SECURITIES

Stripped Treasury Securities are sold at a deep discount from their face amounts payable at maturity because the buyer of those securities receives only the right to receive a future fixed payment on the security and not any rights to periodic interest payments thereon. Purchasers of these securities acquire, in effect, discount obligations that are economically identical to the 'zero-coupon bonds' that have been issued by corporations. Zero coupon bonds are debt obligations which do not make any periodic payments of interest prior to maturity and accordingly are issued at a deep discount. Accordingly, the Trusts are not a suitable investment to persons seeking current cash distributions.

Because interest on 'zero coupon' debt obligations is not distributed on a current basis but in effect compounded, the value of securities of this type, including the value of accrued and reinvested interest (and of a fund comprised of these obligations), is subject to greater fluctuations than on obligations which distribute income regularly. Accordingly, while the full faith and credit of the U.S. government provides a high level of protection against credit risks on the Securities, sale of Units before maturity of the Securities at a time when interest rates have increased would involve greater market risk than in a fund which is invested in debt obligations of comparable maturity which pay interest currently. This risk is greater when the period to maturity is longer.

Stripped Treasury Securities held by any Trust shall consist solely of registered U.S. Treasury debt obligations which may be held through the Federal Reserve Bank's book entry system called 'Separate Trading of Registered Interest and Principal of Securities' ('STRIPS'). STRIPS, while direct obligations of the United States and issued under programs introduced by the U.S. Treasury, are not issued directly by the U.S. government. The STRIPS program facilitates secondary market stripping of selected Treasury notes and bonds into individual principal and interest components by purchasers with access to a book-entry account at a Federal Reserve bank. Those obligations may be maintained in the book-entry system operated by the Federal Reserve in a manner that permits separate trading and ownership of interest and principal payments. The Federal Reserve does not charge a fee for this service, but book-entry transfers of interest and principal components are subject to the same fee schedule generally applicable to transfers of Treasury securities. The Stripped Treasury Securities are payable in full at maturity at their stated maturity amount, and are not subject to redemption prior to maturity. In addition, the Stripped Treasury Securities do not make any periodic payments of interest.

Sales of Units in California may be made only to persons which have a minimum net worth (exclusive of home, home furnishings, and automobiles for personal use) of at least (i) $75,000 or (ii) $30,000 if the investor has an adjusted gross income of at least $30,000. A holder of Stripped Treasury Securities will be required to include annually in gross income an allocable portion of the deemed original issue discount, prior to receipt of the cash attributable to that income. However, a qualified retirement plan is not taxed on income.

Under generally accepted accounting principles, a holder of a security purchased at a discount normally must report as an item of income for financial accounting purposes the portion of the discount attributable to the applicable reporting period. The calculation of this attributable income would be made on the 'interest' method which generally will result in a lesser amount of includible income in earlier periods and a correspondingly larger amount in later periods. For Federal income tax purposes, the inclusion will be on a basis that reflects the effective semi-annual compounding of accrued but unpaid interest effectively represented by the discount. Although this treatment is similar to the 'interest' method described above, the 'interest' method may differ to the extent that generally accepted accounting principles permit or require the inclusion of interest on the basis of a compounding period other than the semi-annual period (see Taxes).

DESCRIPTION OF THE FUND

THE PORTFOLIO

The Portfolio of each Trust consists of different issues of Stripped Treasury Securities, with fixed maturity dates and not having any equity or conversion features, that do not pay interest before maturity and as such were purchased at a deep discount (see above) and of the Treasury Note deposited in order to provide cash income with which to pay the expenses of the Trust and the Sponsor's administrative fee.

SELECTION AND ACQUISITION OF SECURITIES

In selecting Securities for deposit in a Trust, the following factors, among others, were considered by the Unit Investment Trusts of Merrill Lynch, Pierce, Fenner & Smith Incorporated: (i) the types of securities available; (ii) the prices of those securities relative to other comparable securities; (iii) the extent to which those securities trade at a discount from par once the interest coupons are stripped; (iv) the yield to maturity of those securities; and (v) the maturities of those securities.

The yield to maturity and discount from par on securities of the type deposited in the Trusts are dependent on a variety of factors, including general money market conditions, general conditions of the bond market, prevailing interest rates and the maturities of the securities.

Each Trust consists of the Securities (or contracts to purchase the Securities) listed under Portfolios and any additional Securities acquired pursuant to the terms of the Indenture (including provisions with respect to deposit

of Securities in connection with the sale of additional Units) as long as they may continue to be held from time to time in the Trust together with accrued and undistributed interest on any interest-bearing securities deposited in order to pay the expenses of the Trust and the Sponsor's administrative fee, undistributed cash representing payments of principal and cash realized from the disposition of Securities.

Neither the Sponsor nor the Trustee shall be liable in any way for any default, failure or defect in any of the Securities. In the event of a failure to deliver any Security that has been purchased for a Trust under a contract ('Failed Security'), the Sponsor is authorized under the Indenture to direct the Trustee to acquire substitute securities ('Replacement Securities') to make up the portfolio of the Trust. Replacement Securities must be deposited within 20 days after delivery of notice of the Failed Security; the purchase price may not exceed the amount of funds reserved for the purchase of the Failed Security. The Replacement Securities must (i) be Securities issued by the U.S. Treasury, that if stripped make no periodic payments of interest, or if interest-bearing are of the same issue, (ii) have a fixed maturity identical to that of the Failed Security, (iii) be purchased at a price that results in a yield to maturity as of the date of deposit of the Failed Security which is equivalent (taking into consideration then current market conditions) to the yield to maturity of the Failed Security and (iv) not be when, as and if issued obligations. If this right of substitution is not utilized to acquire Replacement Securities in the event of a failed contract, the Sponsor will cause to be refunded any attributable sales charge plus the attributable Cost of Securities to Trust, plus accrued interest and amortization attributable to the relevant Security.

Because certain of the Securities from time to time may be sold under certain circumstances described herein, each Trust is not expected to retain its present size and composition (see Redemption). The Indenture also authorizes the increase of the size and number of Units of any Trust by the deposit of additional Securities or cash and the issue of a corresponding number of additional Units, provided that the maturity of any additional Securities so acquired is identical to the maturity of the Securities initially deposited in the Trust and the relative face amounts of Securities deposited maintain as closely as practicable the original proportionate relationship between the face amounts of those Securities.

THE UNITS

On the date of the Investment Summary of each Trust each Unit represented the fractional undivided interest in the Securities held in the Trust and net income of the Trust set forth under Investment Summary. Thereafter, if Units of any Trust are redeemed the face amount of Securities in that Trust will be reduced by amounts allocable to redeemed Units, and the fractional undivided interest represented by each remaining Unit in the balance will be increased. However, if additional Units are issued by any Trust, the aggregate face amount of Securities in the Trust will be increased by amounts allocable to the additional Units, and the fractional undivided interest represented by each Unit in the balance of the Trust will be decreased. Units will remain outstanding until redeemed upon tender to the Trustee by a Holder (which may include the Sponsor) or until the termination of the Indenture (see Redemption and Administration of the Fund--Amendment and Termination).

INCOME AND ESTIMATED YIELD TO MATURITY

The estimated yield to maturity per Unit of each Trust is the annual percentage return to the investor based on amortization of discount, compounded semi-annually, divided by the Unit Offer Price. It is assumed that interest income on the Treasury Note will equal expenses and other deductions. If the price of the Units is less than stated in the Investment Summary, the yield to maturity will be greater, if the price is greater (other than additional accrued original discount), the yield to maturity will be less.

The economic effect of purchasing Units of a Trust is that the investor who holds his Units until maturity of the underlying Securities should receive approximately a fixed yield, not only on his original investment but on all earned discount during the life of the Securities. The assumed or implicit automatic reinvestment at market rates at the time of purchase of the portion of the yield represented by earned discount differentiates the Trusts from funds consisting of customary securities on which current periodic interest is paid at market rates at the time of issue. Accordingly, an investor in the Units, unlike an investor in a fund comprised of customary securities, virtually eliminates his risk of being unable to invest distributions at a rate as high as the yield on his Trust, but will forego the ability to reinvest at higher rates in the future.

The price per Unit of each Trust will vary in accordance with fluctuations in the prices of the Securities held by the Trust. Changes in the Offer and Redemption Price per Unit or in a Trust's expenses will result in changes in the yields to maturity.

TAXES

An employee who elects to receive his pro rata portion of Units held by a Plan that is qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the 'Code') when he terminates participation in such Plan and does not roll over those Units to an eligible retirement plan as described in Section 402(c) of the Code, will be taxable under rules applicable to qualified plan distributions as described in Section 402 of the Code. Thereafter, the employee will be taxable as a Holder as described below.

In the opinion of Davis Polk & Wardwell, special counsel for the Sponsor, under existing law:

> Each Trust is not an association taxable as a corporation for Federal income tax purposes, and income received by the Trust will be treated as the income of the Holders of the Trust in the manner set forth below.
>
> Each Holder will be considered the owner of a pro rata portion of each Security in his Trust under the grantor trust rules of Sections 671-679 of the Code. The total cost to a Holder for his Units (i.e., for an individual Holder, the fair market value of his Units on the date the Plan distributes them to him) is allocated among his pro rata portion of each Security in his Trust (in proportion to the fair market values thereof on that date) in order to determine his tax cost for his pro rata portion of each Security. A Holder will be entitled to add to his tax cost of his pro rata portion of each Security that portion of the administrative fee which is not characterized as imputed interest (see below).
>
> Each Trust consists primarily of Stripped Treasury Securities. A Holder is required to treat his pro rata portion of each Stripped Treasury Security in his Trust as a bond that was originally issued on the date the Holder purchased his Units (for an individual Holder, the date of distribution) at an original issue discount equal to the excess of the stated redemption price at maturity over the Holder's tax cost therefor as discussed above, and to include annually in income a portion of such original issue discount determined under a formula which takes into account the compounding of interest. The amount of accrued original issue discount so included in income in respect of a Holder's pro rata portion of a Security is added to the Holder's tax basis therefor.
>
> Each Holder will be considered to have received the income on his pro rata portion of the Treasury Note in his Trust when interest on the Note is received by his Trust. An individual Holder who itemizes deductions may deduct his pro rata share of the fees and expenses of his Trust, but only to the extent that this amount together with the Holder's other miscellaneous deductions exceeds 2% of his adjusted gross income.
>
> Except with respect to Units held in a Plan, a Holder will recognize taxable gain or loss when all or part of his pro rata portion of a Security in his Trust is disposed of (i.e., when the Security is sold by the Trust or is redeemed or paid at maturity or when the Holder sells or redeems for cash all or some of his Units) for an amount greater or less than his original tax cost therefor, increased by the amount of original issue discount included in the Holder's gross income as discussed above. This resulting gain or loss generally will be capital gain or loss (except in the case of a dealer or financial institution), and will be long-term if the Holder has held his Units for more than one year. Capital gains are generally taxed at the same rate as ordinary income. However, the excess of net long-term capital gains over net short-term capital losses may be taxed

at a lower rate than ordinary income for certain non-corporate taxpayers. The deduction of capital losses is subject to limitations.

A distribution to a Holder of Securities upon redemption of Units will not be a taxable event to the Holder or to nonredeeming Holders. The redeeming Holder's basis for such Securities will be equal to his basis for the Securities (previously represented by his Units) prior to such redemption, and his holding period for such Securities will include the period during which he held his Units. However, a Holder may recognize taxable gain or loss when the Holder sells the Securities so distributed for cash.

Under the income tax laws of the State and City of New York, each Trust is not an association taxable as a corporation and income received by the Trust will be treated as income of the Holders.

Holders will be required for Federal income tax purposes to include amounts in ordinary gross income in advance of the receipt of the cash attributable to such income. Therefore, direct holding of Units may be appropriate only for a tax-deferred account which can have taxable income attributed in advance of the receipt of the cash attributable to such income.

The foregoing discussion relates only to Federal and certain aspects of New York income taxes. Depending on their state of residence, Holders may be subject to state and local taxation and should consult their own tax advisors in this regard.

* * *

After the end of each calendar year, the Trustee will furnish to each Holder a report from which the Holder may determine the income received by his Trust on his pro rata portion of the Treasury Note, the gross proceeds received by the Trust from the disposition of any Security and the Holder's pro rata portion of the fees and expenses paid by his Trust. In order to enable them to comply with Federal and state tax reporting requirements, Holders will be furnished upon request to the Trustee with evaluations of Securities furnished to it by the Evaluator (Section 4.02). The Trustee will also furnish to each Holder and the Internal Revenue Service all required information returns (including a return with respect to original issue discount).

SALE OF UNITS

UNIT OFFER PRICE

Units may be purchased by a Plan at the Offer Price by means of this Prospectus. The Offer Price per Unit of a Trust is computed as of the Evaluation Time by adding the evaluation of the underlying Securities, as determined by the Evaluator as described under Redemption--Computation of Redemption Price per Unit, plus the Adjustment Factor, divided by the number of Units outstanding. The Adjustment Factor is currently .0015 for the 1999 Trust and .003 for the 2009 Trust. The Adjustment Factor (as determined by the Sponsor) may be changed for each calendar quarter but in no event will it exceed .007 for the 1999 Trust or .0175 for the 2009 Trust. This factor is designed to cover the Trust's costs, without profit, of buying and selling securities in connection with sales and redemptions of Units, and is intended to ensure that the prices for purchases or sales of Units more closely match the market value of the underlying Securities. A proportionate share of any cash in the Capital Account not allocated to the purchase of specific Securities is added. Because the income on the Treasury Note is designed to exactly equal the Trust expenses, accrued interest on the Note is not reflected in the offering, repurchase or redemption prices of Units. In practice, as determined on an accrual basis by the auditors, accumulated expenses have been slightly higher or lower than the interest on the Treasury Notes. These differences are immaterial and may change over time. If there is an expense deficit at termination of a Trust, either the Trustee will waive part of its fee or the Sponsor will bear sufficient expenses to eliminate the deficit. If a surplus remains at termination, the amount will be distributed to Holders. The Offer Price per Unit of a Trust will vary after the Evaluation Date (set forth under Investment Summary) in accordance with fluctuations in the evaluations of the underlying Securities. Amortization of discount will have the effect of increasing at any particular time the evaluation of the Securities.

No sales charge is payable when Units are purchased. Instead, Units are subject to a Sponsor's administrative fee at the annual rates set forth under Investment Summary. The percentage which their present values represent of the Offer Price per Unit at various intervals is shown in the chart at the end of the Investment Summary. If a Holder sells or redeems Units before the maturity of a Trust, except for the Adjustment Factor only the administrative fees accrued to the date of sale or redemption will be payable, and this will have the effect of reducing the rate of administrative fees. Similarly, if Units are purchased after the Evaluation Date, the purchaser will not pay fees previously accrued and this will also have the effect of reducing the rate of administrative fees.

Evaluations of the Securities are determined by the Evaluator taking into account the same factors referred to under Redemption--Computation of Redemption Price per Unit. The determinations are made on each business day, effective for all sales made since the last of these evaluations (Section 4.01). The term 'business day', as used herein and under 'Redemption', shall exclude Saturdays, Sundays and the following holidays as observed by the New York Stock Exchange: New Year's Day, Washington's birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas; and the following Federal holidays: Martin Luther King's birthday, Columbus Day and Veterans Day.

Because of fluctuations in the market prices of these Securities and the fact that the Adjustment Factor and the accrued portion of the administrative fee will be deducted from amounts paid to Holders upon redemption, among other reasons, the amount realized by a Holder upon any sale or redemption of Units may be less than the price paid for these Units.

SPONSOR'S PROFITS

The Sponsor receives the administrative fee through periodic deductions at the rates set forth above and through deduction of a pro rata portion of the accrued administrative fee at the time of any redemption.

The following chart sets forth the estimated maximum dollar amount payable on account of the Sponsor's administrative fee assuming that Holders hold their Units for the following periods of time from March 31, 1995:

MAXIMUM DOLLAR AMOUNT PER 10 UNITS
PAYABLE ON ACCOUNT OF SPONSOR'S ADMINISTRATIVE FEE

YEARS HELD	1999 TRUST	2009 TRUST
1	$ 1.11	$ 0.74
2	2.22	1.48
3	3.33	2.22
4	4.44	2.96
5	5.14	3.70
6		4.44
7		5.18
8		5.92
9		6.66
10		7.40
11		8.14
12		8.88
13		9.62
14		10.36
15		10.45

The Sponsor may also realize a profit or loss on each deposit of Securities in a Trust. This is the difference between the cost of the Securities to the Trusts (which is based on the mean between the bid and offering side evaluation of the Securities on the date of deposit) and the purchase price of those Securities to the Sponsor. To the extent additional Units continue to be offered for sale, the Sponsor also may realize profits or sustain losses as a result of fluctuations after the date of deposit in the Offer Price of the Units. Employees may incur an annual account maintenance fee after termination of Plan participation--see Expenses and Charges below. Cash, if any, made available by buyers of Units to the Sponsor prior to the settlement dates for purchase of Units may be used in the Sponsor's business, subject to the limitations of Rule 15c3-3 under the Securities Exchange Act of 1934, and may be of benefit to the Sponsor.

In maintaining a market for the Units the Sponsor will also realize profits or sustain losses in the amount of any difference between the prices at which it buys Units and the prices at which it resells or redeems those Units, as the case may be.

MARKET FOR UNITS

While the Sponsor is not obligated to do so, it intends to maintain a secondary market for Units of each Trust and continuously to offer to purchase Units of each Trust. The Sponsor, of course, does not in any way guarantee the enforceability, marketability or price of any Securities in the Trusts or of the Units. The Sponsor may discontinue purchases of Units of any Trust should the supply of Units exceed demand or for other business reasons.

The Sponsor may redeem any Units it has purchased in the secondary market or through the Trustee in accordance with the procedures described below if it determines it is undesirable to continue to hold those Units in its inventory.

REDEMPTION

Units may be redeemed at the office of the Trustee upon delivery on any business day, as defined under Sale of Units--Unit Price, of a request for redemption, and payment of any relevant tax, without any other fee

(Section 5.02). Holders' signatures must be guaranteed by an eligible guarantor institution or in some other manner acceptable to the Trustee. In certain instances the Trustee may require additional documents including, but not limited to, trust instruments, certificates of death, appointments as executor or administrator or certificates of corporate authority.

The Trustee will redeem Units either in cash or, at the option of certain qualified Holders as specified in writing to the Trustee, in kind. Unless otherwise specified, redemptions will be made in cash. On the seventh calendar day following the tender (or if the seventh calendar day is not a business day on the first business day prior thereto), the Holder will be entitled to receive the proceeds of the redemption in an amount and value of Securities per Unit equal to the Redemption Price per Unit (see below) as determined as of the Evaluation Time next following the tender.

The Trustee is empowered to sell Securities from a Trust in order to make funds available for cash redemptions (Section 5.02). The Securities to be sold so as to maintain, as closely as practicable, the percentage relationship between the face amounts of Stripped Treasury Securities and the Treasury Note in the Trust at the time of sale. Provision is made under the Indenture for the Sponsor to specify minimum face amounts in which blocks of Securities are to be sold in order to obtain the best price for the Trust. While these minimum amounts may vary from time to time in accordance with market conditions, the Sponsor believes that the minimum face amounts which would be specified would range from $25,000 to $100,000.

Holders tendering Units for redemption may, in lieu of receiving cash, request the Trustee to distribute in kind an amount and value of Securities per Unit equal to the Redemption Price per Unit as determined as of the Evaluation Time next following the tender. The distribution in kind on redemption of Units will be held by a Distribution Agent (the 'Distribution Agent') for the account of, and for disposition in accordance with the instructions of, the tendering Holder. If a qualified tendering Holder requests redemption in kind, the Trustee as Distribution Agent for the account of the redeeming Holder will sell the Securities and distribute the net cash proceeds to the Holder (unless he requests that the in kind redemption be held on a book entry system for his account). A Holder will not recognize any gain or loss for Federal income tax purposes to the extent the Holder receives a distribution in kind. In implementing these redemption procedures, the Trustee and Distribution Agent shall make any adjustments necessary to reflect differences between the Redemption Price of the Units and the value of the Securities distributed in kind as of the date of tender. If funds in the Capital Account are insufficient to cover the required cash distribution to the tendering Holder, the Trustee may sell Securities according to the criteria discussed above. (Section 5.02)

To the extent that Securities in a Trust are redeemed in kind or sold, the size of the relevant Trust will be reduced. Sales will usually be required at a time when Securities would not otherwise be sold and may result in lower prices than might otherwise be realized. In addition, because of the minimum face amounts in which Securities are required to be sold, the proceeds of sale may, if the Sponsor fails to purchase Units tendered for redemption, exceed the amount required at the time to redeem Units; any excess proceeds will be deposited in the Capital Account. See Administration of the Fund--Accounts and Distributions. The price received upon redemption may be more than or less than the amount paid by the Holder depending on the value of the Securities in the Trust at the time of redemption.

The right of redemption may be suspended and payment postponed (1) for any period during which the New York Stock Exchange, Inc. is closed other than for customary weekend and holiday closings or (2) for any period during which, as determined by the Securities and Exchange Commission, (i) trading on that Exchange is restricted or (ii) an emergency exists as a result of which disposal or evaluation of the Securities is not reasonably practicable, or (3) for any other periods which the Commission may by order permit (Section 5.02).

COMPUTATION OF REDEMPTION PRICE PER UNIT

Redemption Price per Unit of a Trust is computed by the Trustee as of the Evaluation Time on each June 30 and December 31 (or the last business day prior thereto), on any business day, as of the Evaluation Time next following the tender of any Unit for redemption, and on any other business day desired by the Trustee or the Sponsor, by adding (a) the value of the Securities in the Trust, (b) cash on hand in the Trust (other than cash covering contracts to purchase Securities), (c) accrued and unpaid interest on these Securities up to but not including the date of redemption and (d) all other assets of the Trust; deducting therefrom the sum of (v) taxes or other governmental charges against the Trust not previously deducted, (w) accrued fees and expenses of the Trustee (including legal and auditing expenses), the Evaluator and counsel, and certain other expenses, (x) the

Adjustment Factor at the applicable rate, (y) accrued administrative fees payable and (z) any cash held for distribution to Holders of record as of a date prior to the evaluation; and dividing the result by the number of Units outstanding as of the date of computation (Sections 4.01 and 5.01). The Adjustment Factor will not be deducted from a redemption in kind nor from the distribution when the Trust terminates.

The value of the Securities is determined by the Evaluator in the following manner: (a) on the basis of the mean between the current bid and offering prices for the Securities, (b) if bid and offering prices are not available for any Securities, on the basis of current bid and offering prices for comparable securities, (c) by appraising the value of the Securities, or (d) by any combination of the above. The Evaluator may obtain current price information as to the Securities from investment dealers or brokers (including the Sponsor) which customarily deal in that type of securities. On the day on which a Holder is entitled to receive the Redemption Price, the accrued but unpaid administrative fee will be deducted from the accrued interest on the Securities to provide funds to meet such redemption and will be distributed to the Sponsor.

While Securities of the type included in the Trusts' Portfolios involve minimal risk of loss of principal when held to maturity, due to variations in interest rates the market value of the Securities and Redemption Price per Unit can be expected to fluctuate during the period of an investment in a Trust.

EXPENSES AND CHARGES

SPONSOR'S ADMINISTRATIVE FEE

An administrative fee, to reimburse the Sponsor for certain expenses described under Fund Structure--ML Plans, at the rates set forth under Investment Summary, calculated on a daily basis, will be deducted from interest income received by the Fund semi-annually and will be distributed to the Sponsor upon certification of its reimbursable expenses.

FEES

The Trustee's and Evaluator's fees are set forth under Investment Summary. The Trustee's fees for its services as Trustee, payable in semi-annual installments, are accrued daily based on the number of Units in a Trust. Certain regular and recurring expenses of each Trust, including the Evaluator's fee and certain mailing and printing expenses, are also included in the amount set forth under Investment Summary as Trustee's Annual Fee and Expenses (Section 3.14). Expenses in excess of the amount included for these expenses in the Trustee's Annual Fee and Expenses under Investment Summary will be borne by the Trust. The Trustee also receives benefits to the extent that it holds funds on deposit in the various non-interest bearing accounts created under the Indenture.

The interest bearing Securities in the 1999 Trust mature several months before the Stripped Treasury Securities therein and in the 2009 Trust, may be called up to five years before maturity (see Portfolio). The Trustee will reduce its fees and expenses for these Trusts in the amount of interest that would have accrued on these Securities between their maturity date and the maturity date of the Stripped Treasury Securities in the Trust. This reduction will eliminate the necessity of charging the Capital Account for the Trust expenses during this period.

When an employee receives Units from a Plan, he may establish an individual account or deposit the Units in an existing account with Merrill Lynch. Merrill Lynch currently charges annual maintenance fees on some types of accounts. The individual Holder would be responsible for any such charge. The fee is not payable if the employee is the record holder of the Units.

OTHER CHARGES

These include: (a) fees of the Trustee for extraordinary services (Section 8.05), (b) certain expenses of the Trustee (including legal and auditing expenses) and of counsel designated by the Sponsor (Sections 3.04, 3.09, 8.01e], 8.03 and 8.05), (c) various governmental charges (Sections 3.03 and 8.01h]), (d) expenses and costs of any action taken to protect any Trust (Section 8.01d]), (e) indemnification of the Trustee for any loss, liabilities and expenses incurred without gross negligence, bad faith or wilful misconduct on its part (Section 8.05), (f) indemnification of the Sponsor for any losses, liabilities and expenses incurred without gross negligence, bad faith, wilful misconduct or reckless disregard of its duties (Section 7.05b]) and (g) expenditures incurred in contacting Holders upon termination of the Trust (Section 9.02). The amounts of these charges and fees are

secured by a lien on the relevant Trust and, if the balances in the Income and Capital Accounts (see below) are insufficient, the Trustee has the power to sell Securities to pay these amounts (Section 8.05).

ADMINISTRATION OF THE FUND

RECORDS

The Trustee keeps a register of the names, address and holdings of all Holders of each Trust. The Trustee also keeps records of the transactions of each Trust, including a current list of the Securities and a copy of the Indenture, which are available to record Holders for inspection at the office of the Trustee at reasonable times during business hours (Sections 8.02 and 8.04).

ACCOUNTS AND DISTRIBUTIONS

The terms of the Securities provide for payment to the holders thereof (including the Trusts) upon their maturities. Interest received on any Securities in a Trust which bear current interest, including that part of the proceeds of any disposition of any such Security which represents accrued interest and any late payment penalties, is credited to an Income Account for the applicable Trust and other receipts to a Capital Account for the Trust (Sections 3.01 and 3.02). While income distributions are not anticipated, the Sponsor is authorized in its discretion to direct the Trustee to distribute any accumulated net income in June or December of any year. Distributions for Holders as of the Record Day normally will be made by mail on the following Distribution Day and shall consist of an amount substantially equal to each Holder's pro rata share of the distributable cash balance of the Income Account of the Trust computed as of the close of business on the Record Day. The balance in the Capital Account shall be distributed on the business day following the maturity of the Stripped Treasury Securities in the Trust Portfolio; the Record Day for that distribution shall be the business day immediately preceding the distribution day. The Trustee will acquire additional Securities as directed by the Sponsor, in the original proportionate relationship between face amounts, if there is a sufficient cash balance in the Capital Account.

The amount to be distributed may change as Securities are exchanged, paid or sold. A Reserve Account may be created by the Trustee by withdrawing from the Income or Capital Accounts, from time to time, amounts which it deems requisite to establish a reserve for any taxes or other governmental charges that may be payable out of the Trust (Section 3.03). Funds held by the Trustee in the various accounts created under the Indenture do not bear interest (Section 8.01).

PORTFOLIO SUPERVISION

Each Trust is part of a unit investment trust and its not an actively managed fund. Traditional methods of investment management for a managed fund typically involve frequent changes in a portfolio of securities on the basis of economic, financial and market analyses. The Portfolios of the Trusts, however, will not be actively managed and therefore the adverse financial condition of an issuer will not necessarily require the sale of its securities from a Trust. However, the Sponsor may direct the disposition of Securities upon default in payment of amounts due on any Securities which is not promptly cured, institution of certain legal proceedings, default in payment of amounts due on other Treasury Securities, or decline in price or the occurrence of other market or credit factors that in the opinion of the Sponsor would make the retention of these Securities in any Trust detrimental to the interest of the Holders of that Trust. If a default in payment of amounts due on any Security occurs and if the Sponsor fails to give instructions to sell or hold the Security the Indenture provides that the Trustee, within 30 days of that failure by the Sponsor, may sell the Security (Sections 3.07 and 3.10).

REPORTS TO HOLDERS

The Trustee will furnish Holders of record with each distribution a statement of the amounts of interest and other receipts which are being distributed, expressed in each case as a dollar amount per Unit. After the end of each calendar year (usually within twenty to sixty days), the Trustee will furnish to Holders of record a statement (i) summarizing transactions for the year in the Income, Capital and Reserve Accounts of the Trust, (ii) indentifying Securities sold and purchased during the year and listing Securities held and the number of Units oustanding at the end of the year by the Trust, (iii) stating the Trust's Redemption Price per Unit based upon the computation thereof made at the end of that year and (iv) specifying the amounts distributed during that year from the Trust's Income and Capital Accounts (Section 3.06). The accounts of each Trust shall be audited at least annually by independent certified public accountants designated by the Sponsor, and the report of the accountants shall be furnished by the Trustee to Holders upon request (Section 8.01[e]).

In order to enable them to comply with Federal and state tax reporting requirements, Holders will be furnished upon request to the Trustee with evaluations of Securities furnished to it by the Evaluator (Section 4.02).

UNCERTIFICATED UNITS

All Holders are required to hold their Units in uncertificated form. The Trustee will credit a Holder's account with the number of Units held by the Holder. This relieves the Holder of the responsibility of safekeeping of certificates and the need to deliver certificates upon sale or redemption of Units. Units are transferable by the Trustee, with a payment of $2.00 if required by the Trustee (or such other amount as may be specified by the Trustee and approved by the Sponsor) for each transfer and any sums payable for taxes or other governmental charges imposed upon these transactions and compliance with the formalities necessary to redeem Units (Section 6.02).

AMENDMENT AND TERMINATION

The Sponsor and Trustee may amend the Indenture without the consent of Holders (a) to cure any ambiguity or to correct or supplement any provision thereof which may be defective or inconsistent, (b) to change any provision thereof as may be required by the Securities and Exchange Commission or any successor governmental agency, or (c) to make any other provisions which do not adversely affect the interest of the Holders (as determined in good faith by the Sponsor). The Indenture may also be amended in any respect by the Sponsor and Trustee, or any of the provisions thereof may be waived, with the consent of the Holders of 51% of the Units then outstanding, provided that none of these amendments or waivers will reduce the interest in any Trust of any Holder without the consent of the Holder or reduce the percentage of Units required to consent to any of these amendments or waivers without the consent of all Holders (Section 10.01).

The Indenture will terminate upon the earlier of the disposition of the last Security held thereunder or the mandatory termination date. The Indenture as to any Trust may be terminated at any time by written instrument executed by the Sponsor and consented to by Holders of 51% of the Units (Sections 8.01[g] and 9.01). The Trustee will deliver written notice of any termination to each Holder within a reasonable period of time prior to the termination, specifying the times at which the Holders may surrender their Certificates for cancellation. Within a reasonable period of time after the termination, the Trustee must sell all of the Securities then held and distribute to each Holder, upon surrender for cancellation of his Certificates, and after deductions for accrued but unpaid fees, taxes and governmental and other charges, the Holder's interest in the Income and Capital Accounts (Section 9.01). This distribution will normally be made by mailing a check in the amount of each Holder's interest in these accounts to the address of the Holder appearing on the record books of the Trustee.

RESIGNATION, REMOVAL AND LIMITATIONS ON LIABILITY

THE TRUSTEE

The Trustee or any successor may resign upon notice to the Sponsor. The Trustee may be removed upon the direction of the Holders of 51% of the Units at any time or by the Sponsor without the consent of any of the Holders, if the Trustee becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities or if for any reason the Sponsor determines in good faith that the replacement of the Trustee is in the best interests of the Holders. The resignation or removal shall become effective upon the acceptance of appointment by the successor. In case of resignation or removal the Sponsor is to use its best efforts to appoint a successor promptly and if upon resignation of the Trustee no successor has accepted appointment within thirty days after notification, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor (Section 8.06). The Trustee shall be under no liability for any action taken in good faith in reliance on prima facie properly executed documents or for the disposition of monies or Securities, nor shall it be liable or responsible in any way for depreciation or loss incurred by reason of the sale of any Security. This provision, however, shall not protect the Trustee in cases of wilful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties. In the event of the failure of the Sponsor to act, the Trustee may act under the Indenture and shall not be liable for any of these actions taken in good faith. The Trustee shall not be personally liable for any taxes or other governmental charges imposed upon or in respect of the Securities or upon the interest thereon. In addition, the Indenture contains other customary provisions limiting the liability of the Trustee (Sections 3.07, 3.10, 8.01 and 8.05).

THE EVALUATOR

The Evaluator may resign or may be removed, effective upon the acceptance of appointment by its successor, by the Sponsor, who is to use its best efforts to appoint a successor promptly. If upon resignation of the Evaluator no successor has accepted appointment within thirty days after notification, the Evaluator may apply to a court of competent jurisdiction for the appointment of a successor (Section 4.40). Determinations by the Evaluator under the Indenture shall be made in good faith upon the basis of the best information available to it; provided, however, that the Evaluator shall be under no liability to the Trustee, the Sponsor or the Holders for errors in judgment. This provision, however, shall not protect the Evaluator in cases of wilful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties (Section 4.03). The Trustee, the Sponsor and the Holders may rely on any evaluation furnished by the Evaluator and shall have no responsibility for the accuracy thereof.

THE SPONSOR

If the Sponsor fails to perform its duties or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, then the Trustee may (a) appoint a successor Sponsor at rates of compensation deemed by the Trustee to be reasonable and as may not exceed amounts prescribed by the Securities and Exchange Commission, or (b) terminate the Indenture and liquidate the Trusts or (c) continue to act as Trustee without terminating the Indenture (Section 8.01[f]). The Sponsor shall be under no liability to the Trusts or to the Holders for taking any action or for refraining from the taking any action in good faith or for errors in judgment and shall not be liable or responsible in any way for depreciation or loss incurred by reason of the sale of any Security. This provision, however, shall not protect the Sponsor in cases of wilful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties (Section 7.02). The Sponsor may transfer all or substantially all of its assets to a corporation or partnership which carries on its business and duly assumes all of its obligations under the Indenture and in that event shall be relieved of all futher liability under the Indenture (Section 7.01)

MISCELLANEOUS

TRUSTEE

The Trustee of the Fund is The Bank of New York, a New York banking corporation with its Unit Investment Trust Department at 101 Barclay Street, New York, New York 10286 (which is subject to supervision by the New York Superintendent of Banks, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System). The Bank of New York was appointed successor Trustee effective February 28, 1995.

LEGAL OPINION

The legality of the Units has been passed upon by Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, as special counsel for the Sponsor.

AUDITORS

The financial statements, including the Portfolios of the Trusts, included herein have been audited by Deloitte & Touche LLP, independent accountants, as stated in their opinion appearing herein and have been so included in reliance upon that opinion given on the authority of that firm as experts in accounting and auditing.

SPONSOR

The Sponsor is a Delaware corporation and is engaged in the underwriting, securities and commodities brokerage business, and is a member of the New York Stock Exchange, Inc., other major securities exchanges and commodity exchanges, and the National Association of Securities Dealers, Inc. The Sponsor and Merrill Lynch Asset Management, Inc., a Delaware corporation and subsidiary of Merrill Lynch & Co., Inc., the parent of the Sponsor, are engaged in the investment advisory business. The Sponsor has acted as sponsor of a number of series of unit investment trusts. The Sponsor has acted as principal underwriter and managing underwriter of other investment companies. The Sponsor, in addition to participating as a member of various selling groups or as an agent of other investment companies, executes orders on behalf of investment companies for the purchase and sale of securities of these companies and sells securities to these companies in its capacity as a broker or dealer in securities.

DEFINED ASSET FUNDS - GOVERNMENT SECURITIES INCOME FUND,
U.S. GOVERNMENT ZERO COUPON BOND SERIES - 3

REPORT OF INDEPENDENT ACCOUNTANTS

The Sponsor, Co-Trustees and Holders
of Defined Asset Funds - Government Securities Income Fund,
U.S. Government Zero Coupon Bond Series - 3:

We have audited the accompanying statements of condition of the 1999 Trust and the 2009 Trust of Defined Asset Funds - Government Securities Income Fund, U.S. Government Zero Coupon Bond Series - 3, including the portfolios, as of March 31, 1995 and the related statements of operations and of changes in net assets for the years ended March 31, 1995, 1994 and 1993. These financial statements are the responsibility of the Trustee. (See Note 6.) Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Securities owned at March 31, 1995, as shown in such portfolios, were confirmed to us by The Bank of New York, the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the above-mentioned Trusts of Defined Asset Funds - Government Securities Income Fund, U.S. Government Zero Coupon Bond Series - 3 at March 31, 1995 and the results of their operations and changes in their net assets for the above-stated years in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

New York, N.Y.
July 21, 1995

DEFINED ASSET FUNDS - GOVERNMENT SECURITIES INCOME FUND,
U.S. GOVERNMENT ZERO COUPON BOND SERIES - 3

STATEMENTS OF CONDITION
AS OF MARCH 31, 1995

<TABLE><CAPTION>

<S>		<C> 1999 TRUST
TRUST PROPERTY:		
Investment in marketable securities - at value (cost $34,292,250) (Note 1)		$35,303,526
Accrued interest receivable		33,036
Cash		140,638
Total trust property		35,477,200
LESS LIABILITIES:		
Accrued expenses	$ 39,245	
Liability for securities purchased	93,722	
Redemptions payable	2,415	135,382
NET ASSETS (Note 2)		$35,341,818
UNITS OUTSTANDING		481,627.298

UNIT VALUE		$73.38

		2009 TRUST
TRUST PROPERTY:		
Investment in marketable securities - at value (cost $31,215,717) (Note 1)		$33,034,792
Accrued interest receivable		47,798
Receivable from securities sold or redeemed		64,025
Cash		72,303
Total trust property		33,218,918
LESS LIABILITIES:		
Accrued expenses	$40,634	
Redemptions payable	64,577	105,211
NET ASSETS (Note 2)		$33,113,707
UNITS OUTSTANDING		921,699.307
UNIT VALUE		$35.93

See Notes to Financial Statements.

</TABLE>

DEFINED ASSET FUNDS - GOVERNMENT SECURITIES INCOME FUND,
U.S. GOVERNMENT ZERO COUPON BOND SERIES - 3

STATEMENTS OF OPERATIONS

1999 TRUST

<TABLE>
<CAPTION>

	Years Ended March 31, 1995	1994	1993
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income	$ 76,068	$ 72,523	$ 76,988
Accretion of original issue discount	2,147,882	1,894,492	1,897,209
Trustees' fees and expenses	(34,821)	(27,597)	(30,063)
Sponsors' fees	42,900	(44,861)	(55,869)
Net investment income	2,232,029	1,894,557	1,888,265
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Realized gain on securities sold or redeemed	64,553	1,037,077	400,371
Unrealized appreciation (depreciation) of investments	(951,890)	(2,082,261)	2,817,119
Net realized and unrealized gain (loss) on investments	(887,337)	(1,045,184)	3,217,490
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$1,344,692	$ 849,373	$5,105,755

2009 TRUST

	Years Ended March 31, 1995	1994	1993
INVESTMENT INCOME:			
Interest income	$ 115,175	$ 100,309	$ 111,389
Accretion of original issue discount	1,944,176	1,628,064	1,656,612
Trustees' fees and expenses	(60,786)	(44,847)	(52,003)
Sponsors' fees	90,688	(54,606)	(84,822)
Net investment income	2,089,253	1,628,920	1,631,176
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Realized gain on securities sold or redeemed	441,568	2,020,300	453,945
Unrealized appreciation (depreciation) of investments	(636,414)	(2,082,706)	3,378,855
Net realized and unrealized gain (loss) on investments	(194,846)	(62,406)	3,832,800
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$1,894,407	$1,566,514	$5,463,976

See Notes to Financial Statements.

</TABLE>

DEFINED ASSET FUNDS - GOVERNMENT SECURITIES INCOME FUND,
U.S. GOVERNMENT ZERO COUPON BOND SERIES - 3

STATEMENTS OF CHANGES IN NET ASSETS

1999 TRUST

<TABLE>
<CAPTION>

	Years Ended March 31, 1995	1994	1993
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income	$ 2,232,029	$ 1,894,557	$ 1,888,265
Realized gain on securities sold or redeemed	64,553	1,037,077	400,371
Unrealized appreciation (depreciation) of investments	(951,890)	(2,082,261)	2,817,119
Net increase in net assets resulting from operations	1,344,692	849,373	5,105,755
INCOME DISTRIBUTIONS	(88,524)		
CAPITAL SHARE TRANSACTIONS (Note 3):			
Voluntary Contribution by Affiliate of Sponsor		135,008	
Issuance of additional units	10,368,975	3,906,487	7,730,515
Redemptions of units	(3,173,145)	(7,828,047)	(5,272,030)

Net capital share transactions	7,195,830	(3,786,552)	2,458,485
NET INCREASE (DECREASE) IN NET ASSETS	8,451,998	(2,937,179)	7,564,240
NET ASSETS AT BEGINNING OF YEAR	26,889,820	29,826,999	22,262,759
NET ASSETS AT END OF YEAR	$35,341,818	$26,889,820	$29,826,999
PER UNIT:			
Net asset value at end of year.	$73.38	$70.75	$68.84
Income distribution	$0.19		
TRUST UNITS OUTSTANDING AT END OF YEAR	481,627.298	380,053.673	433,265.276

See Notes to Financial Statements.

</TABLE>

DEFINED ASSET FUNDS - GOVERNMENT SECURITIES INCOME FUND,
U.S. GOVERNMENT ZERO COUPON BOND SERIES - 3

STATEMENTS OF CHANGES IN NET ASSETS

2009 TRUST

<TABLE>
<CAPTION>

	Years Ended March 31, 1995	1994	1993
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income	$ 2,089,253	$ 1,628,920	$ 1,631,176
Realized gain on securities sold or redeemed	441,568	2,020,300	453,945
Unrealized appreciation (depreciation) of investments	(636,414)	(2,082,706)	3,378,855
Net increase in net assets resulting from operations	1,894,407	1,566,514	5,463,976
INCOME DISTRIBUTIONS	(151,971)		
CAPITAL SHARE TRANSACTIONS (Note 3):			
Voluntary Contribution by Affiliate of Sponsor		216,142	
Issuance of additional units	11,990,965	6,381,661	8,708,468
Redemptions of units	(5,353,303)	(9,480,835)	(7,837,490)
Net capital share transactions	6,637,662	(2,883,032)	870,978
NET INCREASE (DECREASE) IN NET ASSETS	8,380,098	(1,316,518)	6,334,954
NET ASSETS AT BEGINNING OF YEAR	24,733,609	26,050,127	19,715,173
NET ASSETS AT END OF YEAR	$33,113,707	$24,733,609	$26,050,127

PER UNIT:			
Net asset value at end of year	$35.93	$34.20	$32.37
Income distribution	$0.17		
TRUST UNITS OUTSTANDING AT END OF YEAR	921,699.307	723,288.954	804,786.144

See Notes to Financial Statements.

</TABLE>

DEFINED ASSET FUNDS - GOVERNMENT SECURITIES INCOME FUND,

U.S. GOVERNMENT ZERO COUPON BOND SERIES - 3

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The Fund is registered under the Investment Company Act of 1940 as a Unit Investment Trust. The Fund consists of the 1999 and 2009 Trusts, each a separate unit investment trust. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles.

(a) Securities are stated at value as determined by the Evaluator based on the mean between bid and offering prices for the securities (see "Redemption - Computation of Redemption Price Per Unit" in this Prospectus).

(b) Cost of securities has been adjusted to include the accretion of original issue discount on the Stripped Treasury Securities.

(c) Each Trust is not subject to income taxes. Accordingly, no provision for such taxes is required.

2. NET ASSETS, MARCH 31, 1995

1999 TRUST

Cost of 481,627.298 units at Dates of Deposit	$26,687,872
Redemption of units - Net cost of 352,453.515 units redeemed less redemption amounts	(176,308)
Realized gain on securities sold or redeemed	1,736,221
Unrealized appreciation of investments	1,011,276
Net capital applicable to Holders	29,259,061
Undistributed net investment income - accretion of original issue discount ($6,086,962) less excess ($4,205) of fees and expenses over interest income	6,082,757
Net assets	$35,341,818

2009 TRUST

Cost of 921,699.307 units at Dates of Deposit	$23,578,686
Redemption of units - Net cost of 1,349,407.729 units redeemed	

less redemption amounts	(243,532)
Realized gain on securities sold or redeemed	3,112,810
Unrealized appreciation of investments	1,819,075
Net capital applicable to Holders	28,267,039
Undistributed net investment income - accretion of original issue discount ($4,855,155) less excess ($8,487) of fees and expenses over interest income	4,846,668
Net assets	$33,113,707

3. CAPITAL SHARE TRANSACTIONS

Additional units were issued by the Trusts as follows:

Trust	Year Ended March 31, 1995	Year Ended March 31, 1994	Year Ended March 31, 1993
1999	147,198.417	54,539.727	123,828.126
2009	360,097.229	178,220.474	307,177.790

Units were redeemed as follows:

Trust	Year Ended March 31, 1995	Year Ended March 31, 1994	Year Ended March 31, 1993
1999	45,624.792	107,751.330	81,710.862
2009	161,686.876	259,717.664	266,132.027

Units may be redeemed at the office of the Trustee upon tender thereof generally on any business day or, in the case of uncertificated units, upon delivery of a request for redemption and payment of any relevant tax. The Trustee may redeem units either in cash or in kind at the option of the Holder as specified in writing to the Trustee.

On July 21, 1993, an affiliate of the Sponsor, as Plan Administrator, made voluntary contributions of $135,008 and $216,142 into the 1999 and 2009 Trusts, respectively, to purchase additional securities.

4. INCOME TAXES

All Trust items of income received, accretion of original issue discount, expenses paid, and realized gains and losses on securities sold are attributable to the Holders, on a pro rata basis, for Federal income tax purposes in accordance with the grantor trust rules of the United States Internal Revenue Code.

At March 31, 1995, the cost of investment securities for Federal income tax purposes was approximately equivalent to the adjusted cost as shown in each Trust's portfolio.

5. DISTRIBUTIONS

It is anticipated that the Trusts will make distributions on the first business day following the maturity of their holdings in the Stripped

Treasury Securities which are non-interest bearing. Any excess of interest income over fees and expenses may be distributed periodically.

6. TRUSTEE CHANGE

On March 1, 1995, The Bank of New York assumed all of the Trustee responsibilities from Investors Bank & Trust Company.

DEFINED ASSET FUNDS - GOVERNMENT SECURITIES INCOME FUND,
U.S. GOVERNMENT ZERO COUPON BOND SERIES - 3

PORTFOLIOS
AS OF MARCH 31, 1995
<TABLE><CAPTION>

Portfolio No. and Title of Securities	Interest Rates	Maturities	Face Amount	Adjusted Cost(1)	Value(1)
<S>	<C>	<C>	<C>	<C>	<C>
1999 TRUST					
1 Stripped Treasury Securities(2)	0.000%	11/15/99	$47,193,000	$33,246,015	$34,259,999
2 U.S. Treasury Notes	8.875	11/15/98	985,324	1,046,235	1,043,527
Total			$48,178,324	$34,292,250	$35,303,526
2009 TRUST					
1 Stripped Treasury Notes Securities(2)	0.000%	5/15/09	$90,877,000	$29,685,876	$31,492,515
2 U.S. Treasury Bonds	9.125	5/15/09(3)	1,386,553	1,529,841	1,542,277
Total			$92,263,553	$31,215,717	$33,034,792

</TABLE>

(1) See Notes to Financial Statements.
(2) See "Risk Factors - Special Characteristics of Stripped Treasury Securities" in this Prospectus.
(3) Callable beginning 5/15/04 at par.

DEFINED ASSET FUNDS -- GOVERNMENT SECURITIES INCOME FUND

GNMA SERIES
FREDDIE MAC SERIES
MONTHLY PAYMENT U.S. TREASURY SERIES
U.S. TREASURY ACCUMULATION SERIES
U.S. TREASURY ACCUMULATION SERIAL PAYOUT SERIES
U.S. TREASURY SERIES 7--LADDERED ZERO COUPONS
U.S. TREASURY SERIES 11

PROSPECTUS, PART B

NOTE: PART B OF THIS PROSPECTUS MAY NOT BE DISTRIBUTED UNLESS ACCOMPANIED BY PART A.

INDEX

FUND SUMMARY

RISK FACTORS. GNMA and Freddie Mac Series. An investment in Units of these Series should be made with an understanding of the risks which an investment in fixed-rate, long-term debt obligations without prepayment protection may entail, including the risk that the value of the Portfolio and hence of the Units will decline with increases in interest rates and that payments of principal may be received sooner than anticipated, especially if interest rates decline. The potential for appreciation which could otherwise be expected to result from a decline in interest rates, may tend to be limited by any increased prepayments by mortgagors as interest rates decline. In addition, prepayments of principal on Securities purchased at a premium over par will result in some loss on investment while prepayments on Securities purchased at a discount from par will result in some gain on investment. (See Payment of the Debt Obligations and Life of the Fund; Redemption). If interest rates rise, the prepayment risk of higher-yielding, premium Securities and the prepayment benefit for lower-yielding, discount Securities will be reduced. Since higher coupon, premium Securities are more likely to prepay than lower coupon, discount Securities, certain investors may wish to consider investing in units of GNMA Series that may be available from the Sponsors with portfolios of Securities, the majority of which are currently trading at a market discount, especially if they believe that interest rates are likely to fall.

Treasury 'Zero' Series. The value of Stripped Treasury Securities, and therefore of the Units of these Series, may be subject to greater fluctuations in response to changing interest rates than in a fund consisting of debt obligations with comparable maturities that pay interest currently. This risk is greater when the period to maturity is longer.

All Series. U.S. Government securities (but not necessarily Freddie Macs) are not affected by credit risk but are subject to changes in market value resulting from changes in interest rates. Therefore, an investment in Units of the Fund should be made with an understanding of the risks which an investment in fixed-rate debt obligations may entail, including the risk that the value of the Portfolio, and hence of the Units, will decline with increases in interest rates. In recent years there have been fluctuations in interest rates and thus in the value of fixed-rate debt obligations generally. The Sponsors cannot predict future economic policies or their consequences or, therefore, the course or extent of any similar fluctuations in the future.

In certain Funds, the Sponsors may deposit additional Securities and additional Units may be created, which may have an effect upon the value of previously existing Units. Additional Units may be created by depositing Securities (or contracts to purchase Securities accompanied by cash or a letter of credit in an amount sufficient to complete the contracts) or cash (or a bank letter of credit) to purchase Securities, in each instance maintaining the original proportionate relationship among the principal amounts of Securities of specified interest rates and maturities in the Portfolio. If cash (or a letter of credit) is deposited to purchase Securities, the value of existing Units will change to the extent the price of a Security increases or decreases between the time of deposit and the time the Security is purchased. In addition, brokerage commissions or dealer spreads in buying and selling Securities will be borne by the Fund. See Fund Structure.

Units offered hereby may reflect redemptions, prepayments, defaults or dispositions of Securities originally deposited in the Fund. A reduction in the value of a Unit resulting from these events does not mean that a Unit is valued at a market discount; market discounts or premiums on Units represent the difference between the face amount of Securities per Unit and the price per Unit. As they approach maturity, discount securities tend to increase in market value while premium securities tend to decrease in market value. If currently prevailing interest rates for newly issued and otherwise comparable securities decline, the market discount of previously issued securities will be reduced and the market premium of previously issued securities will increase. Conversely, if currently prevailing interest rates increase, the market discount of previously issued securities will become deeper and the market premium of previously issued securities will decline. The Investment Summary in Part A sets forth the percentages of the aggregate face amount of the Portfolio valued at a discount from the par (maturity) value and at a premium over par and sets forth the face amount of Securities underlying each Unit and the value of the Unit as of the Evaluation Date. For additional risk factors depending on the types of securities in particular series, see Risk Factors below.

THE PUBLIC OFFERING PRICE of the Units is generally based on the Evaluator's determination of the aggregate bid side evaluation of the underlying Securities (computed as of the Evaluation Time for all sales made subsequent to the previous evaluation) divided by the number of Units outstanding. A sales charge (set forth under Investment Summary in Part A), accrued interest net of expenses and cash adjustments are added. The Public Offering Price on the date of this Prospectus or on any subsequent date will vary from the Public Offering Price set forth under Investment Summary in Part A. (See Public Sale of Units--Public Offering Price.) This prospectus may be used either to offer additional Units of the Fund in connection with subsequent deposits or to offer previously issued and outstanding Units which have been purchased by the Sponsors. The profit or loss will accrue to the Sponsors, and in the latter case no proceeds will be received by the Fund.

MARKET FOR UNITS. The Sponsors, though not obligated to do so, intend to maintain a secondary market for Units based for most Series on the aggregate bid side evaluation of the underlying Securities (see Market for Units). So long as the Sponsors are maintaining a secondary market at prices not less than the Redemption Price per Unit, they will repurchase any Units tendered for redemption. If this market is not maintained, a Holder will be able to dispose of his Units through redemption at prices also based on the aggregate bid side evaluation of the underlying Securities (see Redemption). Market conditions (as well as payments and prepayments of principal on Securities in GNMA and Freddie Mac Series) may cause the prices available in the market maintained by the Sponsors or available upon exercise of redemption rights to be more or less than the amount paid for Units plus accrued interest.

ESTIMATED CURRENT AND LONG TERM RETURNS. Estimated current return on a Unit represents annual cash receipts from coupon-bearing debt obligations (after estimated expenses) divided by the maximum Public Offering Price (including the sales charge). 'Current return' provides different information than 'long-term return', which represents yield to maturity (or earlier call date) and reflects not only the interest payable on the debt obligations but also the amortization or accretion to that date of any premium over or discount from the par value in the obligation purchase price. Long-term return on Units in the secondary market may be lower, sometimes significantly, than current return. Changes in the composition of the Portfolio and its market valuation, as well as the estimated fees and expenses payable by the Fund, will cause current return and long-term return, as well as the difference between them, to fluctuate in the future. Both current return and long-term return may be substantially lower than originally estimated. (See Description of the Fund--Income and Estimated Current and Long Term Returns.)

ESTIMATED YIELD TO MATURITY (TREASURY 'ZERO' SERIES). The yield to maturity on the Units of each Trust is the annual percentage return to the investor based on amortization of discount, compounded semi-annually on a 365-day year, divided by the price per Unit. It is assumed that interest income will equal expenses and other deductions. The value of the Units will fluctuate with the value of the portfolio of underlying Securities. The yield to maturity will change with changes in the price per Unit and any change in the Trust's expenses.

DISTRIBUTIONS of net income, any principal or premium and any capital gains will be paid in cash unless the Holder elects to reinvest distributions as described below (see Reinvestment). Holders will be taxed in the manner described under Taxes regardless of whether these distributions from the Fund are actually received by the Holders in cash or are automatically reinvested.

REINVESTMENT. Holders of Freddie Mac Series and GNMA Series (except for GNMA Series 1L, 1N, 1P, 1R, 1S and 1T) may reinvest distributions of net income, any principal or premium and any capital gains in The GNMA Fund Investment Accumulation Program, Inc. (the 'Program'). For more complete information about the Program, including charges and expenses, return the form included in Part A for a prospectus. Read it carefully before you decide to participate. It should be noted that interest distributions to foreign Holders from the Program will be subject to U.S. Federal income taxes, including withholding taxes, and that income on shares of the Program will not be eligible for the dividends received deduction for corporations. Holders of GNMA Series 1L, 1N, 1P, 1R, 1S and 1T and Monthly Payment U.S. Treasury Series 1-5 may reinvest their distributions into additional Units of the Fund. Changes from month to month in the market value of the underlying Securities could increase or decrease the compounded return as compared with the current return. Holders electing to reinvest their distributions will receive additional Units and therefore will own a greater percentage of the Fund than Holders who receive their distributions in cash and may realize a higher compounded return than the Estimated Current Return. (See Reinvestment Plan.) Holders of Units in IRA's, Keogh plans and other tax-deferred retirement plans should consult their plan custodian as to the appropriate disposition of distributions (see Retirement Plans).

TAXATION. For any Series that qualifies as a 'regulated investment company' under the Internal Revenue Code of 1986, as amended (the 'Code') (see Taxes, Section A below), distributions from the Fund will be included in a U.S. Holder's gross income (but will not be eligible for the dividends-received deduction for corporations), and distributions to Holders who are not U.S. citizens or residents will generally be subject to withholding tax at the statutory rate of 30% (or a lesser treaty rate). In the opinion of special counsel to the Sponsors, for any Series that is organized as a 'grantor trust' under the Code (see Taxes, Section B below), each Holder will be considered the owner of a pro rata portion of each Debt Obligation in the Fund, and will be considered to have received the interest or principal on his pro rata portion of each Debt Obligation when received by the Fund. Interest is taxable as ordinary income for U.S. Holders. Distributions on GNMA Series W through 1K, 1M, 1O-NRA, 1Q-NRA, all Freddie Mac Series, Monthly Payment U.S. Treasury Series (except Series 1) and U.S. Treasury Series 7--Laddered Zero Coupons are also exempt from U.S. Federal income taxes, including withholding taxes, for qualifying foreign Holders. Individual U.S. Holders of Units of Monthly Payment U.S. Treasury Series and U.S. Treasury Series 7--Laddered Zero Coupons may benefit from the exemption from state and local personal income taxes that pass through the Fund to Holders in all states.

FUND STRUCTURE

The Fund, a series of The Government Securities Income Fund, is a 'unit investment trust' created by a Trust Indenture (the 'Indenture') among the Sponsors, the Trustee (and Co-Trustee, if any) and the Evaluator. GNMA Series 1 through 29, A and B were created under Massachusetts law and all other Series under New York law. GNMA Series consist primarily of mortgage-backed Securities of the modified pass-through type ('Ginnie Maes') fully guaranteed as to payments of principal and interest by the Government National Mortgage Association ('GNMA'). GNMA's guarantee is backed by the full faith and credit of the U.S. government. Freddie Mac Series hold Mortgage Participation Certificates ('PCs'), representing undivided interests in specified fixed-rate, first lien conventional residential mortgages guaranteed by the Federal Home Loan Mortgage Corporation ('FHLMC' or 'Freddie Mac'). FHLMC's guarantee is not backed by the U.S. government. Monthly Payment U.S. Treasury Series and U.S. Treasury Series 11 hold short-to-intermediate-term U.S. Treasury debt obligations which are direct obligations of the United States and are backed by its full faith and credit.

U.S. Treasury Accumulation Series and Trusts of U.S. Treasury Accumulation Serial Payout Series consist, respectively, of long-term debt obligations, or serially maturing interest coupons, that were stripped from debt obligations of the United States of America. U.S. Treasury Series 7--Laddered Zero Coupons consist primarily of stripped debt obligations of the United States of America and receipts and certificates for such stripped debt obligations ('Stripped Treasury Securities'). See Special Characteristics of Stripped Treasury Securities below. Each of these Funds also contains an interest-bearing Treasury Note deposited in order to provide income with which to pay the expenses of the Fund.

With the deposit of the Securities on the Initial Date of Deposit, the Sponsors established a percentage relationship among the principal amounts of Securities of specified interest rates and maturities (ranges of maturities in GNMA and Freddie Mac Series) in the Fund. The Sponsors may deposit additional Securities in certain of these Funds and Units may be continuously offered to the public by means of this Prospectus (see Public Sale of Units), resulting in a potential increase in the number of Units outstanding. Any additional Securities deposited in these Funds will maintain as closely as practicable (exactly in the case of Series organized as 'grantor trusts'--see Section B of Taxes) the original percentage relationship among the principal amounts of Securities of specified interest rates and maturities (or ranges of maturities) in the Portfolio. Precise duplication of

this original percentage relationship may not ever be possible because fractions of Securities may not be purchased, but duplication will continue to be the goal in connection with any such additional Securities deposited (see Administration of the Fund--Portfolio Supervision).

Each group of Ginnie Maes or Freddie Mac PCs described in Part A as having a specified range of maturities includes individual Securities having varying maturities within that range. Each group is described as one category of Securities with a single range of maturities because of current market conditions that accord no difference in price among the Securities grouped together on the basis of the difference in their maturity ranges. Accordingly, as long as this market condition prevails, a purchase of Securities on a subsequent deposit with the same coupon rate and a maturity date within the range mentioned above will be considered as an acquisition of the same Security.

As used herein, the term 'Securities' includes all securities in the Fund and described herein and any additional securities which may be acquired by the Fund pursuant to the provisions of the Indenture. The Securities were selected for deposit in the Fund on the basis described under Description of the Fund--The Portfolio.

To the extent that references in this Prospectus are to articles and sections of the Indenture, which are hereby incorporated by reference, the statements made herein are qualified in their entirety by this reference. The Fund may be an appropriate investment vehicle for investors who desire to participate in a portfolio of taxable fixed rate securities with greater diversification than they might be able to acquire individually. In addition, securities of the type deposited in the Fund often are not available in small amounts.

The holders ('Holders') of units of interest ('Units') will have the right to have their Units redeemed (see Redemption) at a price based on the aggregate bid side evaluation of the Securities ('Redemption Price per Unit') if the Units cannot be sold in the over-the-counter market which the Sponsors propose to maintain at prices determined for most Series in the same manner (see Market for Units). On the Evaluation Date, each Unit represented the fractional undivided interest in the Securities and net income of the Fund set forth under Investment Summary in Part A. Thereafter, if any Units are redeemed or additional Units are issued, the face amount of Securities in the Fund and the fractional undivided interest represented by each remaining Unit in the balance will change. Units will remain outstanding until redeemed upon tender to the Trustee by any Holder (which may include the Sponsors) or until termination of the Indenture (see Redemption; Administration of the Fund--Amendment and Termination).

RISK FACTORS

GENERAL

Units offered in the secondary market may reflect redemptions or prepayments, in whole or in part, on certain of the Securities originally deposited in the Fund or the disposition of certain Securities originally deposited in the Fund to satisfy redemptions of Units or pursuant to the exercise by the Sponsors of their supervisory role over the Fund (see Payment of the Securities and Life of the Fund; Administration of the Fund-- Portfolio Supervision). Accordingly, the face amount of Units may be less than their original face amount at the time of the creation of the Fund. A reduced value per Unit does not therefore mean that a Unit is necessarily valued at a market discount; market discounts, as well as market premiums, on Units are determined solely by a comparison of a Unit's outstanding face amount and its evaluated price.

Certain of the Securities in the Fund may be valued at a market discount. Securities trade at less than par value because the interest rates on the Securities are lower than interest on comparable debt securities being issued at currently prevailing interest rates. The current returns of securities trading at a market discount are lower than the current returns of comparably rated debt securities of a similar type issued at currently prevailing interest rates because discount securities tend to increase in market value as they approach maturity and the full principal amount becomes payable. If currently prevailing interest rates for newly issued and otherwise comparable securities increase, the market discount of previously issued securities will become deeper and if currently prevailing interest rates for newly issued comparable securities decline, the market discount of previously issued securities will be reduced, other things being equal. Market discount attributable to interest rate changes does not indicate a lack of market confidence in the issue.

Certain of the Securities in the Fund may be valued at a market premium. Securities trade at a premium because the interest rates on the Securities are higher than interest rates on comparable debt securities being issued at currently prevailing interest rates. The current returns of securities trading at a market premium are higher than the current returns of comparably rated debt securities of a similar type issued at currently prevailing interest rates because premium securities tend to decrease in market value as they approach maturity when the face amount becomes payable. Because part of the purchase price is thus returned not at maturity but through current income payments, an early redemption of a premium security at par will result in a reduction in yield. If currently prevailing interest rates for newly issued and otherwise comparable securities increase, the market premium of previously issued securities will decline and if currently prevailing interest rates for newly issued comparable securities decline, the market premium of previously issued securities will increase, other things being equal. Market premium attributable to interest rate changes does not indicate market confidence in the issue.

An investment in Units should be made with an understanding of the risks which these investments may entail, certain of which are described below.

U.S. TREASURY ACCUMULATION AND ACCUMULATION SERIAL PAYOUT SERIES AND U.S. TREASURY SERIES 7--LADDERED ZERO COUPONS

An investment in Units of the Fund should be made with an understanding of the risks which an investment in deep discount securities may entail, including the risk that the value of the Portfolio and hence of the Units will decline with increases in interest rates and that Holders will have a significant amount of taxable income attributed to them before receipt of the cash attributable to that income. Purchasers of Units will accordingly be required to report as income, in each taxable year, a portion of the original issue discount on the Securities (see Taxes, Section B below). The value of a fund consisting of discount securities may be subject to greater fluctuations in response to changing interest rates than a fund consisting of debt obligations with comparable maturities that pay interest currently. This risk is greater when the period to maturity is longer.

Special Characteristics of Stripped Treasury Securities. Bearer bonds are transferable by delivery; payments are made to the holder of these bonds. Stripped bonds have been stripped of their unmatured interest coupons; stripped coupons are coupons that have been stripped from an issuer's bonds. Stripped bonds and stripped coupons are sold at a deep discount because the buyer of those securities receives only the right to receive a future fixed payment on the security and not any rights to periodic interest payments thereon. Purchasers of these securities acquire, in effect, discount obligations that are economically identical to the 'zero-coupon bonds' that have been issued by corporations. Zero coupon bonds are bonds which do not make any periodic payments of interest prior to maturity and accordingly are issued at a deep discount.

Stripped Treasury Securities held by any Fund or Trust consist solely of one or more of the following types of securities: (a) U.S. Treasury debt obligations which have been stripped of their unmatured interest coupons, (b) coupons which have been stripped from U.S. Treasury bonds, either of which may be held through the Federal Reserve Bank's book entry system called 'Separate Trading of Registered Interest and Principal of Securities' ('STRIPS'), and (c) receipts or certificates for stripped U.S. Treasury debt obligations having the following characteristics. These receipts or certificates evidence ownership of future interest or principal payments on U.S. Treasury notes or bonds which are direct obligations of the United States. The receipts or certificates are issued in registered form by a major bank which acts as custodian and nominal holder of the underlying stripped U.S. Treasury debt obligation (which may be held by it either in physical or in book entry form). The terms of custody provide that the underlying debt obligations will be held separate from the general assets of the custodian and will not be subject to any right, charge, security interest, lien or claim of any kind in favor of the custodian or any person claiming through the custodian, and the custodian will be responsible for applying all payments received on those underlying debt obligations to the related receipts or certificates without making any deductions other than applicable tax withholding. The custodian is required to maintain insurance for the protection of holders of receipts or certificates in customary amounts against losses resulting from the custody arrangement due to dishonest or fraudulent action by the custodian's employees. The holders of receipts or certificates, as the real parties in interest, are entitled to the rights and privileges of the underlying debt obligations including the right in the event of default in payment of principal or interest thereon to proceed individually against the United States without acting in concert with other holders of those receipts or certificates or the custodian.

The Stripped Treasury Securities in any Fund or Trust are debt obligations of the United States government which are payable in full at maturity at their stated maturity amount and are not subject to redemption prior to maturity. The Stripped Treasury Securities do not make any periodic payments of interest.

The Stripped Treasury Securities in each Fund or Trust are sold at a substantial discount from their face amounts payable at maturity. Because interest on Stripped Treasury Securities and other 'zero coupon' obligations is not distributed on a current basis but in effect compounded, the value of securities of this type, including the value of accrued and reinvested interest (and of a Fund comprised of these obligations) is subject to greater fluctuations in response to changing interest rates than on debt obligations which distribute interest periodically. Accordingly, while the full faith and credit of the U.S. government provides a high level of protection against credit risks on the Securities, sale of Units before maturity of the Securities at a time when interest rates have increased would involve greater market risk than in a fund which is invested in debt obligations of comparable maturity which pay interest currently. This risk is greater when the period to maturity is longer. Furthermore, the stripping of the interest coupons will cause the Units and therefore the Holder's pro rata portion of each Stripped Treasury Security to be purchased at a deep discount. The Stripped Treasury Securities do not make any periodic payments of interest. Accordingly, Funds holding primarily Stripped Treasury Securities are not a suitable investment for persons seeking current cash distributions. Sales of Units in California may be made only to persons who have a minimum net worth (exclusive of home, home furnishings, and automobiles for personal use) of at least (i) $75,000 or (ii) $30,000 if the investor has an adjusted gross income of at least $30,000. A holder of Stripped Treasury Securities will be required to include annually in gross income an allocable portion of the discount created by coupon stripping, prior to receipt of the cash attributable to that income. Accordingly, a Fund or Trust holding Stripped Treasury Securities may be a suitable investment only if purchased by IRAs, Keogh plans or other tax-deferred accounts (see Taxes below). Stripped Treasury Securities are marketable in substantially the same manner as other discount Treasury securities.

Under generally accepted accounting principles, a holder of a Security purchased at a discount normally must report as an item of income for financial accounting purposes the portion of the discount attributable to the applicable reporting period. The calculation of this attributable income would be made on the 'interest' method which generally will result in a lesser amount of includible income in earlier periods and a correspondingly larger amount in later periods. For Federal income tax purposes, the inclusion will be on a basis that reflects the effective semi-annual compounding of accrued but unpaid interest effectively represented by the discount. Although this treatment is similar to the 'interest' method described above, the 'interest' method may differ to the extent that generally accepted accounting principles permit or require the inclusion of interest on the basis of a compounding period other than the semi-annual period (see Taxes).

GNMA AND FREDDIE MAC SERIES

The Ginnie Maes or Freddie Mac PCs included in the Portfolios of these Funds are backed by the indebtedness secured by the mortgages contained in the underlying mortgage pools. In order for these Securities to be eligible for inclusion in Funds designated as tax-exempt for foreign Holders (see Section B of Taxes below), evidence must be received that the underlying mortgages were originated after July 18, 1984. Although the Sponsors believe that all the underlying mortgages in those Funds were originated after July 18, 1984, to the extent that is not the case and on Funds not so designated, a foreign Holder will be subject to United States Federal income taxes on income derived from mortgages that were originated prior to July 18, 1984 (see Taxes).

Set forth below is a brief description of the current method of origination of mortgage-backed Securities; the nature of these Securities, including the nature of the guaranty of these Securities; the basis of selection and acquisition of these Securities included in the Portfolio; and the expected life of these Securities and the Fund. The Portfolios contain information concerning the coupon rate and range of stated maturities of the Ginnie Maes or Freddie Mac PCs in the Fund.

GINNIE MAES. The Portfolios of GNMA Series consist primarily of mortgage-backed securities of the modified pass-through type fully guaranteed as to payment of principal and interest by the Government National Mortgage Association ('GNMA').

GNMA is a wholly-owned U.S. government corporation within the Department of Housing and Urban Development. GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of, and interest on, certificates which are based on and backed by pools of residential mortgage loans insured or guaranteed by the Federal Housing Administration ('FHA'), the Farmers' Home Administration ('FMHA') or the Department of Veteran's Affairs ('VA'). In order to meet its obligation under its guaranty, GNMA may issue its general obligations to the United States Treasury. In the event it is called upon at any time to make good its guaranty, GNMA has the full power and authority to borrow from the Treasury of the United States, if necessary, amounts sufficient to make payments of principal and interest on the GNMA Certificates ('GNMA Pass-throughs' or 'Ginnie Maes').

Section 306(g) provides further that the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under that subsection. An opinion of an Assistant Attorney General of the United States, dated December 9, 1969, states that these guaranties 'constitute general obligations of the United States backed by its full faith and credit.' Any statement in this Prospectus that a particular Security is backed by the full faith and credit of the United States is based upon the opinion of an Assistant Attorney General of the United States and should be so construed.

GNMA Pass-throughs. The Ginnie Maes are of the 'modified pass-through' type, the terms of which provide for timely monthly payments by the issuers to the registered holders (including the Fund) of their pro rata shares of the scheduled principal payments, whether or not collected by the issuers, on account of the mortgages backing these Ginnie Maes, plus any prepayments of principal of such mortgages received, and interest (net of the servicing and other charges described above) on the aggregate unpaid principal balance of these Ginnie Maes, whether or not interest on account of these mortgages has been collected by the issuers. Ginnie Maes are guaranteed by GNMA as to timely payment of principal and interest. Funds received by the issuers on account of the mortgages backing the several issues of the Ginnie Maes are intended to be sufficient to make the required payments of principal and interest on these Ginnie Maes but, if these funds are insufficient for that purpose, the guaranty agreements between the issuers and GNMA require the issuers to make advances sufficient for these payments. If the issuers fail to make these payments GNMA will do so. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under the guaranty. The payment cycle of Ginnie Maes is 45 days between the date of security issuance and the first investor payments.

Origination of Mortgage-Backed Securities. The pool of mortgages that is to underlie a particular new issue of Ginnie Maes, such as the Ginnie Maes in the Fund, is assembled by the proposed issuer of these Ginnie Maes. This issuer is typically a mortgage banking firm, savings institution or commercial bank and in every instance must be a mortgagee approved by and in good standing with the FHA. In addition, GNMA imposes its own criteria on the eligibility of issuers, including a net worth requirement and a requirement that a principal element of its business operation be the origination or servicing of mortgage loans.

The mortgages which are to compose the new pool may have been originated by the issuer itself in its capacity as a mortgage lender, or they may be acquired by the issuer from a third party, such as another mortgage banker, a banking institution, the VA, which in certain instances acts as a direct lender and thus originates its own mortgages, or one of several other governmental agencies. All mortgages in any given pool will be insured under the National Housing Act, as amended ('FHA-insured') or Title V of the Housing Act of 1949 ('YMHA-insured') or insured or guaranteed under Chapter 37 of Title 38, U.S.C. ('VA-guaranteed'); will have a date for the first scheduled monthly payment of principal and interest that is not more than 24 months prior to the issue date of the Ginnie Mae to be issued; will have homogeneity as to interest rate, maturity and type of dwelling (e.g., project mortgages on apartment projects and hospitals will not be mixed with 1-to 4-family mortgages); and will meet additional criteria of GNMA. All mortgages in the pools backing the Ginnie Maes contained in the Portfolio are mortgages on 1-to 4-family dwellings (amortizing over a period of up to 30 years). In general, the mortgages in these pools provide for equal monthly payments over the life of the mortgage (aside from prepayments), designed to repay the principal of the mortgage over this period, together with interest at a fixed rate on the unpaid balance.

In seeking GNMA approval of a new pool, the issuer files with GNMA an application containing information concerning itself, describing generally the pooled mortgages, and requesting that GNMA approve the issue and issue its commitment (subject to its satisfaction with the mortgage documents and other relevant documentation) to guarantee the timely payment of principal of and interest on the Ginnie Maes to be issued by the issuer on the basis of that pool. If the application is in order, GNMA issues its commitment, assigning a GNMA pool number to the pool. Upon completion of the required documentation, including detailed information as to the underlying mortgages, a custodial agreement with a Federal or state regulated financial institution satisfactory to GNMA pursuant to which the underlying mortgages will be held in safekeeping, and a detailed guaranty agreement between GNMA and the issuer, the issuance of the Ginnie Maes is permitted, and GNMA, upon their issuance,

endorses its guaranty thereon. The aggregate principal amount of Ginnie Maes issued will be equal to the then aggregate unpaid principal balances of the pooled mortgages. The interest rate borne by the Ginnie Maes is currently fixed at .5 of 1% below the interest rate of the pooled 1-to 4-family mortgages, the differential being applied to the payment of servicing and custodial charges as well as GNMA's guaranty fee.

The Ginnie Maes are based upon and backed by the aggregate indebtedness secured by the underlying FHA-insured, FMHA-insured or VA-guaranteed mortgages and, except to the extent of funds received by the issuers on account of these mortgages, the Ginnie Maes do not constitute a liability of nor evidence any recourse against the issuers, but recourse thereon is solely against GNMA. Holders of Ginnie Maes have no security interest in or lien on the pooled mortgages.

The GNMA guaranties referred to herein relate only to payment of principal of and interest on the Ginnie Maes in the Portfolio and not to the Units offered hereby.

Other Securities. A part of GNMA Series may consist of Securities on which the payment of principal and interest is backed by the full faith and credit of the United States through an agency other than the GNMA. Certain Series contain Securities guaranteed by the Small Business Administration ('SBA'). These Securities are issued by financial institutions and are backed by loans to small businesses, which loans are guaranteed by the SBA pursuant to Section 7(a) of the Small Business Administration Act of 1958, as amended (15 U.S.C.

Section636). It has been the experience of the industry that such loans default at a rate of between and percent. In the event of such default, the holder of these Securities may experience delays in payment on the Securities of between 60 and 120 days. Such Securities, which may have been deposited in the Fund at a premium over par, are currently prepayable at par subject to certain limitations. To the extent that they are so prepaid, the premium over par will represent a loss of capital when compared with the original Public Offering Price of the Units.

FREDDIE MACS. The Federal Home Loan Mortgage Corporation ('FHLMC') is a publicly-held government sponsored enterprise created pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970 (the 'FHLMC Act'). FHLMC's common stock is owned by the Federal Home Loan Banks. FHLMC was established primarily for the purpose of increasing the availability of mortgage credit for the financing of urgently needed housing. It seeks to provide an enhanced degree of liquidity for residential mortgage investments primarily by assisting in the development of secondary markets for conventional mortgages. The principal activity of FHLMC currently consists of purchasing first lien, conventional residential mortgage loans and participation interests therein (collectively, 'mortgages'), which FHLMC repackages and sells as guaranteed mortgage securities, primarily FHLMC Certificates. These mortgages must meet certain mortgage purchase requirements (including mortgage purchase amount limits) and must be deemed by FHLMC to be of a quality, type and class to meet generally the purchase standards of private institutional mortgage investors.

Prior to October 1992, substantially all of the mortgages acquired by FHLMC had been acquired from mortgagees approved by the Secretary of Housing and Urban Development ('HUD') for participation in mortgage insurance programs under the National Housing Act (primarily mortgage bankers) or from federally insured financial institutions (primarily savings associations, commercial banks and savings banks). The FHLMC Act was amended in October, 1992 to remove the restrictions on the types of mortgage sellers from whom FHLMC may purchase mortgages. Accordingly, mortgage bankers and other mortgage sellers that are not

federally insured financial institutions no longer need to be HUD-approved mortgagees to be approved to sell mortgages to FHLMC.

To minimize interest rate risk FHLMC generally coordinates the volume of and effective interest rates on mortgage purchase commitments with its commitments to sell mortgage-related securities. Mortgages retained by FHLMC are financed with short-term and long-term debt, cash temporarily held pending disbursement to securities holders (float) and equity capital. FHLMC has stated that as of December 31, 1992, it had issued approximately $407.5 billion of mortgage participation and guaranteed mortgage certificates and had an adjusted total capital base of approximately $5.81 billion; during the year ended December 31, 1992 FHLMC had net income of approximately $622 million.

Copies of FHLMC's most recent Offering Circular for FHLMC Certificates, FHLMC's Information Statement, and the most recent Supplement to the Information Statement and any quarterly report made available by FHLMC can be obtained by writing or calling the Investor Inquiry Department at Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside the Washington, D.C. metropolitan area, telephone 800/336-FMPC; within the Washington, D.C. metropolitan area, telephone 703/759-8160). The Sponsors do not participate in the preparation of FHLMC's Offering Circulars, Information Statements or Supplements.

FHLMC Certificates are not guaranteed by the United States or by any Federal Home Loan Bank and do not constitute debts or obligations of the United States or any Federal Home Loan Bank. The obligations of FHLMC under its guarantee are obligations solely of FHLMC and are not backed by, nor entitled to, the full faith and credit of the United States. Certain of the mortgages are insured by the FHA or guaranteed by the VA, both of which are federal agencies.

FHLMC PCs ('FHLMC Certificates'). FHLMC Mortgage Participation Certificates represent an undivided interest in a group of mortgages (a 'FHLMC Certificate group') purchased by FHLMC. FHLMC Certificates are sold under the terms of a Mortgage Participation Certificate Agreement. A FHLMC Certificate may be issued under FHLMC's Cash, Guarantor or Multilender Swap Programs.

Mortgage loans underlying the FHLMC Certificates included in the Portfolio will consist of fixed-rate mortgages with original terms to maturity of approximately 15 years, substantially all of which are secured by first liens on one-to four-family residential properties. Each mortgage loan must meet the applicable standards set forth in the FHLMC Act. A FHLMC Certificate group may include whole loans, participation interests in whole loans and undivided interests in whole loans or participations comprising another FHLMC Certificate group.

FHLMC guarantees the timely payment of interest, the payment of the amount of principal scheduled to be paid by mortgagors due on the underlying mortgage loans to the extent of the holder's pro rata share of the unpaid principal balance of such mortgages, whether or not received by FHLMC, and the ultimate collection of all principal on the underlying mortgage loans, without any offset or deduction. FHLMC may remit the amount due on account of its guarantee of collection of principal at any time after default on an underlying mortgage loan, but not later than 30 days following (i) foreclosure sale, (ii) payment of the claim by any mortgage insurer or the FHA or payment of the guaranty claim by the VA, or (iii) the expiration of any right of redemption, whichever occurs later, but in any event no later than one year after demand has been made upon the mortgagor for accelerated payment of principal or payment of principal at maturity of a mortgage. In taking actions regarding the collection of principal after default on the mortgage loans underlying FHLMC Certificates, including the timing of demand for acceleration, FHLMC reserves the right to exercise its judgment in the same manner as for mortgages which it

has purchased but not sold. FHLMC Certificates are not guaranteed by the United States or by any Federal Home Loan Bank and do not constitute debts or obligations of the United States or any Federal Home Loan Bank. The obligations of FHLMC under its guarantee are obligations solely of FHLMC and are not backed by, nor entitled to, the full faith and credit of the United States. Certain of the mortgages are insured by the FHA or guaranteed by the VA, both of which are federal agencies.

The payment cycle of FHLMC Certificates is generally 75 days between month of issuance of the Security and the first investor payment. As noted above, FHLMC guarantees the timely payment of interest (adjusted to the certificate rate), whether or not received, on the unpaid principal balance of mortgage loans in the FHLMC Certificate group as determined or estimated by FHLMC. For standard 75-day PCs, FHLMC also guarantees collection of all principal on the underlying mortgage loans, without any offset or deduction, but does not guarantee the timely payment of scheduled principal. FHLMC Gold Certificates ('Gold PCs'), however, pay on a 45-day cycle and are also guaranteed as to timely payment of scheduled principal. The portfolios of Freddie Mac Series 10 and 11 consists of Gold PCs.

Holders of FHLMC Certificates are entitled to receive interest at the FHLMC Certificate rate on their pro rata share of the unpaid principal balance of the underlying mortgage loans. Holders of FHLMC Certificates are also entitled to receive (i) their pro rata share of all principal payments on the underlying mortgage loans received by FHLMC, including any scheduled principal payments, full and partial prepayments of principal, and principal received by FHLMC by virtue of condemnation, insurance, liquidation or foreclosure, including repayments of principal resulting from acquisition by FHLMC of the real property securing the mortgage and (ii) its pro rata share of the amount of principal scheduled to be paid by mortgagors due on the underlying mortgage loans, whether or not received by FMHLC. FHLMC is required to remit to each registered FHLMC Certificate holder its pro rata share of principal payments on the underlying mortgage loans, interest at the FHLMC Certificate rate and any other sums such as prepayment fees, within 60 days of the date on which payments are received by FHLMC.

Under FHLMC's Cash Program, FHLMC purchases groups of whole mortgage loans from sellers at specified percentages of their unpaid principal balances, adjusted for accrued or prepaid interest, which, when applied to the interest rate of the mortgage loans purchased, results in the yield (expressed as a percentage) required by FHLMC. The required yield, which includes a minimum servicing fee retained by the servicer, is calculated using the outstanding principal balance of the mortgage loans, an assumed term and a prepayment period as determined by FHLMC. Loans may be purchased by FHLMC at an amount above, at or below 100% of the outstanding principal balance. The range of interest rates on the mortgage loans in a FHLMC Certificate group under the Cash Program will vary since mortgage loans are purchased and identified to a FHLMC Certificate group based upon their yield to FHLMC rather than on the interest rate on the mortgage loans. Under FHLMC's Guarantor Program, the interest rate on a FHLMC Certificate is established based upon the lowest interest rate on the underlying mortgage loans, minus a minimum servicing fee and the amount of FHLMC's management and guaranty income as agreed upon between the seller and FHLMC.

The Federal Reserve Bank of New York maintains book-entry accounts with respect to FHLMC Gold Certificates and makes payments of interest and principal each month to holders in accordance with the holders' instructions. The first payment to a holder of a FHLMC Gold Certificate will normally be received by the holder by the 15th day of the first month following the month in which the person became a holder of the FHLMC Gold Certificate. Thereafter, payments will normally be received by the 15th day of each month.

The FHLMC guarantees referred to herein relate only to payment of principal of and interest on the FHLMC Certificates in the Portfolio and not to the Units offered hereby.

MONTHLY PAYMENT U.S. TREASURY SERIES AND U.S. TREASURY SERIES 11

The U.S. Treasury debt obligations included in the Portfolio, though backed by the full faith and credit of the United States, are subject to changes in market value when interest rates fluctuate. Certain Series contain 'laddered' portfolios. These Funds seek to protect against declining interest rates by investing a portion of the Portfolio in longer-term Securities, while if interest rates rise Holders will be able to reinvest the proceeds of principal returned each year in higher yielding obligations. It is anticipated that equal portions of principal invested will be returned annually as Securities mature. The Portfolio in Part A contains information concerning the coupon rates and maturities of the Securities in the Fund.

PAYMENT OF THE SECURITIES AND LIFE OF THE FUND

Because certain of the Debt Obligations from time to time may be redeemed or prepaid or will mature in accordance with their terms or may be sold under certain circumstances described herein, no assurance can be given that the Fund will retain for any length of time its present size and composition. Additionally, the size and composition of the Fund will be affected by the level of redemptions of Units that may occur from time to time and the consequent sale of Securities (see Redemption). Principally, this will depend upon the number of Holders seeking to sell or redeem their Units and whether or not the Sponsors continue to reoffer Units acquired by them in the secondary market. Factors that the Sponsors will consider in the future in determining to cease offering Units acquired in the secondary market include, among other things, the number of units of all series of funds which they hold in their inventories, the saleability of the units and their estimate of the time required to sell the units and general market conditions, the size of the Fund relative to its original size, the ratio of Fund expenses to income, the Fund's current return and the degree to which Units may be selling at a premium over par, and the cost of maintaining a current prospectus for the Fund. These factors may also lead the Sponsors to seek to terminate the Fund earlier than would otherwise be the case (see Administration of the Fund--Amendment and Termination).

GNMA and Freddie Mac Series. Monthly payments and prepayments of principal are made to the Fund in respect of the mortgages underlying the Securities (see Income and Estimated Current Return below). All of the mortgages in the pools relating to the Ginnie Maes and FHLMC Certificates are subject to prepayment without any significant premium or penalty at the option of the mortgagors (i.e., the homeowners). While the mortgages on 1-to 4-family dwellings underlying the Ginnie Maes are amortized over a period of up to 30 years, it has been the experience of the mortgage industry that the average life of comparable mortgages, owing to prepayments, is much less. Pricing of GNMA Securities has been based upon yield assumptions grounded in this historical experience of the FHA relating to 30 year mortgages on 1-to 4-family dwellings at various interest rates (which, in general, have been lower than the rates of the Ginnie Maes in the Portfolios.) Yield tables for Ginnie Maes utilize a 12-year average life assumption for Ginnie Mae pools of 30 year mortgages on 1-to 4-family dwellings. This assumption was derived from the FHA experience relating to prepayments on such mortgages during the period from the mid 1950's to the mid 1970's. This 12 year average life assumption was calculated in respect of a period during which mortgage lending rates were fairly stable. That assumption is probably no longer an accurate measure of the average life of Ginnie Maes or their underlying single family mortgage pools. While the mortgages on 1-to 4-family dwellings underlying the FHLMC Certificates are amortized over a period of up to 15 years, the

average life of comparable mortgages, owing to prepayments, is much less. Freddie Mac's current estimate of the weighted average life of 30-year conventional mortgages is approximately 8.5 years. The weighted average life of 15-year conventional mortgages is approximately 6 years. Pricing of FHLMC Certificates has been based upon yield assumptions based on this estimate. The principal repayment behavior of any individual mortgage will likely vary from this estimate. The extent of this variation will depend on a variety of factors, including the relationship between the coupon rate on a mortgage and prevailing mortgage origination rates. As prevailing mortgage origination rates increase in relationship to a mortgage coupon rate, the likelihood of prepayment of that mortgage decreases. Conversely, during periods in which prevailing mortgage origination rates are significantly less than a mortgage coupon rate, prepayment of that mortgage becomes increasingly likely. Freddie Mac revises its weighted average life estimate from time to time to better reflect both actual and projected payment experience.

While the industry estimates that Freddie Mac PCs and Ginnie Maes will prepay as described herein, it is not possible to predict meaningfully prepayment levels on those Securities in the Fund. Today, research analysts use complex formulae to scrutinize the prepayments of mortgage pools in an attempt to predict more accurately the average life of these mortgage backed securities.

Generally speaking, a number of factors, including mortgage market interest rates and homeowners mobility, will affect the average life of these Securities. Changes in prepayment patterns, as reported by the agencies on a periodic basis, if generally applicable to the mortgage pools related to specific mortgage-backed securities, could influence yield assumptions used in pricing the securities. Shifts in prepayment patterns are influenced by changes in housing cycles and mortgage refinancing and are also subject to certain limitations on the gathering of the data; it is impossible to predict how new statistics will affect the yield assumptions that determine mortgage industry norms and pricing of mortgagebacked securities. Moreover, there is no assurance that the pools of mortgage loans relating to the Securities in the Fund will conform to prepayment experience as reported by the agencies on a periodic basis, or the prepayment experience of other mortgage lenders.

While the value of these mortgage backed securities generally fluctuates inversely with changes in interest rates, it should also be noted that their potential for appreciation, which could otherwise be expected to result from a decline in interest rates, may tend to be limited by any increased prepayments by mortgagors as interest rates decline. Accordingly, the termination of the Fund might be accelerated as a result of prepayments made as described above. It is also possible that, in the absence of a secondary market for the Units or otherwise, redemptions of Units may occur in sufficient numbers to reduce the Portfolio to a size resulting in such termination (termination for this reason would be delayed if additional Units are issued). Early termination of the Fund or early payments of principal may have important consequences to the Holders. To the extent that Units were purchased with a view to an investment of longer duration, the overall investment program of the investor may require readjustment or the overall return on investment may be less or greater than anticipated, depending in part on whether the purchase price paid for Units represented the payment of an overall premium or a discount, respectively, above or below the stated principal amounts of the underlying mortgages. In this connection, attention is directed to The GNMA Fund Investment Accumulation Program and the Reinvestment Plan described below under Administration of the Fund, which afford to Holders the opportunity to automatically reinvest distributions of principal resulting from prepayments and termination as described above (as well as regular payments of interest and distributions of principal received upon maturity).

DESCRIPTION OF THE FUND

THE PORTFOLIO

In selecting Securities for deposit in the Fund, Defined Asset Funds research analysts generally considered the following factors, among others: (i) the types of the securities available; (ii) the price of the Securities relative to other comparable securities and the extent to which available Securities were trading at a premium over or at a discount from par, (iii) the maturities of the Securities and (iv) for certain Funds organized in 1984 and thereafter as grantor trusts (see Section B of Taxes below), whether the Debt Obligations were issued after July 18, 1984.

The Fund consists of the Securities listed under Portfolio in Part A (including any additional or replacement Securities acquired and held by the Fund pursuant to the terms of the Indenture) as long as they may continue to be held in the Fund, together with accrued and undistributed interest thereon and undistributed and uninvested cash representing payments and prepayments of principal and proceeds realized from the disposition or redemption of Securities (see Administration of the Fund--Portfolio Supervision). Neither the Sponsors nor the Trustee shall be liable in any way for any default, failure or defect in any Security. In the event of a failure to deliver any Security that has been purchased for the Fund under a contract, the Sponsors are authorized under the Indenture to direct the Trustee to acquire other obligations in substitution therefor.

INCOME; ESTIMATED CURRENT AND LONG-TERM RETURNS

Generally. The estimated net annual interest rate per Unit on the Evaluation Date is set forth under Investment Summary in Part A. This rate shows the percentage return based on the face amount per Unit after deducting estimated annual fees and expenses expressed as a percentage. Interest on the Securities in the Fund, less estimated fees of the Trustee and (if applicable) Sponsors and certain other expenses, is expected to accrue at the daily rate (based on a 360-day year) shown under Investment Summary in Part A. These rates will vary as Securities mature, are exchanged, redeemed, prepaid, paid or sold, or as the expenses of the Fund change.

The estimated current return and estimated long-term return give different information about the return to investors. Estimated current return on a Unit represents annual cash receipts from coupon-bearing debt obligations in the Portfolio (after estimated annual expenses) divided by the maximum Public Offering Price (including the sales charge). For investors interested primarily in cash flow, current return is a readily ascertainable measure. Unlike estimated current return, estimated long-term return is a measure of the estimated return to the investor earned over the estimated life of the Fund. Estimated long-term return represents an average of the yields to maturity (or earliest call date for obligations trading at prices above the particular call price) of the Debt Obligations in the Portfolio, calculated in accordance with accepted bond practice and adjusted to reflect expenses and sales charges.

'Current return' provides different information than 'yield' or 'long-term return'. Under accepted bond practice, tax-exempt bonds are customarily offered to investors on a 'yield' basis, which involves a computation of yield to maturity (or earlier call date), and which takes into account not only the interest payable on the bonds but also the amortization or accretion to a specified date of any premium over or discount from the par (maturity) value in the bond's purchase price. In calculating estimated long-term return, the average yield for the Portfolio is derived by weighting each Debt Obligation's yield by the market value of the Debt Obligation and by the amount of time remaining to the date to which the Debt Obligation is priced. Once the average Portfolio yield is computed, this figure is then adjusted for estimated expenses and the effect of the maximum sales charge paid by

investors. The estimated long-term return calculation does not take into account certain delays in distributions of income and the timing of other receipts and distributions on Units and may, depending on maturities, over or understate the impact of sales charges. Both of these factors may result in a lower figure. For investors intending to hold their Units until their final maturity, both current return and long-term return are relevant measures of performance. For the investor who redeems Units before then, both the current return and the long-term return realized may be diminished, particularly on a sale shortly after acquisition of those Units--because the price received will not reimburse the investor for the sales charge paid.

Generally, the long-term return of a Unit offered in the secondary market will be lower, sometimes significantly, than its current return, primarily as a result of changes in market rates of interest and any resulting decrease in the terms to maturity of the Debt Obligations in the Portfolio, as well as the likelihood that at least certain of the Debt Obligations will be valued at market premiums. Furthermore, changes in the composition of the Portfolio and its market valuation as well as the estimated fees and expenses payable by the Fund will cause current and long-term returns, as well as the difference between them, to fluctuate--because Debt Obligations are more likely to be redeemed when valued at a premium over par (generally, those Debt Obligations bearing the higher coupons), the current return and long-term return realized by an investor may be substantially lower than originally estimated.

In addition, for GNMA and Freddie Mac Series, in actual operation, payments received in respect of the mortgages underlying the Securities will consist of a portion representing interest and a portion representing principal. Although the aggregate monthly payment made by the obligor on each mortgage remains constant (aside from optional prepayments of principal), in the early years the larger proportion of each payment will represent interest, while in later years, the proportion representing interest will decline and the proportion representing principal will increase, although, of course, the interest rate remains constant. Moreover, by reason of optional prepayments, payments in the earlier years on the mortgages in the pools may be substantially in excess of those required by the amortization schedules of these mortgages; conversely, payments in later years may be substantially less since the aggregate unpaid principal balances of the underlying mortgages may have been greatly reduced--ultimately even sufficiently reduced to accelerate termination of the Fund. To the extent that those underlying mortgages, bearing the higher interest rates represented in a Portfolio are prepaid faster than the other underlying mortgages, the net annual interest rate per Unit and the return on the Units can be expected to decline. Monthly payments to the Holder will reflect all of the foregoing factors.

U.S. Treasury Series 7--Laddered Zero Coupons. The economic effect of purchasing Units of the Fund is that the investor who holds his Units until maturity of the underlying Debt Obligations should receive approximately the offering yield not only on his original investment but on all earned discount during the life of the Debt Obligations. The assumed or implicit automatic reinvestment at market rates at the time of purchase of the portion of the yield represented by earned discount differentiates this Fund from funds comprised of customary securities on which current periodic interest is paid at market rates at the time of issue. Accordingly, an investor in the Units, unlike an investor in the fund comprised of customary securities, lessens his risk of being unable to invest distributions at a rate as high as the yield on this Fund, but may forgo the ability to reinvest fully at higher rates in the future.

Accrued Interest. In addition to the Public Offering Price, the price of a Unit includes accrued interest on the Securities. Interest on the Debt Obligations in the Fund is generally paid on a semi-annual (or less frequently, annual) basis. In Monthly Payment U.S. Treasury Series, because interest on the Securities is not received by the

Fund at a constant rate throughout the year, Monthly Income Distributions may be more or less than the interest actually received by the Fund. In order to eliminate these fluctuations, the Trustee is required to advance the amounts necessary to provide approximately equal Monthly Income Distributions. The Trustee will be reimbursed, without interest, for these advances from interest received on the Securities. In GNMA and Freddie Mac Series, the Trust distributes the cash balance of the Income Account once a month. Therefore, to account for these factors, accrued interest is always added to the value of the Units and because of the varying interest payment dates of the Securities, accrued interest at any time will be greater than the amount of interest actually received by the Fund and distributed to Holders. If a Holder sells all or a portion of his Units, he will receive his proportionate share of the accrued interest from the purchaser of his Units. Similarly, if a Holder redeems all or a portion of his Units, the Redemption Price per Unit will include accrued interest on the Securities. If a Security is sold, redeemed or otherwise disposed of, accrued interest will be received by the Fund and will be distributed periodically to Holders.

TAXES

Section A. The following describes the tax consequences for GNMA Series 1-29, A-E, G, I, K, 1L, 1N, 1P, 1R, 1S, 1T, 1U and 1V: U.S. Treasury Series 11 and Freddie Mac Series 10 and 11.

TAXATION OF THE FUND

The Fund intends to qualify for and elect the special tax treatment applicable to 'regulated investment companies' under Sections 851-855 of the United States Internal Revenue Code of 1986, as amended (the 'Code'). Qualification and election as a 'regulated investment company' involve no supervision of investment policy or management by any government agency. If the Fund qualifies as a 'regulated investment company' and distributes to Holders 90% or more of its taxable income without regard to its net capital gain (net capital gain is defined as the excess of net long-term capital gain over net short-term capital loss), it will not be subject to Federal income tax on the portion of its taxable income (including any net capital gain) distributed to Holders in a timely manner. In addition, the Fund will not be subject to the 4% excise tax on certain undistributed income of 'regulated investment companies' to the extent it distributes to Holders in a timely manner at least 98% of its taxable income (including any net capital gain). It is anticipated that the Fund will not be subject to Federal income tax or the excise tax because the Indenture requires the distribution of the Fund's taxable income (including any net capital gain) in a timely manner. Although all or a portion of the Fund's taxable income (including any net capital gain) for a taxable year may be distributed shortly after the end of the calendar year, such a distribution will be treated for Federal income tax purposes as having been received by Holders during the calendar year.

DISTRIBUTIONS

Distributions to Holders of the Fund's interest income, gain that is treated as ordinary income under the market discount rules and any net short-term capital gain in any year will be taxable as ordinary income to Holders to the extent of the Fund's taxable income (without regard to its net capital gain) for that year. Any excess will be treated as a return of capital and will reduce the Holder's basis in his Units and, to the extent that such distributions exceed his basis, will be treated as a gain from the sale of his Units as discussed below. It is anticipated that substantially all of the distributions of the Fund's interest income, ordinary gain and any net short-term capital gain will be taxable as ordinary income to Holders.

Distributions that are taxable as ordinary income to Holders will constitute dividends for Federal income tax purposes, but will not be eligible for the dividends-received deduction for corporations. Distributions of the Fund's net capital gain (designated as capital gain dividends by the Fund) will be taxable to a Holder as long-term capital gain, regardless of the length of time the Units have been held by a Holder. A Holder may recognize a taxable gain or loss if the Holder sells or redeems his Units. Any gain or loss arising from (or treated as arising from) the sale or redemption of Units will be capital gain or loss except in the case of a dealer or a financial institution. Capital gains are generally taxed at the same rate as ordinary income. However, the excess of net long-term capital gains over net short-term capital losses may be taxed at a lower rate than ordinary income for certain noncorporate taxpayers. A capital gain or loss is long-term if the asset is held for more than one year and short-term if held for one year or less. The deduction of capital losses is subject to limitations.

Sales of Securities by the Fund (to meet redemptions or otherwise) may give rise to gain (including market discount) to the Fund. The amount of gain will be based upon the cost of the Security to the Fund and will be without regard to the value of the Security when a particular Holder purchases his Units. Such gain must be distributed to Holders to avoid Federal income (or excise) taxation to the Fund. In the case of sales to meet redemptions, some or all of such gain must be so distributed to nonredeeming Holders. Any such distribution will be taxable to Holders as discussed above (i.e., as ordinary income or long-term capital gain), even if as to a particular Holder the distribution economically represents a return of capital. Since such distributions do not reduce a Holder's tax basis in his Units, a Holder will have a corresponding capital loss (or a reduced amount of gain) on a subsequent sale or redemption of his Units.

Holders will be taxed in the manner described above regardless of whether distributions from the Fund are actually received by the Holder or are automatically reinvested (see Administration of the Fund--Reinvestment).

The Federal tax status of each year's distributions will be reported to Holders and to the Internal Revenue Service. The foregoing discussion relates only to the Federal income tax status of the Fund and to the tax treatment of distributions by the Fund to U.S. Holders. Holders who are not U.S. citizens or residents should be aware that distributions from the Fund generally will be subject to a withholding tax of 30%, or a lower treaty rate, and should consult their own tax advisers as to whether an investment in the Fund is appropriate. Distributions may also be subject to state and local taxation and Holders should consult their own advisers in this regard.

Section B. The following describes the tax consequences for Monthly Payment U.S. Treasury Series, GNMA Series F, H, J, L through 1K, 1M, 1O-NRA and 1Q-NRA, Freddie Mac Series 1 through 9, U.S. Treasury Accumulation Series, U.S. Treasury Accumulation Serial Payout Series and U.S. Treasury Series 7--Laddered Zero Coupons.

The term 'Debt Obligation' will mean, where appropriate, Ginnie Mae, Freddie Mac PC, Bond or Stripped Treasury Security and the term 'Fund' will include Trust.

The following discussion addresses only the tax consequences of Units held as capital assets and does not address the tax consequences of Units held by dealers, financial institutions, or insurance companies.

In the opinion of Davis Polk & Wardwell, special counsel for the Sponsors, under existing law:

The Fund is not an association taxable as a corporation for Federal income tax purposes, and income received by the Fund will be treated as the income of the Holders in the manner set forth below.

Each Holder will be considered the owner of a pro rata portion of each Debt Obligation in the Fund under the grantor trust rules of Sections 671-679 of the Internal Revenue Code of 1986, as amended (the 'Code'). The total cost to a Holder of his Units, including sales charges, is allocated among his pro rata portion of each Security (in proportion to the fair market values thereof on the date the Holder purchases his Units) in order to determine his tax cost for his pro rata portion of each Security.

Each Holder will be considered to have received the interest on his pro rata portion of each Debt Obligation when interest on the Debt Obligation is received by the Fund. An individual Holder who itemizes deductions may deduct his pro rata share of fees and expenses of the Fund only to the extent that such amount together with the Holder's other miscellaneous deductions exceeds 2% of his adjusted gross income.

The Fund may contain Debt Obligations which were originally issued at a discount ('original issue discount'). The following principles will apply to each Holder's pro rata portion of any Debt Obligation originally issued a discount. In general, original issue discount is defined as the difference between the price at which a debt obligation was issued and its stated redemption price at maturity. Original issue discount on a debt obligation issued on or after July 2, 1982 will accrue as interest over the life of the debt obligation under a formula based on the compounding of interest. Original issue discount on a debt obligation issued prior to July 2, 1982 will accrue as interest over the life of the debt obligation on a straight-line basis. If a Holder's tax cost for his pro rata portion of a Debt Obligation issued with original issue discount is greater than its 'adjusted issue price' but less than its stated redemption price at maturity (as may be adjusted for certain payments), the Holder will be considered to have purchased his pro rata portion of the Debt Obligation at an 'acquisition premium.' The amount of original issue discount which must be accrued will be reduced by the amount of such acquisition premium. Each Holder will be required to include in income in each year the amount of original issue discount which accrues during the year on his pro rata portion of any Debt Obligation originally issued at a discount. The amount of accrued original issue discount so included in income in respect of a Holder's pro rata portion of a Debt Obligation is added to the Holder's tax basis therefor.

If a Holder's tax basis for his pro rata portion of a Debt Obligation exceeds the redemption price at maturity thereof (subject to certain adjustments), the Holder will be considered to have purchased his pro rata portion of the Debt Obligation at a 'premium'. The Holder may elect to amortize the premium prior to the maturity of the Debt Obligation. The amount amortized in any year should be applied to offset the Holder's interest from the Debt Obligation and will result in a reduction of basis for his pro rata portion of the Debt Obligation.

A Holder will recognize taxable gain or loss when all or part of his pro rata portion of a Debt Obligation is disposed of by the Fund for an amount greater or less than his adjusted tax basis. Any such taxable gain or loss will be capital gain or loss, except that any gain from the disposition of a Holder's pro rata portion of a Debt Obligation acquired by the Holder at 'market discount' (i.e., if the Holder's original cost for his pro rata portion of the Debt Obligation (plus any original issue discount which will accrue thereon) is less than its stated redemption price at maturity) will be treated as ordinary income to the extent the gain does not exceed the accrued market discount. Capital gains are generally taxed at the same rate as ordinary income. However, the excess of net long-term capital gains over net short-term capital losses may be taxed at a lower rate than ordinary income for certain noncorporate taxpayers. A capital gain or loss is long-term if the asset is held for more than one year and short-term if held for one year or less. The deduction of capital losses is subject to limitations. A Holder will also be considered to have disposed of all or part of his pro rata portion of each Debt Obligation when he sells or redeems all or some of his Units.

Under the income tax laws of the State and City of New York, the Fund is not an association taxable as a corporation and income received by the Fund will be treated as the income of the Holders in the same manner as for Federal income tax purposes.

Notwithstanding the foregoing, a Holder who is a non-resident alien individual or a foreign corporation (a 'Foreign Holder') will generally not be subject to U.S. Federal income taxes, including withholding taxes, on the interest income (including any original issue discount) on, or any gain from the sale or other disposition of, his pro rata portion of any Debt Obligation provided that (i) the interest income or gain is not effectively connected with the conduct by the Foreign Holder of a trade or business within the United States, (ii) if the interest is United States source income (which is the case for most Debt Obligations issued by United States issuers), the Debt Obligation is issued after July 18, 1984 and the Foreign Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of voting stock of the issuer of the Debt Obligation and is not a controlled foreign corporation related (within the meaning of Section 864 (d)(4) of the

Code) to the issuer of the Debt Obligation, (iii) with respect to any gain, the Foreign Holder (if an individual) is not present in the United States for 183 days or more during the calendar year and (iv) the Foreign Holder provides the required certification of his status and of certain other matters. Withholding agents will file with the Internal Revenue Service foreign person information returns with respect to such interest payments accompanied by such certifications. Foreign Holders should consult their own tax advisers with respect to United States Federal income tax consequences of ownership of Units.

For GNMA Series F, H, J, L through 1K, 1M, 10-NRA and 1Q-NRA, a Holder may also recognize ordinary gain or loss as a result of principal payments received on underlying mortgages issued by natural persons. In addition, any gain recognized by a Holder on the disposition of his pro rata portion of a Ginnie Mae will constitute ordinary income (which will be treated as interest income for most purposes) to the extent it does not exceed the accrued market discount on the Ginnie Mae attributable to underlying mortgages.

For Freddie Mac Series, the information statement relating to Freddie Mac PCs indicates that the mortgages underlying the Freddie Mac PCs may be subject to rules for obligations originally issued at a discount or to rules for stripped bonds and coupons under Section 1286 of the Code. Holders are urged to consult their tax advisers with respect to the application of these rules to an investment in Units. A Holder may also recognize ordinary gain or loss as a result of principal payments received on underlying mortgages issued by natural persons.

For U.S. Treasury Accumulation Series, U.S. Treasury Accumulation Serial Payout Series and U.S. Treasury Series 7--Laddered Zero Coupons, the Fund consists primarily of Stripped Treasury Securities. A Holder is required to treat its pro rata portion of each Stripped Treasury Security as a bond that was originally issued on the date the Holder purchased its Units and at an original issue discount equal to the excess of the Holder's pro rata portion of the amount payable on such Stripped Treasury Security over the Stripped Treasury Security's ratable share of the original bond's purchase price determined on the basis of the respective fair market values of the stripped bond and the stripped coupon. A Holder of a pro rata portion of a Stripped Treasury Security is required to include in income annually a portion of such original issue discount determined under a formula which takes into account the compounding of interest.

For Monthly Payment U.S. Treasury Series and U.S. Treasury Series 7--Laddered Zero Coupons, a distribution to a Holder of Securities upon redemption of Units will not be a taxable event to the Holder or to nonredeeming Holders. The redeeming Holder's basis for such Securities will be equal to his basis for the Securities (previously represented by his Units) prior to the redemption, and his holding period for the Securities

will include the period during which he held his Units. However, the Holder may recognize taxable gain or loss when the Holder sells the Securities so distributed for cash.

* * *

In the case of GNMA Series W through 1K, 1M, 1O-NRA and 1Q-NRA, and Freddie Mac Series 1 through 9, the Sponsors believe that the mortgages underlying the Ginnie Maes and Freddie Mac PCs originated after July 18, 1984. In the case of Monthly Payment U.S. Treasury Series (except Series 1) and U.S. Treasury Series 7-- Laddered Zero Coupons, the Sponsors believe that the U.S. Treasury Securities, the interest on which is United States source income (which is the case for most Securities issued by United States issuers) were issued after July 18, 1984. To the best knowledge of the Sponsors, interest on any Security issued by a non-United States issuer is not subject to any foreign withholding taxes under current law.

For Funds holding Stripped Treasury Securities, Holders should be aware that, because of the above original issue discount rules, Holders will be required for Federal income tax purposes to include amounts in ordinary gross income in advance of the receipt of the cash attributable to such income. Holders should also be aware that the inclusion of original issue discount in gross income for Federal income tax purposes may differ from the accrual for financial accounting purposes to the extent that generally accepted accounting principles permit or require the inclusion of interest on the basis of a compounding period other than a semi-annual period. Therefore, purchase of Units may be appropriate only for Individual Retirement Accounts, Keogh Plans, pension funds and other tax-deferred retirement plans or for investors who can have taxable income attributed to them in advance of the receipt of the cash attributable to such income and prior to the time that such income is earned. Purchasers of Units should consult their own advisers as to the tax treatment of original issue discount with respect to their particular circumstances, including the application of state and local laws, in order to determine whether an investment in the Fund would be appropriate for them.

For Monthly Payment U.S. Treasury Series and U.S. Treasury Series 7--Laddered Zero Coupons, the Sponsors believe that Holders who are individuals will not be subject to any state or local personal income taxes on the interest received by the Fund and distributed to them. However, Holders (including individuals) may be subject to state and local taxes on any capital gains (or market discount treated as ordinary income) derived from the Fund and to other state and local taxes (including corporate income or franchise taxes, personal property or intangibles taxes, and estate or inheritance taxes) on their Units or the income derived therefrom. In addition, individual Holders (and any other Holders which are not subject to state and local taxes on the interest income derived from the Fund) will probably not be entitled to a deduction for state and local tax purposes for their share of the fees and expenses paid by the Fund, or any amortized premium on debt obligations or for any interest on indebtedness incurred to purchase or carry their Units. Therefore, even though the Sponsors believe that interest income from the Fund is exempt from state and local personal income taxes in all states, Holders should consult their own tax advisers with respect to state and local taxation. Holders will be taxed in the manner described above regardless of whether distributions from the Fund are actually received by the Holder or are automatically reinvested (see Administration of the Fund--Reinvestment).

The foregoing discussion relates only to United States Federal and certain aspects of New York State and City income taxes. Holders may be subject to taxation in New York or in other jurisdictions (including a Foreign Holder's country of residence) and should consult their own tax advisers in this regard.

* * *

After the end of each calendar year, the Trustee will furnish to each Holder an annual statement containing information relating to the interest received by the Fund on the Debt Obligations, the gross proceeds received by the Fund from the disposition of any Debt Obligation (resulting from redemption or payment at maturity of any Debt Obligation or the sale by the Fund of any Debt Obligation), and the fees and expenses paid by the Fund. The Trustee will also furnish annual information returns to each Holder and to the Internal Revenue Service. To enable Holders to comply with Federal and state tax reporting requirements, the Trustee will, upon request, furnish Holders with evaluations of Securities that have been furnished to it by the Evaluator (Section 4.02).

RETIREMENT PLANS

The Fund may be well suited for purchase by individual retirement accounts (IRAs), Keogh plans, pension funds and other qualified retirement plans, certain of which are briefly described below. Generally, capital gains and income received in each of the foregoing plans are exempt from Federal taxation. All distributions from these plans are generally treated as ordinary income but may, in some cases, be eligible for special 5 or 10 year averaging or tax-deferred rollover treatment. Holders of units in IRAs, Keogh plans and other tax-deferred retirement plans should consult their plan custodian as to the appropriate disposition of distributions. The check writing privilege offered in certain Funds (see Redemption--Tender for Redemption by Check) generally will not be appropriate for such plans. Investors considering participation in any of these plans should review specific tax laws related thereto and should consult their attorneys or tax advisers with respect to the establishment and maintenance of any of these plans. These plans are offered by brokerage firms, including each of the Sponsors, and other financial institutions. Fees and charges with respect to these plans may vary.

Retirement Plans for the Self-Employed--Keogh Plans. Units of the Funds may be purchased by retirement plans established pursuant to the Self-Employed Individuals Tax Retirement Act of 1962 ('Keogh plans') for self-employed individuals, partnerships or unincorporated companies. Qualified individuals may generally make annual tax-deductible contributions up to the lesser of 20% of annual compensation or $30,000 in a Keogh plan. The assets of the plan must be held in a qualified trust or other arrangement which meets the requirements of the Code. Generally there are penalties for premature distributions from a plan before attainment of age 59 1/2, except in the case of a participant's death or disability. Keogh plan participants may also establish separate IRAs (see below) to which they may contribute up to an additional $2,000 per year ($2,250 if a spousal account).

Individual Retirement Account--IRA. Any individual (including one covered by an employer retirement plan) can establish an IRA or make use of a qualified IRA arrangement set up by an employer or union for the purchase of Units of the Funds. Any individual can make a contribution to an IRA equal to the lesser of $2,000 ($2,250 in a spousal account or 100% of earned income; such investment must be made in cash. However, the deductible amount an individual may contribute will be reduced if the individual's adjusted gross income exceeds $25,000 (in the case of a single individual), $40,000 (in the case of married individuals filing a joint return) or $200 (in the case of a married individual filing a separate return). A married individual filing a separate return will not be entitled to any deduction if the individual is covered by an employer-maintained retirement plan without regard to whether the individual's spouse is an active participant in an employer retirement plan. Unless nondeductible contributions were made in 1987 or a later year, all distributions from an IRA will be treated as ordinary income but generally will be eligible for tax-deferred rollover treatment. It should be noted that certain transactions which are prohibited under Section 408 of the Code will cause all or a portion of the amount in an IRA to be deemed to be distributed and subject to tax at the time. A participant's entire interest in an IRA must be, or commence to be, distributed to the participant not later than the end of April 1 following the taxable year

during which the participant attains age 70 1/2. Taxable distributions made before attainment of age 59 1/2, except in the case of the participant's death or disability or where the amount distributed is part of a series of substantially equal periodic (at least annual) payments that are to be made over the life expectancies of the participant and his or her beneficiary, are generally subject to a surtax in an amount equal to 10% of the distribution.

Corporate Pension and Profit-Sharing Plan. A pension or profit-sharing plan established for employees of a corporation may purchase Units of the Funds.

PUBLIC SALE OF UNITS

PUBLIC OFFERING PRICE

The Public Offering Price of Units is computed by adding to the aggregate offering side or bid side evaluation of the Securities (as determined by the Evaluator), divided by the number of Units outstanding, the sales charge at the applicable percentage of the evaluation per Unit (the net amount invested). Generally, the offering side evaluation is the basis for pricing in the primary market and the bid side evaluation is the basis for pricing in the secondary market. Certain Funds, as identified in Part A, may still be in the primary market. A proportionate share of any cash held by the Fund in the Capital Account not allocated to the purchase of specific Securities and net accrued and undistributed interest on the Securities to the date of delivery of the Units to the purchaser is added to the Public Offering Price. The Public Offering Price of the Units will vary from day to day in accordance with fluctuations in the evaluations of the underlying Securities.

The following tables set forth the applicable percentage of sales charge and the concession to dealers for the Funds specified. These amounts may be reduced on a graduated scale for quantity purchases and will be applied on whichever basis is more favorable to the purchaser. To qualify for a reduced sales charge and concession

applicable to quantity purchases, the dealer must confirm that the sale is to a single purchaser as defined below or is purchased for its own account and not for distribution. Sales charges and dealer concessions are as follows:

PRIMARY MARKET SALES

U.S. TREASURY SERIES 7--LADDERED ZERO COUPONS

Purchasers of Units of two or more Trusts will pay the sales charge on Units of each Trust at the rate applicable to the total dollar amount invested in this Series.

<TABLE>
<CAPTION>

		SALES CHARGE (GROSS UNDERWRITING PROFIT)		
	DOLLAR AMOUNT INVESTED (IN THOUSANDS)	AS PERCENT OF OFFER SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
<S>	<C>	<C>	<C>	<C>
Assurance Trust 1995(A)	Less than $250	2.50%	2.564%	1.625%
	$250-499	2.00	2.041	1.300
	$500-749	1.50	1.523	0.975
	$750-999	1.25	1.266	0.813
	$1,000 or more	1.00	1.010	0.650
Assurance Trust 2000(B)	Less than $250	3.00	3.093	1.950
	$250-499	2.50	2.564	1.625
	$500-749	2.00	2.041	1.300
	$750-999	1.50	1.523	0.975
	$1,000 or more	1.25	1.266	0.813
Assurance Trust 2005(C)	Less than $250	4.00	4.167	2.600
	$250-499	3.00	3.093	1.950
	$500-749	2.50	2.564	1.625
	$750-999	2.00	2.041	1.300

$1,000 or more....................................	1.50	1.523	0.975

	CONCESSIONS TO INTRODUCING DEALERS
Assurance Trust 1995(A)	$ 18.00
	14.40
	10.80
	9.00
	7.20
Assurance Trust 2000(B)	21.60
	18.00
	14.40
	10.80
	9.00
Assurance Trust 2005(C)	28.80
	21.60
	18.00
	14.40
	10.80

</TABLE>

MONTHLY PAYMENT U.S. TREASURY SERIES 14

<TABLE>
<CAPTION>

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF OFFER SIDE PUBLIC OFFERING PRICE	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION AS PERCENT OF OFFERING PRICE	CONCESSIONS TO INTRODUCING DEALERS
<S>	<C>	<C>	<C>	<C>
Less than 1,000,000..	1.25%	1.523%	0.975%	$9.00
1,000,000 or more..	1.00	1.010	0.650	7.20

</TABLE>

MONTHLY PAYMENT U.S. TREASURY SERIES 15

<TABLE>
<CAPTION>

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF OFFER SIDE PUBLIC OFFERING PRICE	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE	CONCESSION TO INTRODUCING DEALERS
<S>	<C>	<C>	<C>	<C>
Less than 500,000..	2.00%	2.041%	1.300%	$ 14.40
500,000-999,999..	1.50	1.523	0.975	10.80
1,000,000 or more..	1.00	1.010	0.650	7.20

</TABLE>

GNMA SERIES 1V

<TABLE>
<CAPTION>

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF OFFER SIDE PUBLIC OFFERING PRICE	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE	CONCESSION TO INTRODUCING DEALERS
<S>	<C>	<C>	<C>	<C>
Less than 100,000..	4.00%	4.167%	2.600%	$ 28.80
100,000-499,000..	3.00	3.093	1.950	21.60
500,000-749,999..	2.50	2.564	1.625	18.00
750,000-999,999..	2.00	2.041	1.300	14.40
1,000,000 or more..	1.50	1.523	0.975	10.80

</TABLE>

FREDDIE MAC SERIES 11

<TABLE>
<CAPTION>

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE	CONCESSION TO INTRODUCING DEALERS
	AS PERCENT OF OFFER SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED		
<S>	<C>	<C>	<C>	<C>
Less than 100,000	3.25%	3.359%	2.113%	$ 23.40
100,000-499,999	2.75	2.828	1.788	19.80
500,000-749,999	2.00	2.041	1.300	14.40
750,000-999,999	1.25	1.266	0.813	9.00
1,000,000 or more	1.00	1.010	0.650	7.20

</TABLE>

SECONDARY MARKET SALES
GNMA SERIES 1 THROUGH D

<TABLE>
<CAPTION>

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 250	4.25%	4.439%	2.763%
250-499	3.25	3.359	2.113
500-749	2.50	2.564	1.625
750-999	2.00	2.041	1.300
1,000 or more	1.50	1.523	0.975

</TABLE>

GNMA SERIES E AND SUBSEQUENT SERIES

<TABLE>
<CAPTION>

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 250,000	4.25%	4.439%	2.763%
250,000-499,999	3.25	3.359	2.113
500,000-749,999	2.50	2.564	1.625
750,000-999,999	2.00	2.041	1.300
1,000,000 or more	1.50	1.523	0.975

</TABLE>

FREDDIE MAC SERIES 1 THROUGH 9

<TABLE>
<CAPTION>

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 250,000	3.50%	3.627%	2.275%

250,000-499,999	2.75	2.828	1.788
500,000-749,999	2.00	2.041	1.300
750,000-999,999	1.50	1.523	0.975
1,000,000 or more	1.00	1.010	0.650

</TABLE>

FREDDIE MAC SERIES 10 AND 11

<TABLE>
<CAPTION>

	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
NUMBER OF UNITS	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 100,000	3.50%	3.627%	2.275%
100,000-499,999	3.00	3.093	1.950
500,000-749,999	2.25	2.302	1.463
750,000-999,999	1.50	1.523	0.975
1,000,000 or more	1.25	1.266	0.813

</TABLE>

<TABLE>
<CAPTION>

U.S. TREASURY ACCUMULATION SERIES A AND U.S. TREASURY ACCUMULATION SERIAL PAYOUT SERIES 1
(LONG TERM TRUST)

	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
NUMBER OF UNITS	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 250,000	4.50%	4.712%	2.925%
250,000-499,999	3.25	3.359	2.113
500,000-749,999	2.50	2.564	1.625
750,000-999,999	2.00	2.041	1.300
1,000,000 or more	1.50	1.523	0.975

MONTHLY PAYMENT U.S. TREASURY SERIES 1, 2, 3 AND 4

</TABLE>
<TABLE>
<CAPTION>

	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
NUMBER OF UNITS	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 250,000	2.50%	2.564%	1.625%

250,000-499,999...	2.00	2.041	1.300
500,000-749,999...	1.50	1.523	0.975
750,000-999,999...	1.25	1.266	0.813
1,000,000 or more...	1.00	1.010	0.650

</TABLE>

MONTHLY PAYMENT U.S. TREASURY SERIES 5

<TABLE>
<CAPTION>

	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
NUMBER OF UNITS	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 250,000...	2.75%	2.828%	1.788%
250,000-499,999...	2.25	2.302	1.463
500,000-749,999...	1.50	1.523	0.975
750,000-999,999...	1.25	1.266	0.813
1,000,000 or more...	1.00	1.010	0.650

</TABLE>

<TABLE>
<CAPTION>

MONTHLY PAYMENT U.S. TREASURY SERIES 6

	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
NUMBER OF UNITS	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 1,000,000...	1.00%	1.010%	0.650%
1,000,000 or more...	0.50	0.503	0.325

</TABLE>

MONTHLY PAYMENT U.S. TREASURY SERIES 10

<TABLE>
<CAPTION>

	SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
NUMBER OF UNITS	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	
<S>	<C>	<C>	<C>
Less than 500,000...	2.25%	2.302%	1.463%
500,000-999,999...	1.75	1.781	1.138
1,000,000 or more...	1.25	1.266	0.813

</TABLE>

MONTHLY PAYMENT U.S. TREASURY SERIES 8, 12, 13 AND 14

<TABLE>
<CAPTION>

	SALES CHARGE (GROSS UNDERWRITING PROFIT)	DEALER CONCESSION AS PERCENT OF

NUMBER OF UNITS	AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	PUBLIC OFFERING PRICE
<S>	<C>	<C>	<C>
Less than 1,000,000..	1.50%	1.523%	0.975%
1,000,000 or more..	1.25	1.266	0.813

</TABLE>

U.S. TREASURY SERIES 11

There is no sales charge for Units of this Fund, but Units are subject to a Sponsors' administrative fee at the annual rates set forth under Investment Summary in Part A.

<TABLE>
<CAPTION>

MONTHLY PAYMENT U.S. TREASURY SERIES 15

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF BID SIDE PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
<S>	<C>	<C>	<C>
Less than 500,000..	2.25%	2.302%	1.463%
500,000-999,999..	1.75	1.781	1.138
1,000,000 or more..	1.25	1.266	0.813

</TABLE>

U.S. TREASURY SERIES 7--LADDERED ZERO COUPONS

Sales charges in the secondary market are the same as in the primary market (see above) but are based on the bid side evaluation of the Securities instead of the offer side.

U.S. TREASURY ACCUMULATION SERIAL PAYOUT SERIES 1 (INTERMEDIATE-TERM TRUST)

The secondary market sales charge is 2.75% (2.828% of the net amount invested), based on the bid side evaluation of the underlying Securities.

The above graduated sales charges will apply on all purchases on any one day by the same purchaser of Units only in the amounts stated. Concurrent purchases in the secondary market of one or more Series sponsored by the Sponsors which have the same rates of sales charge will be aggregated. Units held in the name of the spouse of the purchaser or in the name of a child of the purchaser under 21 years of age are deemed to be registered in the name of the purchaser. The graduated sales charges are also applicable to a trustee or other fiduciary purchasing securities for a single trust estate or single fiduciary account.

Employees of certain of the Sponsors and their affiliates may purchase Units of the Fund at prices based on a reduced sales charge of not less than $5.00 per Unit (or per 1,000 Units).

Evaluations of the Securities are determined by the Evaluator, taking into account the same factors referred to under Redemption--Computation of Redemption Price per Unit. The determination is made each business day as of the Evaluation Time set forth under Investment Summary in Part A (the 'Evaluation Time'), effective for all sales made since the last of these evaluations. The determination for Put Series is made on the last business day of each week, effective for all sales during the following week. (Section 4.01). The term 'business day', as used herein and under 'Redemption', shall exclude Saturdays, Sundays and the following holidays as observed by the New York Stock Exchange: New Year's Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving, Christmas, Columbus Day, Veteran's Day and Martin Luther King's birthday.

For GNMA and Freddie Mac Series, there is a period of a few days, beginning on the first day of each month, during which the total amount of payments (including prepayments, if any) of principal for the preceding month on the various mortgages underlying each of the Securities in the Portfolios of these Funds will not yet have been reported by the issuer and made generally available to the public. During this period, the precise principal amount of the underlying mortgages remaining outstanding for each Security in the Portfolio, and therefore the precise principal amount of the Security to be acquired by the Trustee as a holder of these Securities and distributed to Holders with the next monthly distribution, will not be known. The Sponsors do not expect that the amounts of

these prepayments and the differences in principal amounts from month to month will be material in relation to these Funds due to the number of mortgages underlying each Security and the number of these Securities in the Fund. However, there can be no assurance that they will not be material. For purposes of the determination by the Evaluator and for purposes of calculations of accrued interest on the Units, during the period in each month prior to the time when the precise amounts of principal of the Securities for the month become publicly available, the Evaluator will base its evaluations and calculations, which are the basis for calculations of the Public Offering Price, the Sponsors' Repurchase Price and the Redemption Price per Unit, upon the principal amount outstanding for the preceding month (see Redemption). Nevertheless, the Sponsors will adopt procedures as to pricing and evaluation for Units of these Funds designed to minimize the impact of these differences upon the calculation of the Public Offering Price per Unit, the Repurchase Price per Unit or the Redemption Price per Unit, with such modifications, if any, deemed necessary by the Sponsors for the protection of the Holders, upon notice to the Holders.

COMPARISON OF PUBLIC OFFERING PRICE, SPONSORS' REPURCHASE PRICE AND REDEMPTION PRICE

On the Evaluation Date the Public Offering Price per Unit (which includes the sales charge) exceeded the Sponsors' Repurchase Price per Unit and the Redemption Price per Unit (each generally based on the bid side evaluation of the Securities in the Fund--see Redemption) by the amount set forth under Investment Summary in Part A. For various reasons (including fluctuations in the market prices of the Securities and the fact that the Public Offering Price includes the sales charge), the amount realized by a Holder upon any sale or redemption of Units may be less than the price paid by him for the Units.

PUBLIC DISTRIBUTION

The Sponsors intend to continue to qualify Units in certain states in the U.S. in which qualification is deemed necessary for sale by the Sponsors and by dealers who are members of the National Association of Securities Dealers, Inc. The Sponsors do not intend to qualify Units for sale in any foreign countries, and this Prospectus does not constitute an offer to sell Units in any state or country where Units cannot lawfully be sold. Sales to dealers are currently made at prices which represent a concession of the applicable rate specified above, but Merrill Lynch, Pierce, Fenner & Smith Incorporated, as agent for the Sponsors ('Agent for the Sponsors') reserves the right to change the amount of the concession to dealers from time to time. Any dealer may reallow a concession not in excess of the concession to dealers.

UNDERWRITERS' AND SPONSORS' PROFITS

In maintaining a market for Units (see Market for Units) the Sponsors will realize profits or sustain losses in the amount of any difference between the prices at which they buy Units and the prices at which they resell these Units (which include the sales charge) or the prices at which they redeem these Units, as the case may be. In addition, on each subsequent deposit of Securities in connection with the sale of additional Units to the public, the Sponsors may realize a profit or loss. To the extent that additional Units of the Fund continue to be offered for sale the Underwriting Account may also realize profits or losses as a result of fluctuations in the public offering price of Units. Cash, if any, made available by buyers of Units to the Sponsors prior to the settlement date for the purchase of Units may be used in the Sponsors' businesses subject to the limitations of Rule 15c3-3 under the Securities Exchange Act of 1934 and may be of benefit to the Sponsors.

MARKET FOR UNITS

While the Sponsors are not obligated to do so, it is their intention to maintain a secondary market for Units of this Series and continuously to offer to purchase Units of this Series at prices, subject to change at any time, which will be computed based on the bid side of the market, taking into account the same factors referred to in determining the bid side evaluation of Securities for purposes of redemption (see Redemption). The Sponsors may discontinue purchases of these Units at prices based on the bid side evaluation of the Securities should the supply of Units exceed demand or for other business reasons. In this event the Sponsors may nonetheless under certain circumstances purchase Units, as a service to Holders, at prices based on current redemption prices for those Units (see Redemption). The Sponsors, of course, do not in any way guarantee the enforceability, marketability or price of any Securities in the Portfolio or of the Units. Prospectuses relating to certain other unit trusts indicate an intention, subject to change on the part of the respective sponsors of such trusts, to purchase units of those trusts on the basis of a price higher than the bid prices of the bonds in the trusts. Consequently, depending upon the prices actually paid, the repurchase price of other sponsors for units of their trusts may be computed on a somewhat more favorable basis than the repurchase price offered by the Sponsors for Units of this Series in secondary market transactions. As in this Series, the purchase price per unit of such unit trusts will depend primarily on the value of the bonds in the portfolio of the trust.

The Sponsors may redeem any Units they have purchased in the secondary market or through the Trustee in accordance with the procedures described below if they determine it is undesirable to continue to hold these Units in their inventories. Factors which the Sponsors will consider in making this determination will include the number of units of all series of all funds which they hold in their inventories, the saleability of the units and their estimate of the time required to sell the units and general market conditions. For a description of certain consequences of any redemption for remaining Holders, see Redemption.

A Holder who wishes to dispose of his Units should inquire of his bank or broker as to current market prices in order to determine if there exist over-the-counter prices in excess of the repurchase price.

REDEMPTION (SERIES OTHER THAN MONTHLY PAYMENT U.S. TREASURY SERIES)

While it is anticipated that Units in most cases can be sold in the over-the-counter market for an amount equal to the Redemption Price per Unit (see Market for Units), Units may be redeemed at the office of the Trustee upon tender on any business day, as defined under Public Sale of Units--Public Offering Price, of Certificates or, in the case of uncertificated Units, delivery of a request for redemption, and payment of any relevant tax, without any other fee (Section 5.02). Certificates to be redeemed must be properly endorsed or accompanied by a written instrument or instruments of transfer. Holders must sign exactly as their names appear on the face of the Certificate with the signatures guaranteed by an eligible guarantor institution, or in some other manner acceptable to the Trustee. In certain instances the Trustee may require additional documents including, but not limited to, trust instruments, certificates of death, appointments as executor or administrator or certificates of corporate authority.

On the seventh calendar day following the tender (or if the seventh calendar day is not a business day on the first business day prior thereto), the Holder will be entitled to receive the proceeds of the redemption in an amount per Unit equal to the Redemption Price per Unit (see below) as determined as of the Evaluation Time next following the tender. At the option of qualified Holders of Treasury 'Zero' Series 5 as specified in writing to the Trustee, redemption of Units of that Fund may be received in kind (see Redemption in Kind below). So long

as the Sponsors are maintaining a market at prices not less than the Redemption Price per Unit, the Sponsors will repurchase any Units tendered for redemption no later than the close of business on the second business day following the tender (see Market for Units). The Trustee is authorized in its discretion, if the Sponsors do not elect to repurchase any Units tendered for redemption or if a Sponsor tenders Units for redemption, to sell the Units in the over-the-counter market at prices which will return to the Holder a net amount in cash equal to or in excess of the Redemption Price per Unit for the Units (Section 5.02).

The Trustee is empowered to sell Securities in order to make funds available for redemption (Section 5.02) if funds are not otherwise available in the Capital and Income Accounts (see Administration of the Fund-- Accounts and Distributions). The Securities to be sold will be selected from a list supplied by the Sponsors. Securities will be chosen for this list by the Sponsors on the basis of those market and credit factors as they may determine are in the best interests of the Fund. Provision is made under the Indenture for the Sponsors to specify minimum face amounts in which blocks of Securities are to be sold in order to obtain the best price for the Fund. While these minimum amounts may vary from time to time in accordance with market conditions, the Sponsors believe that the minimum face amounts which would be specified would range from $25,000 to $100,000.

To the extent that Securities are sold, the size and diversity of the Fund will be reduced. The check writing feature described below may increase the rate of redemption and therefore the rate at which the size of Series on which it is offered decrease. Sales will usually be required at a time when Securities would not otherwise be sold and may result in lower prices than might otherwise be realized. The price received upon redemption may be more or less than the amount paid by the Holder depending on the value of the Securities in the Portfolio at the time of redemption. In addition, because of the minimum face amounts in which Securities are required to be sold, the proceeds of sale may exceed the amount required at the time to redeem Units; these excess proceeds will be distributed to Holders (see Administration of the Fund--Portfolio Supervision).

REDEMPTION IN KIND (MONTHLY PAYMENT U.S. TREASURY SERIES AND U.S. TREASURY SERIES 7--LADDERED ZERO COUPONS)

Except as provided below, and in order to avoid recognition of capital gain or loss for non-redeeming Holders, the Trustee will effect all redemptions in kind, except that the portion of the Redemption Price representing accrued interest on the Bonds and the Holder's pro rata portion of the cash balance in the Fund will be paid in cash and except that a U.S. Treasury Series 7--Laddered Zero Coupons Holder will be entitled to receive securities in kind only if that Holder is entitled to receive at least $100,000 in face amount of each Stripped Treasury Security in the Portfolio as part of his distribution; in any other case, the Trustee will deliver tendered Units for sale to the Sponsors at the equivalent of the Redemption Price per Unit and then pay the net proceeds of any such sale to the Holder on the day the Holder would otherwise be entitled to receive the redemption distribution.

On the seventh calendar day following the tender (or if the seventh calendar day is not a business day, on the first business day prior thereto), the Holder will be entitled to receive in kind an amount and value of Securities per Unit equal to the Redemption Price per Unit as determined as of the Evaluation Time next following the tender, except that if the Sponsor is maintaining a secondary market for Units at a price which will return to the Holder an amount in cash, net after deducting any commissions or expenses, equal to or in excess of the Redemption Price per Unit, the Trustee will deliver tendered Units for sale to the Sponsor. The Trustee will then pay the net proceeds of any such sale to the Holder on the day the Holder would otherwise be entitled to receive

the redemption distribution. In an in kind redemption the Holder will receive his pro rata portion of the principal amount of the Portfolio and of the net cash in the Fund (Section 5.02).

Distribution in kind on redemption of Units shall be held by the Trustee as Distribution Agent, for the account, and for disposition in accordance with the instructions of, the tendering Holder, as follows:

(a) If the tendering Holder requests cash payment, the Distribution Agent shall sell the Securities distributed as of the close of business on the date of tender and remit to the Holder not later than seven calendar days thereafter the net proceeds of sale after deducting brokerage commissions and transfer taxes, if any, on the sale.

(b) If the tendering Holder requests distribution in kind, the Distribution Agent shall sell any portion of the Securities distributed represented by fractional interests in accordance with the foregoing and distribute net cash proceeds to the tendering Holder together with certificates representing whole Securities received on the in kind distribution.

In order to prevent the Fund from receiving cash on the disposition of less than a whole Security, the Sponsor will, even if it is not maintaining a market for Units at prices based on the offering side evaluation thereof, purchase any Units tendered at the cash equivalent of the Redemption Price per Unit and tender those Units for redemption only when a whole Security can be received in exchange therefor.

Any amounts paid on redemption representing income received will be withdrawn from the Income Account (see Administration of the Fund--Accounts and Distributions) to the extent funds are available. In implementing these redemption procedures, the Trustee and Distribution Agent shall make any adjustments necessary to reflect differences between the Redemption Price of the Units and the value of the Securities distributed in kind as of the date of tender.

To the extent that securities are redeemed in kind, the size of the Fund will be reduced but each remaining Unit will continue to represent the identical principal amount of Bonds with specified interest rates, maturities and call provisions, if any. The value of Securities received upon redemption and the proceeds received by the Distribution Agent for the account of the redeeming Holder may be more or less than the amount paid by the Holder depending on the value of the Securities in the Fund at the time of redemption.

ALL SERIES

The right of redemption may be suspended and payment postponed (1) for any period during which the New York Stock Exchange, Inc. is closed other than for customary weekend and holiday closings, or (2) for any period during which, as determined by the SEC, (i) trading on that Exchange is restricted or (ii) an emergency exists as a result of which disposal or evaluation of the Securities is not reasonably practicable, or (3) for any other periods which the SEC may by order permit (Section 5.02).

TENDER FOR REDEMPTION BY CHECK (AVAILABLE ONLY ON GNMA SERIES K THROUGH 1K, FREDDIE MAC SERIES 1 THROUGH 9 AND MONTHLY PAYMENT U.S. TREASURY SERIES 1-5)

Holders of these Funds who have submitted a properly completed application form and who have elected, by surrendering any Certificates with this application, to hold their Units in uncertificated form are entitled to receive upon request without charge checks which will be drawn upon a special account of the Fund with the bank specified in Part A (the 'Bank'). This election, however, does not create a checking or other bank account relationship between the Holder and the Bank. Checks may be made payable to the order of any person in

amounts of $500 or more. When a check is presented to the Bank for payment, this presentment shall be treated as a tender for redemption of a sufficient number of Units to cover the amount of the check. So long as the Sponsors are maintaining a market at prices in excess of the Redemption Price per Unit, the Sponsors will repurchase any of the Units that are tendered at a price computed as set forth under Market for Units. If the Sponsors are no longer maintaining such a market, Units tendered for redemption by check will be redeemed at their Redemption Price per Unit, based on the lower bid side evaluation of the Securities. Units may not be tendered by check within 15 days following their date of purchase.

Expenses incurred as a result of the checking service will be borne by the Fund. Holders wishing to use this checking service may obtain an application form by completing and mailing the card attached to the Prospectus. Upon receipt from a Holder of a properly completed application together with all of such Holder's Certificates, the Bank will issue a supply of checks to that Holder. Each check sent to a Holder will have that Holder's name and account number in the Fund impressed thereon. Checks drawn on a jointly owned account may, at the option of the joint owners, require only one signature. The Fund's check writing privilege generally will not be appropriate for retirement plans that may invest in the Fund (see Description of the Fund--Retirement Plans). Holders who choose to utilize the Fund's check writing service are subject to the procedures, rules and regulations of the Bank governing checking accounts and redemptions by draft.

The Bank will not honor checks which are in amounts exceeding the value of the Holder's Units at the time the check is presented to the Bank for payment. If insufficient Units are in the account, the check will be returned marked 'insufficient funds'. Since the dollar value of the Units may change daily, the total value of the account may not be determined in advance and, accordingly, the account may not be entirely redeemed by check. For the same reason, Holders should be aware that even checks written for amounts less than the present value of a Holder's account may be dishonored if the value of the Units in the account declines between the time when the check was written and the time when it was presented for payment. The Bank will not honor checks personally presented for payment at any office of the Bank. This checking service may be terminated or modified at any time by the Bank upon prior notice to the Holders.

COMPUTATION OF REDEMPTION PRICE PER UNIT

Redemption Price per Unit is computed by the Trustee, as of the Evaluation Time, on each June 30 and December 31 (or the last business day prior thereto), on any business day as of the Evaluation Time next following the tender of any Unit for redemption, and on any other business day desired by the Trustee or the Sponsors, by adding (a) the aggregate bid side evaluation of the Securities, (b) cash on hand in the Fund (other than cash covering contracts to purchase Securities), (c) accrued and unpaid interest on the Securities up to but not including the date of redemption and (d) all other assets of the Fund; deducting therefrom the sum of (x) taxes or other governmental charges against the Fund not previously deducted, (y) accrued fees and expenses of the Trustee (including legal and auditing expenses), the Evaluator and counsel, and certain other expenses and (z) cash held for distribution to Holders of record as of a date prior to the evaluation; and dividing the result by the number of Units outstanding as of the date of computation (Section 4.01 and 5.01).

The aggregate current bid or offering side evaluation of the Securities is determined by the Evaluator in the following manner: (a) on the basis of current bid or offering prices for the Securities, (b) if bid or offering prices are not available for any Securities, on the basis of current bid or offering prices for comparable securities, (c) by determining the value of the Securities on the bid or offering side of the market by appraisal, or (d) by any

combination thereof. The Evaluator may obtain current price information as to the Securities from investment dealers or brokers (including the Sponsors) which customarily deal in this type of security.

While Securities of the type included in the Portfolio involve minimal risk of loss of principal, due to variations in interest rates the market value of these Securities, and Redemption Price per Unit, can be expected to fluctuate during the period of an investment in the Fund.

EXPENSES AND CHARGES

FEES

The Trustee's Annual Fee and Expenses, Portfolio Supervision Fee (if any) and Evaluator's fee are set forth under Investment Summary in Part A. For its services as Trustee, the Trustee (or Co-Trustees, in the case of Investors Bank & Trust Company and The First National Bank of Chicago) receives annually the amount set forth under Investment Summary in Part A. The Trustee's fee is calculated monthly on the basis of the largest face amount of Debt Obligations outstanding during the previous month. The total amount received by the Trustee, set forth under Investment Summary in Part A as Trustee's Annual Fee and Expenses per Unit, includes an additional amount representing certain regular and recurring expenses of the Fund, including the Evaluator's fee estimated Portfolio Supervision Fee (if any) and certain mailing and printing expenses (Section 3.16). Expenses in excess of this amount will be borne by the Fund. The Trustee also receives benefits to the extent that it holds funds on deposit in various non-interest bearing accounts created under the Indenture. In addition, the Co-Trustee of GNMA Series 1 through 29, A and B receives for its services $200 for each annual period (Section 8.05).

The Portfolio Supervision Fee, is based on the average of the largest face amount of Securities in the Fund at any time during each month of a calendar year in which additional Securities are deposited in the Fund, and thereafter on the largest face amount of Securities in the Fund at any time during each annual period. This fee, which is not to exceed the maximum amount set forth under Investment Summary in Part A, may exceed the actual costs of providing portfolio supervisory services for this Fund, but at no time will the total amount they receive for portfolio supervisory services rendered to all series of The Government Securities Income Fund in any calendar year exceed the aggregate cost to them of supplying these services in that year. In addition, the Sponsors may also be reimbursed for bookkeeping and other administrative services provided to the Fund in amounts not exceeding their costs of providing these services (Section 3.04, 7.05 or 7.06).

The Trustee's and Evaluator's fees are payable on or before each Distribution Day. The foregoing fees may be adjusted for inflation in accordance with the terms of the Indenture without approval of Holders (Sections 4.03, 7.06 and 8.05).

OTHER CHARGES

These include: (a) fees of the Trustee for extraordinary services (Section 8.05), (b) certain expenses of the Trustee (including legal and auditing expenses) and of counsel designated by the Sponsors (Sections 3.04, 3.08 or 3.09, 7.05(b), 8.01, 8.03 and 8.05), (c) various governmental charges (Sections 3.03 and 8.01(h)), (d) expenses and costs of action taken to protect the Fund (Section 8.01(d)), (e) indemnification of the Trustee for any losses, liabilities and expenses incurred without gross negligence, bad faith or willful misconduct on its part (Section 8.05), (f) indemnification of the Sponsors for any losses, liabilities and expenses incurred without gross negligence, bad faith, wilful misconduct or reckless disregard of their duties (Section 7.05(b)) and (g) expenditures

incurred in contacting Holders upon termination of the Fund (Section 9.02). The amounts of these charges and fees are secured by a lien on the Fund and, if the balances in the Income and Capital Accounts (see below) are insufficient, the Trustee has the power to sell Securities to pay these amounts (Section 8.05).

ADMINISTRATION OF THE FUND

RECORDS

The Trustee keeps a register of the names, addresses and holdings of all Holders. The Trustee also keeps records of the transactions of the Fund, including a current list of the Securities and a copy of the Indenture, which are available to Holders for inspection at the office of the Trustee at reasonable times during business hours (Sections 6.01, 8.02 and 8.04).

ACCOUNTS AND DISTRIBUTIONS

The terms of the Ginnie Maes and Freddie Mac PCs provide for payment to the holders thereof (including the Fund), on the fifteenth day of each month, of amounts collected by or due to the issuers thereof with respect to the underlying mortgages during the preceding month. Payments on certain other Securities may be due semi-annually. Stripped ('Zero') Treasury Securities pay only at maturity.

Interest received by the Fund are credited to an Income Account and other receipts to a Capital Account (Sections 3.01 and 3.02). Distributions will be made to each Holder as of each Record Day on the following Distribution Day or shortly thereafter, and shall consist of an amount substantially equal to the Holder's pro rata share of the distributable cash balance of the Income Account, after deducting estimated expenses, plus the Holder's pro rata share of the distributable cash balance of the Capital Account computed as of the close of business on the preceding Record Day. For certain Funds with Monthly or Quarterly Income Distributions, an estimate of the distribution is set forth under Investment Summary in Part A. This amount will change as Securities are redeemed, paid, prepaid or sold. Proceeds received from the disposition, payment or prepayment of any of the Securities subsequent to a Record Day and prior to the succeeding Distribution Day will be held in the Capital Account to be distributed on the second succeeding Distribution Day, unless (for Funds qualified as 'regulated investment companies'--see Section A of Taxes above) the proceeds are reinvested in new Securities pursuant to the terms of the Indenture. The first distribution for persons who purchase Units between a Record Day and a Distribution Day will be made on the second Distribution Day following their purchase of Units. No distribution need be made from the Capital Account if the balance therein is less than the amount set forth under Investment Summary in Part A (Section 3.04). A Reserve Account may be created by the Trustee by withdrawing from the Income or Capital Accounts, from time to time, those amounts deemed requisite to establish a reserve for any taxes or other governmental charges that may be payable out of the Fund (Section 3.03). Funds held by the Trustee in the various accounts created under the Indenture do not bear interest (Section 8.01).

INVESTMENT ACCUMULATION PROGRAM (FREDDIE MAC SERIES 1 THROUGH 9 AND GNMA SERIES (EXCEPT GNMA SERIES I, K, 1L, 1N, 1P, 1R, 1S, 1T AND 1U)

Principal and interest and redemption proceeds received by most of the Funds are distributed monthly to Holders, normally in cash. However, a Holder may elect to have his monthly distributions reinvested in The GNMA Fund Investment Accumulation Program, Inc. (the 'Program'). The Program is an open-end management investment company whose primary investment objective is to obtain a high level of current income through investment in a portfolio of Ginnie Maes. It should be noted, however, that interest distributions to foreign holders from this Program will be subject to U.S. Federal income taxes, including withholding taxes. For

more complete information about the Program, including charges and expenses, return the form enclosed in Part A for a prospectus. Read it carefully before you decide to participate. Notice of election to participate must be received by the Program Agent in writing at least ten days before the Record Day for the first distribution to which such notice is to apply.

Holders of Units in IRA's, Keogh plans, and other tax-deferred retirement plans should consult with their plan custodian as to the appropriate disposition of distributions (see Taxes--Retirement Plans).

REINVESTMENT PLAN (GNMA SERIES I, 1L, 1N, 1P, 1R, 1S, 1T AND 1U, FREDDIE MAC SERIES 10 AND 11 AND MONTHLY PAYMENT U.S. TREASURY SERIES 1-5 ONLY)

Unless otherwise instructed, the Trustee distributes interest and any principal, redemption or prepayment proceeds received by these Funds to Holders in cash. However, a Holder may elect to have his monthly distributions reinvested by participating in the Fund's reinvestment plan (the 'Reinvestment Plan'). A Holder, including any Holder which is a broker or nominee of a bank or other financial institution) may indicate to the Trustee, by completing and mailing the form enclosed in Part A, that he wishes distributions of income, of principal or both to be automatically invested in additional Units of the Fund at the reduced sales charge set forth below. The Holder's completed notice of election to participate in the Reinvestment Plan must be received by the Trustee at least ten days (except as described below) before the Record Day for the first distribution to which the election is to apply and will remain effective until notice to the contrary is timely received by the Trustee. Holders who elect to reinvest their distributions will receive additional Units and therefore will increase their proportionate ownership of the Fund relative to the proportionate ownership of those Holders who receive their distributions in cash. Any such election will not reduce the income per Unit distributed to Holders. Elections may be modified or revoked on similar notice.

Purchases of Units pursuant to the Reinvestment Plan will be made at a reduced sales charge as follows. Monthly Payment U.S. Treasury Series 1-5: 0.75% of the Public Offering Price (0.756% of the net amount invested); GNMA Series I and K: 2.90% of the Public Offering Price (2.99% of the net amount invested); GNMA Series 1L, 1N, 1P, 1R, 1S, 1T and 1U: 1.50% of the Public Offering Price (1.523% of the net amount invested); Freddie Mac Series 10 and 11: 1.0% of the Public Offering Price (1.010% of the net amount invested). Unit prices are based on the offering side evaluation of underlying Securities while a Fund is in the primary market, and on the bid side evaluation when the Fund is in the secondary market. Under the Reinvestment Plan, the Fund will pay the distributions to the Trustee or Distribution Agent which in turn will purchase for the Holder from the Sponsors full and fractional Units of the Fund at the price determined as of the close of business on the Distribution Day. These Units may be Units already held in inventory by the Sponsors (see Market for Units) or new Units created by the Sponsors' deposit of additional Securities in the Fund (see Description of the Fund-- Structure). The Trustee or Distribution Agent will add the Units to the Holder's account and will send the Holder an account statement reflecting the reinvestment.

Certificates for whole Units acquired under the Reinvestment Plan will be issued only if the Holder so requests; fractional Units may only be held in uncertificated form (see Certificates below). When Certificates are not issued the Trustee will credit each Holder's account with the number of Units purchased with such Holder's reinvested distribution. Each Holder receives account statements both annually and after each Reinvestment Plan transaction to provide the Holder with a record of the total number of Units in his account. This relieves the Holder of responsibility for safekeeping of Certificates and, should he sell his Units, eliminates the need to deliver Certificates. The Holder may at any time request the Trustee (at the Fund's cost) to issue Certificates for Units. The cost of administering the Reinvestment Plan will be borne by the Fund and thus indirectly by all Holders.

Holders of Units held in 'street name' by their broker or dealer should contact their account executive or sales representative to determine whether or not participation in the Reinvestment Plan through that broker or dealer is available. Holders of Units participating in the Reinvestment Plan through their broker or dealer will receive confirmation of their reinvestments in their regular account statements or on a quarterly basis.

The Sponsors may, in their sole discretion, cancel the Reinvestment Plan at any time. After that time, all Holders of such a Fund, including those who participate in the Reinvestment Plan, will receive all Monthly Income Distributions in cash unless the Sponsors provide another reinvestment alternative at that time.

Holders of Units in IRA's, Keogh plans, and other tax-deferred retirement plans should consult with their plan custodian as to the appropriate disposition of distributions (see Taxes--Retirement Plans).

PORTFOLIO SUPERVISION

The Fund is a unit investment trust which normally follows a buy and hold investment strategy and is not actively managed. Traditional methods of investment management for a managed fund (such as a mutual fund) typically involve frequent changes in a portfolio of securities on the basis of economic, financial and market analyses. The Portfolio of this Series, however, will not be actively managed and therefore the adverse financial condition of an issuer will not necessarily require the sale of its Securities from the Portfolio. Defined Asset Funds investment professionals are dedicated exclusively to selecting and then monitoring securities held by the various Defined Funds. On an ongoing basis, experienced financial analysts regularly review the Portfolios and may direct the disposition of Securities under any of the following circumstances: (i) a default in payment of amounts due on any Security, (ii) institution of certain legal proceedings, (iii) existence of any other legal questions or impediments affecting a Security or the payment of amounts due on the Security, (iv) default under certain documents adversely affecting debt service or default in payment of amounts due on other securities of the same issuer or guarantor, (v) decline in price of the Security or the occurrence of other market or credit factors, including advance refunding (i.e., the issuance of refunding bonds and the deposit of the proceeds thereof in trust or escrow to retire the refunded Securities on their respective redemption dates), that in the opinion of the Sponsors would make the retention of the Security detrimental to the interests of the Holders, (vi) if a Security is not consistent with the investment objective of the Fund, (vii) if the Trustee has a right to sell or redeem a Security pursuant to any applicable guarantee or other credit support and (viii), for Funds qualified as 'regulated investment companies' (see Section A of Taxes above), if the disposition of these Securities is desirable in order to maintain the qualification of the Fund as a 'regulated investment company' under the Code. If a default in the payment of amounts due on any Security occurs and if the Agent for the Sponsors fails to give instructions to sell or to hold the Security, the Indenture provides that the Trustee, within 30 days of that failure by the Sponsors, shall sell the Security. Within five days after the deposit of Debt Obligations in exchange or substitution for underlying Debt Obligations, the Trustee is required to give notice thereof to each Holder, identifying the Debt Obligations eliminated and the Debt Obligations substituted therefor (Section 3.07 or 3.08).

For Funds organized as grantor trusts (see Section B of Taxes above), the Sponsors are required to instruct the Trustee to reject any offer made by an issuer of any of the Debt Obligations to issue new Debt Obligations in exchange or substitution for any Debt Obligations pursuant to a refunding or refinancing plan, except that the Sponsors may instruct the Trustee to accept or reject any offer or to take any other action with respect thereto as the Sponsors may deem proper if (a) the issuer is in default with respect to these Debt Obligations or (b) in the written opinion of the Sponsors the issuer will probably default with respect to these Debt Obligations in the reasonably foreseeable future. Any Debt Obligations so received in exchange or substitution will be held by the Trustee subject to the terms and conditions of the Indenture to the same extent as Debt Obligations originally deposited thereunder.

For Funds qualified as 'regulated investment companies' (see Section A of Taxes above), the Sponsors are also authorized to direct the reinvestment of the proceeds of the sale of Securities, exclusive of any capital gain (provided, however, that proceeds received from Securities sold for purposes of redemption of Units and in excess of the amount needed for these purposes may be reinvested only in an amount each year not to exceed 10% of the face amount of Securities in the Fund on the Date of Deposit), as well as moneys held to cover the purchase of Securities pursuant to contracts which have failed ('Failed Debt Obligations'), in replacement Securities ('Replacement Securities') which satisfy conditions specified in the Indenture including, among other conditions, requirements that the Replacement Securities satisfy the original selection criteria for the Fund (see Description of the Fund--The Portfolio above) and that the purchase of the Replacement Securities will not (i) disqualify the Fund as a 'regulated investment company' under the Code. Income on, capital gains from and the proceeds of the maturity or redemption of, Securities may not be reinvested in substitute Securities but must be paid out to Holders in accordance with the Indenture.

Whenever a Replacement Security has been acquired for the Fund, the Trustee shall, on the next monthly distribution date that is more than 30 days thereafter, make a pro rata distribution of the amount, if any, by which the cost to the Fund of the Failed Debt Obligation exceeded the cost of the Replacement Security plus accrued interest. If Replacement Securities are not acquired, the Sponsors shall, on or before the next following Distribution Day, cause to be refunded the attributable sales charge, plus the attributable Cost of Securities to Fund listed under Portfolio in Part A, plus undistributed income attributable to the Failed Debt Obligation.

For certain Funds, the Indenture authorizes the Sponsors to increase the size and number of Units of the Fund by the deposit of Additional Securities, contracts to purchase Additional Securities or cash or a letter of credit with instructions purchase Additional Securities in exchange for the corresponding number of additional Units provided that the original proportionate relationship among the face amounts of each Security established on the Initial Date of Deposit (the 'Original Proportionate Relationship') is maintained. Deposits of Additional Securities in Funds organized as grantor trusts must replicate exactly the original proportionate relationship among the face amounts of Securities comprising the Portfolio; in Funds qualified as 'regulated investment companies', the Original Proportionate Relationship must be maintained to the extent practicable.

REPORTS TO HOLDERS

With each distribution, the Trustee furnishes Holders with a statement of the amounts of income and other receipts, if any, which are being distributed, expressed in each case as a dollar amount per Unit. After the end of each calendar year, the Trustee will furnish to each person who at any time during the calendar year was a Holder of record a statement (i) summarizing transactions for the year in the Income and Capital Accounts, (ii) listing the Securities held and the number of Units outstanding at the end of that calendar year, (iii) stating the Redemption Price per Unit based upon the computation thereof made at the end of that calendar year and (iv) specifying the amounts distributed during that calendar year from the Income and Capital Accounts (Section 3.05 or 3.06). The accounts of the Fund are audited at least annually by independent certified public accountants designated by the Sponsors and the report of the accountants shall be furnished by the Trustee to Holders upon request (Section 8.01(e)).

In order to enable them to comply with Federal and state tax reporting requirements, Holders of Funds organized as grantor trusts (see Section B of Taxes above) will be furnished upon request to the Trustee with

evaluations of Securities furnished to it by the Evaluator (Section 4.02) and evaluations of the debt obligations in any Other Funds.

CERTIFICATES

Each purchaser is entitled to receive, on request, a registered Certificate for his Units. Certain of the Sponsors may collect a charge for registering and shipping Certificates to purchasers. The Certificates are transferable or interchangeable upon presentation at the office of the Trustee with a payment of $2.00 if required by the Trustee (or other amounts specified by the Trustee and approved by the Sponsors) for each new Certificate and any sums payable for taxes or other governmental charges imposed upon the transaction (Section 6.01) and compliance with the formalities necessary to redeem Certificates (see Redemption). Mutilated, destroyed, stolen or lost Certificates will be replaced upon delivery of satisfactory indemnity and payment of expenses incurred (Section 6.02).

Alternatively, Holders may elect to hold their Units in uncertificated form (which election is required for entitlement to any Fund's check writing privilege). The Trustee will credit each such Holder's account with the number of Units purchased by such Holder. This relieves the Holder of the responsibility of safekeeping of Certificates and of the need to deliver Certificates upon sale of Units. Uncertificated Units are transferable through the same procedures applicable to Units evidenced by Certificates (see above), except that no Certificate need be presented to the Trustee and none will be issued upon transfer unless requested by the Holder. A Holder may at any time request the Trustee (at the Fund's cost) to issue Certificates for Units.

AMENDMENT AND TERMINATION

The Sponsors and Trustee may amend the Indenture, without the consent of the Holders, (a) to cure any ambiguity or to correct or supplement any provision thereof which may be defective or inconsistent, (b) to change any provision thereof as may be required by the SEC or any successor governmental agency, (c) to add or change any provision thereof as may be necessary or advisable for continuing qualification of the Fund as a regulated investment company under the Code (for Funds qualified as regulated investment companies -- see Section A of Taxes above) or (d) to any other provisions which do not adversely affect the interest of the Holders (as determined in good faith by the Sponsors). The Indenture may not be amended to increase the number of Units issuable thereunder, or to permit, except in accordance with provisions of the Indenture, the acquisition of any Securities other than those initially deposited in the Fund. The Indenture may also be amended in any respect by the Sponsors and the Trustee, or any of the provisions thereof may be waived, with the consent of the Holders of 51% of the Units (66 2/3% of the Units in the case of GNMA Series 1 through 29, A and B) provided that none of these amendments or waivers will reduce the interest in the Fund of any Holder without the consent of the Holder or reduce the percentage of Units required to consent to any of these amendments or waivers without the consent of all Holders (Section 10.01).

The Indenture will terminate upon the maturity, sale, redemption or other disposition of the last Security held thereunder but in no event is it to continue beyond the mandatory termination date set forth under Investment Summary in Part A. The Indenture may be terminated by the Sponsors if the value of the Fund is less than the minimum value set forth under Investment Summary in Part A, and may be terminated at any time by written instruments executed by the Sponsors and consented to by Holders of the same percentage of the Units as stated in the preceding paragraph (Sections 8.01(g) and 9.01). The Trustee will deliver written notice of any termination to each Holder within a reasonable time prior to the termination, specifying the times at which the Holders may surrender their Certificates for cancellation. Within a reasonable time after the termination, the Trustee must sell all of the Securities then held and distribute to each Holder, upon surrender for cancellation of his Certificates and after deductions for accrued and unpaid fees, taxes and governmental and other charges, that Holder's interest in the Income and Capital Accounts (Section 9.01). This distribution will normally be made by mailing a check in the amount of each Holder's interest in these accounts to the address of the Holder appearing on the record books of the Trustee.

RESIGNATION, REMOVAL AND LIMITATIONS ON LIABILITY

SPONSORS

Any Sponsor may resign if one remaining Sponsor maintains a net worth of $2,000,000 and is agreeable to the resignation (Section 7.04). A new Sponsor may be appointed by the remaining Sponsors and the Trustee (or Co-Trustee, if any) to assume the duties of the resigning Sponsor. If there is only one Sponsor and it fails to perform its duties or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, then the Trustee (or Co-Trustee) may (a) appoint a successor Sponsor at rates of compensation deemed by the Trustee to be reasonable and as may not exceed amounts prescribed by the SEC, or (b) terminate the Indenture and liquidate the Fund or (c) continue to act as Trustee without terminating the Indenture (Section 8.01(f)). The Agent for the Sponsors has been appointed by the other Sponsors for purposes of taking action under the Indenture (Section 7.01). If the Sponsors are unable to agree with respect to action to be taken jointly by them under the Indenture and they cannot agree as to which Sponsors shall continue to act as Sponsors, then Merrill Lynch, Pierce, Fenner & Smith, Incorporated shall continue to act as sole Sponsor (Section 7.02(b)). If one of the Sponsors fails to perform its duties or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, then that Sponsor is automatically discharged and the other Sponsors shall act as Sponsors (Section 7.02(a)). The Sponsors shall be under no liability to the Fund or to the Holders for taking any action or for refraining from taking any action in good faith or for errors in judgment and shall not be liable or responsible in any way for depreciation or loss incurred by reason of the sale of any Security. This provision, however, shall not protect the Sponsors in cases of wilful misfeasance, bad faith, gross negligence or reckless disregard of their obligations and duties (Section 7.05). The Sponsors and their successors are jointly and severally liable under the Indenture. A Sponsor may transfer all or substantially all of its assets to a corporation or partnership which carries on its business and duly assumes all of its obligations under the Indenture and in that event it shall be relieved of all further liability under the Indenture (Section 7.03).

TRUSTEES

Any Trustee or any successor may resign upon notice to the Sponsors and any remaining Trustee. Any Trustee may be removed at any time upon the direction of the Holders of any Series by the same percentage of the Units as required to amend the Indenture (see above) or by the Sponsors (or the Co-Trustee if any) without the consent of any of the Holders if that Trustee becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities. The resignation or removal shall become effective upon the acceptance of appointment by the successor. The Sponsors and any remaining Trustee are to use their best efforts to appoint a successor promptly. If no successor has accepted appointment within thirty days after notification, the resigning Trustee may apply to a court of competent jurisdiction for the appointment of a successor (Section 8.06). The Trustees shall be under no liability for any action taken in good faith in reliance on prima facie properly executed documents or for the disposition of monies or Securities, nor liable or responsible in any way for depreciation or loss incurred by reason of the sale of any Security. This provision, however, shall not protect any Trustee or Co-Trustee in cases of wilful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and

duties. In the event of the failure of the Sponsors to act, the Trustee (or any Co-Trustee) may act under the Indenture and shall not be liable for any of these actions taken in good faith. The Trustees shall not be personally liable for any taxes or other governmental charges imposed upon or in respect of the Securities or upon the interest thereon. In addition, the Indenture contains other customary provisions limiting the liability of the Trustees (Sections 3.06 or 3.07, 3.09 or 3.10, 8.01 and 8.05).

THE EVALUATOR

The Evaluator may resign or may be removed, effective upon the acceptance of appointment by its successor, by the Sponsors, who are to use their best efforts to appoint a successor promptly. If upon resignation of the Evaluator no successor has accepted appointment within thirty days after notification, the Evaluator may apply to a court of competent jurisdiction for the appointment of a successor (Section 4.05). Determinations by the Evaluator under the Indenture shall be made in good faith upon the basis of the best information available to it; provided, however, that the Evaluator shall be under no liability to the Trustee, the Sponsors or the Holders for errors in judgment. This provision, however, shall not protect the Evaluator in cases of wilful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties (Section 4.04). The Trustee, the Sponsors and the Holders may rely on any evaluation furnished by the Evaluator and shall have no responsibility for the accuracy thereof.

MISCELLANEOUS

TRUSTEE

The Trustee of the Fund is named on the back cover of Part A and is either The Chase Manhattan Bank N.A., a banking corporation with its Unit Trust Department at 1 Chase Manhattan Plaza-3B, New York, New York 10081 (which is subject to supervision by the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System); The Bank of New York, a New York banking corporation with its Unit Investment Trust Department at 101 Barclay Street, New York, New York 10286 (which is subject to supervision by the New York Superintendent of Banks, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System); Bankers Trust Company, a New York banking corporation with its corporate trust office at 4 Albany Street, 7th Floor, New York, New York 10015 (which is subject to supervision by the New York Superintendent of Banks, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System); United States Trust Company of New York, a banking corporation with its corporate trust office at 45 Wall Street, New York, New York 10005 (which is subject to supervision by the New York Superintendent of Banks, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System); or (acting as Co-Trustees) Investors Bank & Trust Company, a Massachusetts trust company with its unit investment trust servicing group at One Lincoln Plaza, Boston, Massachusetts 02111 (which is subject to supervision by the Massachusetts Commissioner of Banks, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System) and The First National Bank of Chicago, a national banking corporation association with its corporate trust office at One First National Plaza, Suite 0126, Chicago, Illinois 60670-0126 (which is subject to supervision by the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System).

LEGAL OPINION

The legality of the Units originally offered has been passed upon by Davis

Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, as special counsel for the Sponsors. For Series organized under

Massachusetts law, this counsel relied as to matters of Massachusetts law on Wayne, Lazares & Chappell, 200 State Street, Boston, Massachusetts 02109. Emmett, Marvin & Martin, 48 Wall Street, New York, New York 10005, act as counsel for The Bank of New York, as Trustee. Bingham, Dana & Gould, 150 Federal Street, Boston, Massachusetts 02110, act as counsel for The First National Bank of Chicago and Investors Bank & Trust Company, as Co-Trustees. Hawkins, Delafield & Wood, 67 Wall Street, New York, New York 10005, act as counsel for Bankers Trust Company, as Trustee. Carter, Ledyard & Milburn, 2 Wall Street, New York, New York 10005, act as counsel for United States Trust Company of New York, as Trustee.

AUDITORS

The financial statements of the Fund included in Part A have been examined by Deloitte & Touche, independent accountants, as stated in their opinion appearing therein and have been so included in reliance upon that opinion given on the authority of that firm as experts in accounting and auditing.

SPONSORS

Each Sponsor is a Delaware corporation and is engaged in the underwriting, securities and commodities brokerage business, and is a member of the New York Stock Exchange, Inc., other major securities exchanges and commodity exchanges, and the National Association of Securities Dealers, Inc. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Asset Management, a Delaware corporation, each of which is a subsidiary of Merrill Lynch & Co., Inc., are engaged in the investment advisory business. Smith Barney Shearson Inc., an investment banking and securities broker-dealer firm, is an indirect wholly-owned subsidiary of Primerica Corporation ('Primerica'). In July 1993, Primerica and Smith Barney, Harris Upham & Co. Incorporated ('Smith Barney') acquired the assets of the domestic retail brokerage and asset management businesses of Shearson Lehman Brothers Inc. ('Shearson'), previously a co-Sponsor of various Defined Asset Funds. Prudential Securities Incorporated, a wholly-owned subsidiary of Prudential Securities Group Inc. and an indirect wholly-owned subsidiary of the Prudential Insurance Company of America, is engaged in the investment advisory business. PaineWebber Incorporated is engaged in the investment advisory business and is a wholly-owned subsidiary of PaineWebber Group Inc. Dean Witter Reynolds Inc., a principal operating subsidiary of Dean Witter, Discover & Co., is engaged in the investment advisory business. Each Sponsor has acted as principal underwriter and managing underwriter of other investment companies. The Sponsors, in addition to participating as members of various selling groups or as agents of other investment companies, execute orders on behalf of investment companies for the purchase and sale of securities of these companies and sell securities to these companies in their capacities as brokers or dealers in securities.

Each Sponsor (or a predecessor) has acted as Sponsor of various series of Defined Asset Funds. A subsidiary of Merrill Lynch, Pierce, Fenner & Smith Incorporated succeeded in 1970 to the business of Goodbody & Co., which had been a co-Sponsor of Defined Asset Funds since 1964. That subsidiary resigned as Sponsor of each of the Goodbody series in 1971. Merrill Lynch, Pierce, Fenner & Smith Incorporated has been co-Sponsor and the Agent for the Sponsors of each series of Defined Asset Funds created since 1971. Shearson Lehman Brothers Inc. and certain of its predecessors were underwriters beginning in 1962 and co-Sponsors from 1965 to 1967 and from 1980 to 1993 of various Defined Asset Funds. As a result of the acquisition of certain of Shearson's assets by Smith Barney and Primerica, as described above, Smith Barney Shearson Inc. now serves as co-Sponsor of various Defined Asset Funds. Prudential Securities Incorporated and its predecessors have been underwriters of Defined Asset Funds since 1961 and co-Sponsors since 1964, in which year its predecessor became successor co-Sponsor to the original Sponsor. Dean Witter Reynolds Inc. and its predecessors have been underwriters of

various Defined Asset Funds since 1964 and co-Sponsors since 1974. PaineWebber Incorporated and its predecessor have co-Sponsored certain Defined Asset Funds since 1983.

The Sponsors have maintained secondary markets in Defined Asset Funds for over 20 years. For decades informed investors have purchased unit investment trusts for dependability and professional selection of investments. Defined Asset Funds offers an array of investment choices, suited to fit a wide variety of personal financial goals--a buy and hold strategy for capital accumulation, such as for children's education or a nest egg for retirement, or attractive, regular current income consistent with relative protection of capital. There are Defined Funds to meet the needs of just about any investor. Unit investment trusts are particularly suited for the many investors who prefer to seek long-term profits by purchasing sound investments and holding them, rather than through active trading. Few individuals have the knowledge, resources or capital to buy and hold a diversified portfolio on their own; it would generally take a considerable sum of money to obtain the breadth and diversity offered by Defined Funds. Sometimes it takes a combination of Defined Funds to plan for your objectives.

One of your most important investment decisions may be how you divide your money among asset classes. Spreading your money among different kinds of investments can balance the risks and rewards of each one. Most investment experts recommend stocks for long-term capital growth. For attractive income consider long-term corporate bonds. By purchasing both defined equity and defined bond funds, investors can receive attractive current income as well as growth potential, offering some protection against inflation.

The following chart shows the average annual compounded rate of return of selected asset classes over the 10-year and 20-year periods ending December 31, 1992, compared to the rate of inflation over the same periods. Of course, this chart represents past performance of these investment categories and is no guarantee of future results either of these categories or of Defined Funds. Defined Funds also have sales charges and expenses, which are not reflected in the chart.

Stocks (S&P 500)
20 yr 11.33%
10 yr 16.19%

Small-company stocks
20 yr 15.54%
10 yr 11.55%

Long-term corporate bonds
20 yr 9.54%
10 yr 13.14%

U.S. Treasury bills (short-term)
20 yr 7.70%
10 yr 6.95%

Consumer Price Index
20 yr 6.21%
10 yr 3.81%

0 2 4 6 8 10
12 14 16 18%

Source: Ibbotson Associates (Chicago).
Used with permission. All rights reserved.

By purchasing Defined Funds investors not only avoid the responsibility of selecting individual securities on their own; they benefit from the expertise of Defined Asset Funds' experienced buyers and research analysts. In addition, they gain the advantage of diversification by investing in units of a Defined Fund holding securities of several different insurers. Such diversification reduces risk, but does not eliminate it. While the portfolio of managed funds, such as mutual funds, continually changes, defined bond funds offer a defined portfolio and a schedule of income distributions identified in the prospectus. Investors know, generally, when they buy, the issuers, maturities, call dates and ratings of the securities in the portfolio. Of course, the portfolio may change somewhat over time as additional securities are deposited, as securities mature or are called or redeemed or as they are sold to meet redemptions and in certain other limited circumstances. Investors also know at the time of

purchase their estimated income and current and long-term returns, subject to credit and market risks and to changes in the Portfolio or the Fund's expenses.

Defined Asset Funds offers a variety of fund types. The tax exemption of municipal securities, which makes them attractive to high-bracket taxpayers, is offered by Defined Municipal Investment Trust Funds. Municipal Defined Funds offer a simple and convenient way for investors to earn monthly income free from regular Federal income tax. Defined Municipal Investment Trust Funds have provided investors with tax-free income for more than 30 years. Defined Corporate Income Funds, with higher current returns than municipal or government funds, are suitable for Individual Retirement Accounts and other tax-advantaged accounts and offer investors a simple and convenient way to earn monthly income. Defined Government Securities Income Funds offer investors a simple and convenient way to participate in markets for government securities while earning an attractive current return. Defined International Bond Funds, invested in bonds payable in foreign currencies, offer the potential to profit from changes in currency values and possibly from interest rates higher than paid on comparable U.S. bonds, but investors incur a higher risk for these potentially greater returns. Historically, stocks have offered a potential for growth of capital, and thus some protection against inflation, over the long term. Defined Equity Income Funds offer participation in the stock market, providing current income as well as the possibility of capital appreciation. The S&P Index Trusts offer a convenient and inexpensive way to participate in broad market movements. Concept Series seek to capitalize on selected anticipated economic, political or business trends. Utility Stock Series, consisting of stocks of issuers with established reputations for regular cash dividends, seek to benefit from dividend increases. Select Ten Portfolios seek total return by investing for one year in the ten highest yielding stocks on a designated stock index.

DESCRIPTION OF STANDARD & POOR'S RATING (as described by Standard & Poor's)

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

AAA--Funds rated AAA are composed exclusively of assets that are rated AAA by Standard & Poor's and/or certain short-term investments. Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

EXCHANGE OPTION (NOT AVAILABLE FOR MONTHLY PAYMENT U.S. TREASURY SERIES, U.S. TREASURY SERIES AND THE INTERMEDIATE-TERM TRUST OF U.S. TREASURY ACCUMULATION SERIAL PAYOUT SERIES 1)

ELECTION

Holders may elect to exchange any or all of their Units of this Series for units of one or more of the series of Funds listed in the table below (the 'Exchange Funds'), which normally are sold in the secondary market at prices which include the sales charge indicated in the table. Certain series of the Funds listed have lower maximum applicable sales charges than those stated in the table; also the rates of sales charges may be changed from time to time. No series with a maximum applicable sales charge of less than 3.50% of the public offering price is eligible for the Exchange Option, with the following exceptions: (1) Units of any Select Ten Portfolio may be acquired during their initial offering period or thereafter by exchange from any Exchange Fund Series, if available; Units of Select Ten Portfolios may be exchanged only for units of another Select Ten Series, if

available, and (2) Freddie Mac Series may be acquired by exchange during the initial offering period from any of the Exchange Funds listed in the table. Units of the Exchange Funds may be acquired at prices which include the reduced sales charge for Exchange Fund units listed in the table, subject, however, to these important limitations:

> First, there must be a secondary market maintained by the Sponsors in units of the series being exchanged and a primary or secondary market in units of the series being acquired and there must be units of the applicable Exchange Fund lawfully available for sale in the state in which the Holder is resident. There is no legal obligation on the part of the Sponsors to maintain a market for any units or to maintain the legal qualification for sale of any of these units in any state or states. Therefore, there is no assurance that a market for units will in fact exist or that any units will be lawfully available for sale on any given date at which a Holder wishes to sell his Units of this Series and thus there is no assurance that the Exchange Option will be available to any Holder.
>
> Second, when units held for less than five months are exchanged for units with a higher regular sales charge, the sales charge will be the greater of (a) the reduced sales charge set forth in the table below or (B) the difference between the sales charge paid in acquiring the units being exchanged and the regular sales charge for the quantity of units being acquired, determined as of the date of the exchange.
>
> Third, exchanges will be effected in whole units only. If the proceeds from the Units being surrendered are less than the cost of a whole number of units being acquired, the exchanging Holder will be permitted to add cash in an amount to round up to the next highest number of whole units.

Fourth, the Sponsors reserve the right to modify, suspend or terminate the Exchange Option at any time without further notice to Holders. In the event the Exchange Option is not available to a Holder at the time he wishes to exercise it, the Holder will be immediately notified and no action will be taken with respect to his Units without further instruction from the Holder.

PROCEDURES

To exercise the Exchange Option, a Holder should notify one of the Sponsors of his desire to use the proceeds from the sale of his Units of this Series to purchase units of one or more of the Exchange Funds. If units of the applicable outstanding series of the Exchange Fund are at that time available for sale, the Holder may select the series or group of series for which he desires his Units to be exchanged. Of course, the Holder will be provided with a current prospectus relating to each series in which he indicates interest. The exchange transaction will operate in a manner essentially identical to any secondary market transaction, i.e., Units will be repurchased at a price equal to the aggregate bid side evaluation per Unit of the Securities in the Portfolio plus accrued interest. Units of the Exchange Fund generally will be sold to the Holder at a price equal to the bid side evaluation per unit of the underlying securities in the Portfolio plus interest plus the applicable sales charge listed in the table below. Units of a Series acquired during the initial public offering period will be sold at a price based on the offering side evaluation of the underlying Securities. Units of The Equity Income Fund are sold, and will be repurchased, at a price normally based on the closing sale prices on the New York Stock Exchange, Inc. of the underlying securities in the Portfolio. The maximum applicable sales charges for units of the Exchange Funds are also listed in the table. Excess proceeds not used to acquire whole Exchange Fund units will be paid to the exchanging Holder.

THE EXCHANGE FUNDS

The income from taxable fixed income securities is normally higher than that available from tax exempt fixed income securities. Certain of the Exchange Funds do not provide for periodic payments of interest and are best suited for purchase by IRA's, Keogh plans, pension funds or other tax-deferred retirement plans. Consequently,

some of the Exchange Funds may be inappropriate investments for some Holders and therefore may be inappropriate exchanges for Units of this Series. The table below indicates certain characteristics of each of the Exchange Funds which a Holder should consider in determining whether each Exchange Fund would be an appropriate investment vehicle and an appropriate exchange for Units of this Series.

CONVERSION OPTION

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

TAX CONSEQUENCES

An exchange of Units pursuant to the Exchange or Conversion Option for units of a series of another Fund should constitute a 'taxable event' under the Code, requiring a Holder to recognize a tax gain or loss subject to the following limitation. The Internal Revenue Service may seek to disallow a loss on an exchange of Units for substantially similar units in another series of the same type of Exchange Fund (e.g., an exchange of a GNMA Series of The Government Securities Income Fund for a different GNMA Series of The Government Securities Income Fund). Holders are urged to consult their own tax advisers as to the tax consequences to them of exchanging units in particular cases.

WITH REGARD TO REGULATED INVESTMENT COMPANIES ONLY: A Holder's tax gain recognized on an exchange of Units for units of an Exchange Fund which is also a regulated investment company will increase (or a Holder's tax loss will decrease) by the lesser of (a) the sales charge applicable to the Units of this series or (b) the reduction in the sales charge on the Exchange Fund Units, if the exchange is made within 90 days of the purchase of the Units of this series. Any such increase (or decrease) will be reflected in a decreased tax gain (or increased tax loss) when the Exchange Fund Units are sold.

EXAMPLE

Assume that a Holder, who has three units of a fund with a 5.50% sales charge in the secondary market and a current price (based on bid side evaluation plus accrued interest) of $1,100 per unit, sells his units and exchanges the proceeds for units of a series of an Exchange Fund with a current price of $950 per unit and the same sales charge. The proceeds from the Holder's units will aggregate $3,300. Since only whole units of an Exchange Fund may be purchased, the Holder would be able to acquire four units in the Exchange Fund for a total cost of $3,860 ($3,800 for units and $60 for the $15 per unit sales charge) by adding an extra $560 in cash. Were the Holder to acquire the same number of units at the same time in the regular secondary market maintained by the Sponsors, the price would be $4,021.16 ($3,800 for the units and $221.16 for the 5.50% sales charge).

<TABLE>
<CAPTION>

NAME OF EXCHANGE FUND	MAXIMUM APPLICABLE SALES CHARGE*	REDUCED SALES CHARGE FOR SECONDARY MARKET**
<S>	<C>	<C>
DEFINED ASSET FUNDS--MUNICIPAL INVESTMENT TRUST FUND		
Monthly Payment, State and Multistate Series	5.50%+	$15 per unit
Intermediate Term Series	4.50%+	$15 per unit
Insured Series	5.50%+	$15 per unit
AMT Monthly Payment Series	5.50%+	$15 per unit
DEFINED ASSET FUNDS--THE EQUITY INCOME FUND		
Utility Common Stock Series	4.50%	$15 per 1,000 units++
Concept Series	4.00%	$15 per 100 units
Select Ten Portfolios	2.75%	$17.50 per 1,000 units
DEFINED ASSET FUNDS--MUNICIPAL INCOME FUND		
Insured Discount Series	5.50%+	$15 per unit
DEFINED ASSET FUNDS--CORPORATE INCOME FUND		
Monthly Payment Series	5.50%	$15 per unit
Intermediate Term Series	4.00%	$15 per unit
Cash or Accretion Bond Series and SELECT Series	3.50%	$15 per 1,000 units
Insured Series	5.50%	$15 per unit
DEFINED ASSET FUNDS--INTERNATIONAL BOND FUND		
Multi-Currency Series	5.50%	$15 per unit
Australian and New Zealand Dollar Bonds Series	3.75%	$15 per unit
Australian Dollar Bonds Series	3.75%	$15 per unit
Canadian Dollar Bonds Series	3.50%	$15 per unit
DEFINED ASSET FUNDS--GOVERNMENT SECURITIES INCOME FUND		

</TABLE>

<TABLE>
<CAPTION>

NAME OF EXCHANGE FUND	INVESTMENT CHARACTERISTICS
<S>	<C>
DEFINED ASSET FUNDS--MUNICIPAL INVESTMENT TRUST FUND	
Monthly Payment, State and Multistate Series	long-term, fixed rate, tax-exempt income
Intermediate Term Series	intermediate-term, fixed rate, tax-exempt income
Insured Series	long-term, fixed rate, tax-exempt current income, underlying securities insured by insurance companies
AMT Monthly Payment Series	long-term, fixed rate, income exempt from regular federal income tax but partially subject to AMT
DEFINED ASSET FUNDS--THE EQUITY INCOME FUND	
Utility Common Stock Series	dividends, taxable income, underlying securities are common stocks of public utilities
Concept Series	underlying securities constitute a professionally selected portfolio of common stocks consistent with an investment idea or concept
Select Ten Portfolios	underlying securities represent 10 highest yielding stocks on a specified stock index

DEFINED ASSET FUNDS--MUNICIPAL INCOME FUND	
Insured Discount Series	long-term, fixed rate, tax-exempt current income, taxable capital gains
DEFINED ASSET FUNDS--CORPORATE INCOME FUND	
Monthly Payment Series	long-term, fixed rate, taxable income
Intermediate Term Series	intermediate-term, fixed rate, taxable income
Cash or Accretion Bond Series and SELECT Series	intermediate-term, fixed rate, underlying securities composed of compound interest obligations principally secured by collateral backed by the full faith and credit of the United States, taxable return, appropriate for IRA's or tax-deferred retirement plans
Insured Series	Long-term, fixed rate, taxable income, underlying securities are insured
DEFINED ASSET FUNDS--INTERNATIONAL BOND FUND	
Multi-Currency Series	intermediate-term, fixed rate, payable in foreign currencies, taxable income
Australian and New Zealand Dollar Bonds Series	intermediate-term, fixed rate, payable in Australian and New Zealand dollars, taxable income
Australian Dollar Bonds Series	intermediate-term, fixed rate, payable in Australian dollars, taxable income
Canadian Dollar Bonds Series	short intermediate term, fixed rate, payable in Canadian dollars, taxable income
DEFINED ASSET FUNDS--GOVERNMENT SECURITIES INCOME FUND	

</TABLE>

---

* As described in the prospectuses relating to certain Exchange Funds, this sales charge for secondary market sales may be reduced on a graduated scale in the case of quantity purchases.

** The reduced sales charge for Units acquired during their initial offering period is: $20 per unit for Series for which the Reduced Sales Charge for Secondary Market (above) is $15 per unit; $20 per 100 units for Series for which the Reduced Sales Charge for Secondary Market is $15 per 100 units and $20 per 1,000 units for Series for which the Reduced Sales Charge for Secondary Market is $15 per 1,000 units; and the same as in the secondary market for Series for which the Reduced Sales Charge for Secondary Market is Maximum $30 deferred sales charge per 1,000 units.

\+ Subject to reduction depending on the maturities of the underlying Securities.

++ The reduced sales charge for the Sixth Utility Common Stock Series of The Equity Income Fund is $15 per 2,000 units and for prior Utility Common Stock Series is $7.50 per unit.

<TABLE>
<CAPTION>

NAME OF EXCHANGE FUND	MAXIMUM APPLICABLE SALES CHARGE*	REDUCED SALES CHARGE FOR SECONDARY MARKET**
<S>	<C>	<C>
GNMA Series (other than those below)	4.25%	$15 per unit
GNMA Series E or other GNMA Series having units with an initial face value of $1.00	4.25%	$15 per 1,000 units
Freddie Mac Series	3.50%	$15 per 1,000 units

</TABLE>

<TABLE>
<CAPTION>

NAME OF EXCHANGE FUND	INVESTMENT CHARACTERISTICS
<S>	<C>
GNMA Series (other than those below)	long-term, fixed rate, taxable income, underlying securities backed by the full faith and credit of the United States
GNMA Series E or other GNMA Series having units with an initial face value of $1.00	long-term, fixed rate, taxable income, underlying securities backed by the full faith and credit of the United States, appropriate for IRA's or tax-deferred retirement plans
Freddie Mac Series	intermediate term, fixed rate, taxable

income, underlying securities are
backed by Federal Home Loan Mortgage
Corporation but not by U.S. Government

</TABLE>

DEFINED
ASSET FUNDSSM

SPONSOR:
Merrill Lynch,
Pierce, Fenner & Smith Incorporated
Defined Asset Funds
P.O. Box 9051
Princeton, N.J. 08543-9051
(609) 282-8500

EVALUATOR:
Kenny S&P Evaluation Services,
a division of J. J. Kenny Co., Inc.
65 Broadway
New York, N.Y. 10006

INDEPENDENT ACCOUNTANTS:
Deloitte & Touche LLP
2 World Financial Center
9th Floor
New York, N.Y. 10281-1414

TRUSTEE:
The Bank of New York
Unit Investment Trust Department
P.O. Box 974
Wall Street Station
New York, N.Y. 10268-0974
1-800-221-7771

GOVERNMENT SECURITIES
INCOME FUND
U.S. Government Zero Coupon
Bond Series 3
(A Unit Investment Trust)
PROSPECTUS PART A

This Prospectus does not contain all of the information with respect to the investment company set forth in its registration statement and exhibits relating thereto which have been filed with the Securities and Exchange Commission, Washington, D.C. under the Securities Act of 1933 and the Investment Company Act of 1940, and to which reference is hereby made.

No person is authorized to give any information or to make any representations with respect to this investment company not contained in this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any state to any person to whom it is not lawful to make such offer in such state.

11879--7/95