

# SECURITIES AND EXCHANGE COMMISSION

## FORM 487

Pre-effective pricing amendment filed pursuant to Securities Act Rule 487

Filing Date: **1995-01-11**  
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### FILER

#### FIRST TRUST COMBINED SERIES 240

CIK: **933384** | State of Incorporation: **IL**  
Type: **487** | Act: **33** | File No.: **033-56773** | Film No.: **95501019**

Mailing Address  
C/O NIKE SECURITIES LP  
1001 WARRENVILLE ROAD  
LISLE IL 60532

Business Address  
C/O NIKE SECURITIES LP  
1001 WARRENVILLE ROAD  
LISLE IL 60532  
7082414141

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## Amendment No. 1 to Form S-6

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

- A. Exact Name of Trust: THE FIRST TRUST COMBINED  
SERIES 240
- B. Name of Depositor: NIKE SECURITIES L.P.
- C. Complete Address of  
Depositor's Principal  
Offices: 1001 Warrenville Road  
Lisle, Illinois 60532
- D. Name and Complete Address  
of Agents for Service: NIKE SECURITIES L.P.  
Attention: James A. Bowen  
1001 Warrenville Road  
Lisle, Illinois 60532  
  
CHAPMAN AND CUTLER  
Attention: Eric F. Fess  
111 West Monroe Street  
Chicago, Illinois 60603
- E. Title and Amount of Securities  
Being Registered: An indefinite number  
of units pursuant to Rule  
24f-2 promulgated under  
the Investment Company  
Act of 1940, as amended.
- F. Proposed Maximum Offering  
Price to the Public of the  
Securities being Registered: Indefinite.
- G. Amount of Filing Fee  
(as required by Rule 24f-2): \$500.00\*
- H. Approximate Date of Proposed  
Sale to the Public: As soon as practicable  
after the effective date  
of the Registration  
Statement.

:XXX: Check box if it is proposed that this filing will  
become effective on January 11, 1995 at 1:30 p.m.  
pursuant to Rule 487.

\*Previously paid

THE FIRST TRUST COMBINED

SERIES 240

Cross Reference Sheet

Pursuant to Rule 404(c) of Regulation C Under the Securities Act  
of 1933

(Form N-8B-2 Items Required by Instruction 1 as to Prospectus on  
Form S-6)

Form N-8B-2 Item Number                      Form S-6 Heading in Prospectus

## I. ORGANIZATION AND GENERAL INFORMATION

1. (a) Name of Trust
- (b) Title of securities issued                      Prospectus Front Cover  
Page
2. Name and address of Depositor                      Summary of Essential  
Information;  
Information as to  
Sponsor, Trustee and  
Evaluator

3. Name and address of Trustee	Summary of Essential Information Information as to Sponsor, Trustee and Evaluator
4. Name and address of principal underwriter	Information as to Sponsor, Trustee and Evaluator
5. Organization of Trust	The First Trust Combined Series
6. Execution and termination of Trust Agreement	The First Trust Combined Series Other Information
7. Changes of name	*
8. Fiscal year	*
9. Litigation	*

II. GENERAL DESCRIPTION OF THE TRUST AND SECURITIES OF THE TRUST

10. General information regarding Trust's securities	The First Trust Combined Series Public Offering; Rights of Unit Holders; Information as to Sponsor, Trustee and Evaluator; Other Information
11. Type of securities comprising units	Prospectus Front Cover Page; The First Trust Combined Series Portfolio
12. Certain information regarding periodic payment certificates	*
13. (a) Load, fees, expenses, etc.	Prospectus Front Cover Page; Summary of Essential Information; The First Trust Combined Series; Rights of Unit Holders
(b) Certain information regarding periodic payment certificates	*
(c) Certain percentages	Prospectus Front Cover Page Summary of Essential Information; The First Trust Combined Series; Public Offering
(d) Certain other fees, etc. payable by holders	Rights of Unit Holders
(e) Certain profits receivable by depositor, principal underwriter, trustee or affiliated persons	Public Offering Portfolio
(f) Ratio of annual charges to income	*
14. Issuance of Trust's securities	Rights of Unit Holders
15. Receipt and handling of payments from purchasers	*
16. Acquisition and disposition of underlying securities	The First Trust Combined Series;

		Information as Sponsor, Trustee and Evaluator
17.	Withdrawal or redemption	Public Offering; Rights of Unit Holders
18.	(a) Receipt and disposition of income	Prospectus Front Cover Page; Rights of Unit Holders
	(b) Reinvestment of distributions	Rights of Unit Holders
	(c) Reserves or special funds	The First Trust Combined Series; Rights of Unit Holders
	(d) Schedule of distributions	*
19.	Records, accounts and reports	Rights of Unit Holders
20.	Certain miscellaneous provisions of Trust Agreement	Information as to Sponsor, Trustee and Evaluator; Other Information
21.	Loans to security holders	*
22.	Limitations on liability	The First Trust Combined Series; Information as to Sponsor, Trustee and Evaluator
23.	Bonding arrangements	Contents of Registration Statement
24.	Other material provisions of Trust Agreement.	*

### III. ORGANIZATION, PERSONNEL AND AFFILIATED PERSONS OF DEPOSITOR

25.	Organization of Depositor	Information as to Sponsor, Trustee and Evaluator
26.	Fees received by Depositor	*
27.	Business of Depositor	Information as to Sponsor, Trustee and Evaluator
28.	Certain information as to officials and affiliated persons of Depositor	*
29.	Voting securities of Depositor	*
30.	Person controlling Depositor	*
31.	Payments by Depositor for certain services rendered to Trust	*
32.	Payments by Depositor for certain services rendered to Trust	*
33.	Remuneration of employees of Depositor for certain services rendered to Trust	*
34.	Remuneration of other persons for certain services rendered to Trust	*

### IV. DISTRIBUTION AND REDEMPTION OF SECURITIES

35.	Distribution of Trust's securities by states	Public Offering
36.	Suspension of sales of Trust's securities	*
37.	Revocation of authority to distribute	*
38.	(a) Method of distribution	Public Offering
	(b) Underwriting agreements	Public Offering
	(c) Selling agreements	Public Offering
39.	(a) Organization of principal underwriter	Information as to Sponsor, Trustee and Evaluator
	(b) NASD membership of principal underwriter	Information as to Sponsor, Trustee and Evaluator
40.	Certain fees received by principal underwriter	*
41.	(a) Business of principal underwriter	Information as to Sponsor, Trustee and Evaluator
	(b) Branch offices of principal underwriter	*
	(c) Salesmen of principal underwriter	*
42.	Ownership of Trust's securities by certain persons	*
43.	Certain brokerage commissions received by principal underwriter	*
44.	(a) Method of valuation Summary of Essential Information	Prospectus Front Cover Page; The First Trust Combined Series; Public Offering
	(b) Schedule as to offering price	*
	(c) Variation in offering price to certain persons	Public Offering
45.	Suspension of redemption rights	*
46.	(a) Redemption valuation	Rights of Unit Holders
	(b) Schedule as to redemption price	*
47.	Maintenance of position in underlying securities	Public Offering Rights of Unit Holders

V. INFORMATION CONCERNING THE TRUSTEE OR CUSTODIAN

48.	Organization and regulation of Trustee	Information as to Sponsor, Trustee and Evaluator
49.	Fees and expenses of Trustee	The First Trust Combined Series
50.	Trustee's lien	The First Trust Combined Series

VI. INFORMATION CONCERNING INSURANCE OF HOLDERS OF SECURITIES

51.	Insurance of holders of Trust's securities	*
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VII. POLICY OF REGISTRANT

52.	(a)	Provisions of Trust agreement with respect to selection or elimination of underlying securities	Rights of Unit Holders
	(b)	Transactions involving elimination of underlying securities	*
	(c)	Policy regarding substitution or elimination of underlying securities	Rights of Unit Holders
	(d)	Fundamental policy not otherwise covered	*
53.		Tax status of Trust	The First Trust Combined Series

VIII. FINANCIAL AND STATISTICAL INFORMATION

54.		Trust's securities during last ten years	*
55.			
56.		Certain information regarding periodic payment plan certificates	*
57.			
58.			
59.		Financial statements (Instructions 1(c) to Form S-6)	Opinion of Independent Auditors; Statement of Net Assets of the Fund

\* Inapplicable, answer negative or not required.

The First Trust (registered trademark) of Insured Municipal Bonds,  
Series 231

The First Trust of Insured Municipal  
Bonds-Multi-State:

Missouri Trust, Series 27

IN THE OPINION OF COUNSEL, INTEREST INCOME TO THE TRUSTS AND TO UNIT HOLDERS, WITH CERTAIN EXCEPTIONS, IS EXEMPT UNDER EXISTING LAW FROM ALL FEDERAL INCOME TAXES. IN ADDITION, THE INTEREST INCOME TO THE TRUSTS IS, IN THE OPINION OF SPECIAL COUNSEL, EXEMPT TO THE EXTENT INDICATED FROM STATE AND LOCAL TAXES WHEN HELD BY RESIDENTS OF THE STATE IN WHICH THE ISSUERS OF THE BONDS IN SUCH TRUST ARE LOCATED. CAPITAL GAINS, IF ANY, ARE SUBJECT TO TAX.

THE FIRST TRUST COMBINED SERIES 240 consists of the underlying separate unit investment trusts set forth above. The various trusts are collectively referred to herein as the "Trusts" while all Trusts that are not designated as "The First Trust Advantage" are sometimes collectively referred to herein as the "Insured Trusts" and a Trust with the name designation of "The First Trust of Insured Municipal Bonds, Discount Trust" or "The First Trust Advantage: Discount Trust" is sometimes referred to herein as a "Discount Trust." Each Trust consists of a portfolio of interest-bearing obligations (including delivery statements relating to contracts for the purchase of certain such obligations and an irrevocable letter of credit), issued by or on behalf of states

and territories of the United States, and political subdivisions and authorities thereof, the interest on which is, in the opinion of recognized bond counsel to the issuing governmental authorities, exempt from all Federal income taxes under existing law ("the Bonds"). In addition, the interest income of each Trust is, in the opinion of Special Counsel, exempt to the extent indicated from state and local income taxes when held by residents of the state in which the issuers of the Bonds in such Trust are located. The Sponsor has a limited right to substitute other bonds in each Trust portfolio in the event of a failed contract. The Bonds in a Discount Trust are acquired at prices which result in a Discount Trust portfolio, as a whole, being purchased at a deep discount from the aggregate par value of such Bonds.

INSURANCE GUARANTEEING THE SCHEDULED PAYMENTS OF PRINCIPAL AND INTEREST ON ALL BONDS IN THE PORTFOLIO OF EACH INSURED TRUST HAS BEEN OBTAINED FROM FINANCIAL GUARANTY INSURANCE COMPANY AND/OR AMBAC INDEMNITY CORPORATION BY THE INSURED TRUSTS OR WAS DIRECTLY OBTAINED BY THE BOND ISSUER, THE UNDERWRITERS, THE SPONSOR OR OTHERS PRIOR TO THE INITIAL DATE OF DEPOSIT FROM FINANCIAL GUARANTY INSURANCE COMPANY, AMBAC INDEMNITY CORPORATION, OR OTHER INSURERS (THE "PREINSURED BONDS"). INSURANCE OBTAINED BY AN INSURED TRUST APPLIES ONLY WHILE BONDS ARE RETAINED IN SUCH TRUST, WHILE INSURANCE ON PREINSURED BONDS IS EFFECTIVE SO LONG AS SUCH BONDS ARE OUTSTANDING. PURSUANT TO AN IRREVOCABLE COMMITMENT OF FINANCIAL GUARANTY INSURANCE COMPANY, AND/OR AMBAC INDEMNITY CORPORATION IN THE EVENT OF A SALE OF A BOND INSURED UNDER AN INSURANCE POLICY OBTAINED BY AN INSURED TRUST, THE TRUSTEE HAS THE RIGHT TO OBTAIN PERMANENT INSURANCE FOR SUCH BOND UPON THE PAYMENT OF A SINGLE PREDETERMINED INSURANCE PREMIUM FROM THE PROCEEDS OF THE SALE OF SUCH BOND. THE INSURANCE, IN EITHER CASE, RELATES ONLY TO THE BONDS IN THE INSURED TRUSTS AND NOT TO THE UNITS OFFERED HEREBY. AS A RESULT OF SUCH INSURANCE, THE UNITS OF EACH INSURED TRUST HAVE RECEIVED A RATING OF "AAA" BY STANDARD & POOR'S RATINGS GROUP, A DIVISION OF MCGRAW-HILL, INC. ("STANDARD & POOR'S"). SEE "WHY AND HOW ARE THE INSURED TRUSTS INSURED?" ON PAGE A-12. NO REPRESENTATION IS MADE AS TO ANY INSURER'S ABILITY TO MEET ITS COMMITMENTS.

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

The date of this Prospectus is January 11, 1995

Page 1

For convenience the Prospectus is divided into sections which give general information about the Fund and specific information such as the public offering price, distributions and tax status for each Trust.

The Objectives of the Fund are conservation of capital through investment in portfolios of tax-exempt bonds and income exempt from Federal and applicable state and local income taxes. The payment of interest and the preservation of principal are, of course, dependent upon the continuing ability of the issuers, obligors and/or insurers to meet their respective obligations.

Distributions to Unit holders may be reinvested as described herein. See "How Can Distributions to Unit Holders be Reinvested?"

The Sponsor, although not obligated to do so, intends to maintain a market for the Units at prices based upon the aggregate bid price of the Bonds in the portfolio of each Trust. In the absence of such a market, a Unit holder will nonetheless be able to dispose of the Units through redemption at prices based upon the bid prices of the underlying Bonds. See "How May Units be Redeemed?" With respect to each Insured Trust, neither the bid nor offering prices of the underlying Bonds or of the Units, absent situations in which Bonds are in default in payment of principal or interest

or in significant risk of such default, include value attributable to the portfolio insurance obtained by such Trust. See "Why and How are the Insured Trusts Insured?"

The Sponsor may, from time to time during a period of up to approximately 360 days after the Initial Date of Deposit, deposit additional Bonds in each Trust. Such deposits of additional Bonds will be done in such a manner that the original proportionate relationship amongst the individual issues of the Bonds shall be maintained. See "What is the First Trust Combined Series?" and "How May Bonds be Removed from the Fund?"

Risk Factors. An investment in the Trusts should be made with an understanding of the risks associated therewith, including, among other factors, the inability of the issuer or an insurer to pay the principal of or interest on a bond when due, volatile interest rates, early call provisions, and changes to the tax status of the Bonds. See "What are Certain General Matters Relating to the Trusts?-Risk Factors."

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### Summary of Essential Information

At the Opening of Business on the Initial Date of Deposit of the Bonds-January 11, 1995

Sponsor: Nike Securities L.P.  
Trustee: United States Trust Company of New York  
Evaluator: Securities Evaluation Service, Inc.

<TABLE>  
<CAPTION>

	National Insured Trust, Series 231	Missouri Insured Trust, Series 27
<S>	<C>	<C>
General Information		
Principal Amount of Bonds in the Trusts	\$10,105,000	\$ 2,920,000
Number of Units	9,929	2,924
Fractional Undivided Interest in the Trust per Unit	1/9,929	1/2,924
Principal Amount (Par Value) of Bonds per Unit (1)	\$ 1,017.73	\$ 998.63
Public Offering Price		
Aggregate Offering Price Evaluation of Bonds in the Portfolio	\$ 9,442,458	\$ 2,780,726
Aggregate Offering Price Evaluation per Unit	\$ 951.00	\$ 951.00
Sales Charge (2)	\$ 49.00	\$ 49.00
Public Offering Price per Unit (3)	\$ 1,000.00	\$ 1,000.00
Sponsor's Initial Repurchase Price per Unit (3)	\$ 951.00	\$ 951.00
Redemption Price per Unit (4)	\$ 940.82	\$ 941.01
Excess of Public Offering Price per Unit Over Redemption Price per Unit	\$ 59.18	\$ 58.99
Excess of Sponsor's Initial Repurchase Price per Unit Over Redemption Price per Unit	\$ 10.18	\$ 9.99

</TABLE>

First Settlement Date January 19, 1995

Discretionary Liquidation Amount A Trust may be terminated if the value of such Trust is less than 20% of the aggregate principal amount of the Bonds deposited in such Trust during the primary offering period.

Mandatory Termination Date December 31, 2044

Supervisory Fee (5) Maximum of \$0.25 per Unit annually (6)

Evaluator's Annual Fee \$0.30 per \$1,000 principal amount of Bonds at the Initial Date of Deposit



Evaluations for purposes of sale, purchase or redemption of Units are made as of the close of trading (4:00 p.m. Eastern time) on the New York Stock Exchange on each day on which it is open.

[FN]

(1) Many unit investment trusts comprised of municipal securities issue a number of Units such that each Unit represents approximately \$1,000 principal amount of underlying securities. The Sponsor, on the other hand, in determining the number of Units for each Trust, other than Discount Trusts, has elected not to follow this format but rather to provide that number of Units which will establish as close as possible as of the opening of business on the Initial Date of Deposit a Public Offering Price per Unit of \$1,000.

(2) Sales charges for the Trusts, expressed as a percentage of the Public Offering Price per Unit and in parenthesis as a percentage of the Aggregate Offering Price Evaluation per Unit, are as follows: 4.9% (5.152%) for a National Trust and a State Trust and 3.9% (4.058%) for an Intermediate Trust.

(3) Anyone ordering Units for settlement after the First Settlement Date will pay accrued interest from such date to the date of settlement (normally five business days after order) less distributions from the Interest Account subsequent to the First Settlement Date. For purchases settling on the First Settlement Date, no accrued interest will be added to the Public Offering Price. After the initial offering period, the Sponsor's Repurchase Price per Unit will be determined as described under the caption "Will There Be a Secondary Market?"

(4) See "How May Units be Redeemed?"

(5) The Sponsor will also be reimbursed for bookkeeping and other administrative expenses currently at a maximum annual rate of \$0.10 per Unit.

(6) Payable to an affiliate of the Sponsor.

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#### THE FIRST TRUST COMBINED SERIES

What is the First Trust Combined Series?

The First Trust Combined Series 240 is one of a series of investment companies created by the Sponsor under the name of The First Trust Combined Series, all of which are generally similar but each of which is separate and is designated by a different series number. This Series consists of underlying separate unit investment trusts designated as: The First Trust of Insured Municipal Bonds, Series 231 and The First Trust of Insured Municipal Bonds-Multi-State: Missouri Trust, Series 27 (such Trusts being collectively referred to herein as the "Fund"). This Series was created under the laws of the State of New York pursuant to a Trust Agreement (the "Indenture"), dated the Initial Date of Deposit, with Nike Securities L.P., as Sponsor, United States Trust Company of New York, as Trustee, Securities Evaluation Service, Inc., as Evaluator and First Trust Advisors L.P., as Portfolio Supervisor. Only Units of the National Insured Trust are offered for sale to residents of the States of Illinois, Indiana, Virginia and Washington. On the Initial Date of Deposit, the Sponsor deposited with the Trustee interest-bearing obligations, including delivery statements relating to contracts for the purchase of certain such obligations and an irrevocable letter of credit issued by a financial institution in the amount required for such purchases (the "Bonds"). The Trustee thereafter credited the account of the Sponsor for Units of each Trust representing the entire ownership of the Fund which Units are being offered hereby.

The objectives of the Fund are Federal tax-exempt income and state and local tax-exempt income and conservation of capital through

investment in portfolios of interest-bearing obligations issued by or on behalf of the state for which such Trust is named (collectively, the "State Trusts"), and counties, municipalities, authorities and political subdivisions thereof, the Commonwealth of Puerto Rico and other territories or municipalities of the United States, or authorities or political subdivisions thereof, the interest on which obligations is, in the opinion of recognized bond counsel to the issuing governmental authorities, exempt from all Federal income tax and, where applicable, state and local taxes under existing law. The current market value and certain of the obligations in a Discount Trust are significantly below face value when the obligations are acquired by such Trusts. The prices at which the obligations are acquired result in a Discount Trusts' portfolio, as a whole being purchased at a deep discount from the aggregate par value of such securities. Insurance guaranteeing the scheduled payment of all principal and interest on Bonds in the Trusts with the name designation of "The First Trust of Insured Municipal Bonds", "The First Trust of Insured Municipal Bonds-Intermediate" or "The First Trust of Insured Municipal Bonds-Multi-State" (the "Insured Trusts") has been obtained by such Trusts from Financial Guaranty Insurance Company ("Financial Guaranty") and/or AMBAC Indemnity Corporation ("AMBAC Indemnity") or was obtained directly by the Bond issuer, the underwriters, the Sponsor or others prior to the Initial Date of Deposit from Financial Guaranty, AMBAC Indemnity, or other insurers (the "Preinsured Bonds"). NO PORTFOLIO INSURANCE POLICY HAS BEEN OBTAINED BY THE TRUSTS WITH THE NAME DESIGNATION OF "THE FIRST TRUST ADVANTAGE" (THE "ADVANTAGE TRUSTS"). The portfolio insurance obtained by the Insured Trusts is effective only while the Bonds thus insured are held in such Trusts, while insurance on Preinsured Bonds is effective so long as such Bonds are outstanding. See "Why and How are the Insured Trusts Insured?" THERE IS, OF COURSE, NO GUARANTEE THAT THE FUND'S OBJECTIVES WILL BE ACHIEVED. AN INVESTMENT IN THE FUND SHOULD BE MADE WITH AN UNDERSTANDING OF THE RISKS WHICH AN INVESTMENT IN FIXED RATE LONG-TERM DEBT OBLIGATIONS MAY ENTAIL, INCLUDING THE RISK THAT THE VALUE OF THE UNITS WILL DECLINE WITH INCREASES IN INTEREST RATES.

With the deposit of the Bonds on the Initial Date of Deposit, the Sponsor established a percentage relationship between the amounts of Bonds in each Trust's portfolio. From time to time following the Initial Date of Deposit, the Sponsor, pursuant to the Indenture, may deposit additional Bonds in a Trust and Units may be continuously offered for sale to the public by means of this Prospectus, resulting in a potential increase in the outstanding number of Units of a Trust. Any additional Bonds deposited in a Trust will maintain, as nearly as is practicable, the original proportionate relationship of the Bonds in a Trust's portfolio. Any deposit by the Sponsor of additional Bonds will duplicate, as nearly as is practicable, the original proportionate relationship

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and not the actual proportionate relationship on the subsequent date of deposit, since the actual proportionate relationship may be different than the original proportionate relationship. Any such difference may be due to the sale, redemption or liquidation of any of the Bonds deposited in a Trust on the Initial Date of Deposit, or any subsequent date of deposit. See "How May Bonds be Removed from the Fund?" Since the prices of the underlying Bonds will fluctuate daily, the ratio, on a market value basis, will also change daily. The portion of Bonds represented by each Unit will not change as a result of the deposit of additional Bonds in a Trust.

On the Initial Date of Deposit, each Unit of a Trust represented the undivided fractional interest in the Bonds deposited in a Trust set forth under "Summary of Essential Information." To the extent that Units of a Trust are redeemed, the aggregate value of the Bonds in a Trust will be reduced and the undivided fractional interest represented by each outstanding Unit of a Trust will increase. However, if additional Units are issued by a Trust in connection with the deposit of additional Bonds by the Sponsor, the aggregate value of the Bonds in a Trust will be increased by amounts allocable to additional Units, and the fractional undivided interest represented by each Unit of a Trust will be decreased proportionately. See "How May Units be Redeemed?" Each Trust has a Mandatory Termination Date as set forth herein under "Summary of Essential Information."

Neither the Public Offering Price of the Units of an Insured Trust nor any evaluation of such Units for purposes of repurchases or redemptions reflects any element of value for the insurance obtained by such Trust unless Bonds are in default in payment of principal

or interest or in significant risk of such default. See "Public Offering-How is the Public Offering Price Determined?" On the other hand, the value of insurance obtained by the Bond issuer, the underwriters, the Sponsor or others is reflected and included in the market value of such Bonds.

Insurance obtained by an Insured Trust or by the Bond issuer, the underwriters, the Sponsor or others is not a substitute for the basic credit of an issuer, but supplements the existing credit and provides additional security thereof. If an issue is accepted for insurance, a noncancellable policy for the scheduled payment of interest and principal on the Bonds is issued by the insurer. A single premium is paid by the Bond issuer, the underwriters, the Sponsor or others for Preinsured Bonds and a monthly premium is paid by each Insured Trust for the insurance obtained by such Trust except for Bonds in such Trust which are insured by the Bond issuer, the underwriters, the Sponsor or others in which case no premiums for insurance are paid by such Trust. Upon the sale of a Bond insured under the insurance policy obtained by an Insured Trust, the Trustee has the right to obtain Permanent Insurance from Financial Guaranty and/or AMBAC Indemnity with respect to such Bond upon the payment of a single predetermined insurance premium from the proceeds of the sale of such Bond. Accordingly, any Bond in an Insured Trust of the Fund is eligible to be sold on an insured basis. Standard & Poor's and Moody's Investors Service, Inc. have rated the claims-paying ability of Financial Guaranty and AMBAC Indemnity "AAA" and "Aaa," respectively. See "Why and How are the Insured Trusts Insured?"

Each Unit initially offered represents that fractional undivided interest in such Trust as is set forth in the "Summary of Essential Information" for each Trust. To the extent that any Units of a Trust are redeemed by the Trustee, the fractional undivided interest in such Trust represented by each unredeemed Unit will increase, although the actual interest in such Trust represented by such fraction will remain substantially unchanged. Units will remain outstanding until redeemed upon tender to the Trustee by any Unit holder, which may include the Sponsor, or until the termination of the Trust Agreement.

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#### UNDERWRITERS

The Underwriters named below, including the Sponsor, have severally purchased Units in the following respective amounts:

<TABLE>  
<CAPTION>

#### National Insured Trust, Series 231

Name	Address	Number of Units
<S>	<C>	<C>
Sponsor		
Nike Securities L.P.	1001 Warrenville Road, Lisle, IL 60532	6,579
Underwriters		
McLaughlin, Piven, Vogel Securities, Inc.	30 Wall Street, Fifth Floor, New York, NY 10005	2,000
Dain Bosworth Incorporated	Dain Bosworth Plaza, 60 S. 6th Street, 14th Floor, Minneapolis, MN 55402-4422	250
Advest, Inc.	One Commercial Plaza, 280 Trumbull Street, 18th Floor, Hartford, CT 06103	100
J.C. Bradford & Co.	330 Commerce Street, Nashville, TN 37201-1809	100
Gruntal & Co., Incorporated	14 Wall Street, 20th Floor, New York, NY 10005	100
Huntleigh Securities Corporation	222 South Central, Suite 300, St. Louis, MO 63105	100
Kemper Securities, Inc.	77 West Wacker Drive, 28th Floor, Chicago, IL 60601	100
The Ohio Company	155 East Broad Street, Columbus, OH 43215	100
Oppenheimer & Co., Inc.	Oppenheimer Tower, One World Financial Center, 8th Floor, New York, NY 10281	100
Rauscher Pierce Refsnes, Inc.	Plaza of the Americas, 2200 Rauscher Pierce Refsnes Tower, Dallas, TX 75201	100
Roosevelt & Cross Incorporated	20 Exchange Place, 47th Floor, New York, NY 10005	100

9,929

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</TABLE>

<TABLE>  
 <CAPTION>

Missouri Insured Trust, Series 27

Name	Address	Number of Units
<S> Sponsor	<C>	<C>
Nike Securities L.P.	1001 Warrenville Road, Lisle, IL 60532	2,474
Underwriters		
Stifel, Nicolaus & Company, Incorporated	500 North Broadway, 16th Floor, St. Louis, MO 63102	250
Advest, Inc.	One Commercial Plaza, 280 Trumbull Street, 18th Floor, Hartford, CT 06103	100
B.C. Ziegler and Company	215 N. Main Street, West Bend, WI 53095	100
		2,924
		=====

</TABLE>

On the Initial Date of Deposit, the Underwriters of each Trust became the owners of the Units of such Trust and entitled to the benefits thereof, as well as the risks inherent therein. For further information on underwriting, see "What are the Underwriting Concessions?" on page A-24.

THE SEPARATE TRUSTS

Specific information such as the Estimated Long-Term Return, the Estimated Current Return (if applicable), distributions and tax status for each of the Trusts commences on the pages immediately following.

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National Insured Trust, Series 231

<TABLE>  
 <CAPTION>

Special Trust Information

	Monthly	Semi-Annual
<S>	<C>	<C>
Calculation of Estimated Net Annual Unit Income		
Estimated Annual Interest Income per Unit	\$ 63.94	\$ 63.94
Less: Estimated Annual Expense per Unit	\$ 2.44	\$ 1.94
Estimated Net Annual Interest Income per Unit	\$ 61.50	\$ 62.00
Calculation of Interest Distribution per Unit		
Estimated Net Annual Interest Income per Unit	\$ 61.50	\$ 62.00
Divided by 12 and 2, respectively	\$ 5.12	\$ 31.00
Estimated Daily Rate of Net Interest Accrual per Unit	\$ .170829	\$ .172218
Initial Distribution - February 28, 1995 (1)	\$ 4.44	\$ 4.48
Partial Distribution - June 30, 1995 (1)	\$ -	\$ 20.67
Regular Distribution (1)	\$ 5.12	\$ 31.00
(Commencing)	3/31/95	12/31/95
Estimated Current Return Based on Public Offering Price (2)	6.15%	6.20%

</TABLE>

Trustee's Annual Fee \$1.35 and \$.90 per Unit, exclusive of expenses of the Trust, for those portions of the Trust under the monthly and semi-annual plans, respectively, commencing January 11, 1995.

[FN]

(1) The Trust's initial distribution per Unit will be made on February 28, 1995 to monthly and semi-annual Unit holders of record on February 15, 1995. The Trust will make a partial distribution on June 30, 1995 to semi-annual Unit holders of record on June 15, 1995. Regular distributions to monthly Unit holders will be paid the last day of each month commencing on March 31, 1995 to Unit holders of record on the fifteenth day of such month commencing March 15, 1995. Regular distributions to semi-annual Unit holders will be paid the last day of June and December commencing December 31, 1995 to Unit holders of record on the fifteenth day of June and December commencing December 15, 1995.

(2) The Estimated Current Return is calculated by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price. The Estimated Net Annual Interest Income per Unit will vary with changes in fees and expenses of the Trustee, the Portfolio Supervisor and the Evaluator and with the principal prepayment, redemption, maturity, exchange or sale of Bonds while the Public Offering Price will vary with changes in the offering price of the underlying Bonds; therefore, there is no assurance that the present Estimated Current Return indicated above will be realized in the future. The Estimated Long-Term Return is calculated using a formula which (1) takes into consideration, and determines and factors in the relative weightings of the market values, yields (which take into account the amortization of premiums and the accretion of discounts) and estimated retirements of all of the Bonds in the Trust; (2) takes into account the expenses and sales charge associated with each Unit of the Trust; and (3) takes into effect the tax-adjusted yield from potential capital gains at the Initial Date of Deposit. Since the market values and estimated retirements of the Bonds and the expenses of the Trust will change, there is no assurance that the present Estimated Long-Term Return indicated above will be realized in the future. Estimated Current Return and Estimated Long-Term Return are expected to differ because the calculation of the Estimated Long-Term Return reflects the estimated date and amount of principal returned while the Estimated Current Return calculations include only Net Annual Interest Income and Public Offering Price. Neither rate reflects the true return to Unit holders, which is lower, because neither includes the effect of certain delays in distributions to Unit holders. The above figures are based on estimated per Unit cash flows. Estimated cash flows will vary with changes in fees and expenses, with changes in current interest rates, and with the principal prepayment, redemption, maturity, call, exchange or sale of the underlying Bonds. The estimated cash flows for this Trust are set forth under "Estimated Cash Flows to Unit Holders."

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#### National Insured Trust Summary

The National Insured Trust consists of eleven obligations of issuers located in six states. Four and two Bond issues aggregating approximately 32% and 20% of the aggregate principal amount of the Bonds in the Trust are obligations of issuers located in Illinois and Washington, respectively. The Bond issues in the Trust are either general obligations of governmental entities or are revenue bonds payable from the income of a specific project or authority. The Bonds in the Trust are divided by purpose of issue and represent the percentage of aggregate principal amount of the Bonds as indicated by the following table:

<TABLE>  
<CAPTION>

Number of Issues	Purpose of Issue	Portfolio Percentage
<C>	<S>	<C>
4	Health Care	34.38%
1	Electric	9.90%
1	Sewer	9.90%
1	University and School	9.90%
1	Utility	9.90%
1	Transportation	8.95%
1	Water	8.41%
1	Miscellaneous	8.66%

</TABLE>

One of the Bond issues in the National Insured Trust is insured by Connie Lee Insurance Company ("Connie Lee"), 2445 M Street, N.W., Washington D.C. 20037. Connie Lee is a stock insurance company incorporated in Wisconsin and a wholly-owned subsidiary of College Construction Loan Insurance Association ("CCLIA"), a District of Columbia insurance holding company. As of December 31, 1993, the total policyholders' surplus of Connie Lee was approximately \$105,000,000 (audited) and total admitted assets was approximately \$182,000,000 (audited), as reported to the Commissioner of Insurance of the State of Wisconsin.

One Bond issue represents approximately 11% of the aggregate principal amount of the Bonds in the Trust. None of the Bonds in the Trust are subject to call within five years of the Initial Date of Deposit, although certain Bonds may be subject to an extraordinary call.

Approximately 21% of the aggregate principal amount (approximately 23% of the aggregate offering price) of the Bonds in the Trust were purchased at a premium over par value. Certain of these Bonds are subject to redemption pursuant to call provisions in approximately 9 years after the Initial Date of Deposit. See "What Is the First Trust Combined Series?", "National Insured Trust, Series 231-Portfolio" and "Description of Bond Ratings."

#### Tax-Exempt vs. Taxable Income

The following table shows the approximate marginal taxable yields for individuals that are equivalent to tax-exempt yields under published Federal tax rates scheduled to be in effect in 1995. The table incorporates increased tax rates for higher-income taxpayers that were included in the Revenue Reconciliation Act of 1993. The table illustrates what you would have to earn on taxable investments to equal the tax-exempt yield for your income tax bracket. The taxable equivalent yields may be somewhat higher than the equivalent yields indicated in the following table for those individuals who have adjusted gross incomes in excess of \$114,700. The table does not reflect the effect of the limitations on itemized deductions and the deduction for personal exemptions. They were designed to phase out certain benefits of these deductions for higher income taxpayers. These limitations, in effect, raise the maximum marginal Federal tax rate to approximately 44% for taxpayers filing a joint return and entitled to four personal exemptions and to approximately 41% for taxpayers filing a single return entitled to only one personal exemption. These limitations are subject to certain maximums, which depend on the number of exemptions claimed and the total amount of the taxpayer's itemized deductions. For example, the limitation on itemized deductions will not cause a taxpayer to lose more than 80% of his allowable itemized deductions, with certain exceptions.

<TABLE>

<CAPTION>

TAXABLE EQUIVALENT YIELD

Taxable Income (\$1,000's)			Tax-Exempt Yield		
Single Return	Joint Return	Tax Rate	6.00%	6.50%	7.00%
			Taxable Equivalent Yield		
<C>	<C>	<S>	<C>	<C>	<C>
\$ 0- 23.4	\$ 0 - 39.0	15.0%	7.06	7.65	8.24
23.4- 56.6	39.0 - 94.3	28.0	8.33	9.03	9.72
56.6- 118.0	94.3 - 143.6	31.0	8.70	9.42	10.14
118.0- 256.5	143.6 - 256.5	36.0	9.38	10.16	10.94
Over 256.5	Over 256.5	39.6	9.93	10.76	11.59

</TABLE>

Tax Status

For information with respect to the Federal income tax status and other tax matters, see "What is the Federal Tax Status of Unit Holders?"

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National Insured Trust, Series 231  
Portfolio

Units Rated "AAA"

At the Opening of Business  
On the Initial Date of Deposit of the Bonds-January 11, 1995

<TABLE>  
<CAPTION>

Aggregate Principal	Issue Represented by Sponsor's Contracts to Purchase Bonds (1)	Rating (2)	Redemption Provisions (3)	Cost to the Trust
<C>	<S>	<C>	<C>	<C>
\$1,100,000	Bexar County Health Facilities Development Corporation, Hospital Revenue (Baptist Memorial Hospital System Project), Series 1994 (San Antonio, Texas) (MBIA Insured), 6.75%, Due 8/15/2019 (5)	AAA	2004 @ 102 2016 @ 100 S.F.	\$1,100,220
875,000	Rhode Island Convention Center Authority, Revenue, 1993 Series A (AMBAC Insured), 5.75%, Due 5/15/2027 (5)	AAA	2003 @ 102 2021 @ 100 S.F.	755,352
1,000,000	Illinois Health Facilities Authority, Revenue, Series 1994 (Ingalls Health System Project) (MBIA Insured), 6.25%, Due 5/15/2024 (5)	AAA	2004 @ 102 2015 @ 100 S.F.	930,380
375,000	Illinois Health Facilities Authority, Revenue, Series 1993 (Rush-Presbyterian-St. Luke's Medical Center Obligated Group) (MBIA Insured), 5.50%, Due 11/15/2025 (5)	AAA	2003 @ 102 2021 @ 100 S.F.	310,324
1,000,000	Illinois Health Facilities Authority, Revenue, Series 1994C (The University of Chicago Hospitals Project) (MBIA Insured), 6.125%, Due 8/15/2026 (5)	AAA	2004 @ 102 2025 @ 100 S.F.	912,690
1,000,000	City of Philadelphia, Pennsylvania, Gas Works Revenue, Fourteenth Series (FSA Insured), 6.375%, Due 7/1/2026 (5)	AAA	2003 @ 102 2015 @ 100 S.F.	951,280
850,000	Pottawatomie County Development Authority (Oklahoma), Water Revenue, Series 1993	AAA	2003 @ 102	751,196 2016 @ 100 S.F.

(North Deer Creek Reservoir Project) (AMBAC Insured), 5.90%, Due 7/1/2026 (5)

905,000	Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois, Series 1994A (AMBAC Insured), 6.25%, Due 6/1/2024 (5)	AAA	2004 @ 102 2018 @ 100 S.F.	847,406
1,000,000	Rhode Island Health and Educational Building Corporation, Higher Education Facility Revenue, Roger Williams University Issue, Series 1994 (Connie Lee Insured), 7.25%, Due 11/15/2024 (5)	AAA	2004 @ 102 2015 @ 100 S.F.	1,031,910
1,000,000	Municipality of Metropolitan Seattle (Seattle, Washington), Sewer Revenue, Series W (MBIA Insured), 6.30%, Due 1/1/2033 (5)	AAA	2003 @ 102 2024 @ 100 S.F.	938,650

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National Insured Trust, Series 231  
Portfolio

Units Rated "AAA"

At the Opening of Business  
On the Initial Date of Deposit of the Bonds-January 11, 1995

Aggregate Principal	Issue Represented by Sponsor's Contracts to Purchase Bonds (1)	Rating (2)	Redemption Provisions (3)	Cost to the Trust
<C>	<S>	<C>	<C>	<C>
\$1,000,000	Public Utility District No. 1 of Snohomish County, Washington, Generation System Revenue, Series 1993 (FGIC Insured), 6.00%, Due 1/1/2018 (5)	AAA	2003 @ 102 2016 @ 100 S.F.	\$ 913,050
<hr/> \$10,105,000 =====				<hr/> \$ 9,442,458 =====

</TABLE>  
[FN]

Units are rated "AAA" as a result of insurance. See "Why and How are the Insured Trusts Insured?"

For industry concentrations of the Bonds in the Trust, see "National Insured Trust Summary."

See "Notes to Portfolios" on page 20.

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Missouri Insured Trust, Series 27

<TABLE>  
<CAPTION>

Special Trust Information

	Monthly	Semi-Annual
<S>	<C>	<C>
Calculation of Estimated Net Annual Unit Income		
Estimated Annual Interest Income per Unit	\$ 61.14	\$ 61.14
Less: Estimated Annual Expense per Unit	\$ 2.43	\$ 1.93
Estimated Net Annual Interest Income per Unit	\$ 58.71	\$ 59.21



Calculation of Interest Distribution per Unit		
Estimated Net Annual Interest Income per Unit	\$ 58.71	\$ 59.21
Divided by 12 and 2, respectively	\$ 4.89	\$ 29.60
Estimated Daily Rate of Net Interest Accrual per Unit	\$ .163079	\$ .164468
Initial Distribution - February 28, 1995 (1)	\$ 4.24	\$ 4.28
Partial Distribution - June 30, 1995 (1)	\$ -	\$ 19.74
Regular Distribution (1)	\$ 4.89	\$ 29.60
(Commencing)	3/31/95	12/31/95
Estimated Current Return Based on Public Offering Price (2)	5.87%	5.92%
Estimated Long-Term Return Based on Public Offering Price (2)	5.96%	6.01%
CUSIP	3371M4 521	539

</TABLE>

Trustee's Annual Fee \$1.34 and \$.89 per Unit, exclusive of expenses of the Trust, for those portions of the Trust under the monthly and semi-annual plans, respectively, commencing January 11, 1995.

[FN]

(1) The Trust's initial distribution per Unit will be made on February 28, 1995 to monthly and semi-annual Unit holders of record on February 15, 1995. The Trust will make a partial distribution on June 30, 1995 to semi-annual Unit holders of record on June 15, 1995. Regular distributions to monthly Unit holders will be paid the last day of each month commencing on March 31, 1995 to Unit holders of record on the fifteenth day of such month commencing March 15, 1995. Regular distributions to semi-annual Unit holders will be paid the last day of June and December commencing December 31, 1995 to Unit holders of record on the fifteenth day of June and December commencing December 15, 1995.

(2) The Estimated Current Return is calculated by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price. The Estimated Net Annual Interest Income per Unit will vary with changes in fees and expenses of the Trustee, the Portfolio Supervisor and the Evaluator and with the principal prepayment, redemption, maturity, exchange or sale of Bonds while the Public Offering Price will vary with changes in the offering price of the underlying Bonds; therefore, there is no assurance that the present Estimated Current Return indicated above will be realized in the future. The Estimated Long-Term Return is calculated using a formula which (1) takes into consideration, and determines and factors in the relative weightings of the market values, yields (which take into account the amortization of premiums and the accretion of discounts) and estimated retirements of all of the Bonds in the Trust; (2) takes into account the expenses and sales charge associated with each Unit of the Trust; and (3) takes into effect the tax-adjusted yield from potential capital gains at the Initial Date of Deposit. Since the market values and estimated retirements of the Bonds and the expenses of the Trust will change, there is no assurance that the present Estimated Long-Term Return indicated above will be realized in the future. Estimated Current Return and Estimated Long-Term Return are expected to differ because the calculation of the Estimated Long-Term Return reflects the estimated date and amount of principal returned while the Estimated Current Return calculations include only Net Annual Interest Income and Public Offering Price. Neither rate reflects the true return to Unit holders, which is lower, because neither includes the effect of certain delays in distributions to Unit holders. The above figures are based on estimated per Unit cash flows. Estimated cash flows will vary with changes in fees and expenses, with changes in current interest rates, and with the principal prepayment, redemption, maturity, call, exchange or sale of the underlying Bonds. The estimated cash flows for this Trust are set forth under "Estimated Cash Flows to Unit Holders."

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#### Missouri Insured Trust Summary

The Missouri Insured Trust consists of seven obligations of issuers located in Missouri. The Bond issues in the Trust are either general obligations of governmental entities or are revenue bonds payable

from the income of a specific project or authority. The Bonds in the Trust are divided by purpose of issue and represent the percentage of aggregate principal amount of the Bonds as indicated by the following table:

<TABLE>  
<CAPTION>

Number of Issues	Purpose of Issue	Portfolio Percentage
<C>	<S>	<C>
1	General Obligation	8.05%
3	Health Care	42.81%
1	Airport	17.12%
1	Water	17.12%
1	Miscellaneous	14.90%

</TABLE>

Each of five Bond issues represents 10% or more of the aggregate principal amount of the Bonds in the Trust or a total of approximately 83%. The four largest such issues represent approximately 17% each. None of the Bonds in the Trust are subject to call within five years of the Initial Date of Deposit, although certain Bonds may be subject to an extraordinary call.

Approximately 17% of the aggregate principal amount (approximately 19% of the aggregate offering price) of the Bonds in the Trust were purchased at a premium over par value. Certain of these Bonds are subject to redemption pursuant to call provisions in approximately nine years after the Initial Date of Deposit. See "What Is the First Trust Combined Series?", "Missouri Insured Trust, Series 27-Portfolio" and "Description of Bond Ratings."

#### Federal and Missouri State Tax-Free Income

The following table shows the approximate marginal taxable yields for individuals that are equivalent to tax-exempt yields under combined Federal and state taxes, using published Federal tax rates and state tax rates scheduled to be in effect in 1995. The table incorporates increased tax rates for higher-income taxpayers that were included in the Revenue Reconciliation Act of 1993. For cases in which more than one state bracket falls within a Federal bracket, the higher state bracket is combined with the Federal bracket. The combined state and Federal tax rates shown reflect the fact that state tax payments are currently deductible for Federal tax purposes. The table illustrates what you would have to earn on taxable investments to equal the tax-exempt yield for your income tax bracket. The taxable equivalent yields may be somewhat higher than the equivalent yields indicated in the following table for those individuals who have adjusted gross incomes in excess of \$114,700. The table does not reflect the effect of the limitations on itemized deductions and the deduction for personal exemptions. They were designed to phase out certain benefits of these deductions for higher income taxpayers. These limitations, in effect, raise the maximum marginal Federal tax rate to approximately 44% for taxpayers filing a joint return and entitled to four personal exemptions and to approximately 41% for taxpayers filing a single return entitled to only one personal exemption. These limitations are subject to certain maximums, which depend on the number of exemptions claimed and the total amount of the taxpayer's itemized deductions. For example, the limitation on itemized deductions will not cause a taxpayer to lose more than 80% of his allowable itemized deductions, with certain exceptions.

<TABLE>  
<CAPTION>

TAXABLE EQUIVALENT YIELD

Taxable Income (\$1,000's)			Tax-Exempt Yield			
Single Return	Joint Return	Tax Rate*	5.50% Taxable	6.00% Equivalent Yield	6.50%	
<C>	<C>	<S>	<C>	<C>	<C>	
\$ 0 - 23.4	\$ 0 - 39.0	19.4%	6.82	7.44	8.06	
23.4 - 56.6	39.0 - 94.3	32.3	8.12	8.86	9.60	
56.6 - 118.0	94.3 - 143.6	35.1	8.47	9.24	10.02	
118.0 - 256.5	143.6 - 256.5	39.8	9.14	9.97	10.80	
Over 256.5	Over 256.5	43.2	9.68	10.56	11.44	

</TABLE>  
[FN]

\* Combined State and Federal tax rate was computed by taking into account the deductibility of State tax in determining Federal tax and the recently enacted limitations on the deductibility of Federal tax in determining State tax. Specifically, the deduction allowed for Federal income tax liability may not exceed \$5,000 and \$10,000 for single and joint taxpayers, respectively. Accordingly, the combined tax rate reflects the cross-deductibility of each tax in determining the other only for levels of income corresponding to the 15% Federal tax rate.

Risk Factors

Currently, Missouri has a population of over 5 million people. Missouri's population has climbed steadily upward, averaging an increase of approximately 6 percent each decade. Population projections indicate by the year 2010, there will be about 5.5 million people in Missouri, a continuation of the steady, moderate growth which has been the trend.

Farming plays a vital role in Missouri's economy. Cash receipts from sales of crops and livestock average \$3.8 billion annually. These cash receipts come from a variety of agricultural commodities produced in the State. The largest portion of the State's agricultural income comes from the production of meat animals (36.6 percent). Oil crops account for 18.9 percent; feed crops 13.3 percent; dairy products 8.6 percent; poultry and eggs 11.2 percent; food grains 4.0 percent; miscellaneous crops 3.3 percent and cotton 3.4 percent.

According to data obtained by the Missouri Division of Employment Security, in 1993 over two million workers had nonagricultural jobs in Missouri. Nearly 27 percent of these workers were employed in services, approximately 24 percent were employed in wholesale and retail trade, and 17 percent were employed in manufacturing. In the last ten years, Missouri has experienced a significant increase in employment in the service sector and in wholesale and retail trade.

In 1993, per capita personal income in Missouri was \$19,463, a 2.6 percent increase over the 1992 figure of \$18,970. For the United States as a whole, per capita income in 1993 was \$20,817, a 3.6 percent increase over the 1992 per capita income of \$20,105.

The total value of Missouri's annual mineral production in 1992 exceeded \$1.1 billion. The State ranked first nationally in the production of lime and lead. It ranked second in production of crude iron oxide pigments; third in barite, fire clay and iron pigments; fourth in zinc; fifth in portland cement; sixth in copper and eighth in silver. Mining employment totaled 4,700 jobs. Missouri ranks 11th in the nation in the production of non-fuel minerals.

Although the June 1993 revenue estimate had been revised downward by \$27.5 million, the State budget for Fiscal Year 1993 remained balanced due primarily to delayed spending for desegregation capital projects. The downward revision in revenues was considered necessary because of weak economic performance, and more importantly an economic outlook for the second half of Fiscal Year 1993 which projected slower growth than was anticipated in June 1992.

For Fiscal Year 1994, the majority of revenues for the State of Missouri will be obtained from individual income taxes (53.1%), sales and use taxes (30.0%), corporate income taxes (5.9%) and county foreign insurance taxes (3.0%). Major expenditures for Fiscal Year 1994 include elementary and secondary education (30.6%), human services (25.4%), higher education (14.8%) and desegregation (8.9%).

The Fiscal Year 1994 budget balances resources and obligations

based on the consensus revenue and refund estimate and an opening balance resulting from continued withholdings and delayed spending for desegregation

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capital projects. The total general revenue operating budget for Fiscal Year 1994 exclusive of desegregation is \$3,844.6 million. The court-ordered desegregation estimate is \$377.7 million, an increase of \$30.7 million over the revised Fiscal Year 1993 estimate.

According to the United States Bureau of Labor Statistics, the 1992 unemployment rate in Missouri was 5.7% and the 1993 rate was 6.4%. Although not strictly comparable, the preliminary seasonally adjusted rate for September of 1994 was 4.3%.

Currently, Moody's Investors Service, Inc. rates Missouri general obligation bonds "Aaa" and Standard & Poor's rates Missouri general obligation bonds "AAA." Although these ratings indicate that the State of Missouri is in relatively good economic health, there can be, of course, no assurance that this will continue or that particular bond issues may not be adversely affected by changes in the State or local economic or political conditions.

The foregoing information constitutes only a brief summary of some of the general factors which may impact certain issuers of Bonds and does not purport to be a complete or exhaustive description of all adverse conditions to which the issuers of obligations held by the Missouri Insured Trust are subject. Additionally, many factors including national economic, social and environmental policies and conditions, which are not within the control of the issuers of the Bonds, could affect or could have an adverse impact on the financial condition of the State and various agencies and political subdivisions located in the State. The Sponsor is unable to predict whether or to what extent such factors or other factors may affect the issuers of the Bonds, the market value or marketability of the Bonds or the ability of the respective issuers of the Bonds acquired by the Missouri Insured Trust to pay interest on or principal of the Bonds.

#### Missouri Tax Status

The assets of the Trust will consist of interest-bearing obligations issued by or on behalf of the State of Missouri (the "State") or counties, municipalities, authorities or political subdivisions thereof (the "Missouri Bonds") or by the Commonwealth of Puerto Rico, Guam and the United States Virgin Islands (the "Possession Bonds") (collectively, the "Bonds").

Neither the Sponsor nor its counsel have independently examined the Bonds to be deposited in and held in the Trust. However, although no opinion is expressed herein regarding such matters, it is assumed that: (i) the Bonds were validly issued, (ii) the interest thereon is excludable from gross income for Federal income tax purposes and (iii) interest on the Missouri Bonds, if received directly by a Unit holder, would be exempt from the Missouri income tax applicable to individuals and corporations ("Missouri State Income Tax"). The opinion set forth below does not address the taxation of persons other than full time residents of Missouri.

In the opinion of Chapman and Cutler, Special Counsel to the Fund for Missouri tax matters, under existing law:

The Trust is not an association taxable as a corporation for Missouri income tax purposes, and each Unit holder of the Trust will be treated as the owner of a pro rata portion of the Trust and the income of such portion of the Trust will be treated as the income of the Unit holder for Missouri State Income Tax purposes.

Interest paid and original issue discount, if any, on the Bonds which would be exempt from the Missouri State Income Tax if received directly by a Unit holder will be exempt from the Missouri State Income Tax when received by the Trust and distributed to such Unit holder; however, no opinion is expressed herein regarding taxation of interest paid and original issue discount, if any, on the Bonds received by the Trust and distributed to Unit holders under any other tax imposed pursuant to Missouri law, including but not limited to the franchise tax imposed on financial institutions pursuant to Chapter 148 of the Missouri Statutes.

To the extent that interest paid and original issue discount,

if any, derived from the Trust by a Unit holder with respect to Possession Bonds is excludable from gross income for Federal income tax purposes pursuant to 48 U.S.C. Section 745, 48 U.S.C. Section 1423a, and 48 U.S.C. Section 1403, such interest paid and original issue discount, if any, will not be subject to the Missouri State Income Tax; however, no opinion is expressed herein regarding taxation of interest paid and original issue discount, if any, on the Bonds received by the Trust and distributed to Unit holders under any other tax imposed pursuant to Missouri law, including

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but not limited to the franchise tax imposed on financial institutions pursuant to Chapter 148 of the Missouri Statutes.

Each Unit holder of the Trust will recognize gain or loss for Missouri State Income Tax purposes if the Trustee disposes of a bond (whether by redemption, sale, or otherwise) or if the Unit holder redeems or sells Units of the Trust to the extent that such a transaction results in a recognized gain or loss to such Unit holder for Federal income tax purposes. Due to the amortization of bond premium and other basis adjustments required by the Internal Revenue Code, a Unit holder, under some circumstances, may realize taxable gain when his or her Units are sold or redeemed for an amount equal to their original cost.

Any insurance proceeds paid under policies which represent maturing interest on defaulted obligations which are excludable from gross income for Federal income tax purposes will be excludable from Missouri State Income Tax to the same extent as such interest would have been so excludable if paid by the issuer of such Bonds held by the Trust; however, no opinion is expressed herein regarding taxation of interest paid and original issue discount, if any, on the Bonds received by the Trust and distributed to Unit holders under any other tax imposed pursuant to Missouri law, including but not limited to the franchise tax imposed on financial institutions pursuant to Chapter 148 of the Missouri Statutes.

The Missouri State Income Tax does not permit a deduction of interest paid or incurred on indebtedness incurred or continued to purchase or carry Units in the Trust, the interest on which is exempt from such Tax.

The Trust will not be subject to the Kansas City, Missouri Earnings and Profits Tax and each Unit holder's share of income of the Bonds held by the Trust will not generally be subject to the Kansas City, Missouri Earnings and Profits Tax or the City of St. Louis Earnings Tax (except in the case of certain Unit holders, including corporations, otherwise subject to the St. Louis City Earnings Tax).

For information with respect to the Federal income tax status and other tax matters, see "What is the Federal Tax Status of Unit Holders?"

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Missouri Insured Trust, Series 27  
Portfolio

Units Rated "AAA" \_

At the Opening of Business  
On the Initial Date of Deposit of the Bonds-January 11, 1995

<TABLE>  
<CAPTION>

Aggregate Principal	Issue Represented by Sponsor's Contracts to Purchase Bonds (1)	Rating (2)	Redemption Provisions (3)	Cost to the Trust
<C>	<S>	<C>	<C>	<C>
\$ 235,000	Monett R-I School District of Barry County,	AAA	2002 @ 100	\$ 233,075

	Missouri, General Obligation, Series 1994 (Capital Guaranty Insured), 6.375%, Due 2/1/2014 (5)		2010 @ 100 S.F.	
500,000	City of Kansas City, Missouri, General Improvement Airport Revenue, Series 1994B (Capital Guaranty Insured), 6.875%, Due 9/1/2014 (5)	AAA	2004 @ 101 2013 @ 100 S.F.	515,075
435,000	{ Kansas City (Missouri) Municipal Assistance Corporation, Leasehold Improvement Revenue, Series 1991B (H. Roe Bartle Convention Center Project) (AMBAC Insured), 6.00%, Due 4/15/2020 (5)	AAA	2001 @ 100 2016 @ 100 S.F.	405,598
500,000	Health and Educational Facilities Authority of the State of Missouri, Health Facilities Revenue (Health Midwest), Series 1992B (MBIA Insured), 6.25%, Due 2/15/2022 (5)	AAA	2002 @ 102 2013 @ 100 S.F.	481,065
500,000	Health and Educational Facilities Authority of the State of Missouri, Health Facilities Revenue (Heartland Health Systems Project), Series 1992 (AMBAC Insured), 6.35%, Due 11/15/2017 (5)	AAA	2002 @ 102 2004 @ 100 S.F.	491,080
250,000	Health and Educational Facilities Authority of the State of Missouri, Health Facilities Revenue (Saint Luke's Health System), Series 1993 (MBIA Insured), 5.125%, Due 11/15/2019 (5)	AAA	2003 @ 102 2014 @ 100 S.F.	203,948
500,000	City of Springfield, Missouri, Waterworks Refunding and Improvement Revenue, Series 1993 A (MBIA Insured), 5.50%, Due 5/1/2012 (5)	AAA	2003 @ 102	450,885
				<u>\$2,920,000</u> =====
				<u>\$2,780,726</u> =====

</TABLE>  
[FN]

Units are rated "AAA" as a result of insurance. See "Why and How are the Insured Trusts Insured?"

These Bonds were issued at an original issue discount on May 1, 1991 at a price of 89.75% of their original principal amount.

For industry concentrations of the Bonds in the Trust, see "Missouri Insured Trust Summary."

See "Notes to Portfolios" on page 20.

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#### REPORT OF INDEPENDENT AUDITORS

The Sponsor, Nike Securities L.P., and Unit Holders  
THE FIRST TRUST COMBINED SERIES 240

We have audited the accompanying statements of net assets, including the portfolios, of The First Trust Combined Series 240, comprised of The First Trust of Insured Municipal Bonds, Series 231 and The First Trust of Insured Municipal Bonds-Multi-State: Missouri Trust, Series 27 (the Trusts), as of the opening of business on January 11, 1995. These statements of net assets are the responsibility of the Trusts' Sponsor. Our responsibility is to express an opinion on these statements of net assets based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of net assets are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of net assets. Our procedures included confirmation of the letter of credit held by the Trustee and allocated among the Trusts on January 11, 1995. An audit also includes assessing

the accounting principles used and significant estimates made by the Sponsor, as well as evaluating the overall presentation of the statements of net assets. We believe that our audit of the statements of net assets provides a reasonable basis for our opinion.

In our opinion, the statements of net assets referred to above present fairly, in all material respects, the financial position of The First Trust Combined Series 240, comprised of The First Trust of Insured Municipal Bonds, Series 231 and The First Trust of Insured Municipal Bonds-Multi-State: Missouri Trust, Series 27 at the opening of business on January 11, 1995 in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Chicago, Illinois  
January 11, 1995

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Statements of Net Assets

The First Trust Combined Series 240  
At the Opening of Business on the Initial Date of Deposit  
January 11, 1995

<TABLE>  
<CAPTION>

	National Insured Trust, Series 231	Missouri Insured Trust, Series 27
NET ASSETS		
<S>	<C>	<C>
Delivery statements relating to Sponsor's contracts to purchase tax-exempt municipal bonds (1) (2) (3)	\$9,442,458	\$2,780,726
Accrued interest on underlying bonds (2) (3) (4)	77,990	41,945
	9,520,448	2,822,671
Less distributions payable (4)	77,990	41,945
Net assets	\$9,442,458	\$2,780,726
Outstanding Units	9,929	2,924

</TABLE>

<TABLE>  
<CAPTION>

	<C>	<C>
ANALYSIS OF NET ASSETS		
<S>		
Cost to investors (5)	\$9,928,978	\$2,924,002
Less gross underwriting commissions (5)	486,520	143,276
Net assets	\$9,442,458	\$2,780,726

</TABLE>  
[FN]

NOTES TO STATEMENTS OF NET ASSETS

(1) The aggregate offering price of the bonds for each Trust at the opening of business on the Initial Date of Deposit and the cost to the applicable Trust are the same. The offering price is determined by the Evaluator.

(2) Pursuant to delivery statements relating to contracts to purchase bonds, an irrevocable letter of credit has been allocated among the Trusts as collateral. The amount of available letter of credit and the amount expected to be utilized as collateral for each Trust is shown below. The amount expected to be utilized is (a) the cost to the respective Trust of the principal amount of the bonds to be purchased, (b) accrued interest on those bonds to the Initial Date of Deposit, and (c) accrued interest on those bonds from the Initial Date of Deposit to the expected dates of delivery of the bonds.

<TABLE>  
<CAPTION>

Trust	Letter of Credit		Aggregate Offering Price of Bonds	Accrued Interest to Date of Deposit	Accrued Interest to Expected Dates of Delivery
	Allocated	To be Utilized			
<S>	<C>	<C>	<C>	<C>	<C>
National Insured Trust, Series 231	\$10,000,000	\$ 9,528,378	\$ 9,442,458	\$77,990	\$7,930
Missouri Insured Trust, Series 27	\$ 3,000,000	\$ 2,824,557	\$ 2,780,726	\$41,945	\$1,886

</TABLE>

(3) Insurance coverage providing for the scheduled payment of principal and interest on all Bonds deposited in the National Insured Trust and the Missouri Insured Trust and delivered to the Trustee has been obtained by each Insured Trust or has been obtained directly by the Bond issuer, the underwriters, the Sponsor or others prior to the Initial Date of Deposit.

(4) The Trustee will advance to each Trust the amount of net interest accrued to January 19, 1995, the First Settlement Date, for distribution to the Sponsor as the Unit holder of record.

(5) The aggregate cost to investors (exclusive of accrued interest) and the aggregate gross underwriting commissions of 4.9% are computed assuming no reduction of sales charge for quantity purchases.

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NOTES TO PORTFOLIOS

The following Notes to Portfolios pertain to the information contained in the Trust Portfolios (the National Insured Trust, Series 231 on pages 10 and 11 and the Missouri Insured Trust, Series 27 on page 17).

(1) Sponsor's contracts to purchase Bonds were entered into during the period from December 13, 1994 to January 10, 1995. All contracts to purchase Bonds are expected to be settled on or prior to January 19, 1995 unless otherwise indicated.

Other information regarding the Bonds in each Trust on the Initial Date of Deposit is as follows:



<TABLE>  
<CAPTION>

Trust	Aggregate Offering Price of Bonds	Cost of Bonds to Sponsor	Profit or (Loss) to Sponsor	Bid Price of Bonds	Annual Insurance Cost to Trust	Annual Interest Income to Trust
<S>	<C>	<C>	<C>	<C>	<C>	<C>
National Insured Trust, Series 231	\$ 9,442,458	\$ 9,368,965	\$ 73,493	\$ 9,341,408	\$-	\$634,900
Missouri Insured Trust, Series 27	\$ 2,780,726	\$ 2,752,856	\$ 27,870	\$ 2,751,526	\$-	\$178,769

</TABLE>

Neither Cost of Bonds to Sponsor nor Profit or (Loss) to Sponsor reflects underwriting profits or losses received or incurred by the Sponsor through its participation in underwriting syndicates but such amounts reflect the cost of insurance obtained by the Sponsor prior to the Initial Date of Deposit for individual Bonds. The Offering and Bid Prices of Bonds were determined by Securities Evaluation Service, Inc., certain shareholders of which are officers of the Sponsor.

(2) All ratings are by Standard & Poor's unless otherwise indicated (NR indicates "No Rating"). Such ratings were obtained from a municipal bond information reporting service.

(3) There is shown under this heading the year in which each issue of Bonds initially is redeemable and the redemption price for that year or, if currently redeemable, the redemption price in effect on the Initial Date of Deposit. Issues of Bonds are redeemable at declining prices (but not below par value) in subsequent years except for original issue discount Bonds which are redeemable at prices based on the issue price plus the amount of original issue discount accreted to the redemption date plus, if applicable, some premium, the amount of which will decline in subsequent years. "S.F." indicates a sinking fund is established with respect to an issue of Bonds. In addition, certain Bonds in the portfolio may be redeemed in whole or in part other than by operation of the stated redemption or sinking fund provisions under certain unusual or extraordinary circumstances specified in the instruments setting forth the terms and provisions of such Bonds. See "What are Certain General Matters Relating to the Trusts?" for a description of certain of such unusual or extraordinary circumstances. Redemption pursuant to call provisions generally will, and redemption pursuant to sinking fund provisions may, occur at times when the redeemed Bonds have an offering side valuation which represents a premium over par or for original issue discount Bonds a premium over the accreted value. To the extent that the Bonds were deposited in the Fund at a price higher than the price at which they are redeemed, this will represent a loss of capital when compared with the original Public Offering Price of the Units. Conversely, to the extent that the Bonds were acquired at a price lower than the redemption price, this will represent an increase in capital when compared to the original Public Offering Price of the Units, excluding the effect of the sales charge on the Units. Distributions will generally be reduced by the amount of the income which would otherwise have been paid with respect to redeemed Bonds and there will be distributed to Unit holders the principal amount and any premium received on such redemption (except to the extent the proceeds of the redeemed Bonds are used to pay for Unit redemptions). The estimated current return and the estimated long-term return in this event may be affected by such redemptions. For the Federal and state tax effect on Unit holders of such redemptions and resultant distributions, see "Rights of Unit Holders-What is the Federal Tax Status of Unit Holders?" and "Missouri Insured Trust Summary-Missouri Tax Status."

(4) Ratings by Moody's Investors Service, Inc. Such ratings were obtained from a municipal bond information reporting service.

(5) Insurance has been obtained by the Bond issuer, the underwriters, the Sponsor or others prior to the Initial Date of Deposit. No insurance premium is payable by the Trust.

(6) Rating is contingent upon receipt of documentation confirming the issuance of insurance.

(7) Rating is contingent upon receipt of documentation confirming investments and cash flow.

Estimated Cash Flows to Unit Holders

The tables below set forth the per Unit estimated monthly and semi-annual distributions of interest and principal to Unit holders. The tables assume the receipt of principal of the underlying Bonds upon their maturity or expected retirement date, no changes in expenses, no changes in the current interest rates, and no exchanges, redemptions, sales or prepayments of the underlying Bonds prior to their maturity or expected retirement date. To the extent the foregoing assumptions change, actual distributions will vary.

<TABLE>  
<CAPTION>

National Insured Trust, Series 231

Monthly

Date (Each Month)	Estimated Interest Distribution	Estimated Principal Distribution	Estimated Total Distribution
<S>	<C>	<C>	<C>
February 1995	4.44		4.44
March 1995-July 2006	5.12		5.12
August 2006	5.12	110.79	115.91
September 2006-October 2006	4.51		4.51
November 2006	4.51	100.72	105.23
December 2006-December 2017	3.92		3.92
January 2018	3.67	100.72	104.39
February 2018-April 2024	3.42		3.42
May 2024	3.42	100.72	104.14
June 2024	2.68	91.15	93.83
July 2024-October 2025	2.45		2.45
November 2025	2.45	37.77	40.22
December 2025-June 2026	2.28		2.28
July 2026	1.81	186.33	188.14
August 2026	1.34	100.72	102.06
September 2026-April 2027	0.84		0.84
May 2027	0.84	88.13	88.97
June 2027-December 2032	0.43		0.43
January 2033	0.17	100.72	100.89

</TABLE>

<TABLE>  
<CAPTION>

Semi-Annual

Date (Each June and December Unless Otherwise Indicated)	Estimated Interest Distribution	Estimated Principal Distribution	Estimated Total Distribution
<S>	<C>	<C>	<C>
February 1995	4.48		4.48
June 1995	20.67		20.67
December 1995-June 2006	31.00		31.00
August 2006		110.79	110.79
November 2006		100.72	100.72
December 2006	27.94		27.94
June 2007-December 2017	23.70		23.70
January 2018		100.72	100.72
June 2018	20.98		20.98
December 2018-December 2023	20.73		20.73
May 2024		100.72	100.72
June 2024	19.98	91.15	111.13
December 2024-June 2025	14.82		14.82
November 2025		37.77	37.77
December 2025	14.65		14.65
June 2026	13.80		13.80

July 2026		186.33	186.33
August 2026		100.72	100.72
December 2026	6.59		6.59
May 2027		88.13	88.13
June 2027	4.69		4.69
December 2027-December 2032	2.61		2.61
January 2033	0.17	100.72	100.89

</TABLE>

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Estimated Cash Flows to Unit Holders

<TABLE>  
<CAPTION>

Missouri Insured Trust, Series 27

Monthly

Date (Each Month)	Estimated Interest Distribution	Estimated Principal Distribution	Estimated Total Distribution
<S>	<C>	<C>	<C>
February 1995	4.24		4.24
March 1995-August 2006	4.89		4.89
September 2006	4.41	171.00	175.41
October 2006-April 2012	3.93		3.93
May 2012	3.55	171.00	174.55
June 2012-January 2014	3.17		3.17
February 2014	2.96	80.37	83.33
March 2014-October 2017	2.75		2.75
November 2017	2.75	171.00	173.75
December 2017-October 2019	1.86		1.86
November 2019	1.86	85.50	87.36
December 2019-March 2020	1.51		1.51
April 2020	1.51	148.77	150.28
May 2020-January 2022	0.78		0.78
February 2022	0.78	171.00	171.78

</TABLE>

<TABLE>  
<CAPTION>

Semi-Annual

Date (Each June and December Unless Otherwise Indicated)	Estimated Interest Distribution	Estimated Principal Distribution	Estimated Total Distribution
<S>	<C>	<C>	<C>
February 1995	4.28		4.28
June 1995	19.74		19.74
December 1995-June 2006	29.60		29.60
September 2006		171.00	171.00
December 2006	26.22		26.22
June 2007-December 2011	23.80		23.80
May 2012		171.00	171.00
June 2012	22.65		22.65
December 2012-December 2013	19.18		19.18
February 2014		80.37	80.37
June 2014	17.28		17.28
December 2014-June 2017	16.65		16.65
November 2017		171.00	171.00
December 2017	15.76		15.76
June 2018-June 2019	11.30		11.30
November 2019		85.50	85.50
December 2019	10.94		10.94
April 2020		148.77	148.77
June 2020	7.68		7.68
December 2020-December 2021	4.75		4.75
February 2022	1.58	171.00	172.58

GENERAL TRUST INFORMATION

What are Certain General Matters Relating to the Trusts?

In selecting Bonds, the following facts, among others, were considered: (i) the Standard & Poor's rating of the Bonds was in no case less than "BBB" in the case of an Insured Trust and "A-" in the case of an Advantage Trust, or the Moody's Investors Service, Inc. rating of the Bonds was in no case less than "Baa" in the case of an Insured Trust and "A" in the case of an Advantage Trust, including provisional or conditional ratings, respectively, or, if not rated, the Bonds had, in the opinion of the Sponsor, credit characteristics sufficiently similar to the credit characteristics of interest-bearing tax-exempt obligations that were so rated as to be acceptable for acquisition by the Fund (see "Description of Bond Ratings"); (ii) the prices of the Bonds relative to other bonds of comparable quality and maturity; (iii) with respect to the Insured Trusts, the availability and cost of insurance of the principal and interest on the Bonds and (iv) the diversification of Bonds as to purpose of issue and location of issuer. Subsequent to the Initial Date of Deposit, a Bond may cease to be rated or its rating may be reduced below the minimum required as of the Initial Date of Deposit. Neither event requires elimination of such Bond from the portfolio, but may be considered in the Sponsor's determination as to whether or not to direct the Trustee to dispose of the Bond. See "Rights of Unit Holders-How May Bonds be Removed from the Fund?" For additional risks specific to the individual Trusts see "Risk Factors" for each Trust.

Risk Factors

Discount Bonds. Certain of the Bonds in the Trusts may have been acquired at a market discount from par value at maturity. The coupon interest rates on the discount bonds at the time they were purchased and deposited in the Trusts were lower than the current market interest rates for newly issued bonds of comparable rating and type. If such interest rates for newly issued comparable bonds increase, the market discount of previously issued bonds will become greater, and if such interest rates for newly issued comparable bonds decline, the market discount of previously issued bonds will be reduced, other things being equal. Investors should also note that the value of bonds purchased at a market discount will increase in value faster than bonds purchased at a market premium if interest rates decrease. Conversely, if interest rates increase, the value of bonds purchased at a market discount will decrease faster than bonds purchased at a market premium. In addition, if interest rates rise, the prepayment risk of higher yielding, premium bonds and the prepayment benefit for lower yielding, discount bonds will be reduced. A discount bond held to maturity will have a larger portion of its total return in the form of taxable income and capital gain and less in the form of tax-exempt interest income than a comparable bond newly issued at current market rates. See "What is the Federal Tax Status of Unit Holders?" Market discount attributable to interest changes does not indicate a lack of market confidence in the issue. Neither the Sponsor nor the Trustee shall be liable in any way for any default, failure or defect in any of the Bonds.

Original Issue Discount Bonds. Certain of the Bonds in the Trusts may be original issue discount bonds. Under current law, the original issue discount, which is the difference between the stated redemption price at maturity and the issue price of the Bonds, is deemed to accrue on a daily basis and the accrued portion is treated as tax-exempt interest income for Federal income tax purposes. On sale or redemption, any gain realized that is in excess of the earned portion of original issue discount will be taxable as capital gain unless the gain is attributable to market discount in which case the accretion of market discount is taxable as ordinary income. See "What is the Federal Tax Status of Unit Holders?" The current value of an original issue discount bond reflects the present value of its stated redemption price at maturity. The market value tends to increase in greater increments as the Bonds approach maturity.

Zero Coupon Bonds. Certain of the original issue discount bonds may be Zero Coupon Bonds (including bonds known as multiplier

bonds, money multiplier bonds, capital appreciation bonds, capital accumulator bonds, compound interest bonds and money discount maturity payment bonds). Zero Coupon Bonds do not provide for the payment of any current interest and generally provide for payment at maturity at face value unless sooner sold or redeemed. Zero Coupon Bonds may be subject to more price volatility than conventional bonds. While some types of Zero Coupon Bonds, such as multipliers and capital appreciation

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bonds, define par as the initial offering price rather than the maturity value, they share the basic Zero Coupon Bond features of (1) not paying interest on a semi-annual basis and (2) providing for the reinvestment of the bond's semi-annual earnings at the bond's stated yield to maturity. While Zero Coupon Bonds are frequently marketed on the basis that their fixed rate of return minimizes reinvestment risk, this benefit can be negated in large part by weak call protection, i.e., a bond's provision for redemption at only a modest premium over the accreted value of the bond.

Premium Bonds. Certain of the Bonds in the Trusts may have been acquired at a market premium from par value at maturity. The coupon interest rates on the premium bonds at the time they were purchased and deposited in the Trusts were higher than the current market interest rates for newly issued bonds of comparable rating and type. If such interest rates for newly issued and otherwise comparable bonds decrease, the market premium of previously issued bonds will be increased, and if such interest rates for newly issued comparable bonds increase, the market premium of previously issued bonds will be reduced, other things being equal. The current returns of bonds trading at a market premium are initially higher than the current returns of comparable bonds of a similar type issued at currently prevailing interest rates because premium bonds 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, early redemption of a premium bond at par or early prepayments of principal will result in a reduction in yield. Redemption pursuant to call provisions generally will, and redemption pursuant to sinking fund provisions may, occur at times when the redeemed Bonds have an offering side valuation which represents a premium over par or for original issue discount Bonds a premium over the accreted value. To the extent that the Bonds were deposited in the Fund at a price higher than the price at which they are redeemed, this will represent a loss of capital when compared to the original Public Offering Price of the Units. Because premium bonds generally pay a higher rate of interest than bonds priced at or below par, the effect of the redemption of premium bonds would be to reduce Estimated Net Annual Unit Income by a greater percentage than the par amount of such bonds bears to the total par amount of Bonds in the Trust. Although the actual impact of any such redemptions that may occur will depend upon the specific Bonds that are redeemed, it can be anticipated that the Estimated Net Annual Unit Income will be significantly reduced after the dates on which such Bonds are eligible for redemption. The Trust may be required to sell Zero Coupon Bonds prior to maturity (at their current market price which is likely to be less than their par value) in the event that all the Bonds in the portfolio other than the Zero Coupon Bonds are called or redeemed in order to pay expenses of the Trust or in case the Trust is terminated. See "Rights of Unit Holders: How May Bonds be Removed from the Fund?" and "Other Information: How May the Indenture be Amended or Terminated?" See "Portfolio" for each Trust for the earliest scheduled call date and the initial redemption price for each Bond.

General Obligation Bonds. Certain of the Bonds in the Trusts may be general obligations of a governmental entity that are backed by the taxing power of such entity. All other Bonds in the Trusts are revenue bonds payable from the income of a specific project or authority and are not supported by the issuer's power to levy taxes. General obligation bonds are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. Revenue bonds, on the other hand, are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source. There are, of course, variations in the security of the different Bonds in the Fund, both within a particular classification and between classifications, depending on numerous factors.

Healthcare Revenue Bonds. Certain of the Bonds in the Trusts may be health care revenue bonds. Ratings of bonds issued for health care facilities are sometimes based on feasibility studies that

contain projections of occupancy levels, revenues and expenses. A facility's gross receipts and net income available for debt service may be affected by future events and conditions including among other things, demand for services, the ability of the facility to provide the services required, physicians' confidence in the facility, management capabilities, competition with other hospitals, efforts by insurers and governmental agencies

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to limit rates, legislation establishing state rate-setting agencies, expenses, government regulation, the cost and possible unavailability of malpractice insurance and the termination or restriction of governmental financial assistance, including that associated with Medicare, Medicaid and other similar third party payor programs. Pursuant to recent Federal legislation, Medicare reimbursements are currently calculated on a prospective basis utilizing a single nationwide schedule of rates. Prior to such legislation Medicare reimbursements were based on the actual costs incurred by the health facility. The current legislation may adversely affect reimbursements to hospitals and other facilities for services provided under the Medicare program.

Single Family Mortgage Revenue Bonds. Certain of the Bonds in the Trusts may be single family mortgage revenue bonds, which are issued for the purpose of acquiring from originating financial institutions notes secured by mortgages on residences located within the issuer's boundaries and owned by persons of low or moderate income. Mortgage loans are generally partially or completely prepaid prior to their final maturities as a result of events such as sale of the mortgaged premises, default, condemnation or casualty loss. Because these Bonds are subject to extraordinary mandatory redemption in whole or in part from such prepayments of mortgage loans, a substantial portion of such Bonds will probably be redeemed prior to their scheduled maturities or even prior to their ordinary call dates. The redemption price of such issues may be more or less than the offering price of such Bonds. Extraordinary mandatory redemption without premium could also result from the failure of the originating financial institutions to make mortgage loans in sufficient amounts within a specified time period or, in some cases, from the sale by the Bond issuer of the mortgage loans. Failure of the originating financial institutions to make mortgage loans would be due principally to the interest rates on mortgage loans funded from other sources becoming competitive with the interest rates on the mortgage loans funded with the proceeds of the single family mortgage revenue bonds. Additionally, unusually high rates of default on the underlying mortgage loans may reduce revenues available for the payment of principal of or interest on such mortgage revenue bonds. Single family mortgage revenue bonds issued after December 31, 1980 were issued under Section 103A of the Internal Revenue Code, which Section contains certain ongoing requirements relating to the use of the proceeds of such Bonds in order for the interest on such Bonds to retain its tax-exempt status. In each case, the issuer of the Bonds has covenanted to comply with applicable ongoing requirements and bond counsel to such issuer has issued an opinion that the interest on the Bonds is exempt from Federal income tax under existing laws and regulations. There can be no assurances that the ongoing requirements will be met. The failure to meet these requirements could cause the interest on the Bonds to become taxable, possibly retroactively from the date of issuance.

Multi-Family Mortgage Revenue Bonds. Certain of the Bonds in the Trusts may be obligations of issuers whose revenues are primarily derived from mortgage loans to housing projects for low to moderate income families. The ability of such issuers to make debt service payments will be affected by events and conditions affecting financed projects, including, among other things, the achievement and maintenance of sufficient occupancy levels and adequate rental income, increases in taxes, employment and income conditions prevailing in local labor markets, utility costs and other operating expenses, the managerial ability of project managers, changes in laws and governmental regulations, the appropriation of subsidies and social and economic trends affecting the localities in which the projects are located. The occupancy of housing projects may be adversely affected by high rent levels and income limitations imposed under Federal and state programs. Like single family mortgage revenue bonds, multi-family mortgage revenue bonds are subject to redemption and call features, including extraordinary mandatory redemption features, upon prepayment, sale or non-origination of mortgage loans as well as upon the occurrence of other events. Certain issuers of single or multi-family housing bonds have considered various ways to redeem bonds they have issued prior to the stated first redemption dates for such bonds. In one situation the New

York City Housing Development Corporation, in reliance on its interpretation of certain language in the indenture under which one of its bond issues was created, redeemed all of such issue at par in spite of the fact that such indenture provided that the first optional redemption was to include a premium over par and could

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not occur prior to 1992. In connection with the housing Bonds held by a Trust, the Sponsor has not had any direct communications with any of the issuers thereof, but at the Initial Date of Deposit it is not aware that any of the respective issuers of such Bonds are actively considering the redemption of such Bonds prior to their respective stated initial call dates. However, there can be no assurance that an issuer of a Bond in a Trust will not attempt to so redeem a Bond in a Trust.

Water and Sewerage Bonds. Certain of the Bonds in the Trusts may be obligations of issuers whose revenues are derived from the sale of water and/or sewerage services. Water and sewerage bonds are generally payable from user fees. Problems faced by such issuers include the ability to obtain timely and adequate rate increases, population decline resulting in decreased user fees, the difficulty of financing large construction programs, the limitations on operations and increased costs and delays attributable to environmental considerations, the increasing difficulty of obtaining or discovering new supplies of fresh water, the effect of conservation programs and the impact of "no-growth" zoning ordinances. All of such issuers have been experiencing certain of these problems in varying degrees.

Electric Utility Bonds. Certain of the Bonds in the Trusts may be obligations of issuers whose revenues are primarily derived from the sale of electric energy. Utilities are generally subject to extensive regulation by state utility commissions which, among other things, establish the rates which may be charged and the appropriate rate of return on an approved asset base. The problems faced by such issuers include the difficulty in obtaining approval for timely and adequate rate increases from the governing public utility commission, the difficulty in financing large construction programs, the limitations on operations and increased costs and delays attributable to environmental considerations, increased competition, recent reductions in estimates of future demand for electricity in certain areas of the country, the difficulty of the capital market in absorbing utility debt, the difficulty in obtaining fuel at reasonable prices and the effect of energy conservation. All of such issuers have been experiencing certain of these problems in varying degrees. In addition, Federal, state and municipal governmental authorities may from time to time review existing and impose additional regulations governing the licensing, construction and operation of nuclear power plants, which may adversely affect the ability of the issuers of such Bonds to make payments of principal and/or interest on such Bonds.

Lease Obligation Bonds. Certain of the Bonds in the Trusts may be lease obligations issued for the most part by governmental authorities that have no taxing power or other means of directly raising revenues. Rather, the governmental authorities are financing vehicles created solely for the construction of buildings (schools, administrative offices, convention centers and prisons, for example) or the purchase of equipment (police cars and computer systems, for example) that will be used by a state or local government (the "lessee"). Thus, these obligations are subject to the ability and willingness of the lessee government to meet its lease rental payments which include debt service on the obligations. Lease obligations are subject, in almost all cases, to the annual appropriation risk, i.e., the lessee government is not legally obligated to budget and appropriate for the rental payments beyond the current fiscal year. These obligations are also subject to construction and abatement risk in many states - rental obligations cease in the event that delays in building, damage, destruction or condemnation of the project prevents its use by the lessee. In these cases, insurance provisions designed to alleviate this risk become important credit factors. In the event of default by the lessee government, there may be significant legal and/or practical difficulties involved in the re-letting or sale of the project. Some of these issues, particularly those for equipment purchase, contain the so-called "substitution safeguard", which bars the lessee government, in the event it defaults on its rental payments, from the purchase or use of similar equipment for a certain period of time. This safeguard is designed to insure that the lessee government will appropriate, even though it is not legally obligated to do so, but its legality remains untested in most, if not all, states.

Industrial Revenue Bonds. Certain of the Bonds in the Trusts may be industrial revenue bonds ("IRBs"), including pollution control revenue bonds, which are tax-exempt securities issued by states, municipalities, public authorities or similar entities to finance the cost of acquiring, constructing or improving various industrial projects. These projects are usually operated by corporate entities. Issuers are obligated

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only to pay amounts due on the IRBs to the extent that funds are available from the unexpended proceeds of the IRBs or receipts or revenues of the issuer under an arrangement between the issuer and the corporate operator of a project. The arrangement may be in the form of a lease, installment sale agreement, conditional sale agreement or loan agreement, but in each case the payments to the issuer are designed to be sufficient to meet the payments of amounts due on the IRBs. Regardless of the structure, payment of IRBs is solely dependent upon the creditworthiness of the corporate operator of the project or corporate guarantor. Corporate operators or guarantors may be affected by many factors which may have an adverse impact on the credit quality of the particular company or industry. These include cyclicity of revenues and earnings, regulatory and environmental restrictions, litigation resulting from accidents or environmentally-caused illnesses, extensive competition and financial deterioration resulting from a complete restructuring pursuant to a leveraged buy-out, takeover or otherwise. Such a restructuring may result in the operator of a project becoming highly leveraged which may impact on such operator's creditworthiness, which in turn would have an adverse impact on the rating and/or market value of such Bonds. Further, the possibility of such a restructuring may have an adverse impact on the market for and consequently the value of such Bonds, even though no actual takeover or other action is ever contemplated or affected. The IRBs in a Trust may be subject to special or extraordinary redemption provisions which may provide for redemption at par or, with respect to original issue discount bonds, at issue price plus the amount of original issue discount accreted to the redemption date plus, if applicable, a premium. The Sponsor cannot predict the causes or likelihood of the redemption of IRBs or other Bonds in the Trusts prior to the stated maturity of such Bonds.

Transportation Facility Revenue Bonds. Certain of the Bonds in the Trusts may be obligations which are payable from and secured by revenues derived from the ownership and operation of facilities such as airports, bridges, turnpikes, port authorities, convention centers and arenas. The major portion of an airport's gross operating income is generally derived from fees received from signatory airlines pursuant to use agreements which consist of annual payments for leases, occupancy of certain terminal space and service fees. Airport operating income may therefore be affected by the ability of the airlines to meet their obligations under the use agreements. The air transport industry is experiencing significant variations in earnings and traffic, due to increased competition, excess capacity, increased costs, deregulation, traffic constraints and other factors, and several airlines are experiencing severe financial difficulties. The Sponsor cannot predict what effect these industry conditions may have on airport revenues which are dependent for payment on the financial condition of the airlines and their usage of the particular airport facility. Similarly, payment on Bonds related to other facilities is dependent on revenues from the projects, such as user fees from ports, tolls on turnpikes and bridges and rents from buildings. Therefore, payment may be adversely affected by reduction in revenues due to such factors as increased cost of maintenance, decreased use of a facility, lower cost of alternative modes of transportation, scarcity of fuel and reduction or loss of rents.

Educational Obligation Bonds. Certain of the Bonds in the Trusts may be obligations of issuers which are, or which govern the operation of, schools, colleges and universities and whose revenues are derived mainly from ad valorem taxes, or for higher education systems, from tuition, dormitory revenues, grants and endowments. General problems relating to school bonds include litigation contesting the state constitutionality of financing public education in part from ad valorem taxes, thereby creating a disparity in educational funds available to schools in wealthy areas and schools in poor areas. Litigation or legislation on this issue may affect the sources of funds available for the payment of school bonds in the Trusts. General problems relating to college and university obligations would include the prospect of a declining percentage of the population consisting of "college" age individuals, possible inability to raise tuitions and fees sufficiently to cover increased operating costs, the uncertainty of continued receipt of Federal



grants and state funding and new government legislation or regulations which may adversely affect the revenues or costs of such issuers. All of such issuers have been experiencing certain of these problems in varying degrees.

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Resource Recovery Facility Bonds. Certain of the Bonds in the Trusts may be obligations which are payable from and secured by revenues derived from the operation of resource recovery facilities. Resource recovery facilities are designed to process solid waste, generate steam and convert steam to electricity. Resource recovery bonds may be subject to extraordinary optional redemption at par upon the occurrence of certain circumstances, including but not limited to: destruction or condemnation of a project; contracts relating to a project becoming void, unenforceable or impossible to perform; changes in the economic availability of raw materials, operating supplies or facilities necessary for the operation of a project or technological or other unavoidable changes adversely affecting the operation of a project; administrative or judicial actions which render contracts relating to the projects void, unenforceable or impossible to perform; or impose unreasonable burdens or excessive liabilities. The Sponsor cannot predict the causes or likelihood of the redemption of resource recovery bonds in the Trusts prior to the stated maturity of the Bonds.

Bonds of Issuers Located in the Commonwealth of Puerto Rico. Certain Trusts of the Fund may contain Bonds of issuers located in the Commonwealth of Puerto Rico or issuers which will be affected by general economic conditions of Puerto Rico. Puerto Rico's unemployment rate remains significantly higher than the U.S. unemployment rate. Furthermore, the economy is largely dependent for its development upon U.S. policies and programs that are being reviewed and may be eliminated.

The Puerto Rican economy consists principally of manufacturing (pharmaceuticals, scientific instruments, computers, microprocessors, medical products, textiles and petrochemicals), agriculture (largely sugar) and tourism. Most of the island's manufacturing output is shipped to the mainland United States, which is also the chief source of semi-finished manufactured articles on which further manufacturing operations are performed in Puerto Rico. Since World War II the economic importance of agriculture for Puerto Rico, particularly in the dominance of sugar production, has declined. Nevertheless, the Commonwealth-controlled sugar monopoly remains an important economic factor and is largely dependent upon Federal maintenance of sugar prices, the discontinuation of which could severely affect Puerto Rico sugar production. The level of tourism is affected by various factors including the strength of the U.S. dollar. During periods when the dollar is strong, tourism in foreign countries becomes relatively more attractive.

The Puerto Rican economy is affected by a number of Commonwealth and Federal investment incentive programs. For example, Section 936 of the Internal Revenue Code provides for a credit against Federal income taxes for U.S. companies operating on the island if certain requirements are met. The Omnibus Budget Reconciliation Act of 1993 imposes limits on such credit, effective for tax years beginning after 1993. In addition, from time to time proposals are introduced in Congress which, if enacted into law, would eliminate some or all of the benefits of Section 936. Although no assessment can be made at this time of the precise effect of such limitation, it is expected that the limitation of Section 936 credits would have a negative impact on Puerto Rico's economy.

Aid for Puerto Rico's economy has traditionally depended heavily on Federal programs, and current Federal budgetary policies suggest that an expansion of aid to Puerto Rico is unlikely. An adverse effect on the Puerto Rican economy could result from other U.S. policies, including a reduction of tax benefits for distilled products, further reduction in transfer payment programs such as food stamps, curtailment of military spending and policies which could lead to a stronger dollar.

In a plebiscite held in November 1993, the Puerto Rican electorate chose to continue Puerto Rico's Commonwealth status. Previously proposed legislation, which was not enacted, would have preserved the federal tax exempt status of the outstanding debts of Puerto Rico and its public corporations regardless of the outcome of the referendum, to the extent that similar obligations issued by the states are so treated and subject to the provisions of the Internal Revenue Code currently in effect. There can be no assurance that any pending or future legislation finally enacted will include the same or a similar protection against loss of

tax exemption. The November 1993 plebiscite can be expected to have both direct and indirect consequences on such matters as the basic characteristics of future Puerto Rico debt obligations, the markets

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for these obligations, and the types, levels and quality of revenue sources pledged for the payment of existing and future debt obligations. Such possible consequences include, without limitation, legislative proposals seeking restoration of the status of Section 936 benefits otherwise subject to the limitations discussed above. However, no assessment can be made at this time of the economic and other effects of a change in federal laws affecting Puerto Rico as a result of the November 1993 plebiscite.

The foregoing information constitutes only a brief summary of some of the financial difficulties which may impact certain issuers of Bonds and does not purport to be a complete or exhaustive description of all adverse conditions to which the issuers of the Bonds are subject. Additionally, many factors including national economic, social and environmental policies and conditions, which are not within the control of the issuers of Bonds, could affect or could have an adverse impact on the financial condition of Puerto Rico and various agencies and political subdivisions located in Puerto Rico. The Sponsor is unable to predict whether or to what extent such factors or other factors may affect the issuers of Bonds, the market value or marketability of the Bonds or the ability of the respective issuers of the Bonds acquired by the Trusts to pay interest on or principal of the Bonds.

Investors should be aware that many of the Bonds in the Trusts are subject to continuing requirements such as the actual use of Bond proceeds or manner of operation of the project financed from Bond proceeds that may affect the exemption of interest on such Bonds from Federal income taxation. Although at the time of issuance of each of the Bonds in the Trusts an opinion of bond counsel was rendered as to the exemption of interest on such obligations from Federal income taxation, there can be no assurance that the respective issuers or other obligors on such obligations will fulfill the various continuing requirements established upon issuance of the Bonds. A failure to comply with such requirements may cause a determination that interest on such obligations is subject to Federal income taxation, perhaps even retroactively from the date of issuance of such Bonds, thereby reducing the value of the Bonds and subjecting Unit holders to unanticipated tax liabilities.

Because certain of the Bonds may from time to time under certain circumstances be sold or redeemed or will mature in accordance with their terms and because the proceeds from such events will be distributed to Unit holders and will not be reinvested, no assurance can be given that a Trust will retain for any length of time its present size and composition. Neither the Sponsor nor the Trustee shall be liable in any way for any default, failure or defect in any Bond. Certain of the Bonds contained in the Trusts may be subject to being called or redeemed in whole or in part prior to their stated maturities pursuant to optional redemption provisions, sinking fund provisions, special or extraordinary redemption provisions or otherwise. See "Portfolio" for each Trust. A bond subject to optional call is one which is subject to redemption or refunding prior to maturity at the option of the issuer. A refunding is a method by which a bond issue is redeemed, at or before maturity, by the proceeds of a new bond issue. A bond subject to sinking fund redemption is one which is subject to partial call from time to time at par or, in the case of a zero coupon bond, at the accreted value from a fund accumulated for the scheduled retirement of a portion of an issue prior to maturity. Special or extraordinary redemption provisions may provide for redemption at par (or for original issue discount bonds at issue price plus the amount of original issue discount accreted to redemption date plus, if applicable, some premium) of all or a portion of an issue upon the occurrence of certain circumstances. Generally, events that may permit the extraordinary optional redemption of Bonds or may require mandatory redemption of Bonds include, among others: a final determination that the interest on the Bonds is taxable; the substantial damage or destruction by fire or other casualty of the project for which the proceeds of the Bonds were used; an exercise by a local, state or Federal governmental unit of its power of eminent domain to take all or substantially all of the project for which the proceeds of the Bonds were used; changes in the economic availability of raw materials, operating supplies or facilities or technological or other changes which render the operation of the project, for which the proceeds of the Bonds were used, uneconomic; changes in law or an administrative or

judicial decree which renders the performance of the agreement under which the proceeds of the Bonds were made available to finance the project impossible or which creates unreasonable burdens or which imposes excessive liabilities, such as taxes, not imposed on the

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date the Bonds are issued on the issuer of the Bonds or the user of the proceeds of the Bonds; an administrative or judicial decree which requires the cessation of a substantial part of the operations of the project financed with the proceeds of the Bonds; an overestimate of the costs of the project to be financed with the proceeds of the Bonds resulting in excess proceeds of the Bonds which may be applied to redeem Bonds; or an underestimate of a source of funds securing the Bonds resulting in excess funds which may be applied to redeem Bonds. See also the discussion of single family mortgage and multi-family mortgage revenue bonds above for more information on the call provisions of such bonds. The exercise of redemption or call provisions will (except to the extent the proceeds of the called Bonds are used to pay for Unit redemptions) result in the distribution of principal and may result in a reduction in the amount of subsequent interest distributions; it may also affect the long-term return and the current return on Units of each Trust. Redemption pursuant to call provisions is more likely to occur, and redemption pursuant to sinking fund provisions may occur, when the Bonds have an offering side valuation which represents a premium over par or for original issue discount bonds a premium over the accreted value. Unit holders may recognize capital gain or loss upon any redemption or call.

The contracts to purchase Bonds delivered to the Trustee represent an obligation by issuers or dealers to deliver Bonds to the Sponsor for deposit in each Trust. Contracts are typically settled and the Bonds delivered within a few business days subsequent to the Initial Date of Deposit. The percentage of the aggregate principal amount of the Bonds of each Trust relating to "when, as and if issued" Bonds or other Bonds with delivery dates after the date of settlement for a purchase made on the Initial Date of Deposit, if any, is indicated in the section for each Trust entitled "Portfolio." Interest on "when, as and if issued" and delayed delivery Bonds begins accruing to the benefit of Unit holders on their dates of delivery. Because "when, as and if issued" Bonds have not yet been issued, as of the Initial Date of Deposit each Trust is subject to the risk that the issuers thereof might decide not to proceed with the offering of such Bonds or that the delivery of such Bonds or the delayed delivery Bonds may be delayed. If such Bonds, or replacement bonds described below, are not acquired by a Trust or if their delivery is delayed, the Estimated Long-Term Return and the Estimated Current Return (if applicable) shown in the "Special Trust Information" for that Trust may be reduced.

In the event of a failure to deliver any Bond that has been purchased for a Trust under a contract, including those Bonds purchased on a "when, as and if issued" basis ("Failed Bonds"), the Sponsor is authorized under the Indenture to direct the Trustee to acquire other specified bonds ("New Bonds") to make up the original corpus of such Trust. The New Bonds must be purchased within twenty days after delivery of the notice of the failed contract and the purchase price (exclusive of accrued interest) may not exceed the amount of funds reserved for the purchase of the Failed Bonds. The New Bonds (i) must satisfy the criteria previously described for Bonds originally included in the Trust, (ii) must have a fixed maturity date of at least ten years or, in the case of a shorter term Trust, within the range of maturities of the Bonds initially deposited in such Trust, but not exceeding the maturity date of the Failed Bonds, (iii) must be purchased at a price that results in a yield to maturity and in a current return, in each case as of the Initial Date of Deposit, at least equal to that of the Failed Bonds, (iv) shall not be "when, as and if issued" bonds, (v) with respect to an Insured Trust, when acquired by such Insured Trust must be insured by Financial Guaranty and/or AMBAC Indemnity under the insurance policy obtained by such Insured Trust or must be insured under an insurance policy obtained by the Bond issuer, the underwriters, the Sponsor or others and (vi) shall have the benefit of exemption from state taxation on interest to an equal or greater extent than the Failed Bonds they replace. Whenever a New Bond has been acquired for a Trust, the Trustee shall, within five days thereafter, notify all Unit holders of such Trust of the acquisition of the New Bond and shall, on the next monthly distribution date which is more than 30 days thereafter, make a pro rata distribution of the amount, if any, by which the cost to such Trust of the Failed Bond exceeded the cost of the New Bond plus accrued interest. Once the original corpus of a Trust

is acquired, the Trustee will have no power to vary the investment of such Trust, i.e., the Trustee will have no managerial power to take advantage of market variations to improve a Unit holder's investment.

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If the right of limited substitution described in the preceding paragraph shall not be utilized to acquire New Bonds in the event of a failed contract, the Sponsor shall refund the sales charge attributable to such failed contract to all Unit holders of the affected Trust, and the principal and accrued interest (at the coupon rate of the relevant Bond to the date the Sponsor is notified of the failure) attributable to such failed contract shall be distributed not more than thirty days after the determination of such failure or at such earlier time as the Trustee in its sole discretion deems to be in the interest of the Unit holders of the affected Trust. Unit holders should be aware that at the time of the receipt of such refunded principal they may not be able to reinvest such principal in other securities at a yield equal to or in excess of the yield which such principal would have earned to Unit holders had the Failed Bond been delivered to the Trust. The portion of such interest paid to a Unit holder which accrued after the expected date of settlement for purchase of his Units will be paid by the Sponsor and accordingly will not be treated as tax-exempt income.

To the best knowledge of the Sponsor, there is no litigation pending as of the Initial Date of Deposit in respect of any Bonds which might reasonably be expected to have a material adverse effect upon the Trusts. At any time after the Initial Date of Deposit, litigation may be initiated on a variety of grounds with respect to Bonds in a Trust. Such litigation, as for example suits challenging the issuance of pollution control revenue bonds under environmental protection statutes, may affect the validity of such Bonds or the tax-free nature of the interest thereon. While the outcome of litigation of such nature can never be entirely predicted, the Fund has received opinions of bond counsel to the issuing authority of each Bond on the date of issuance to the effect that such Bonds have been validly issued and that the interest thereon is exempt from Federal income taxes and state and local taxes, except that interest income of certain Bonds in certain Trusts may be included as an item of tax preference in calculating the Alternative Minimum Tax applicable to both individuals and corporations. In addition, other factors may arise from time to time which potentially may impair the ability of issuers to meet obligations undertaken with respect to the Bonds.

What are Estimated Long-Term Return and Estimated Current Return?

At the opening of business on the Initial Date of Deposit, the Estimated Current Return (if applicable) and the Estimated Long-Term Return under the monthly and semi-annual distribution plans are as set forth in "Special Trust Information" for each Trust. Estimated Current Return is computed by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price. Any change in either the Estimated Net Annual Interest Income per Unit or the Public Offering Price will result in a change in the Estimated Current Return. For each Trust, the Public Offering Price will vary in accordance with fluctuations in the prices of the underlying Bonds and the Net Annual Interest Income per Unit will change as Bonds are redeemed, paid, sold or exchanged in certain refundings or as the expenses of each Trust change. Therefore, there is no assurance that the Estimated Current Return (if applicable) indicated in the "Special Trust Information" for each Trust will be realized in the future. Estimated Long-Term Return is calculated using a formula which (1) takes into consideration and determines and factors in the relative weightings of the market values, yields (which takes into account the amortization of premiums and the accretion of discounts) and estimated retirements of all of the Bonds in the Trust; (2) takes into account the expenses and sales charge associated with each Unit of a Trust; and (3) takes into effect the tax-adjusted yield from potential capital gains at the Initial Date of Deposit. Since the market values and estimated retirements of the Bonds and the expenses of the Trust will change, there is no assurance that the Estimated Long-Term Return indicated in the "Special Trust Information" for each Trust will be realized in the future. Estimated Current Return and Estimated Long-Term Return are expected to differ because the calculation of Estimated Long-Term Return reflects the estimated date and amount of principal returned while Estimated Current Return calculations include only Net Annual Interest Income and Public Offering Price as of the Initial Date of Deposit. Neither rate reflects the true return to Unit holders, which is lower, because neither includes the

effect of certain delays in distributions to Unit holders.

In order to acquire certain of the Bonds contracted for by the Sponsor for deposit in a Trust, it may be necessary to pay on the settlement dates for delivery of such Bonds amounts covering accrued interest on such Bonds which exceed the amounts furnished by the Sponsor. The Trustee has agreed to pay for any amounts

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necessary to cover any such excess and will be reimbursed therefor, without interest, when funds become available from interest payments on the particular Bonds with respect to which such payments have been made. Also, since interest on the Bonds in a Trust does not begin accruing as tax-exempt interest income to the benefit of Unit holders until their respective dates of delivery, the Trustee will, in order to obtain for the Unit holders the estimated net annual interest income during the first year of each Trust's operations as is indicated in the "Special Trust Information" for each Trust, reduce its fee and, to the extent necessary, pay expenses of each Trust in an amount equal to all or a portion of the amount of interest that would have so accrued on such Bonds between the settlement date of units purchased on the Initial Date of Deposit and such dates of delivery. If none of the Bonds in a portfolio has a delivery date after the settlement date of Units purchased on the Initial Date of Deposit, the Trustee will neither reduce its fee nor pay expenses of a Trust as described above.

Record Dates for the distribution of interest under the semi-annual distribution plan are the fifteenth day of June and December with the Distribution Dates being the last day of the month in which the related Record Date occurs. It is anticipated that an amount equal to approximately one-half of the amount of net annual interest income per Unit will be distributed on or shortly after each Distribution Date to Unit holders of record on the preceding Record Date. See "Special Trust Information" for each Trust.

Record Dates for monthly distributions of interest are the fifteenth day of each month. The Distribution Dates for distributions of interest under the monthly plan is the last day of each month in which the related Record Date occurs. All Unit holders will receive the first distribution of interest regardless of the plan of distribution chosen and all Unit holders will receive such distributions, if any, from the Principal Account as are made as of the Record Dates for monthly distributions.

A comparison of tax-free and equivalent taxable estimated current returns and estimated long-term returns with the returns on various taxable investments is one element to consider in making an investment decision. The Sponsor may from time to time in its advertising and sales materials compare the then current estimated returns on the Trust and returns over specified periods on other similar Trusts sponsored by Nike Securities L.P. with returns on taxable investments such as corporate or U.S. Government bonds, bank CDs and money market accounts or money market funds, each of which has investment characteristics that may differ from those of the Trust. U.S. Government bonds, for example, are backed by the full faith and credit of the U.S. Government and bank CDs and money market accounts are insured by an agency of the federal government. Money market accounts and money market funds provide stability of principal, but pay interest at rates that vary with the condition of the short-term debt market. The investment characteristics of the Trust are described more fully elsewhere in this Prospectus.

How is Accrued Interest Treated?

Accrued interest is the accumulation of unpaid interest on a bond from the last day on which interest thereon was paid. Interest on Bonds generally is paid semi-annually, although the Trust accrues such interest daily. Because of this, the Trust always has an amount of interest earned but not yet collected by the Trustee. For this reason, with respect to sales settling subsequent to the First Settlement Date, the Public Offering Price of Units will have added to it the proportionate share of accrued interest to the date of settlement. Unit holders will receive on the next distribution date of the Trust the amount, if any, of accrued interest paid on their Units.

In an effort to reduce the amount of accrued interest which would otherwise have to be paid in addition to the Public Offering Price in the sale of Units to the public, the Trustee will advance the amount of accrued interest as of the First Settlement Date and the same will be distributed to the Sponsor as the Unit holder of record as of the First Settlement Date. Consequently, the amount

of accrued interest to be added to the Public Offering Price of Units will include only accrued interest from the First Settlement Date to the date of settlement, less any distributions from the Interest Account subsequent to the First Settlement Date. See "Rights of Unit Holders-How are Interest and Principal Distributed?"

Because of the varying interest payment dates of the Bonds, accrued interest at any point in time will be greater than the amount of interest actually received by the Trust and distributed to Unit holders. Therefore, there

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will always remain an item of accrued interest that is added to the value of the Units. If a Unit holder sells or redeems all or a portion of his Units, he will be entitled to receive his proportionate share of the accrued interest from the purchaser of his Units. Since the Trustee has the use of the funds held in the Interest Account for distributions to Unit holders and since such Account is non-interest-bearing to Unit holders, the Trustee benefits thereby.

What are the Expenses and Charges?

At no cost to the Trusts, the Sponsor has borne all the expenses of creating and establishing the Fund, including the cost of the initial preparation, printing and execution of the Indenture and the certificates for the Units, legal and accounting expenses and other out-of-pocket expenses. With the exception of bookkeeping and other administrative services provided to the Trusts, for which the Sponsor will be reimbursed in amounts as set forth under "Summary of Essential Information," the Sponsor will not receive any fees in connection with its activities relating to the Trusts. Such bookkeeping and administrative charges may be increased without approval of the Unit holders by amounts not exceeding proportionate increases under the category "All Services Less Rent of Shelter" in the Consumer Price Index published by the United States Department of Labor. The fees payable to the Sponsor for such services may exceed the actual costs of providing such services for this Fund, but at no time will the total amount received for such services rendered to unit investment trusts of which Nike Securities L.P. is the Sponsor in any calendar year exceed the aggregate cost to the Sponsor of supplying such services in such year. First Trust Advisors L.P., an affiliate of the Sponsor, will receive an annual supervisory fee, which is not to exceed the amount set forth under "Summary of Essential Information," for providing portfolio supervisory services for the Trust. Such fee is based on the number of Units outstanding in each Trust on January 1 of each year except for Trusts which were established subsequent to the last January 1, in which case the fee will be based on the number of Units outstanding in such Trusts as of the respective Dates of Deposit. The fee may exceed the actual costs of providing such supervisory services for this Fund, but at no time will the total amount received for portfolio supervisory services rendered to unit investment trusts of which Nike Securities L.P. is the Sponsor in any calendar year exceed the aggregate cost to First Trust Advisors L.P. of supplying such services in such year.

For each valuation of the Bonds in a Trust after the initial public offering period, the Evaluator will receive a fee as indicated in the "Summary of Essential Information." The Trustee pays certain expenses of the Trusts for which it is reimbursed by the Trust or Trusts. After the first year the Trustee will receive for its ordinary recurring services to a Trust a fee as indicated in the "Special Trust Information" for each Trust. During the first year the Trustee has agreed to lower its fee and, to the extent necessary, pay expenses of the Trust in the amount, if any, stated under "Special Trust Information" for each Trust. For a discussion of the services performed by the Trustee pursuant to its obligations under the Indenture, reference is made to the material set forth under "Rights of Unit Holders." Bankers Trust Company issued the irrevocable letter of credit for the Fund and provides a line of credit which the Sponsor may utilize to acquire securities (which may include certain of the Bonds deposited in the Fund). The Trustee's and Evaluator's fees are payable monthly on or before each Distribution Date from the Interest Account of each Trust to the extent funds are available and then from the Principal Account of such Trust. Since the Trustee has the use of the funds being held in the Principal and Interest Accounts for future distributions, payment of expenses and redemptions and since such Accounts are non-interest-bearing to Unit holders, the Trustee benefits thereby. Part of the Trustee's compensation for its services to the Fund is expected to result from the use of these funds. Both fees may be increased without approval of the Unit holders by amounts not

exceeding proportionate increases under the category "All Services Less Rent of Shelter" in the Consumer Price Index published by the United States Department of Labor.

The aggregate cost of the portfolio insurance obtained by an Insured Trust is indicated in Note 1 of "Notes to Portfolios." The portfolio insurance continues so long as such Trust retains the Bonds thus insured. Premiums are payable monthly in advance by the Trustee on behalf of such Trust. The Trustee will advance the initial premium for the portfolio insurance obtained by an Insured Trust and will recover its advancement without interest or other costs to such Trust from interest received on Bonds in such Trust. As

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Bonds in the portfolio are redeemed by their respective issuers or are sold by the Trustee, the amount of premium will be reduced in respect of those Bonds no longer owned by and held in the Trust which were insured by insurance obtained by such Trust. Preinsured Bonds in an Insured Trust are not insured by such Trust.

The premium payable for Permanent Insurance will be paid solely from the proceeds of the sale of such Bond in the event the Trustee exercises the right to obtain Permanent Insurance on a Bond. The premiums for such Permanent Insurance with respect to each Bond will decline over the life of the Bond. An Advantage Trust is not insured; accordingly, there are no premiums for insurance payable by such Trust.

The following additional charges are or may be incurred by a Trust: all expenses (including legal and annual auditing expenses) of the Trustee incurred by or in connection with its responsibilities under the Indenture, except in the event of negligence, bad faith or willful misconduct on its part; the expenses and costs of any action undertaken by the Trustee to protect the Trust and the rights and interests of the Unit holders; fees of the Trustee for any extraordinary services performed under the Indenture; indemnification of the Trustee for any loss, liability or expense incurred by it without negligence, bad faith or willful misconduct on its part, arising out of or in connection with its acceptance or administration of the Trust; indemnification of the Sponsor for any loss, liability or expense incurred without gross negligence, bad faith or willful misconduct in acting as Depositor of the Trust; all taxes and other government charges imposed upon the Bonds or any part of the Trust (no such taxes or charges are being levied or made or, to the knowledge of the Sponsor contemplated); and expenditures incurred in contacting Unit holders upon termination of the Trust. The above expenses and the Trustee's annual fee, when paid or owing to the Trustee, are secured by a lien on the Trust. In addition, the Trustee is empowered to sell Bonds of a Trust in order to make funds available to pay all these amounts if funds are not otherwise available in the Interest and Principal Accounts of the Trust.

Unless the Sponsor determines that such an audit is not required, the Indenture requires the accounts of each Trust shall be audited on an annual basis at the expense of the Trust by independent auditors selected by the Sponsor. So long as the Sponsor is making a secondary market for Units, the Sponsor shall bear the cost of such annual audits to the extent such cost exceeds \$.50 per Unit. Unit holders of a Trust covered by an audit may obtain a copy of the audited financial statements from the Trustee upon request.

Why and How are the Insured Trusts Insured?

THE FOLLOWING DISCUSSION IS APPLICABLE ONLY TO THE INSURED TRUSTS. THE BONDS IN THE PORTFOLIO OF AN ADVANTAGE TRUST ARE NOT INSURED BY INSURANCE OBTAINED BY THE FUND.

All Bonds in the portfolio of an Insured Trust are insured as to the scheduled payment of interest and principal by policies obtained by each Insured Trust from Financial Guaranty Insurance Company ("Financial Guaranty" or "FGIC"), a New York stock insurance company, or AMBAC Indemnity Corporation ("AMBAC Indemnity" or "AMBAC"), a Wisconsin-domiciled stock insurance company, or obtained by the Bond issuer, the underwriters, the Sponsor or others prior to the Initial Date of Deposit directly from Financial Guaranty, AMBAC Indemnity or other insurers (the "Preinsured Bonds"). The insurance policy obtained by each Insured Trust is noncancellable and will continue in force for such Trust so long as such Trust is in existence and the Bonds described in the policy continue to be held by such Trust (see "Portfolio" for each Insured Trust). Nonpayment of premiums on the policy obtained by each Insured

Trust will not result in the cancellation of insurance, but will permit Financial Guaranty and/or AMBAC Indemnity to take action against the Trustee to recover premium payments due it. Premium rates for each issue of Bonds protected by the policy obtained by each Insured Trust are fixed for the life of such Trust. The premium for any Preinsured Bonds has been paid in advance by the Bond issuer, the underwriters, the Sponsor or others and any such policy or policies are noncancellable and will continue in force so long as the Bonds so insured are outstanding and the insurer and/or insurers thereof remain in business. If the provider of an original issuance insurance policy is unable to meet its obligations under such policy, or if the rating assigned to the claims-paying ability of such insurer deteriorates, Financial Guaranty and/or AMBAC Indemnity has no obligation to insure any issue adversely affected by either of the above described events. A monthly premium is paid by each Insured Trust for the insurance obtained by such Trust, which is payable from the interest income received by such Trust. In the case of Preinsured Bonds, no premiums for insurance are paid by the Insured Trust.

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Financial Guaranty Insurance Company. Under the provisions of the aforementioned portfolio insurance issued by Financial Guaranty, Financial Guaranty unconditionally and irrevocably agrees to pay to Citibank, N.A., or its successor, as its agent (the "Fiscal Agent"), that portion of the principal of and interest on the Bonds covered by the policy which shall become due for payment but shall be unpaid by reason of nonpayment by the issuer of the Bonds. The term "due for payment" means, when referring to the principal of a Bond, its stated maturity date or the date on which it shall have been called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest, except that when the interest on a Bond shall have been determined, as provided in the underlying documentation relating to such Bond, to be subject to Federal income taxation, "due for payment" also means, when referring to the principal of such Bond, the date on which such Bond has been called for mandatory redemption as a result of such determination of taxability, and when referring to interest on such Bond, the accrued interest at the rate provided in such documentation to the date on which such Bond has been called for such mandatory redemption, together with any applicable redemption premium. The term "due for payment" will not include, when referring to either the principal of a Bond or the interest on a Bond, any acceleration of payment unless such acceleration is at the sole option of Financial Guaranty.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes due for payment or on the business day next following the day on which Financial Guaranty shall have received notice of nonpayment, whichever is later. The Fiscal Agent will disburse to the Trustee the face amount of principal and interest which is then due for payment but is unpaid by reason of nonpayment by the issuer but only upon receipt by the Fiscal Agent of (i) evidence of the Trustee's right to receive payment of the principal or interest due for payment and (ii) evidence, including any appropriate instruments of assignment, that all of the rights to payment of such principal or interest due for payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Trustee's rights thereunder, including the right to payment thereof.

Pursuant to an irrevocable commitment of Financial Guaranty, the Trustee, upon the sale of a Bond covered under a policy obtained by an Insured Trust has the right to obtain permanent insurance with respect to such Bond (i.e., insurance to maturity of the Bonds regardless of the identity of the holder thereof) (the "Permanent Insurance") upon the payment of a single predetermined insurance premium from the proceeds of the sale of such Bond. Accordingly, any Bond in an Insured Trust is eligible to be sold on an insured basis. It is expected that the Trustee will exercise the right to obtain Permanent Insurance only if upon such exercise the Insured Trust would receive net proceeds (sale of Bond proceeds less the insurance premium attributable to the Permanent Insurance) from such sale in excess of the sale proceeds if such Bonds were sold on an uninsured basis. The insurance premium with respect to each Bond eligible for Permanent Insurance is determined based upon the insurability of each Bond as of the Initial Date of Deposit



and will not be increased or decreased for any change in the creditworthiness of such Bond.

Financial Guaranty is a wholly owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a wholly owned subsidiary of General Electric Capital Corporation ("GECC"). Neither the Corporation nor GECC is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of September 30, 1994, the total capital and surplus of Financial Guaranty was approximately \$871,000,000. Copies of Financial Guaranty's financial statements, prepared on the basis of statutory accounting principles, and the Corporation's financial statements, prepared on the basis of generally accepted accounting principles, may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number (212) 312-3000) or to the New York State Insurance Department at 160 West Broadway, 18th Floor, New York, New York 10013, Attention: Property Companies Bureau (telephone number (212) 621-0389).

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In addition, Financial Guaranty is currently licensed to write insurance in all fifty states and the District of Columbia.

The information relating to Financial Guaranty contained above has been furnished by such corporation. The financial information contained herein with respect to such corporation is unaudited but appears in reports or other materials filed with state insurance regulatory authorities and is subject to audit and review by such authorities. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

AMBAC Indemnity Corporation ("AMBAC Indemnity"). The Insurance Policy of AMBAC Indemnity obtained by an Insured Trust is noncancellable and will continue in force for so long as the Bonds described in the Insurance Policy are held by an Insured Trust. A monthly premium is paid by an Insured Trust for the Insurance Policy obtained by it. The Trustee will pay, when due, successively, the full amount of each installment of the insurance premium. Pursuant to a binding agreement with AMBAC Indemnity, in the event of a sale of a Bond covered by the AMBAC Indemnity Insurance Policy, the Trustee has the right to obtain permanent insurance for such Bond upon payment of a single predetermined premium from the proceeds of the sale of such Bond.

Under the terms of the Insurance Policy, AMBAC Indemnity agrees to pay to the Trustee that portion of the principal of and interest on the Bonds insured by AMBAC Indemnity which shall become due for payment but shall be unpaid by reason of nonpayment by the issuer of the Bonds. The term "due for payment" means, when referring to the principal of a Bond so insured, its stated maturity date or the date on which it shall have been called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest.

AMBAC Indemnity will make payment to the Trustee not later than thirty days after notice from the Trustee is received by AMBAC Indemnity that a nonpayment of principal or of interest on a Bond has occurred, but not earlier than the date on which the Bonds are due for payment. AMBAC Indemnity will disburse to the Trustee the face amount of principal and interest which is then due for payment but is unpaid by reason of nonpayment by the issuer in exchange for delivery of Bonds, not less in face amount than the amount of the payment in bearer form, free and clear of all liens and encumbrances and uncanceled. In cases where Bonds are issuable only in a form whereby principal is payable to registered holders or their assigns, AMBAC Indemnity shall pay principal only upon presentation and surrender of the unpaid Bonds uncanceled and free of any adverse claim, together with an instrument of assignment in satisfactory form, so as to permit ownership of such Bonds to be registered in the name of AMBAC Indemnity or its nominee. In cases where Bonds are issuable only in a form whereby interest is payable to registered holders or their assigns, AMBAC Indemnity shall pay interest only upon presentation of proof that the claimant is the person entitled to the payment of interest on the Bonds and delivery of an instrument of assignment, in satisfactory form, transferring to AMBAC Indemnity all right under such Bonds to

receive the interest in respect of which the insurance payment was made.

AMBAC Indemnity is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in fifty states, the District of Columbia and the Commonwealth of Puerto Rico, with admitted assets of approximately \$1,988,000,000 (unaudited) and statutory capital of approximately \$1,148,000,000 (unaudited) as of March 31, 1994. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity is a wholly owned subsidiary of AMBAC Inc., a 100% publicly-held company. Moody's Investors Service, Inc. and Standard & Poor's Corporation have both assigned a triple-A claims-paying ability rating to AMBAC Indemnity.

Copies of AMBAC Indemnity's financial statements prepared in accordance with statutory accounting standards are available from AMBAC Indemnity. The address of AMBAC Indemnity's administrative offices and

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its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

The information relating to AMBAC Indemnity contained above has been furnished by AMBAC Indemnity. No representation is made herein as to the accuracy or adequacy of such information, or as to the existence of any adverse changes in such information, subsequent to the date hereof.

In determining whether to insure bonds, Financial Guaranty and/or AMBAC Indemnity has applied its own standards which are not necessarily the same as the criteria used in regard to the selection of bonds by the Sponsor. This decision is made prior to the Initial Date of Deposit, as bonds not covered by such insurance are not deposited in an Insured Trust, unless such bonds are Preinsured Bonds. The insurance obtained by an Insured Trust covers Bonds deposited in such Trust and physically delivered to the Trustee in the case of bearer bonds or registered in the name of the Trustee or its nominee or delivered along with an assignment in the case of registered bonds or registered in the name of the Trustee or its nominee in the case of Bonds held in book-entry form. Contracts to purchase Bonds are not covered by the insurance obtained by an Insured Trust although Bonds underlying such contracts are covered by insurance upon physical delivery to the Trustee.

Insurance obtained by each Insured Trust or by the Bond issuer, the underwriters, the Sponsor or others does not guarantee the market value of the Bonds or the value of the Units of such Trust. The insurance obtained by an Insured Trust is effective only as to Bonds owned by and held in such Trust. In the event of a sale of any such Bond by the Trustee, the insurance terminates as to such Bond on the date of sale. In the event of a sale of a Bond insured by an Insured Trust, the Trustee has the right to obtain Permanent Insurance upon the payment of an insurance premium from the proceeds of the sale of such Bond. Except as indicated below, insurance obtained by an Insured Trust has no effect on the price or redemption value of Units. It is the present intention of the Evaluator to attribute a value to such insurance obtained by an Insured Trust (including the right to obtain Permanent Insurance) for the purpose of computing the price or redemption value of Units only if the Bonds covered by such insurance are in default in payment of principal or interest or, in the Sponsor's opinion, in significant risk of such default. The value of the insurance will be equal to the difference between (i) the market value of a Bond which is in default in payment of principal or interest or in significant risk of such default assuming the exercise of the right to obtain Permanent Insurance (less the insurance premium attributable to the purchase of Permanent Insurance) and (ii) the market value of such Bonds not covered by Permanent Insurance. See "Public Offering-How is the Public Offering Price Determined?" herein for a more complete description of the Evaluator's method of valuing defaulted Bonds and Bonds which have a significant risk of default. Insurance on a Preinsured Bond is effective as long as such Bond is outstanding. Therefore, any such insurance may be considered to represent an element of market value in regard to the Bonds thus insured, but the exact effect, if any, of this insurance on such market value cannot be predicted.

A contract of insurance obtained by an Insured Trust and the negotiations in respect thereof represent the only relationship between Financial

Guaranty and/or AMBAC Indemnity and the Fund. Otherwise neither Financial Guaranty nor its parent, FGIC Corporation, or any affiliate thereof, nor AMBAC Indemnity nor its parent, AMBAC, Inc., or any affiliate thereof has any significant relationship, direct or indirect, with the Fund or the Sponsor, except that the Sponsor has in the past and may from time to time in the future, in the normal course of its business, participate as sole underwriter or as manager or as a member of underwriting syndicates in the distribution of new issues of municipal bonds in which the investors or the affiliates of FGIC Corporation and/or AMBAC Inc. have or will be participants or for which a policy of insurance guaranteeing the scheduled payment of interest and principal has been obtained from Financial Guaranty and/or AMBAC Indemnity. Neither the Fund nor the Units of a Trust nor the portfolio of such Trust is insured directly or indirectly by FGIC Corporation and/or AMBAC Inc.

Municipal Bond Investors Assurance Corporation. Municipal Bond Investors Assurance Corporation ("MBIA Corporation" or "MBIA") is the principal operating subsidiary of MBIA, Inc., a New York Stock Exchange listed company. MBIA, Inc. is not obligated to pay the debts of or claims against MBIA Corporation.

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MBIA Corporation is a limited liability corporation rather than a several liability association. MBIA Corporation is domiciled in the State of New York and licensed to do business in all fifty states, the District of Columbia and the Commonwealth of Puerto Rico.

As of December 31, 1993, MBIA had admitted assets of \$3.1 billion (audited), total liabilities of \$2.1 billion (audited), and total capital and surplus of \$978 million (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 1994, MBIA had admitted assets of \$3.3 billion (unaudited), total liabilities of \$2.2 billion (unaudited), and total capital and surplus of \$1.1 billion (unaudited), determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Copies of MBIA's financial statements prepared in accordance with statutory accounting practices are available from MBIA. The address of MBIA is 113 King Street, Armonk, New York 10504.

Effective December 31, 1989, MBIA Inc. acquired Bond Investors Group, Inc. On January 5, 1990, MBIA acquired all of the outstanding stock of Bond Investors Group, Inc., the parent of Bond Investors Guaranty Insurance Company (BIG), now known as MBIA Insurance Corp. of Illinois. Through a reinsurance agreement, BIG has ceded all of its net insured risks, as well as its unearned premium and contingency reserves, to MBIA and MBIA has reinsured BIG's net outstanding exposure.

Moody's Investors Service rates all bond issues insured by MBIA "Aaa" and short-term loans "MIG 1," both designated to be of the highest quality. Standard & Poor's rates all new issues insured by MBIA "AAA."

Capital Guaranty Insurance Company. Capital Guaranty Insurance Company ("Capital Guaranty") is a "Aaa/AAA" rated monoline stock insurance company incorporated in the State of Maryland, and is a wholly owned subsidiary of Capital Guaranty Corporation, a Maryland insurance holding company. Capital Guaranty Corporation is a publicly owned company whose shares are traded on the New York Stock Exchange.

Capital Guaranty is authorized to provide insurance in 49 states, the District of Columbia and three U.S. territories. Capital Guaranty focuses on insuring municipal securities, and its policies guaranty the timely payment of principal and interest when due for payment on new issue and secondary market issue municipal bond transactions. Capital Guaranty's claims-paying ability is rated "Triple-A" by both Moody's Investors Service, Inc. and Standard & Poor's.

As of September 30, 1994, Capital Guaranty had more than \$14.6 billion in net exposure outstanding (excluding defeased issues). The total statutory policyholders' surplus and contingency reserve of Capital Guaranty was \$193,194,000 (unaudited) and the total admitted assets were \$293,036,690 (unaudited) as reported to the Insurance Department of the State of Maryland as of September 30, 1994. The address of Capital Guaranty's headquarters and its telephone number are Steuart Tower,

CapMAC. CapMAC is a New York-domiciled monoline stock insurance company which engages only in the business of financial guarantee and surety insurance. CapMAC is licensed in 49 states in addition to the District of Columbia, the Commonwealth of Puerto Rico and the territory of Guam. CapMAC insures structured asset-backed, corporate and other financial obligations in the domestic and foreign capital markets. CapMAC may also provide financial guarantee reinsurance for structured asset-backed, corporate and municipal obligations written by other major insurance companies.

CapMAC's claims-paying ability is rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's ("Standard & Poor's"), and "AAA" by Duff & Phelps, Inc. ("Duff & Phelps"). Such ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies.

CapMAC is wholly owned by CapMAC Holdings Inc. ("Holdings"), a company that is owned by a group of institutional and other investors, including CapMAC's management and employees. CapMAC commenced operations on December 24, 1987 as an indirect, wholly-owned subsidiary of Citibank (New York

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State), a wholly-owned subsidiary of Citicorp. On June 25, 1992, Citibank (New York State) sold CapMAC to Holdings (the "Sale").

Neither Holdings nor any of its stockholders is obligated to pay any claims under any surety bond issued by CapMAC or any debts of CapMAC or to make additional capital contributions.

CapMAC is regulated by the Superintendent of Insurance of the State of New York. In addition, CapMAC is subject to regulation by the insurance departments of the other jurisdictions in which it is licensed. CapMAC is subject to periodic regulatory examinations by the same regulatory authorities.

CapMAC is bound by insurance laws and regulations regarding capital transfers, limitations upon dividends, investment of assets, changes in control, transactions with affiliates and consolidations and acquisitions. The amount of exposure per risk that CapMAC may retain, after giving effect to reinsurance, collateral or other securities, is also regulated. Statutory and regulatory accounting practices may prescribe appropriate rates at which premiums are earned and the levels of reserves required. In addition, various insurance laws restrict the incurrence of debt, regulate permissible investments of reserves, capital and surplus, and govern the form of surety bonds.

CapMAC's obligations under the Surety Bond(s) may be reinsured. Such reinsurance does not relieve CapMAC of any of its obligations under the Surety Bond(s).

THE SURETY BONDS ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In connection with the Sale, Holdings and CapMAC entered into an Ownership Policy Agreement (the "Ownership Policy Agreement"), which sets forth Holdings' intent with respect to its ownership and control of CapMAC and provides for certain policies and agreements with respect to Holdings' exercise of its control of CapMAC. In the Ownership Policy Agreement, Holdings has agreed that, during the term of the Ownership Policy Agreement, it will not and will not permit any stockholder of Holdings to enter into any transaction the result of which would be a change of control (as defined in the Ownership Policy Agreement) of CapMAC, unless the long-term debt obligations or claims-paying ability of the person which would control CapMAC after such transaction or its direct or indirect parent are rated in a high investment grade category, unless Holdings or CapMAC has confirmed that CapMAC's claims-paying ability rating by Moody's (the "Rating") in effect immediately prior to any such change of control will not be downgraded by Moody's upon such change of control or unless such change of control occurs as a result of a public offering of Holdings' capital stock.

In addition, the Ownership Policy Agreement includes agreements (i) not to change the "zero-loss" underwriting standards or policies

and procedures of CapMAC in a manner that would materially and adversely affect the risk profile of CapMAC's book of business, (ii) that CapMAC will adhere to the aggregate leverage limitations and maintain capitalization levels considered by Moody's from time to time as consistent with maintaining CapMAC's Rating and (iii) that until CapMAC's statutory capital surplus and contingency reserve ("qualified statutory capital") equal \$250 million, CapMAC will maintain a specified amount of qualified statutory capital in excess of the amount of qualified statutory capital that CapMAC is required at such time to maintain under the aggregate leverage limitations set forth in Article 69 of the New York Insurance Law.

The Ownership Policy Agreement will terminate on the earlier of the date on which a change of control of CapMAC occurs and the date on which CapMAC and Holdings agree in writing to terminate the Ownership Policy Agreement; provided that, CapMAC or Holdings has confirmed that CapMAC's Rating in effect immediately prior to any such termination will not be downgraded upon such termination.

As of December 31, 1992 and 1991, CapMAC had statutory capital and surplus of approximately \$148 million and \$232 million, respectively, and had not incurred any debt obligations. On June 26, 1992, CapMAC made a special distribution (the "Distribution") to Holdings in connection with the Sale in an aggregate amount that caused the total of CapMAC's statutory capital and surplus to decline to approximately \$150 million. Holdings applied substantially all of the proceeds of the Distribution to repay debt owed to Citicorp that was incurred in connection with the capitalization of CapMAC. As of June 30, 1992,

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CapMAC had statutory capital and surplus of approximately \$150 million and had not incurred any debt obligations. In addition, on December 31, 1992 CapMAC had a statutory contingency reserve of approximately \$15 million, which is also available to cover claims under surety bonds issued by CapMAC. Article 69 of the New York State Insurance Law requires that CapMAC establishes and maintains the contingency reserve.

In addition to its capital (including contingency reserve) and other reinsurance available to pay claims under its surety bonds, on June 25, 1992, CapMAC entered into a Stop Loss Reinsurance Agreement (the "Stop Loss Agreement") with Winterthur Swiss Insurance Company (the "Reinsurer"), which is rated AAA by Standard & Poor's and Aaa by Moody's, pursuant to which the Reinsurer will be required to pay any losses incurred by CapMAC during the term of the Stop Loss Agreement on the surety bonds covered under the Stop Loss Agreement in excess of a specified amount of losses incurred by CapMAC under such surety bonds (such specified amount initially being \$100 million and increasing annually by an amount equal to 66 2/3% of the increase in CapMAC's statutory capital and surplus) up to an aggregate limit payable under the Stop Loss Agreement of \$50 million. The Stop Loss Agreement has an initial term of seven years, is extendable for one-year periods and is subject to early termination upon the occurrence of certain events.

CapMAC also has available a \$100,000,000 standby corporate liquidity facility (the "Liquidity Facility") provided by a syndicate of banks rated A1+/P1 by Standard & Poor's and Moody's, respectively, having a term of 360 days. Under the Liquidity Facility CapMAC will be able, subject to satisfying certain conditions, to borrow funds from time to time in order to enable it to fund any claim payments or payments made in settlement or mitigation of claims payments under its surety bonds, including the Surety Bond(s).

Copies of CapMAC's financial statements prepared in accordance with statutory accounting standards, which differ from generally accepted accounting principles, and filed with the Insurance Department of the State of New York are available upon request. CapMAC is located at 885 Third Avenue, New York, New York 10022, and its telephone number is (212) 755-1155.

Financial Security Assurance. Financial Security Assurance ("Financial Security") is a monoline insurance company incorporated on March 16, 1984 under the laws of the State of New York. The operations of Financial Security commenced on July 25, 1985, and Financial Security received its New York State insurance license on September 23, 1985. Financial Security and its two wholly owned subsidiaries are licensed to engage in the financial guaranty insurance business in 49 states, the District of Columbia and Puerto Rico.

Financial Security and its subsidiaries are engaged exclusively

in the business of writing financial guaranty insurance, principally in respect of asset-backed and other collateralized securities offered in domestic and foreign markets. Financial Security and its subsidiaries also write financial guaranty insurance in respect of municipal and other obligations and reinsure financial guaranty insurance policies written by other leading insurance companies. In general, financial guaranty insurance consists of the issuance of a guaranty of scheduled payments of an issuer's securities, thereby enhancing the credit rating of those securities, in consideration for payment of a premium to the insurer.

Financial Security is approximately 91.6% owned by US West, Inc. and 8.4% owned by The Tokio Marine and Fire Insurance Co., Ltd. ("Tokio Marine"). US West, Inc. operates businesses involved in communications, data solutions, marketing services and capital assets, including the provision of telephone services in 14 states in the western and mid-western United States. Tokio Marine is the largest property and casualty insurance company in Japan. No shareholder of Financial Security is obligated to pay any debt of Financial Security or any claim under any insurance policy issued by Financial Security or to make any additional contribution to the capital of Financial Security.

As of March 31, 1993, the total policyholders' surplus and contingency reserves and the total unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with statutory accounting principles, approximately \$479,110,000 (unaudited) and \$220,078,000 (unaudited), and the total shareholders' equity and the unearned premium reserve, respectively, of Financial Security and its consolidated subsidiaries were, in accordance with generally accepted accounting

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principles, approximately \$628,119,000 (unaudited), and \$202,493,000 (unaudited). Copies of Financial Security's financial statements may be obtained by writing to Financial Security at 350 Park Avenue, New York, New York, 10022, Attention Communications Department. Financial Security's telephone number is (212) 826-0100.

Pursuant to an intercompany agreement, liabilities on financial guaranty insurance written by Financial Security or either of its subsidiaries are reinsured among such companies on an agreed-upon percentage substantially proportional to their respective capital, surplus and reserves, subject to applicable statutory risk limitations. In addition, Financial Security reinsures a portion of its liabilities under certain of its financial guaranty insurance policies with unaffiliated reinsurers under various quota share treaties and on a transaction-by-transaction basis. Such reinsurance is utilized by Financial Security as a risk management device and to comply with certain statutory and rating agency requirements; it does not alter or limit Financial Security's obligations under any financial guaranty insurance policy.

Financial Security's claims-paying ability is rated "Aaa" by Moody's Investors Service, Inc. and "AAA" by Standard & Poor's, Nippon Investors Service Inc., Duff & Phelps Inc. and Australian Ratings Pty. Ltd. Such ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by such rating agencies.

Because the Bonds in each Insured Trust are insured as to the scheduled payment of principal and interest and on the basis of the financial condition of the insurance companies referred to above, Standard & Poor's has assigned to units of each Insured Trust its "AAA" investment rating. This is the highest rating assigned to securities by Standard & Poor's. See "Description of Bond Ratings." The obtaining of this rating by each Insured Trust should not be construed as an approval of the offering of the Units by Standard & Poor's or as a guarantee of the market value of each Insured Trust or the Units of such Trust. Standard & Poor's has indicated that this rating is not a recommendation to buy, hold or sell Units nor does it take into account the extent to which expenses of each Trust or sales by each Trust of Bonds for less than the purchase price paid by such Trust will reduce payment to Unit holders of the interest and principal required to be paid on such Bonds. There is no guarantee that the "AAA" investment rating with respect to the Units of an Insured Trust will be maintained.

An objective of portfolio insurance obtained by such Insured Trust

is to obtain a higher yield on the Bonds in the portfolio of such Trust than would be available if all the Bonds in such portfolio had the Standard & Poor's "AAA" and/or Moody's Investors Service, Inc. "Aaa" rating(s) and at the same time to have the protection of insurance of scheduled payment of interest and principal on the Bonds. There is, of course, no certainty that this result will be achieved. Bonds in a Trust for which insurance has been obtained by the Bond issuer, the underwriters, the Sponsor or others (all of which were rated "AAA" by Standard & Poor's and/or "Aaa" by Moody's Investors Service, Inc.) may or may not have a higher yield than uninsured bonds rated "AAA" by Standard & Poor's or "Aaa" by Moody's Investors Service, Inc. In selecting Bonds for the portfolio of each Insured Trust, the Sponsor has applied the criteria herein before described.

Chapman and Cutler, Counsel for the Sponsor, has given an opinion (with respect to insured Bonds) to the effect that the payment of insurance proceeds representing maturing interest on defaulted municipal obligations paid by Financial Guaranty or another insurer would be excludable from Federal gross income if, and to the same extent as, such interest would have been so excludable if paid by the issuer of the defaulted obligations provided that, at the time such policies are purchased, the amounts paid for such policies are reasonable, customary and consistent with the reasonable expectation that the issuer of the obligations, rather than the insurer, will pay debt service on the obligations. See "What is the Federal Tax Status of Unit Holders?"

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PUBLIC OFFERING

How is the Public Offering Price Determined?

Units are offered at the Public Offering Price. During the initial offering period, the Public Offering Price is determined by adding to the Evaluator's determination of the aggregate offering price of the Bonds in each Trust, an amount as indicated in the following table. During the initial offering period, the Sponsor's Repurchase Price is equal to the Evaluator's determination of the aggregate offering price of the Bonds in a Trust. A National Trust consists of The First Trust of Insured Municipal Bonds. A State Trust consists of The First Trust of Insured Municipal Bonds-Multi-State and/or The First Trust Advantage other than an Intermediate, Long Intermediate, Short Intermediate or Discount Trust. An Intermediate, Long Intermediate, Short Intermediate or Discount Trust consists of trusts so designated.

<TABLE>  
<CAPTION>

Series of the Fund	Initial Offering Period (1) Sales Charge	
	Percentage of Public Offering Price	Percentage of Net Amount Invested
<S>	<C>	<C>
National Trust and certain State Trusts	4.9%	5.152%
Other State Trusts	5.5	5.820
Long Intermediate Trust	4.4	4.603
Intermediate Trust	3.9	4.058
Short Intermediate Trust	3.0	3.093

</TABLE>  
[FN]

(1) The Public Offering Price includes a proportionate share of interest accrued but unpaid on the Bonds after the First Settlement Date to the date of settlement. See "General Trust Information-How is Accrued Interest Treated?"

The applicable sales charge is reduced by a discount as indicated below for volume purchases:

<TABLE>  
<CAPTION>

Discount per Unit

Dollar Amount of Transaction at Public Offering Price	Intermediate and Long Intermediate Trusts	National and State Trusts	Discount Trusts (% of Public Offering Price)
<S>	<C>	<C>	<C>
\$250,000 to \$499,999	\$ 2.50	-	-
\$500,000 to \$999,999	\$ 5.00	\$ 7.50	.75%
\$1,000,000 or more	\$10.00	\$15.00	1.50%

</TABLE>

The Public Offering Price of Units of a Trust for secondary market purchases will be determined by adding to the Evaluator's determination of the aggregate bid price of the Bonds in a Trust, the appropriate sales charge determined in accordance with the schedule set forth below, based upon the number of years remaining to the maturity of each Bond in the portfolio of the Trust, adjusting the total to reflect the amount of any cash held in or advanced to the principal account of the Trust and dividing the result by the number of Units of such Trust then outstanding. The minimum sales charge on Units will be 3% of the Public Offering Price (equivalent to 3.093% of the net amount invested). For purposes of computation, Bonds will be deemed to mature on their expressed maturity dates unless: (a) the Bonds have been called for redemption or funds or securities have been placed in escrow to redeem them on an earlier call date, in which case such call date will be deemed to be the date upon which they mature; or (b) such Bonds are subject to a "mandatory tender," in which case such mandatory tender will be deemed to be the date upon which they mature.

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

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<TABLE>  
<CAPTION>

Secondary Offering Period  
Sales Charge

Years to Maturity	Percentage of Public Offering Price	Percentage of Net Amount Invested
<S>	<C>	<C>
0 Months to 1 Year	1.00%	1.010%
1 but less than 2	1.50	1.523
2 but less than 3	2.00	2.041
3 but less than 4	2.50	2.564
4 but less than 5	3.00	3.093
5 but less than 6	3.50	3.627
6 but less than 7	4.00	4.167
7 but less than 8	4.50	4.712
8 but less than 9	5.00	5.263
9 but less than 10	5.50	5.820
10 or more	5.80	6.157

</TABLE>

There will be no reduction of the sales charges for volume purchases for secondary market transactions. A dealer will receive from the Sponsor a dealer concession of 70% of the total sales charges for Units sold by such dealer and dealers will not be eligible for additional concessions for Units sold pursuant to the above schedule.

An investor may aggregate purchases of Units of two or more consecutive series of a particular State, National, Discount, Intermediate, Long Intermediate or Short Intermediate Trust for purposes of calculating the discount for volume purchases listed above. The purchaser must inform the Underwriter or dealer of any such combined purchase prior to the sale in order to obtain the indicated discount. In addition, with respect to the employees, officers and directors (including their immediate family members, defined as spouses, children, grandchildren, parents, grandparents, mothers-in-law, fathers-in-law, sons-in-law and daughters-in-law, and trustees, custodians or fiduciaries for the benefit of such persons) of the Sponsor and the Underwriters and their subsidiaries, the sales charge is reduced by 2.0% of the Public Offering Price for purchases



of Units during the primary and secondary public offering periods.

Any such reduced sales charge shall be the responsibility of the selling Underwriter or dealer except that with respect to purchases of Units of \$500,000 or more, the Sponsor will reimburse the selling Underwriter or dealer in an amount equal to \$2.50 per Unit (in the case of a Discount Trust, .25% of the Public Offering Price). The reduced sales charge structure will apply on all purchases of Units in a Trust by the same person on any one day from any one Underwriter or dealer and, for purposes of calculating the applicable sales charge, purchases of Units in the Fund will be aggregated with concurrent purchases by the same person from such Underwriter or dealer of Units in any series of tax-exempt unit investment trusts sponsored by Nike Securities L.P. Additionally, Units purchased in the name of the spouse of a purchaser or in the name of a child of such purchaser will be deemed, for the purpose of calculating the applicable sales charge, to be additional purchases by the purchaser. The reduced sales charges will also be applicable to a trustee or other fiduciary purchasing securities for a single trust estate or single fiduciary account.

On the Initial Date of Deposit, the Public Offering Price is as indicated in the "Summary of Essential Information" for each Trust. In addition to fluctuations in the amount of interest accrued but unpaid on Bonds in each Trust of the Fund, the Public Offering Price at any time during the initial offering period will vary from the Public Offering Price stated herein in accordance with fluctuations in the prices of the underlying Bonds.

The aggregate price of the Bonds in each Trust is determined by whomever from time to time is acting as evaluator (the "Evaluator"), on the basis of bid prices or offering prices as is appropriate, (1) on the basis of current market prices for the Bonds obtained from dealers or brokers who customarily deal in bonds comparable to those held by the Trust; (2) if such prices are not available for any of the Bonds, on the basis of current market prices for comparable bonds; (3) by determining the value of the Bonds by appraisal; or (4) by any combination of the above. Unless Bonds are in default in payment of principal or interest or, in the Sponsor's opinion, in significant risk of such default, the Evaluator will not attribute any value to the insurance

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obtained by an Insured Trust. On the other hand, the value of insurance obtained by the issuer of Bonds in a Trust is reflected and included in the market value of such Bonds.

The Evaluator will consider in its evaluation of Bonds which are in default in payment of principal or interest or, in the Sponsor's opinion, in significant risk of such default (the "Defaulted Bonds") and which are covered by insurance obtained by an Insured Trust, the value of the insurance guaranteeing interest and principal payments. The value of the insurance will be equal to the difference between (i) the market value of Defaulted Bonds assuming the exercise of the right to obtain Permanent Insurance (less the insurance premium attributable to the purchase of Permanent Insurance) and (ii) the market value of such Defaulted Bonds not covered by Permanent Insurance. In addition, the Evaluator will consider the ability of Financial Guaranty and/or AMBAC Indemnity to meet its commitments under the Insured Trust's insurance policy, including the commitments to issue Permanent Insurance. It is the position of the Sponsor that this is a fair method of valuing the Bonds and the insurance obtained by an Insured Trust and reflects a proper valuation method in accordance with the provisions of the Investment Company Act of 1940.

No value has been attributed to insurance obtained by an Insured Trust as of the date of this Prospectus. However, the Evaluator is attributing value to insurance for the purpose of computing the price or redemption value of Units for certain previous series of The First Trust of Insured Municipal Bonds.

During the initial public offering period, a determination of the aggregate price of the Bonds in a Trust is made by the Evaluator on an offering price basis, as of the close of trading on the New York Stock Exchange on each day on which it is open, effective for all sales made subsequent to the last preceding determination. For purposes of such determinations, the close of trading on the New York Stock Exchange is 4:00 p.m. Eastern time. For secondary market purposes, the Evaluator will be requested to make such a determination, on a bid price basis, as of the close of trading on the New York Stock Exchange on each day on which it is open, effective for all sales, purchases or redemptions made subsequent

to the last preceding determination.

The Public Offering Price of the Units during the initial offering period is equal to the offering price per Unit of the Bonds in a Trust plus the applicable sales charge. After the completion of the initial offering period, the secondary market Public Offering Price will be equal to the bid price per Unit of the Bonds in the Trust plus the applicable sales charge. The offering price of Bonds in the Trust may be expected to be greater than the bid price of such Bonds by approximately 1-2% of the aggregate principal amount of such Bonds.

Although payment is normally made five business days following the order for purchase, payment may be made prior thereto. A person will become owner of Units on the date of settlement provided payment has been received. Cash, if any, made available to the Sponsor prior to the date of settlement for the purchase of Units may be used in the Sponsor's business and may be deemed to be a benefit to the Sponsor, subject to the limitations of the Securities Exchange Act of 1934. Delivery of Certificates representing Units so ordered will be made five business days following such order or shortly thereafter. See "Rights of Unit Holders-How May Units Be Redeemed?" for information regarding the ability to redeem Units ordered for purchase.

#### How are Units Distributed?

Until the primary distribution of the Units offered by this Prospectus is completed, (i) for Units issued on the Initial Date of Deposit and (ii) for additional Units issued after such date as additional Bonds are deposited by the Sponsor, Units will be offered to the public at the Public Offering Price, computed as described above, by the Underwriters, including the Sponsor (see "What are the Underwriting Concessions?") and through dealers and others. The initial offering period may be up to approximately 360 days. During this period, the Sponsor may deposit additional Bonds in each Trust and create additional Units. Upon completion of the initial offering, Units repurchased in the secondary market (see "Public Offering-Will There be a Secondary Market?") may be offered by this Prospectus at the secondary market public offering price determined in the manner described above.

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It is the intention of the Sponsor to qualify Units of the Fund for sale in a number of states. Sales initially will be made to dealers and others at prices which represent a concession or agency commission of \$32 per Unit

for a National Trust and certain State Trusts, \$33 per Unit for other State Trusts, \$28 per Unit for a Long Intermediate Trust, \$25 per Unit for an Intermediate Trust and \$18 per Unit for a Short Intermediate Trust. However, resales of Units of a Trust by such dealers and others to the public will be made at the Public Offering Price described in the Prospectus. The Sponsor reserves the right to change the amount of the concession or agency commission from time to time. Certain commercial banks are making Units of the Trusts available to their customers on an agency basis. A portion of the sales charge paid by these customers is retained by or remitted to the banks in the amounts indicated in the fourth preceding sentence. Under the Glass-Steagall Act, banks are prohibited from underwriting Units; however, the Glass-Steagall Act does permit certain agency transactions and the banking regulators have not indicated that these particular agency transactions are not permitted under such Act. In Texas and in certain other states, any banks making Units available must be registered as broker/dealers under state law. Any broker/dealer or bank will receive additional concessions for purchases made from the Sponsor on the Initial Date of Deposit resulting in total concessions as contained in the following table:

<TABLE>  
<CAPTION>

Series of the Fund	Total Concession per Unit(1)		
	250-499 Units Purchased	500-999 Units Purchased	1,000 or more Units Purchased
<S>	<C>	<C>	<C>
National Trust and a State Trust with a 4.9% sales charge	\$35.00	\$37.00	\$38.00
State Trust with a 5.5% sales charge	\$36.00	\$38.00	\$39.00
Long Intermediate Trust	\$31.00	\$32.00	\$33.00

Intermediate Trust	\$26.00	\$27.00	\$28.00
Short Intermediate Trust	\$21.00	\$22.00	\$22.00

</TABLE>

[FN]

(1) The applicable concession will be allotted to broker/dealers or banks who purchase Units from the Sponsor only on the Initial Date of Deposit of a given Trust.

What are the Sponsor's Profits?

The Underwriters of each Trust, including the Sponsor, will receive a gross sales commission equal to 4.9% of the Public Offering Price of the Units for a National Trust and certain State Trusts (equivalent to 5.152% of the net amount invested), 5.5% of the Public Offering Price of the Units for other State Trusts (equivalent to 5.820% of the net amount invested), 4.4% of the Public Offering Price of the Units for a Long Intermediate Trust (equivalent to 4.603% of the net amount invested), 3.9% of the Public Offering Price of the Units for an Intermediate Trust (equivalent to 4.058% of the net amount invested) and 3.0% of the Public Offering Price of the Units for a Short Intermediate Trust (equivalent to 3.093% of the net amount invested), less any reduced sales charge for quantity purchases as described under "Public Offering-How is the Public Offering Price Determined?" See "What are the Underwriting Concessions?" for information regarding the receipt of the excess gross sales commissions by the Sponsor from the other Underwriters and additional concessions available to Underwriters, dealers and others. In addition, the Sponsor and the other Underwriters of each Trust may be considered to have realized a profit or the Sponsor may be considered to have sustained a loss, as the case may be for each Trust, in the amount of any difference between the cost of the Bonds to each Trust (which is based on the Evaluator's determination of the aggregate offering price of the underlying Bonds of such Trust on the Initial Date of Deposit as well as subsequent deposits) and the cost of such Bonds of such Trust to the Sponsor (including the cost of insurance obtained by the Sponsor prior to the Initial Date of Deposit for individual Bonds). See "What are the Underwriting Concessions?" and Note 1 of "Notes to Portfolios." Such profits or losses may be realized or sustained by the Sponsor and the other Underwriters with respect to Bonds which were acquired by the Sponsor from underwriting syndicates of which it and the other Underwriters were members. During the initial offering period, the Underwriters also may realize profits or sustain losses from the sale of Units to other Underwriters or as a result of fluctuations after the Initial Date of Deposit or subsequent dates of deposit

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in the offering prices of the Bonds and hence in the Public Offering Price received by the Underwriters.

The Sponsor has not participated as sole underwriter or manager or member of underwriting syndicates from which any of the Bonds in the Fund were acquired. An underwriter or underwriting syndicate purchases bonds from the issuer on a negotiated or competitive bid basis as principal with the motive of marketing such bonds to investors at a profit.

In maintaining a market for the Units, the Sponsor will also realize profits or sustain losses in the amount of any difference between the price at which Units are purchased (based on the bid prices of the Bonds in each Trust) and the price at which Units are resold (which price is also based on the bid prices of the Bonds in each Trust and includes a sales charge of 5.8% for a National or Discount Trust, 5.8% for a State Trust, 4.7% for an Intermediate or Long Intermediate Trust, and 3.7% for a Short Intermediate Trust) or redeemed. The secondary market public offering price of Units may be greater or less than the cost of such Units to the Sponsor.

What are the Underwriting Concessions?

The Agreement Among Underwriters provides that a public offering of the Units of each Trust will be made at the Public Offering Price described in the Prospectus. Units may also be sold to or through dealers and others during the initial offering period and in the secondary market at prices representing a concession or agency commission as described in "Public Offering-How are Units Distributed?" on page A-22.

The Sponsor will receive from the Underwriters the excess over the gross sales commission contained in the following table:

<TABLE>  
<CAPTION>

Series of the Fund	Underwriting Concession per Unit			
	100-249	250-499	500-999	1,000 or More
	Units Underwritten	Units Underwritten	Units Underwritten	Units Underwritten
<S>	<C>	<C>	<C>	<C>
National Trust and a State Trust with a 4.9% sales charge	\$35.00	\$37.00	\$38.00	\$38.00
State Trust with a 5.5% sales charge	\$36.00	\$38.00	\$39.00	\$41.00
Long Intermediate Trust	\$30.00	\$32.00	\$33.00	\$34.00
Intermediate Trust	\$26.00	\$28.00	\$28.00	\$29.00
Short Intermediate Trust	\$20.00	\$22.00	\$22.00	\$22.00

</TABLE>

In addition to any other benefits that the Underwriters may realize from the sale of the Units of a Trust, the Agreement Among Underwriters provides that the Sponsor will share with the other Underwriters 50% of the net

gain, if any, represented by the difference between the Sponsor's cost of the Bonds in connection with their acquisition (including the cost of insurance obtained by the Sponsor prior to the Initial Date of Deposit for individual Bonds and including the effects of portfolio hedging gains and losses and portfolio hedging transaction costs) and the Aggregate Offering Price thereof on the Initial Date of Deposit, less a charge for acquiring the Bonds in the portfolio and for the Sponsor maintaining a secondary market for the Units. Furthermore, any underwriter that sells a total of 1,000 Units or more of any National Trust will receive an additional \$2.00 per Unit sold. See "Public Offering-What are the Sponsor's Profits?" and Note 1 of "Notes to Portfolios." McLaughlin, Piven, Vogel Securities, Inc. ("MPV") and Nike Securities L.P. have an agreement under which MPV will receive from Nike Securities L.P. reimbursement for certain costs and further compensation, in addition to that described above, based on the number of Units it underwrites or otherwise sells and on the total Units of Nike Securities L.P. products sold.

From time to time the Sponsor may implement programs under which Underwriters and dealers of the Fund may receive nominal awards from the Sponsor for each of their registered representatives who have sold a minimum number of UIT Units during a specified time period. In addition, at various times the Sponsor may implement other programs under which the sales force of an Underwriter or dealer may be eligible to win other nominal awards for certain sales efforts, or under which the Sponsor will reallow to any such Underwriter or dealer that sponsors sales contests or recognition programs conforming to criteria established by the Sponsor, or participates in sales programs sponsored by the Sponsor, an amount not exceeding the total applicable sales charges on the sales generated by such person at the public offering price during such programs. Also, the Sponsor in its discretion may from time to time pursuant to objective criteria established by the Sponsor

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pay fees to qualifying Underwriters or dealers for certain services or activities which are primarily intended to result in sales of Units of the Trusts. Such payments are made by the Sponsor out of its own assets, and not out of the assets of the Trusts. These programs will not change the price Unit holders pay for their Units or the amount that the Trusts will receive from the Units sold.

Will There be a Secondary Market?

After the initial offering period, although it is not obligated to do so, the Sponsor intends to maintain a market for the Units and continuously to offer to purchase Units at prices, subject to change at any time, based upon the aggregate bid price of the Bonds in the portfolio of each Trust plus interest accrued to the date of settlement. All expenses incurred in maintaining a secondary market, other than the fees of the Evaluator, the other expenses of the Trust and the costs of the Trustee in transferring and recording the ownership of Units, will be borne by the Sponsor.

If the supply of Units exceeds demand, or for some other business reason, the Sponsor may discontinue purchases of Units at such prices. If a Unit holder wishes to dispose of his Units, he should inquire of the Sponsor as to current market prices prior to making a tender for redemption to the Trustee. Prospectuses relating to certain other bond funds indicate an intention, subject to change, on the part of the respective sponsors of such funds to repurchase units of those funds on the basis of a price higher than the bid prices of the securities in the funds. Consequently, depending upon the prices actually paid, the repurchase price of other sponsors for units of their funds may be computed on a somewhat more favorable basis than the repurchase price offered by the Sponsor for Units of a Trust in secondary market transactions. As in this Fund, the purchase price per unit of such bond funds will depend primarily on the value of the securities in the portfolio of the fund.

#### RIGHTS OF UNIT HOLDERS

##### How are Certificates Issued and Transferred?

The Trustee is authorized to treat as the record owner of Units that person who is registered as such owner on the books of the Trustee. Ownership of Units is evidenced by registered certificates executed by the Trustee and the Sponsor. Delivery of certificates representing Units ordered for purchase is normally made five business days following such order or shortly thereafter. Certificates are transferable by presentation and surrender to the Trustee properly endorsed or accompanied by a written instrument or instruments

of transfer. Certificates to be redeemed must be properly endorsed or accompanied by a written instrument or instruments of transfer. A Unit holder must sign exactly as his name appears on the face of the certificate with the signature guaranteed by a participant in the Securities Transfer Agents Medallion Program ("STAMP") or such other signature guaranty program in addition to, or in substitution for, STAMP, as may be accepted by the Trustee. In certain instances the Trustee may require additional documents such as, but not limited to, trust instruments, certificates of death, appointments as executor or administrator or certificates of corporate authority. Record ownership may occur before settlement.

Certificates will be issued in fully registered form, transferable only on the books of the Trustee in denominations of one Unit or any multiple thereof, numbered serially for purposes of identification. Certificates for Units will bear an appropriate notation on their face indicating which plan of distribution has been selected in respect thereof. When a change is made, the existing certificate must be surrendered to the Trustee and a new certificate issued to reflect the then currently effective plan of distribution. There is no charge for this service.

Although no such charge is now made or contemplated, a Unit holder may be required to pay \$2.00 to the Trustee per certificate reissued or transferred for reasons other than to change the plan of distribution, and to pay any governmental charge that may be imposed in connection with each such transfer or exchange. For new certificates issued

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to replace destroyed, stolen or lost certificates, the Unit holder may be required to furnish indemnity satisfactory to the Trustee and pay such expenses as the Trustee may incur. Mutilated certificates must be surrendered to the Trustee for replacement.

##### How are Interest and Principal Distributed?

Interest from each Trust after deduction of amounts sufficient to reimburse the Trustee, without interest, for any amounts advanced and paid to Financial Guaranty and/or AMBAC Indemnity or to the Sponsor as the Unit holder of record as of the First Settlement Date will be distributed on or shortly after the last day of each month on a pro rata basis to Unit holders of record as of the preceding Record Date who are entitled to distributions at that time under the plan of distribution chosen. All distributions for a Trust will be net of applicable expenses for such Trust.

The pro rata share of cash in the Principal Account of each Trust will be computed as of the fifteenth day of each month, and distributions to the Unit holders of such Trust as of such Record Date will be made on or shortly after the last day of each month. Proceeds from the disposition of any of the Bonds of such Trust (less any premiums due with respect to Bonds for which the Trustee has exercised the right to obtain Permanent Insurance) received after such Record

Date and prior to the following Distribution Date will be held in the Principal Account of such Trust and not distributed until the next Distribution Date. The Trustee is not required to make a distribution from the Principal Account of a Trust unless the amount available for distribution shall equal at least \$1.00 per Unit.

The Trustee will credit to the Interest Account of each Trust all interest received by such Trust, including that part of the proceeds (including insurance proceeds if any, paid to an Insured Trust) of any disposition of Bonds which represents accrued interest. Other receipts will be credited to the Principal Account of such Trust. The distribution to the Unit holders of a Trust as of each Record Date will be made on the following Distribution Date or shortly thereafter and shall consist of an amount substantially equal to such portion of the holder's pro rata share of the estimated annual income of such Trust after deducting estimated expenses. Except through an advancement of its own funds, the Trustee has no cash for distribution to Unit holders until it receives interest payments on the Bonds in a Trust. The Trustee shall be reimbursed, without interest, for any advances from funds in the Interest Account of such Trust on the ensuing Record Date. Persons who purchase Units between a Record Date and a Distribution Date will receive their first distribution on the second Distribution Date after the purchase under the applicable plan of distribution. The Trustee is not required to pay interest on funds held in the Principal or Interest Account of a Trust (but may itself earn interest thereon and therefore benefit from the use of such funds).

As of the fifteenth day of each month, the Trustee will deduct from the Interest Account of each Trust and, to the extent funds are not sufficient therein, from the Principal Account of each Trust, amounts necessary

to pay the expenses of such Trust. The Trustee also may withdraw from said accounts such amounts, if any, as it deems necessary to establish a reserve for any governmental charges payable out of the Trust. Amounts so withdrawn shall not be considered a part of the Trust's assets until such time as the Trustee shall return all or any part of such amounts to the appropriate account. In addition, the Trustee may withdraw from the Interest Account and the Principal Account of a Trust such amounts as may be necessary to cover redemption of Units of such Trust by the Trustee.

PURCHASERS OF UNITS WHO DESIRE TO RECEIVE DISTRIBUTIONS ON A SEMI-ANNUAL BASIS MAY ELECT TO DO SO AT THE TIME OF PURCHASE DURING THE INITIAL PUBLIC OFFERING PERIOD. THOSE NOT SO INDICATING WILL BE DEEMED TO HAVE CHOSEN THE MONTHLY DISTRIBUTION PLAN. However, all Unit holders purchasing Units during the initial public offering period and prior to the first Record Date will receive the first distribution of interest. Thereafter, Record Dates for monthly distributions will be the fifteenth day of each month and Record Dates for semi-annual distributions will be the fifteenth day of June and December. Distributions will be made on the last day of the month of the respective Record Date.

The plan of distribution selected by a Unit holder will remain in effect until changed. Unit holders purchasing Units in the secondary market will initially receive distributions in accordance with the election of the prior owner. Each year, approximately six weeks prior to the end of May, the Trustee will furnish each Unit holder a card to be returned to the Trustee not more than thirty nor less than ten days before the end of such month. Unit

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holders desiring to change the plan of distribution in which they are participating may so indicate on the card and return same, together with their certificate, to the Trustee. If the card and certificate are returned to the Trustee, the change will become effective as of June 16 of that year. If the card and certificate are not returned to the Trustee, the Unit holder will be deemed to have elected to continue with the same plan for the following twelve months.

How Can Distributions to Unit Holders be Reinvested?

Universal Distribution Option. Unit holders may elect participation in a Universal Distribution Option which permits a Unit holder to direct the Trustee to distribute principal and interest payments to any other investment vehicle of which the Unit holder has an existing account. For example, at a Unit holder's direction, the Trustee would distribute automatically on the applicable distribution date interest income or principal on the participant's

Units to, among other investment vehicles, a Unit holder's checking, bank savings, money market, insurance, reinvestment or any other account. All such distributions, of course, are subject to the minimum investment and sales charges, if any, of the particular investment vehicle to which distributions are directed. The Trustee will notify the participant of each distribution pursuant to the Universal Distribution Option. The Trustee will distribute directly to the Unit holder any distributions which are not accepted by the specified investment vehicle. A participant may at any time, by so notifying the Trustee in writing, elect to terminate his participation in the Universal Distribution Option and receive directly future distributions on his Units.

Distribution Reinvestment Option. The Sponsor has entered into an arrangement with Oppenheimer Management Corporation which permits any Unit holder of a Trust to elect to have each distribution of interest income or principal on his Units automatically reinvested in shares of either the Oppenheimer Intermediate Tax-Exempt Bond Fund (the "Intermediate Series") or the Oppenheimer Insured Tax-Exempt Bond Fund (the "Insured Series"). Oppenheimer Management Corporation is the investment adviser of each Series which are open-end, diversified management investment companies. The investment objective of the Intermediate Series is to provide a high level of current interest income exempt from Federal income tax through the purchase of investment grade securities. The investment objective of the Insured Series is to provide as high a level of current interest income exempt from Federal income tax as is consistent with the assurance of the scheduled receipt of interest and principal through insurance and the preservation of capital (the income of either Series may constitute an item of preference for determining the Federal alternative minimum tax). The objectives and policies of each Series are presented in more detail in the prospectus for each Series.

Each person who purchases Units of a Trust may use the card attached to this prospectus to request a prospectus describing each Series and a form by which such person may elect to become a participant in a Distribution Reinvestment Option with respect to a Series. Each distribution of interest income or principal, including capital gains, on the participant's Units will automatically be applied by the Trustee to purchase shares (or fractions thereof) of a Series without a sales charge and with no minimum investment requirements.

The shareholder service agent for each Series will mail to each participant in the Distribution Reinvestment Option confirmations of all transactions undertaken for such participant in connection with the receipt of distributions from The First Trust Combined Series and the purchase of shares (or fractions thereof) of a Series.

A participant may at any time, by so notifying the Trustee in writing, elect to terminate his participation in the Distribution Reinvestment Option and receive future distributions on his Units in cash. There will be no charge or other penalty for such termination. The Sponsor and Oppenheimer Management Corporation each have the right to terminate the Distribution Reinvestment Option, in whole or in part.

It should be remembered that even if distributions are reinvested through the Universal Distribution Option or the Distribution Reinvestment Option they are still treated as distributions for income tax purposes.

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What is the Federal Tax Status of Unit Holders?

At the respective times of issuance of the Bonds, opinions relating to the validity thereof and to the exclusion of interest thereon from Federal gross income were rendered by bond counsel to the respective issuing authorities. Neither the Sponsor, Chapman and Cutler, nor any of the Special Counsel to the Fund for State tax matters have made any special review for the Fund of the proceedings relating to the issuance of the Bonds or of the bases for such opinions. Gain realized on the sale or redemption of the Bonds by the Trustee or of a Unit by a Unit holder is, however, includable in gross income for Federal income tax purposes. (It should be noted in this connection that such gain does not include any amounts received in respect of accrued interest or accrued original issue discount, if any.) It should be noted that under provisions of the Revenue Reconciliation Act of 1993 (the "Tax Act") described below that subject accretion of market discount on tax-exempt bonds to taxation as ordinary income, gain realized on the sale or redemption of Bonds by the Trustee or of Units by a Unit holder that would have been treated as capital gain under prior law is

treated as ordinary income to the extent it is attributable to accretion of market discount. Market discount can arise based on the price a Trust pays for Bonds or the price a Unit holder pays for his Units.

In the opinion of Chapman and Cutler, Counsel for the Sponsor, under existing law:

(1) the Trusts are not associations taxable as corporations for Federal income tax purposes. Tax-exempt interest received by each of the Trusts on Bonds deposited therein will retain its status as tax-exempt interest, for Federal income tax purposes, when distributed to a Unit holder except that (i) interest income on certain Bonds in certain Trusts may be included as an item of tax preference in calculating the Alternative Minimum Tax applicable to both individuals and corporations (see "Portfolio" for each Trust to determine whether the Trust contains Bonds that generate this type of interest income) and (ii) the alternative minimum tax and the environmental tax (the "Superfund Tax") applicable to corporate Unit holders may, in certain circumstances, include in the amount on which such tax is calculated, 75% of the interest income received by the Trust. See "Certain Tax Matters Applicable to Corporate Unit Holders;"

(2) exemption of interest and accrued original issue discount on any Bonds for Federal income tax purposes does not necessarily result in tax exemption under the laws of the several states as such laws vary with respect to the taxation of such securities and in many states all or a part of such interest and accrued original issue discount may be subject to tax;

(3) each Unit holder of a Trust is considered to be the owner of a pro rata portion of such Trust under subpart E, subchapter J of chapter 1 of the Internal Revenue Code of 1986 (hereinafter the "Code") and will have a taxable event when the Trust disposes of a Bond, or when the Unit holder redeems or sells his Units. Unit holders must reduce the tax basis of their Units for their share of accrued interest received, if any, on Bonds delivered after the date the Unit holders pay for their Units and, consequently, such Unit holders may have an increase in taxable gain or reduction in capital loss upon the disposition of such Units. Gain or loss upon the sale or redemption of Units is measured by comparing the proceeds of such sale or redemption with the adjusted basis of the Units. If the Trustee disposes of Bonds (whether by sale, payment on maturity, redemption or otherwise), gain or loss is recognized to the Unit holder. The amount of any such gain or loss is measured by comparing the Unit holder's pro rata share of the total proceeds from such disposition with his basis for his fractional interest in the asset disposed of. In the case of a Unit holder who purchases his Units, such basis is determined by apportioning the tax basis for the Units among each of the Trust assets ratably according to value as of the date of acquisition of the Units. The basis of each Unit and of each Bond which was issued with original issue discount must be increased by the amount of accrued original issue discount and the basis of each Unit and of each Bond which was purchased by a Trust at a premium must be reduced by the annual amortization of Bond premium. The tax cost reduction requirements of said Code relating to amortization of bond premium may, under some circumstances, result in the Unit holder realizing a taxable gain when his Units are sold or redeemed for an amount equal to or less than his original cost; and

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(4) any insurance proceeds which represent maturing interest on defaulted obligations held by the Trustee will be excludable from Federal gross income if, and to the same extent as, such interest would have been so excludable if paid by the issuer of the defaulted obligations provided that, at the time such policies are purchased, the amounts paid for such policies are reasonable, customary and consistent with the reasonable expectation that the issuer of the obligations, rather than the insurer, will pay debt service on the obligations.

Sections 1288 and 1272 of the Code provide a complex set of rules governing the accrual of original issue discount. These rules provide that original issue discount accrues either on the basis of a constant compounded interest rate or ratably over the term of the Bond, depending on the date the Bond was issued. In addition, special rules apply if the purchase price of a Bond exceeds the original issue price plus the amount of original issue discount which would have accrued to prior owners. The application of these rules will also vary depending on the value of the Bond on the



date a Unit holder acquires his Unit, and the price the Unit holder pays for his Unit. Because of the complexity of these rules relating to the accrual of original issue discount, Unit holders should consult their tax advisers as to how these rules apply. See "Portfolio" for information relating to Bonds, if any, issued at an original issue discount.

The Tax Act subjects tax-exempt bonds to the market discount rules of the Code effective for bonds purchased after April 30, 1993. In general, market discount is the amount (if any) by which the stated redemption price at maturity exceeds an investor's purchase price (except to the extent that such difference, if any, is attributable to original issue discount not yet accrued), subject to de minimis rule. Under the Tax Act, accretion of market discount is taxable as ordinary income; under prior law the accretion had been treated as capital gain. Market discount that accretes while a Trust holds a Bond would be recognized as ordinary income by the Unit holders when principal payments are received on the Bond, upon sale or at redemption (including early redemption) or upon the sale or redemption of the Units, unless a Unit holder elects to include market discount in taxable income as it accrues. The market discount rules are complex and Unit holders should consult their tax advisers regarding these rules and their application.

Counsel for the Sponsor has also advised that under Section 265 of the Code, interest on indebtedness incurred or continued to purchase or carry Units of a Trust is not deductible for Federal income tax purposes. The Internal Revenue Service has taken the position that such indebtedness need not be directly traceable to the purchase or carrying of Units (however, these rules generally do not apply to interest paid on indebtedness incurred to purchase or improve a personal residence). Under Section 265 of the Code, certain financial institutions that acquire Units generally would not be able to deduct any of the interest expense attributable to ownership of Units. Investors with questions regarding these issues should consult with their tax advisers.

In the case of certain of the Bonds in a Trust, the opinions of bond counsel indicate that interest on such securities received by a "substantial user" of the facilities being financed with the proceeds of these securities, or persons related thereto, for periods while such securities are held by such a user or related person, will not be excludable from Federal gross income, although interest on such securities received by others would be excludable from Federal gross income. "Substantial user" and "related person" are defined under U.S. Treasury Regulations. Any person who believes he or she may be a substantial user or related person as so defined should contact his tax adviser.

In general, Section 86 of the Code provides that Social Security benefits are includible in gross income in an amount equal to the lesser of (1) 50% of the Social Security benefits received or (2) 50% of the excess of "modified adjusted gross income" plus 50% of the Social Security benefits received over the appropriate "base amount." The base amount is \$25,000 for unmarried taxpayers, \$32,000 for married taxpayers filing a joint return and zero for married taxpayers who do not live apart at all times during the taxable year and who file separate returns. Modified adjusted gross income is adjusted gross income determined without regard to certain otherwise allowable deductions and exclusions from gross income and by including tax-exempt interest. To the extent that Social Security benefits are includible in gross income, they will be treated as any other item of gross income.

In addition, under the Tax Act, for taxable years beginning after December 31, 1993, up to 85% of Social Security benefits are includible in gross income to the extent that the sum of "modified adjusted gross income" plus 50% of Social Security benefits received exceeds an "adjusted base amount." The adjusted base amount is \$34,000 for unmarried taxpayers, \$44,000 for married taxpayers filing a joint return, and zero for married taxpayers who do not live apart at all times during the taxable year and who file separate returns.

Although tax-exempt interest is included in modified adjusted gross income solely for the purpose of determining what portion, if any, of Social Security benefits will be included in gross income, no tax-exempt interest, including that received from a Trust, will be subject to tax. A taxpayer whose adjusted gross income already exceeds the base amount or the adjusted base amount must include 50% or 85%, respectively, of his Social Security benefits in gross income whether or not he receives any tax-exempt interest. A taxpayer whose modified adjusted gross income (after inclusion of tax-exempt interest) does not exceed the base amount

need not include any Social Security benefits in gross income.

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For purposes of computing the alternative minimum tax for individuals and corporations and the Superfund Tax for corporations, interest on certain private activity bonds (which includes most industrial and housing revenue bonds) issued on or after August 8, 1986 is included as an item of tax preference. See "Portfolio" for each Trust to determine whether the Trust includes any such private activity bonds issued on or after that date. SEE "PORTFOLIO" FOR EACH TRUST TO DETERMINE WHETHER THE TRUST INCLUDES ANY SUCH PRIVATE ACTIVITY BONDS ISSUED ON OR AFTER THAT DATE.

For taxpayers other than corporations, net capital gains are presently subject to a maximum stated marginal tax rate of 28 percent. However, it should be noted that legislative proposals are introduced from time to time that affect tax rates and could affect relative differences at which ordinary income and capital gains are taxed. All taxpayers are presently required to disclose to the Internal Revenue Service the amount of tax-exempt interest earned during the year.

Certain Tax Matters Applicable to Corporate Unit Holders. Present Federal income tax law also provides for an alternative minimum tax for corporations levied at a rate of 20% of alternative minimum taxable income. The alternative minimum tax and the environmental tax (the "Superfund Tax") depend upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing AMTI of a corporation (excluding an S Corporation, Regulated Investment Company, Real Estate Investment Trust, or REMIC) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). Although tax-exempt interest received by the Trusts on Bonds deposited therein will not be included in the gross income of corporations for Federal income tax purposes, "adjusted current earnings" includes all tax-exempt interest, including interest on all Bonds in the Trusts.

Unit holders are urged to consult their own tax advisers with respect to the particular tax consequences to them, including the corporate alternative minimum tax, the Superfund Tax and the branch profits tax imposed by Section 884 of the Code.

In the opinion of Carter, Ledyard & Milburn, Special Counsel to the Fund for New York tax matters, under the existing income tax laws of the State and City of New York, each Trust will not constitute an association taxable as a corporation under New York law, and accordingly will not be subject to the New York State franchise tax or the New York City general corporation tax. Under the income tax laws of the State and City of New York, the income of each Trust will be considered the income of the holders of the Units.

For information with respect to exemption from state or other local taxes, see the sections in the Prospectus pertaining to each Trust.

All statements in the Prospectus concerning exemption from Federal, state or other local taxes are the opinions of Counsel and are to be so construed.

What Reports will Unit Holders Receive?

The Trustee shall furnish Unit holders of each Trust in connection with each distribution a statement of the amount of interest, if any, and the amount of other receipts, if any, which are being distributed, expressed in each case as a dollar amount per Unit. Within a reasonable time after the last business day of each calendar

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year, the Trustee will furnish to each person who at any time during the calendar year was a Unit holder of a Trust of record, a statement as to (1) the Interest Account: interest received by such Trust (including amounts representing interest received upon any disposition of Bonds of such Trust), the amount of such interest representing insurance proceeds (if applicable), deductions for payment of applicable taxes and for fees and expenses of the Trust, redemption of Units and the balance remaining after such distributions and deductions, expressed both as a total dollar amount and as a dollar amount representing the pro rata share of each Unit outstanding on the last business day of such calendar year; (2) the Principal Account: the dates of disposition of any

Bonds of such Trust and the net proceeds received therefrom (excluding any portion representing interest and the premium attributable to the exercise of the right, if applicable, to obtain Permanent Insurance), deduction for payment of applicable taxes and for fees and expenses of the Trust, redemptions of Units, and the balance remaining after such distributions and deductions, expressed both as a total dollar amount and as a dollar amount representing the pro rata share of each Unit outstanding on the last business day of such calendar year; (3) the Bonds held and the number of Units of such Trust outstanding on the last business day of such calendar year; (4) the Redemption Price per Unit based upon the last computation thereof made during such calendar year; and (5) the amounts actually distributed during such calendar year from the Interest Account and from the Principal Account of such Trust, separately stated, expressed both as total dollar amounts and as dollar amounts per Unit outstanding on the Record Date for such distributions.

In order to comply with Federal and state tax reporting requirements, Unit holders will be furnished, upon request to the Trustee, evaluations of the Bonds in their Trust furnished to it by the Evaluator.

How May Units be Redeemed?

A Unit holder may redeem all or a portion of his Units by tender to the Trustee at its unit investment trust office in the City of New York of the certificates representing the Units to be redeemed, duly endorsed or accompanied by proper instruments of transfer with signature guaranteed as explained above (or by providing satisfactory indemnity, as in connection with lost, stolen or destroyed certificates), and payment of applicable governmental charges, if any. No redemption fee will be charged. On the seventh calendar day following such tender, or if the seventh calendar day is not a business day, on the first business day prior thereto, the Unit holder will be entitled to receive in cash an amount for each Unit equal to the Redemption Price per Unit next computed after receipt by the Trustee of such tender of Units. The "date of tender" is deemed to be the date on which Units are received by the Trustee, except that as regards Units received after the close of trading on the New York Stock Exchange, the date of tender is the next day on which such Exchange is open for trading and such Units will be deemed to have been tendered to the Trustee on such day for redemption at the redemption price computed on that day. Units so redeemed shall be cancelled.

Accrued interest to the settlement date paid on redemption shall be withdrawn from the Interest Account of the Trust or, if the balance therein is insufficient, from the Principal Account of such Trust. All other amounts paid on redemption shall be withdrawn from the Principal Account of the Trust.

The Redemption Price per Unit (as well as the secondary market Public Offering Price) will be determined on the basis of the bid price of the Bonds in the Trust while the Public Offering Price of Units during the initial offering period will be determined on the basis of the offering price of the Bonds of such Trust, as of the close of trading on the New York Stock Exchange on the date any such determination is made. On the Initial Date of Deposit the Public Offering Price per Unit (which is based on the offering prices of the Bonds in the Trust and includes the sales charge) exceeded the Unit value at which Units could have been redeemed (based upon the current bid prices of the Bonds in such Trust) by the amount shown under "Summary of Essential Information" for each Trust. The Redemption Price per Unit is the pro rata share of each Unit determined by the Trustee on the basis of (1) the cash on hand in the Trust or moneys in the process of being collected, (2) the value of the Bonds in such Trust based on the bid prices of the Bonds, except for those cases in which the value of the insurance, if applicable, has been added, and (3) interest accrued thereon, less (a) amounts representing taxes or other governmental charges payable out of such Trust, (b) the accrued expenses of such Trust, and (c) cash held for distribution to Unit holders

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of record as of a date prior to the evaluation then being made. The Evaluator may determine the value of the Bonds in the Trust (1) on the basis of current bid prices of the Bonds obtained from dealers or brokers who customarily deal in bonds comparable to those held by such Trust, (2) on the basis of bid prices for bonds comparable to any Bonds for which bid prices are not available, (3) by determining the value of the Bonds by appraisal, or (4) by any combination of the above. In determining the Redemption Price per Unit for an Insured Trust, no value will be attributed

to the portfolio insurance covering the Bonds in such Trust unless such Bonds are in default in payment of principal or interest or in significant risk of such default. On the other hand, Bonds insured under a policy obtained by the Bond issuer, the underwriters, the Sponsor or others are entitled to the benefits of such insurance at all times and such benefits are reflected and included in the market value of such Bonds. See "General Trust Information-Why and How are the Insured Trusts Insured?" For a description of the situations in which the evaluator may value the insurance obtained by an Insured Trust, see "Public Offering-How is the Public Offering Price Determined?"

The difference between the bid and offering prices of such Bonds may be expected to average 1-2% of the principal amount. In the case of actively traded bonds, the difference may be as little as 1/2 of 1% and, in the case of inactively traded bonds, such difference usually will not exceed 3%. Therefore, the price at which Units may be redeemed could be less than the price paid by the Unit holder and may be less than the par value of the Securities represented by the Units so redeemed. At the opening of business on the Initial Date of Deposit, the aggregate current offering price of such Bonds per Unit exceeded the Redemption Price per Unit (based upon current bid prices of such Bonds) by the amount indicated in the "Summary of Essential Information."

The Trustee is empowered to sell underlying Bonds in a Trust in order to make funds available for redemption. To the extent that Bonds are sold, the size and diversity of such Trust will be reduced. Such sales may be required at a time when Bonds would not otherwise be sold and might result in lower prices than might otherwise be realized. The Trustee may obtain Permanent Insurance on the Bonds in an Insured Trust. Accordingly, any Bonds so insured may be sold on an insured basis (as will Bonds on which insurance has been obtained by the Bond issuer, the underwriters, the Sponsor or others).

The right of redemption may be suspended and payment postponed for any period during which the New York Stock Exchange is closed, other than for customary weekend and holiday closings, or during which the Securities and Exchange Commission determines that trading on that Exchange is restricted or an emergency exists, as a result of which disposal or evaluation of the Bonds is not reasonably practicable, or for such other periods as the Securities and Exchange Commission may by order permit. Under certain extreme circumstances, the Sponsor may apply to the Securities and Exchange Commission for an order permitting a full or partial suspension of the right of Unit holders to redeem their Units.

#### How May Units be Purchased by the Sponsor?

The Trustee shall notify the Sponsor of any tender of Units for redemption. If the Sponsor's bid in the secondary market at that time equals or exceeds the Redemption Price per Unit, it may purchase such Units by notifying the Trustee before 12:00 p.m. Eastern time on the next succeeding business day and by making payment therefor to the Unit holder not later than the day on which the Units would otherwise have been redeemed by the Trustee. Units held by the Sponsor may be tendered to the Trustee for redemption as any other Units.

The offering price of any Units acquired by the Sponsor will be in accord with the Public Offering Price described in the then currently effective prospectus describing such Units. Any profit or loss resulting from the resale or redemption of such Units will belong to the Sponsor.

#### How May Bonds be Removed from the Fund?

The Trustee is empowered to sell, for the purpose of redeeming Units tendered by any Unit holder and for the payment of expenses for which funds may not be available, such of the Bonds in each Trust on a list furnished by the Sponsor as the Trustee in its sole discretion may deem necessary. As described in the following paragraph and in certain other unusual circumstances for which it is determined by the Depositor to be in the best interests of the Unit holders or if there is no alternative, the Trustee is empowered to sell Bonds in a Trust which are in default in

payment of principal or interest or in significant risk of such default and for which value has been attributed to the insurance, if any, obtained by the Trust. See "How May Units be Redeemed?" The Sponsor is empowered, but not obligated, to direct the Trustee

to dispose of Bonds in a Trust in the event of advanced refunding. The Sponsor may from time to time act as agent for a Trust with respect to selling Bonds out of a Trust. From time to time, the Trustee may retain and pay compensation to the Sponsor subject to the restrictions under the Investment Company Act of 1940, as amended.

If any default in the payment of principal or interest on any Bond occurs and no provision for payment is made therefor, either pursuant to the portfolio insurance, if any, or otherwise, within thirty days, the Trustee is required to notify the Sponsor thereof. If the Sponsor fails to instruct the Trustee to sell or to hold such Bond within thirty days after notification by the Trustee to the Sponsor of such default, the Trustee may, in its discretion, sell the defaulted Bond and not be liable for any depreciation or loss thereby incurred.

The Sponsor shall instruct the Trustee to reject any offer made by an issuer of any of the Bonds to issue new obligations in exchange and substitution for any Bonds pursuant to a refunding or refinancing plan, except that the Sponsor may instruct the Trustee to accept such an offer or to take any other action with respect thereto as the Sponsor may deem proper if the issuer is in default with respect to such Bonds or in the written opinion of the Sponsor the issuer will probably default in respect to such Bonds in the foreseeable future. Any obligations so received in exchange or substitution will be held by the Trustee subject to the terms and conditions in the Indenture to the same extent as Bonds originally deposited thereunder. Within five days after the deposit of obligations in exchange or substitution for underlying Bonds, the Trustee is required to give notice thereof to each Unit holder of the affected Trust, identifying the Bonds eliminated and the Bonds substituted therefor. Except as stated in this paragraph and under "What are Certain General Matters Relating to the Trusts?" for Failed Bonds, the acquisition by a Trust of any securities other than the Bonds initially deposited is prohibited.

#### INFORMATION AS TO SPONSOR, TRUSTEE AND EVALUATOR

Who is the Sponsor?

Nike Securities L.P., the Sponsor, specializes in the underwriting, trading and distribution of unit investment trusts and other securities. Nike Securities L.P., an Illinois limited partnership formed in 1991, acts as Sponsor for successive series of The First Trust Combined Series, The First Trust Special Situations Trust, The First Trust Insured Corporate Trust, The First Trust of Insured Municipal Bonds, The First Trust GNMA, Templeton Growth and Treasury Trust, Templeton Foreign Fund & U.S. Treasury Securities Trust and The Advantage Growth and Treasury Securities Trust. First Trust introduced the first insured unit investment trust in 1974 and to date more than \$8 billion in First Trust unit investment trusts have been deposited. The Sponsor's employees include a team of professionals with many years of experience in the unit investment trust industry. The Sponsor is a member of the National Association of Securities Dealers, Inc. and Securities Investor Protection Corporation and has its principal offices at 1001 Warrenville Road, Lisle, Illinois 60532; telephone number (708) 241-4141. As of December 31, 1993, the total partners' capital of Nike Securities L.P. was \$12,743,032 (audited). (This paragraph relates only to the Sponsor and not to the Trust or to any series thereof or to any other Underwriter. The information is included herein only for the purpose of informing investors as to the financial responsibility of the Sponsor and its ability to carry out its contractual obligations. More detailed financial information will be made available by the Sponsor upon request.)

Who is the Trustee?

The Trustee is United States Trust Company of New York with its principal place of business at 45 Wall Street, New York, New York 10005 and its unit investment trust offices at 770 Broadway, New York, New York 10003. Unit holders who have questions regarding the Fund may call the Customer Service Help Line at 1-800-682-7520. The Trustee is a member of the New York Clearing House Association and is subject to supervision and examination by the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System.

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The Trustee, whose duties are ministerial in nature, has not participated in the selection of the Securities. For information relating to the responsibilities of the Trustee under the Indenture, reference

is made to the material set forth under "Rights of Unit Holders."

The Trustee and any successor trustee may resign by executing an instrument in writing and filing the same with the Sponsor and mailing a copy of a notice of resignation to all Unit holders. Upon receipt of such notice, the Sponsor is obligated to appoint a successor trustee promptly. If the Trustee becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, the Sponsor may remove the Trustee and appoint a successor as provided in the Indenture. If upon resignation of a trustee no successor has accepted the appointment within 30 days after notification, the retiring trustee may apply to a court of competent jurisdiction for the appointment of a successor. The resignation or removal of a trustee becomes effective only when the successor trustee accepts its appointment as such or when a court of competent jurisdiction appoints a successor trustee.

Any corporation into which a Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which a Trustee shall be a party, shall be the successor Trustee. The Trustee must be a banking corporation organized under the laws of the United States or any State and having at all times an aggregate capital, surplus and undivided profits of not less than \$5,000,000.

#### Limitations on Liabilities of Sponsor and Trustee

The Sponsor and the Trustee shall be under no liability to Unit holders for taking any action or for refraining from taking any action in good faith pursuant to the Indenture, or for errors in judgment, but shall be liable only for their own willful misfeasance, bad faith, gross negligence (ordinary negligence in the case of the Trustee) or reckless disregard of their obligations and duties. The Trustee shall not be liable for depreciation or loss incurred by reason of the sale by the Trustee of any of the Bonds. In the event of the failure of the Sponsor to act under the Indenture, the Trustee may act thereunder and shall not be liable for any action taken by it in good faith under the Indenture.

The Trustee shall not be liable for any taxes or other governmental charges imposed upon or in respect of the Bonds or upon the interest thereon or upon it as Trustee under the Indenture or upon or in respect of the Fund which the Trustee may be required to pay under any present or future law of the United States of America or of any other taxing authority having jurisdiction. In addition, the Indenture contains other customary provisions limiting the liability of the Trustee.

If the Sponsor shall fail to perform any of its duties under the Indenture or become incapable of acting or become 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 not exceeding amounts prescribed by the Securities and Exchange Commission, or (b) terminate the Indenture and liquidate the Trusts as provided herein, or (c) continue to act as Trustee without terminating the Indenture.

#### Who is the Evaluator?

The Evaluator is Securities Evaluation Service, Inc., 531 East Roosevelt Road, Suite 200, Wheaton, Illinois 60187. The Evaluator may resign or may be removed by the Sponsor and the Trustee, in which event the Sponsor and the Trustee are to use their best efforts to appoint a satisfactory successor. Such resignation or removal shall become effective upon the acceptance of appointment by the successor Evaluator. If upon resignation of the Evaluator no successor has accepted appointment within thirty days after notice of resignation, the Evaluator may apply to a court of competent jurisdiction for the appointment of a successor.

The Trustee, Sponsor and Unit holders may rely on any evaluation furnished by the Evaluator and shall have no responsibility for the accuracy thereof. 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, Sponsor or Unit holders for errors in judgment. This provision shall not protect the Evaluator in any case of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties.

How May the Indenture be Amended or Terminated?

The Sponsor and the Trustee have the power to amend the Indenture without the consent of any of the Unit holders when such an amendment is (1) to cure any ambiguity or to correct or supplement any provision of the Indenture which may be defective or inconsistent with any other provision contained therein, or (2) to make such other provisions as shall not adversely affect the interest of the Unit holders (as determined in good faith by the Sponsor and the Trustee), provided that the Indenture is not amended to increase the number of Units of any Trust issuable thereunder or to permit the deposit or acquisition of securities either in addition to or in substitution for any of the Bonds of any Trust initially deposited in a Trust, except for the substitution of certain refunding securities for Bonds or New Bonds for Failed Bonds. In the event of any amendment, the Trustee is obligated to notify promptly all Unit holders of the substance of such amendment.

Each Trust may be liquidated at any time by consent of 100% of the Unit holders of such Trust or by the Trustee when the value of such Trust, as shown by any evaluation, is less than 20% of the aggregate principal amount of the Bonds deposited in the Trust during the primary offering period or by the Trustee in the event that Units of a Trust not yet sold aggregating more than 60% of the Units of such Trust are tendered for redemption by the Underwriters, including the Sponsor. If a Trust is liquidated because of the redemption of unsold Units of the Trust by the Underwriters, the Sponsor will refund to each purchaser of Units of such Trust the entire sales charge paid by such purchaser. The Indenture will terminate upon the redemption, sale or other disposition of the last Bond held thereunder, but in no event shall it continue beyond December 31, 2044. In the event of termination, written notice thereof will be sent by the Trustee to all Unit holders of such Trust. Within a reasonable period after termination, the Trustee will sell any Bonds remaining in the Trust and, after paying all expenses and charges incurred by such Trust, will distribute to each Unit holder of such Trust (including the Sponsor if it then holds any Units), upon surrender for cancellation of his Certificate for Units, his pro rata share of the balances remaining in the Interest and Principal Accounts of such Trust, all as provided in the Indenture.

#### Legal Opinions

The legality of the Units offered hereby and certain matters relating to Federal tax law have been passed upon by Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603, as counsel for the Sponsor. Carter, Ledyard & Milburn, 2 Wall Street, New York, New York 10005, will act as counsel for the Trustee and as special counsel for the Fund for New York tax matters. For information with respect to state and local tax matters, including the State Trust special counsel for such matters, see the section of the Prospectus describing each Trust appearing herein.

#### Experts

The statements of net assets, including the portfolios, of the Trusts on the Initial Date of Deposit appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein and in the Registration Statement, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

#### DESCRIPTION OF BOND RATINGS\*

\* As published by the rating companies.

Standard & Poor's. A brief description of the applicable Standard & Poor's rating symbols and their meanings follow:

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

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

issuer or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information, or for other circumstances.

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

- I. Likelihood of default-capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;
- II. Nature of and provisions of the obligation;
- III. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization or other arrangements under the laws of bankruptcy and other laws affecting creditors' rights.

AAA-Bonds rated AAA have the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong.\*\*

\*\* Bonds insured by Financial Guaranty Insurance Company, AMBAC Indemnity Corporation, Municipal Bond Investors Assurance Corporation, Connie Lee Insurance Company, Financial Security Assurance and Capital Guaranty Insurance Company are automatically rated "AAA" by Standard & Poor's.

AA-Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only in small degree.

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

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

Plus (+) or Minus (-): The ratings from "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Provisional Ratings: The letter "p" indicates that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the bonds being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. The investor should exercise his/her own judgment with respect to such likelihood and risk.

Credit Watch: Credit Watch highlights potential changes in ratings of bonds and other fixed income securities. It focuses on events and trends which place companies and government units under special surveillance by S&P's 180-member analytical staff. These may include mergers, voter referendums, actions by regulatory authorities, or developments gleaned from analytical reviews. Unless otherwise noted, a rating decision will be made within 90 days. Issues appear on Credit Watch where an event, situation, or deviation from trends occurred and needs to be evaluated as to its impact on credit ratings. A listing, however, does not mean a rating change is inevitable. Since S&P continuously monitors all of its ratings, Credit Watch is not intended to include all issues under review. Thus, rating changes will occur without issues appearing on Credit Watch.

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

Aaa-Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally



referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. Their safety is so absolute that with the occasional exception of oversupply in a few specific instances, characteristically, their market value is affected solely by money market fluctuations.

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Aa-Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities. Their market value is virtually immune to all but money market influences, with the occasional exception of oversupply in a few specific instances.

A-Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future. The market value of A-rated bonds may be influenced to some degree by economic performance during a sustained period of depressed business conditions, but, during periods of normalcy, A-rated bonds frequently move in parallel with Aaa and Aa obligations, with the occasional exception of oversupply in a few specific instances.

A 1 and Baa 1-Bonds which are rated A 1 and Baa 1 offer the maximum in security within their quality group, can be bought for possible upgrading in quality, and additionally, afford the investor an opportunity to gauge more precisely the relative attractiveness of offerings in the market place.

Baa-Bonds which are rated Baa are considered as medium grade obligations; i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well. The market value of Baa-rated bonds is more sensitive to changes in economic circumstances, and aside from occasional speculative factors applying to some bonds of this class, Baa market valuations will move in parallel with Aaa, Aa, and A obligations during periods of economic normalcy, except in instances of oversupply.

Moody's bond rating symbols may contain numerical modifiers of a generic rating classification. The modifier 1 indicates that the bond ranks at the high end of its category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Con.(---)-Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. Parenthetical rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

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THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS NOT LAWFUL TO MAKE SUCH OFFER IN SUCH JURISDICTION.

THIS PROSPECTUS DOES NOT CONTAIN ALL THE INFORMATION SET FORTH IN THE REGISTRATION STATEMENTS AND EXHIBITS RELATING THERETO, WHICH THE FUND HAS 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.

FIRST TRUST (registered trademark)  
THE FIRST TRUST COMBINED SERIES 240

The First Trust of Insured  
Municipal Bonds, Series 231

The First Trust of Insured  
Municipal Bonds-Multi-State:  
Missouri Trust, Series 27

First Trust (registered trademark)  
1001 Warrenville Road, Suite 300  
Lisle, Illinois 60532  
1-708-241-4141

Trustee:

United States Trust Company  
of New York  
770 Broadway  
New York, New York 10003  
1-800-682-7520

PLEASE RETAIN THIS PROSPECTUS  
FOR FUTURE REFERENCE

CONTENTS OF REGISTRATION STATEMENT

Item A. Bonding Arrangements of Depositor

Nike Securities L.P. is covered by a Brokers' Fidelity Bond, in the total amount of \$1,000,000, the insurer being National Union Fire Insurance Company of Pittsburgh.

Item B.

This Registration Statement on Form S-6 comprises the following papers and documents:

The Facing Sheet

The Cross-Reference Sheet

The Prospectus

The Signatures

Exhibits

Financial Data Schedules

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SIGNATURES

The Registrant, The First Trust Combined Series 240, hereby identifies The First Trust Combined Series 83, The First Trust Combined Series 198 and The First Trust Special Situations Trust, Series 18, for purposes of the representations required by Rule 487 and represents the following:

(1) that the portfolio securities deposited in the series as to the securities of which this Registration Statement is being filed do not differ materially in type or quality from those deposited in such previous series;

(2) that, except to the extent necessary to identify the specific portfolio securities deposited in, and to provide essential financial information for, the series with respect to the securities of which this Registration Statement is being filed, this Registration Statement does not contain disclosures that differ in any material respect from those contained in the registration statements for such previous series as to which the effective date was determined by the Commission or the staff; and

(3) that it has complied with Rule 460 under the Securities Act of 1933.

Pursuant to the requirements of the Securities Act of 1933, the Registrant, The First Trust Combined Series 240, has duly caused this Amendment of Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Village of Lisle and State of Illinois on January 11, 1995.

THE FIRST TRUST COMBINED SERIES 240

By: NIKE SECURITIES L.P.  
(Depositor)

By: Carlos E. Nardo  
Senior Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following person in the capacity and on the date indicated:

NAME	TITLE*	DATE
Robert D. Van Kampen	Sole Director ) of Nike Securities ) Corporation, the ) General Partner of ) Nike Securities L.P. ) ) ) ) ) ) ) ) )	January 11, 1995
	Carlos E. Nardo ) Attorney-in-Fact** ) ) )	

\* The title of the person named herein represents his capacity in and relationship to Nike Securities L.P., Depositor.

\*\* An executed copy of the related power of attorney was filed with the Securities and Exchange Commission in connection with the Amendment No. 1 to Form S-6 of The First Trust Special Situations Trust, Series 18 (File No. 33-42683) and the same is hereby incorporated herein by this reference.

S-3  
CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated January 11, 1995, in Amendment No. 1 to the Registration Statement (Form S-6) (File No. 33-56773) and related Prospectus of The First Trust Combined Series 240.

ERNST & YOUNG LLP

Chicago, Illinois  
January 11, 1995

CONSENTS OF COUNSEL

The consents of counsel are contained in their respective opinions filed by this amendment as Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5 to the Registration Statement.

CONSENT OF SECURITIES EVALUATION SERVICE, INC.

The consent of Securities Evaluation Service, Inc. to the use of its name in the Prospectus included in the Registration Statement is filed as Exhibit 4.1 to the Registration Statement.

CONSENT OF STANDARD & POOR'S RATINGS GROUP, A DIVISION OF MCGRAW-HILL, INC.

The consent of Standard & Poor's Ratings Group, A Division of McGraw-Hill, Inc. to the use of its name in the Prospectus included in the Registration Statement is filed as Exhibit 4.2 to the Registration Statement.

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EXHIBIT INDEX

- 1.1 Form of Standard Terms and Conditions of Trust for The First Trust Combined Series 145 and subsequent Series effective October 16, 1991, among Nike Securities L.P., as Depositor, United States Trust Company of New York, as Trustee, Securities Evaluation Service, Inc., as Evaluator and Nike Financial Advisory Services L.P., as Portfolio Supervisor (incorporated by reference to Amendment No. 1 to Form S-6 [File No. 33-43289] filed on behalf of The First Trust Combined Series 145).
- 1.1.1 Form of Trust Agreement for Series 240 among Nike Securities L.P., as Depositor, United States Trust Company of New York, as Trustee, Securities Evaluation Service, Inc., as Evaluator, and First Trust Advisors L.P., as Portfolio Supervisor.
- 1.2 Copy of Certificate of Limited Partnership of Nike Securities L.P. (incorporated by reference to Amendment No. 1 to Form S-6 [File No. 33-42683] filed on behalf of The First Trust Special Situations Trust, Series 18).
- 1.3 Copy of Amended and Restated Limited Partnership Agreement of Nike Securities L.P. (incorporated by reference to Amendment No. 1 to Form S-6 [File No. 33-42683] filed on behalf of The First Trust Special Situations Trust, Series 18).
- 1.4 Copy of Articles of Incorporation of Nike Securities Corporation, General Partner of Nike Securities L.P., Depositor (incorporated by reference to Amendment No. 1 to Form S-6 [File No. 33-42683] filed on behalf of The First Trust Special Situations Trust, Series 18).
- 1.5 Copy of By-Laws of Nike Securities Corporation, General Partner of Nike Securities L.P., Depositor (incorporated by reference to Amendment No. 1 to Form S-6 [File No. 33-42683] filed on behalf of The First Trust Special Situations Trust, Series 18).
- 1.7 Master Agreement Among Underwriters (incorporated by reference to Amendment No. 1 to Form S-6 [File No. 33-43289] filed on behalf of The First Trust Combined Series 145).
- 2.1 Copy of Certificate of Ownership (included in Exhibit 1.1 on page 2 and incorporated herein by reference).

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- 3.1 Opinion of counsel as to legality of securities being registered.
  - 3.2 Opinion of counsel as to Federal income tax status of securities being registered.
  - 3.3 Opinion of counsel as to New York tax status of securities being registered.
  - 3.4 Opinion of counsel as to advancement of funds by Trustee.
  - 3.5 Opinions of state counsel.
  - 4.1 Consent of Securities Evaluation Service, Inc.
  - 4.2 Consent of Standard & Poor's Ratings Group, A Division of McGraw-Hill, Inc.
  - 6.1 List of Directors and Officers of Depositor and other related information (incorporated by reference to Amendment No. 1 to Form S-6 [File No. 33-42683] filed on behalf of The First Trust Special Situations Trust, Series 18).
  - 7.1 Power of Attorney executed by the Director listed on page S-3 of this Registration Statement (incorporated by reference to Amendment No. 1 to Form S-6 [File No. 33-42683] filed on behalf of The First Trust Special Situations Trust, Series 18).
- EX-27 Financial Data Schedules.



THE FIRST TRUST COMBINED SERIES 240

TRUST AGREEMENT

Dated: January 11, 1995

This Trust Agreement among Nike Securities L.P., as Depositor, United States Trust Company of New York, as Trustee, Securities Evaluation Service, Inc., as Evaluator, and First Trust Advisors L.P., as Portfolio Supervisor, sets forth certain provisions in full and incorporates other provisions by reference to the document entitled "Standard Terms and Conditions of Trust for The First Trust Combined Series 145 and subsequent Series, effective October 16, 1991" (herein called the "Standard Terms and Conditions of Trust"), and such provisions as are set forth in full and such provisions as are incorporated by reference constitute a single instrument. All references herein to Articles and Sections are to Articles and Sections of the Standard Terms and Conditions of Trust.

WITNESSETH THAT:

In consideration of the premises and of the mutual agreements herein contained, the Depositor, the Trustee, the Evaluator and Portfolio Supervisor agree as follows:

PART I

STANDARD TERMS AND CONDITIONS OF TRUST

Subject to the Provisions of Part II hereof, all the provisions contained in the Standard Terms and Conditions of Trust are herein incorporated by reference in their entirety and shall be deemed to be a part of this instrument as fully and to the same extent as though said provisions had been set forth in full in this instrument.

PART II

SPECIAL TERMS AND CONDITIONS OF TRUST

The following special terms and conditions are hereby agreed to:

(a) The Bonds defined in Section 1.01(5) listed in Schedule A hereto have been deposited in trust under this Trust Agreement.

(b) The fractional undivided interest in and ownership of the Trust Fund represented by each Unit for a Trust on the Initial Date of Deposit is the amount set forth under the captions "Summary of Essential Information - Fractional Undivided Interest in the Trust per Unit" in the Prospectus.

(c) The number of units in a Trust on the Initial Date of Deposit referred to in Section 2.03 is set forth under the caption "Summary of Essential Information - Number of Units" in the Prospectus.

(d) The approximate amount, if any, which the Trustee shall be required to advance out of its own funds and cause to be paid to the Depositor pursuant to the second sentence of Section 3.05 shall be the amount per Unit for each Trust that the Trustee agreed to reduce its fee or pay Trust Fund expenses set forth in the footnotes to the "Special Trust Information" for each Trust in the Prospectus times the number of units for such Trust referred to in Part II (c) of this Trust Agreement.

(e) For each Trust the First General Record Date and the amount of the second distribution of funds from the Interest Account shall be the record date for the Interest Account and the amount set forth under "Special Trust Information-Distributions" for such Trust in the Prospectus.

(f) For each Trust the "First Settlement Date" is the date set forth under "Summary of Essential Information-First Settlement Date" for such Trust in the Prospectus.

(g) Section 1.01(4) shall be amended to read as follows:

"(4) "Portfolio Supervisor" shall mean First Trust Advisors L.P. and its successors in interest, or any successor portfolio supervisor appointed as hereinafter provided."

(h) The first three sentences of Section 6.04 shall be amended in their entirety to read as follows:

"For services performed under this Indenture the Trustee shall be paid an amount per annum specified in Part II of the Trust Agreement and shall be calculated on the largest number of Units outstanding during each



period in respect of which payment is made pursuant to Section 3.05. During the first year of a Trust, such compensation shall be reduced by the amount of interest which accrues on "when-issued" Bonds and Contract Bonds from the First Settlement Date, as defined in Part II of the Trust Agreement, to the respective delivery dates of such Bonds and Contract Bonds.

(i) The Trustee's annual fee referred to in Section 6.04 is set forth for each Trust under "Special Trust Information" for such Trust in the Prospectus.

(j) The first paragraph of Section 3.05 shall be amended to read as follows:

"The Trustee, as of the "First Settlement Date", as defined in Part II of the Trust Agreement, shall advance from its own funds and shall pay to the Depositor the amount of interest accrued to such date on the Bonds deposited in the respective Trusts. The Trustee, as of the "First Settlement Date," as defined in Part II of the Trust Agreement, shall also advance to the Trust from its own funds and distribute to the Depositor the amount specified in Part II of the Trust Agreement, which is the amount by which the Trustee's fee is reduced and Trust expenses assumed by the Trustee in respect of interest accrued on "when-issued" Bonds and on Contract Bonds delivered to the Trustee subsequent to the First Settlement Date pursuant to Section 6.04. The Trustee shall be entitled to reimbursement, without interest, for such advancements from interest received by the Trust. Subsequent distributions shall be made as hereinafter provided."

(k) Section 2.01 of Article II of the Standard Terms and Conditions of Trust is hereby amended by inserting "(a)" prior to the beginning of the text of the paragraph and adding the following additional paragraphs:

"(b) From time to time following the Initial Date of Deposit, the Depositor is hereby authorized, in its discretion, to assign, convey to and deposit with the Trustee additional Bonds, in bearer form or duly endorsed in blank or accompanied by all necessary instruments of assignment and transfer in proper form (or Contract Obligations relating to such Bonds), to be held, managed and applied by the Trustee as herein provided. Such deposit of additional Bonds shall be made, in each case, pursuant to a Notice of Deposit of Additional Bonds from the Depositor to the Trustee. The Depositor, in each case, shall ensure that each

deposit of additional Bonds pursuant to this Section shall be, as nearly as is practicable, in the identical ratio as the Percentage Ratio for such Bonds as is specified in the Prospectus for each Trust and the Depositor shall ensure that such Bonds are identical to those deposited on the Initial Date of Deposit. The Depositor shall deliver the additional Bonds which were not delivered concurrently with the deposit of additional Bonds and which were represented by Contract Obligations within 10 calendar days after such deposit of additional Bonds (the "Additional Bonds Delivery Period"). If a contract to buy such Bonds between the Depositor and seller is terminated by the seller thereof for any reason beyond the control of the Depositor or if for any other reason the Bonds are not delivered to the Trust by the end of the Additional Bonds Delivery Period for such deposit, the Trustee shall immediately draw on the Letter of Credit, if any, in its entirety, apply the monies in accordance with Section 2.01(d), and the Depositor shall forthwith take the remedial action specified in Section 3.14.

(c) In connection with the deposits described in Section 2.01 (a) and (b), the Depositor has, in the case of Section 2.01(a) deposits, and, prior to the Trustee accepting a Section 2.01(b) deposit, will, deposit cash and/or Letter(s) of Credit (meeting the conditions set forth in Section 2.07) in an amount sufficient to purchase the Contract Obligations (the "Purchase Amount") relating to Bonds which are not actually delivered to the Trustee at the time of such deposit, the terms of which unconditionally allow the Trustee to draw on the full amount of the available Letter of Credit. The Trustee may deposit such cash or cash drawn on the Letter of Credit in a non-interest bearing account for the Trust.

(d) In the event that the purchase of Contract Obligations pursuant to any contract shall not be consummated in accordance with said contract or if the Bonds represented by Contract Obligations are not delivered to the Trust in accordance with Section 2.01(a) or 2.01(b) and the monies, or, if applicable, the monies drawn on the Letter of Credit, deposited by the Depositor are not utilized for Section 3.14 purchases of New Bonds, such funds, to the extent of the purchase price of Special Bonds for which no New Bond was acquired pursuant to Section 3.14, plus all amounts described in the next succeeding two sentences, shall be credited to the Principal Account and distributed pursuant to Section 3.05 to Unit

holders of record as of the Record Date next following the failure of consummation of such purchase. The Depositor shall cause to be refunded to each Unit holder his pro rata portion of the sales charge levied on the sale of Units to such Unit holder attributable to such Failed Contract Obligation. The Depositor shall also pay to the Trustee, for distribution to the Unit holders, interest on the amount of the purchase price to the Trust of the Special Bonds, at the rate of 5% per annum to the date the Depositor notifies the Trustee that no New Bond will be purchased or, in the absence of such notification, to the expiration date for purchase of a New Bond specified in Section 3.14. Any amounts remaining from monies drawn on the Letter of Credit which are not used to purchase New Bonds or are not used to provide refunds to Unit holders shall be paid to the Depositor.

(e) The Trustee is hereby irrevocably authorized to effect registration or transfer of the Bonds in fully registered form to the name of the Trustee or to the name of its nominee.

(f) In connection with and at the time of any deposit of additional Bonds pursuant to Section 2.01(b), the Depositor shall exactly replicate Cash (as defined below) received or receivable by the Trust as of the date of such deposit. For purposes of this paragraph, "Cash" means, as to the Principal Account, cash or other property (other than Bonds) on hand in the Principal Account or receivable and to be credited to the Principal Account as of the date of the deposit (other than amounts to be distributed solely to persons other than holders of Units created by the deposit) and, as to the Income Account, cash or other property (other than Bonds) received by the Trust as of the date of the deposit or receivable by the Trust in respect of a coupon date which has accrued or will accrue before the Trust will be the holder of record of a Bond, reduced by the amount of any cash or other property received or receivable on any Bonds allocable (in accordance with the Trustee's calculation of the monthly distribution from the Income Account pursuant to Section 3.05) to a distribution made or to be made in respect of a Record Date occurring prior to the deposit. Such replication will be made on the basis of a fraction, the numerator of which is the number of Units created by the deposit and the denominator of which is the number of Units which are outstanding immediately prior to the deposit."

(l) Article II of the Standard Terms and Conditions of Trust is hereby amended by inserting the following paragraph which shall be entitled Section 2.07.:

"Section 2.07. Letter of Credit. The Trustee shall not accept any Letter of Credit under this Indenture unless the stated expiration date of the Letter of Credit is at least thirty days from the respective date of deposit of Contract Obligations pursuant to Section 2.01(a) or 2.01(b). The Trustee is authorized to downpost the amount available under the Letter of Credit, if any, deposited by the Depositor by an amount equal to the purchase price of Contract Obligations representing Bonds delivered to the Trust on the date of delivery of such Bonds."

(m) Section 3.05 of Article III of the Standard Terms and Conditions of Trust is hereby amended to include the following subsection:

"Section 3.05(e) deduct from the Interest Account or, to the extent funds are not available in such Account, from the Principal Account and pay to the Depositor the amount that it is entitled to receive pursuant to Section 3.16.

(n) Article III of the Standard Terms and Conditions of Trust is hereby amended by inserting the following paragraphs which shall be entitled Section 3.16.:

"Section 3.16. Bookkeeping and Administrative Expenses. As compensation for providing bookkeeping or other administrative services of a character described in Section 26(a)(2)(C) of the Investment Company Act of 1940 to the extent such services are in addition to, and do not duplicate, the services to be provided hereunder by the Trustee or the Portfolio Supervisor, the Depositor shall receive against a statement or statements therefor submitted to the Trustee monthly or annually an aggregate annual fee in an amount which shall not exceed \$0.10 times the number of Units outstanding as of January 1 of such year except for a year or years in which an initial offering period as determined by Section 4.01 of this Indenture occurs, in which case the fee for a month is based on the number of Units outstanding at the end of such month (such annual fee to be pro rated for any calendar year in which the Depositor provides service during less than the whole of such year), but in no event shall such compensation when combined with all compensation received from other unit investment trusts for which

the Depositor hereunder is acting as Depositor for providing such bookkeeping and administrative services in any calendar year exceed the aggregate cost to the Depositor of providing such services to such unit investment trusts. Such compensation may, from time to time, be adjusted provided that the total adjustment upward does not, at the time of such adjustment, exceed the percentage of the total increase, after the date hereof, in consumer prices for services as measured by the United States Department of Labor Consumer Price Index entitled "All Services Less Rent of Shelter" or similar index, if such index should no longer be published. The consent or concurrence of any Unit holder hereunder shall not be required for any such adjustment or increase. Such compensation shall be paid by the Trustee, upon receipt of invoice therefor from the Depositor, upon which, as to the cost incurred by the Depositor of providing services hereunder the Trustee may rely, and shall be charged against the Interest and Principal Accounts on or before the Distribution Date following the Monthly Record Date on which such period terminates. The Trustee shall have no liability to any Certificateholder or other person for any payment made in good faith pursuant to this Section.

If the cash balance in the Interest and Principal Accounts shall be insufficient to provide for amounts payable pursuant to this Section 3.16, the Trustee shall have the power to sell (i) Bonds from the current list of Bonds designated to be sold pursuant to Section 5.02 hereof, or (ii) if no such Bonds have been so designated, such Bonds as the Trustee may see fit to sell in its own discretion, and to apply the proceeds of any such sale in payment of the amounts payable pursuant to this Section 3.16.

Any moneys payable to the Depositor pursuant to this Section 3.16 shall be secured by a prior lien on the Trust Fund except that no such lien shall be prior to any lien in favor of the Trustee under the provisions of Section 6.04 herein.

(o) All provisions regarding the Distribution Date included in Section 3.05 of Article III of the Standard Terms and Conditions of Trust are hereby amended to change the Distribution Date from the first day of the month following the Record Date to the last day of the month in which the Record Date occurs.

### PART III

Notwithstanding any provision to the contrary contained in the Standard Terms and Conditions of Trust and in lieu of the receipt of Certificates evidencing ownership of Units of the Fund, the Sponsor or any Underwriter of the Fund listed under the caption "Underwriting" in the Prospectus, at its option, may elect that Units of the Fund owned by it be reflected by book entry on the books and records of the Trustee. For all purposes such Sponsor or Underwriter shall be deemed the owner of such Units as if a Certificate evidencing ownership of Units of the Fund had actually been issued by the Trustee. The Units reflected by book entry on the books and records of the Trustee may be transferable by the registered owner of such Units by written instrument in form satisfactory to the Trustee. The registered owner of Units reflected by book entry on the books and records of the Trustee shall have the right at any time to obtain Certificates evidencing ownership of such Units.

IN WITNESS WHEREOF, Nike Securities L.P., United States Trust Company of New York, Securities Evaluation Service, Inc. and First Trust Advisors L.P. have each caused this Trust Agreement to be executed and the respective corporate seal to be hereto affixed and attested (if applicable) by authorized officers; all as of the day, month and year first above written.

NIKE SECURITIES L.P.,  
Depositor

By Carlos E. Nardo  
Senior Vice President

UNITED STATES TRUST COMPANY OF  
NEW YORK, Trustee

(SEAL)

By Thomas Porrizzo  
Vice President

Attest:

Rosalia A. Raviele  
Assistant Vice President

SECURITIES EVALUATION SERVICE,  
INC., Evaluator

(SEAL)

By James R. Couture  
President

Attest:

James G. Prince  
Vice President and  
Assistant Secretary

FIRST TRUST ADVISORS L.P.,  
Portfolio Supervisor

By Carlos E. Nardo  
Senior Vice President

SCHEDULE A TO TRUST AGREEMENT

SECURITIES INITIALLY DEPOSITED

IN

THE FIRST TRUST COMBINED SERIES 240

(Note: Incorporated herein and made a part hereof is  
the "Portfolio" as set forth for each Trust in  
the Prospectus.)

CHAPMAN AND CUTLER  
111 WEST MONROE STREET  
CHICAGO, ILLINOIS 60603

January 11, 1995

Nike Securities L.P.  
1001 Warrenville Road  
Lisle, Illinois 60532

Re: The First Trust Combined Series 240

Gentlemen:

We have served as counsel for Nike Securities L.P., as Sponsor and Depositor of The First Trust Combined Series 240, in connection with the preparation, execution and delivery of a Trust Agreement dated January 11, 1995 among Nike Securities L.P., as Depositor, United States Trust Company of New York, as Trustee, Securities Evaluation Service, Inc., as Evaluator, and First Trust Advisors L.P., as Portfolio Supervisor, pursuant to which the Depositor has delivered to and deposited the Bonds listed in Schedule A to the Trust Agreement with the Trustee and pursuant to which the Trustee has issued to or on the order of the Depositor a certificate or certificates representing units of fractional undivided interest in and ownership of the Fund created under said Trust Agreement.

In connection therewith, we have examined such pertinent records and documents and matters of law as we have deemed necessary in order to enable us to express the opinions hereinafter set forth.

Based upon the foregoing, we are of the opinion that:

1. The execution and delivery of the Trust Agreement and the execution and issuance of certificates evidencing the Units in the Fund have been duly authorized; and

2. the certificates evidencing the Units in the Fund when duly executed and delivered by the Depositor and the Trustee in accordance with the aforementioned Trust Agreement, will



constitute valid and binding obligations of the Fund and the Depositor in accordance with the terms thereof.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement (File No. 33-56773) relating to the Units referred to above, to the use of our name and to the reference to our firm in said Registration Statement and in the related Prospectus.

Respectfully submitted,

CHAPMAN AND CUTLER

EFF/jlg

CHAPMAN AND CUTLER  
111 WEST MONROE STREET  
CHICAGO, IL 60603

January 11, 1995

Nike Securities L.P.  
1001 Warrenville Road  
Lisle, Illinois 60532

United States Trust Company  
of New York  
770 Broadway, 6th Floor  
New York, New York 10003

Re: The First Trust Combined Series 240

Gentlemen:

We have served as counsel for Nike Securities L.P., Depositor of The First Trust Combined Series 240 (the "Fund") in connection with the issuance of Units of fractional undivided interest in said Fund under a Trust Agreement dated January 11, 1995 (the "Indenture") among Nike Securities L.P., as Depositor, United States Trust Company of New York, as Trustee, Securities Evaluation Service, Inc., as Evaluator, and First Trust Advisors L.P., as Portfolio Supervisor.

In this connection, we have examined the Registration Statement, the form of Prospectus proposed to be filed with the Securities and Exchange Commission, the Indenture and such other instruments and documents as we have deemed pertinent.

Based upon the foregoing, and upon an investigation of such matters of law as we consider to be applicable, we are of the opinion that, under existing federal income tax law:

(i) Each Trust is not taxable as an association but will be governed by the provisions of Subchapter J (relating to Trusts) of Chapter 1, Internal Revenue Code of 1986 (the "Code").

(ii) Each Certificateholder will be considered as owning a share of each asset of the respective Trust in the

proportion that the number of Units of such Trust held by him bears to the total number of Units outstanding of such Trust. Under Subpart E, Subchapter J of Chapter 1 of the Code, income of the Trust will be treated as income of each Certificateholder in the proportion described, and an item of Trust income will have the same character in the hands of a Certificateholder as it would have in the hands of the Trustee. Accordingly, to the extent that the income of a Trust consists of interest and original issue discount excludable from gross income under Section 103 of the Code, such income will be excludable from federal gross income of the Certificateholder, except in the case of a Certificateholder who is a substantial user (or a person related to such user) of a facility financed through issuance of any industrial development bonds or certain private activity bonds held by the Trust. In the case of such Certificateholder who is a substantial user (and no other) interest received and original issue discount with respect to his Units attributable to such industrial development bonds or such private activity bonds is includable in his gross income. To the extent a Trust holds Bonds that are "specified private activity Bonds" within the meaning of Section 57(a)(5) of the Code, a Certificateholder's pro rata portion of the income on such Bonds will be included as an item of tax preference in the computation of the alternative minimum tax applicable to individuals, trusts and corporations. In the case of certain corporations, interest on all of the Bonds is included in computing the alternative minimum tax pursuant to Section 56(c) of the Code, the environmental tax (the "Superfund Tax") imposed by Section 59A of the Code, and the branch profits tax imposed by Section 884 of the Code with respect to U.S. branches of foreign corporations.

(iii) Gain or loss will be recognized to a Certificateholder upon redemption or sale of his Units. Such gain or loss is measured by comparing the proceeds of such redemption or sale with the adjusted basis of the Units represented by his Certificate. Before adjustment, such basis would normally be cost if the Certificateholder had acquired his Units by purchase, plus his aliquot share of advances by the Trustee to the respective Trust to pay interest on Bonds delivered after the Certificateholder's settlement date to the extent that such interest accrued on the Bonds during the period from the Certificateholder's settlement date to the date such Bonds are delivered to the Trust, but only to the extent that such advances are to be repaid to the Trustee out of interest received by such Trust with respect to such Bonds. In addition, such basis will be increased by the Certificateholder's aliquot share of the accrued original issue discount with respect to each Bond

held by the Trust with respect to which there was an original issue discount at the time the Bond was issued and reduced by the annual amortization of bond premium, if any, on Bonds held by the Trust.

(iv) If the Trustee disposes of an asset of a Trust (whether by sale, payment on maturity, redemption or otherwise), gain or loss is recognized to the Certificateholder and the amount thereof is measured by comparing the Certificateholder's aliquot share of the total proceeds from the transaction with his basis for his fractional interest in the asset disposed of. Such basis is ascertained by apportioning the tax basis for his Units among each of the assets of such Trust (as of the date on which his Units were acquired) ratably according to their values as of the valuation date nearest the date on which he purchased such Units. A Certificateholder's basis in his Units and of his fractional interest in each asset of the Trust must be reduced by the amount of his aliquot share of interest received by the Fund, if any, on Bonds delivered after the Certificateholder's settlement date to the extent that such interest accrued on the Bonds during the period from the Certificateholder's settlement date to the date such Bonds are delivered to the Trust; must be reduced by the annual amortization of bond premium, if any, on Bonds held by the Trust; and must be increased by the Certificateholder's share of the accrued original issue discount with respect to each Bond which, at the time the Bond was issued, had original issue discount.

(v) In the case of any Bond held by the Trust where the "stated redemption price at maturity" exceeds the "issue price", such excess shall be original issue discount. With respect to each Certificateholder, upon the purchase of his Units subsequent to the original issuance of Bonds held by the Trust, Section 1272(a)(7) of the Code provides for a reduction in the accrued "daily portion" of such original issue discount upon the purchase of a Bond subsequent to the Bond's original issue, under certain circumstances. In the case of any Bond held by the Trust the interest on which is excludable from gross income under Section 103 of the Code, any original issue discount which accrues with respect thereto will be treated as interest which is excludable from gross income under Section 103 of the Code.

(vi) Certain bonds in the portfolio of the Trust have been insured by the issuers, underwriters, the Sponsor or others against default in the prompt payment of principal and interest (the "Insured Bonds"). Such Bonds are so designated on the portfolio pages in the Prospectus for each Trust. Insurance on Insured Bonds is effective so long as

such bonds remain outstanding. For each of these bonds, we have been advised that the aggregate principal amount of such bonds listed on the portfolio page was acquired by the Trust and are part of the series of such bonds in the listed aggregate principal amount. Based upon the assumption that the Insured Bonds of the Trust are part of a series covered by an insurance policy, it is our opinion that any amounts received by the Trust representing maturing interest on such bonds will be excludable from Federal gross income if, and to the same extent as, such interest would have been so excludable if paid in normal course by the Issuer notwithstanding that the source of the payment is from policy proceeds provided that, at the time such policies are purchased, the amounts paid for such policies are reasonable, customary and consistent with the reasonable expectation that the issuer of the bonds, rather than the insurer will pay debt service on the bonds. Paragraph (ii) of this opinion is accordingly applicable to such payment representing maturing interest.

Sections 1288 and 1272 of the Code provide a complex set of rules governing the accrual of original issue discount. These rules provide that original issue discount accrues either on the basis of a constant compound interest rate or ratably over the term of the bond, depending on the date the Bond was issued. In addition, special rules apply if the purchase price of a Bond exceeds the original issue price plus the amount of original issue discount which would have accrued to prior owners. The application of these rules will also vary depending on the value of the Bond on the date a Certificateholder acquires his Units, and the price the Certificateholder pays for his Units.

Except with respect to those Trusts that hold "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code issued on or after August 8, 1986 as identified in the Prospectus related hereto (the "AMT Trusts"), the Trusts do not include any specified private activity bonds and accordingly none of the interest income of the Trusts (other than the AMT Trusts, if any) shall be treated as an item of tax preference when computing the alternative minimum tax. Because the AMT Trusts include "specified private activity bonds," all or a portion of the income of the AMT Trusts shall be treated as an item of tax preference for alternative minimum tax purposes in the case of individuals, trusts and corporations. In the case of corporations, for taxable years beginning after December 31, 1986, the alternative minimum tax and the Superfund Tax depend upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments.

Pursuant to Section 56(c) of the Code, one of the adjustment

items used in computing AMTI and the Superfund Tax of a corporation (other than an S Corporation, Regulated Investment Company, Real Estate Investment Trust or REMIC) for taxable years beginning after 1989, is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" includes all tax-exempt interest, including interest on all Bonds in the Trust, and tax-exempt original issue discount.

Effective for tax returns filed after December 31, 1987, all taxpayers are required to disclose to the Internal Revenue Service the amount of tax-exempt interest earned during the year.

Section 265 of the Code generally provides for a reduction in each taxable year of 100% of the otherwise deductible interest on indebtedness incurred or continued by financial institutions, to which either Section 585 or Section 593 of the Code applies, to purchase or carry obligations acquired after August 7, 1986, the interest on which is exempt from federal income taxes for such taxable year. Under rules prescribed by Section 265, the amount of interest otherwise deductible by such financial institutions in any taxable year which is deemed to be attributable to tax-exempt obligations acquired after August 7, 1986, will be the amount that bears the same ratio to the interest deduction otherwise allowable (determined without regard to Section 265) to the taxpayer for the taxable year as the taxpayer's average adjusted basis (within the meaning of Section 1016) of tax-exempt obligations acquired after August 7, 1986, bears to such average adjusted basis for all assets of the taxpayer, unless such financial institution can otherwise establish, under regulations to be prescribed by the Secretary of the Treasury, the amount of interest an indebtedness incurred or continued to purchase or carry such obligations.

We also call attention to the fact that, under Section 265 of the Code, interest on indebtedness incurred or continued to purchase or carry Units by taxpayers other than certain financial institutions, as referred to above, is not deductible for federal income tax purposes. Under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of Units may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of Units. However, these rules generally do not apply to indebtedness incurred for expenditures of a personal nature such as a mortgage incurred to purchase or improve a personal residence.

"The Revenue Reconciliation Act of 1993" (the "Tax Act") subjects tax-exempt bonds to the market discount rules of the

Code effective for bonds purchased after April 30, 1993. In general, market discount is the amount (if any) by which the stated redemption price at maturity exceeds an investor's purchase price (except to the extent that such difference, if any, is attributable to original issue discount not yet accrued) subject to a statutory de minimis rule. Market discount can arise based on the price a Trust pays for Bonds or the price a Certificateholder pays for his or her Units. Under the Tax Act, accretion of market discount is taxable as ordinary income; under prior law, the accretion had been treated as capital gain. Market discount that accretes while a Trust holds a Bond would be recognized as ordinary income by the Certificateholders when principal payments are received on the Bond, upon sale or at redemption (including early redemption), or upon the sale or redemption of his or her Units, unless a Certificateholder elects to include market discount in taxable income as it accrues.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement (File No. 33-56773) relating to the Units referred to above and to the use of our name and to the reference of our firm in said Registration Statement and in the related Prospectus.

Respectfully submitted,

CHAPMAN AND CUTLER

EFF/jln

CARTER, LEDYARD & MILBURN  
COUNSELLORS AT LAW  
2 WALL STREET  
NEW YORK, NEW YORK 10005

January 11, 1995

The First Trust Combined Series 240  
c/o United States Trust Company  
of New York, as Trustee  
770 Broadway - 6th Floor  
New York, New York 10003

Re: The First Trust Combined Series 240

Dear Sirs:

We are acting as special counsel with respect to New York tax matters for The First Trust Combined Series 240, which will be established under a Standard Terms and Conditions of Trust dated October 16, 1991, and a related Trust Agreement dated today's date (collectively, the "Indenture"), among Nike Securities L.P., as Depositor (the "Depositor"); Securities Evaluation Service, Inc., as Evaluator; First Trust Advisors L.P., as Portfolio Supervisor and United States Trust Company of New York, as Trustee (the "Trustee"). Pursuant to the terms of the Indenture, units of fractional undivided interest in the Trusts (the "Units") will be issued in the aggregate number set forth in the Indenture.

We have examined and are familiar with originals or certified copies, or copies otherwise identified to our satisfaction, of such documents as we have deemed necessary or appropriate for the purpose of this opinion. In giving this opinion, we have relied upon the two opinions, each dated today and addressed to the Trustee, of Chapman and Cutler, counsel for the Depositor, with respect to the matters of law set forth therein.

Based upon the foregoing, we are of the opinion that:

1. Each Trust will not constitute an association taxable as a corporation under New York law, and accordingly will not be subject to the New York State franchise tax or the New York City



general corporation tax.

2. Under the income tax laws of the State and City of New York, the income of each Trust will be considered the income of the holders of the Units.

United States Trust Company  
of New York

3. By reason of the exemption contained in paragraph (a) of Subdivision 8 of Section 270 of the New York Tax Law, no New York State stock transfer tax will be payable in respect of any transfer of the Certificates.

We consent to the filing of this opinion as an exhibit to the Registration Statement (No. 33-56773) filed with the Securities and Exchange Commission with respect to the registration of the sale of the Units and to the references to our name under the captions "What is the Federal Tax Status of Unit Holders" and "Legal Opinions" in such Registration Statement and the preliminary prospectus included therein.

Very truly yours,

CARTER, LEDYARD & MILBURN

CARTER, LEDYARD & MILBURN  
COUNSELLORS AT LAW  
2 WALL STREET  
NEW YORK, NEW YORK 10005

January 11, 1995

United States Trust Company  
of New York, as Trustee of  
The First Trust Combined  
Series 240  
770 Broadway - 6th Floor  
New York, New York 10003

Attention: Mr. C. William Steelman  
Executive Vice President

Re: The First Trust Combined Series 240

Dear Sirs:

We are acting as counsel for United States Trust Company of New York (the "Trust Company") in connection with the execution and delivery of a Standard Terms and Conditions of Trust dated October 16, 1991, and a related Trust Agreement, dated today's date (collectively, the "Indenture"), among Nike Securities L.P., as Depositor (the "Depositor"); Securities Evaluation Service, Inc., as Evaluator; First Trust Advisors L.P., as Portfolio Supervisor; and the Trust Company, as Trustee (the "Trustee"), establishing The First Trust Combined Series 240, and the execution by the Trust Company, as Trustee under the Indenture, of a certificate or certificates evidencing ownership of units in the aggregate number set forth in the Indenture (such certificate or certificates and such aggregate units being herein called "Certificates" and "Units"), each of which represents an undivided interest in the Trusts, which consist of interest bearing, tax-exempt bonds (including confirmations of contracts for the purchase of certain bonds not yet delivered and cash, cash equivalents or an irrevocable letter of credit or a combination thereof, in the amount required for such purchase upon the receipt of such bonds), such bonds being defined in the Indenture as Bonds and listed in the Schedule or Schedules to the Indenture. Upon delivery of the Bonds in an Insured Trust to the Trustee, such Bonds shall be insured against the nonpayment of

principal and interest.  
United States Trust Company  
of New York

We have examined the Indenture, the Closing Memorandum dated today's date and such other documents as we have deemed necessary in order to render this opinion. Based on the foregoing, we are of the opinion that:

1. The Trust Company is a duly organized and existing corporation having the powers of a trust company under the laws of the State of New York.

2. The Indenture has been duly executed and delivered by the Trust Company and, assuming due execution and delivery by the other parties thereto, constitutes the valid and legally binding obligation of the Trust Company.

3. The Certificates are in proper form for execution and delivery by the Trust Company as Trustee.

4. The Trust Company, as Trustee, has duly executed and delivered to or upon the order of the Depositor a Certificate or Certificates evidencing ownership of the Units, registered in the name of the Depositor. Upon receipt of confirmation of the effectiveness of the registration statement for the sale of the Units filed with the Securities and Exchange Commission under the Securities Act of 1933, the Trustee may deliver such other Certificates, in such names and denominations as the Depositor may request, to or upon the order of the Depositor as provided in the Closing Memorandum.

5. The Trust Company, as Trustee, may lawfully under the New York Banking Law advance to each Trust amounts as may be necessary to provide monthly interest distributions of approximately equal amounts, and be reimbursed, without interest, for any such advances from funds in the interest account on the ensuing record date, as provided in the Indenture.

In rendering the foregoing opinion, we have not considered, among other things, whether the Bonds have been duly authorized and delivered, the efficacy of the insurance, or the federal tax status of the Bonds.

Very truly yours,

CARTER, LEDYARD & MILBURN

SES  
Securities Evaluation Service, Inc.  
Suite 200  
531 E. Roosevelt Road  
Wheaton, Illinois 60187

January 11, 1995

Nike Securities L.P.  
1001 Warrenville Road  
Lisle, IL 60532

Re: THE FIRST TRUST COMBINED SERIES 240

Gentlemen:

We have examined the Registration Statement File No. 33-56773 for the above captioned fund. We hereby consent to the use in the Registration Statement of the references to Securities Evaluation Service, Inc. as evaluator.

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

Sincerely,

Securities Evaluation Service, Inc.

James R. Couture  
President

Standard & Poor's Ratings Group  
A Division of McGraw-Hill, Inc.  
Bond Insurance Administration  
25 Broadway  
New York, New York 10004-1064

January 11, 1995

Nike Securities L.P.  
1001 Warrenville Road  
Lisle, Illinois 60532

Re: The First Trust Combined Series 240

Pursuant to your request for a Standard & Poor's rating on the units of the above-captioned trust, SEC # 33-56773, we have reviewed the information presented to us and have assigned a 'AAA' rating to the units of the trust and a 'AAA' rating to the securities contained in the trust for as long as they remain in the trust. The ratings are direct reflections, of the portfolio of the trust, which will be composed solely of securities covered by bond insurance policies that insure against default in the payment of principal and interest on the securities so long as they remain in the trust. Since such policies have been issued by one or more insurance companies which have been assigned 'AAA' claims paying ability ratings by S&P, S&P has assigned a 'AAA' rating to the units of the trust and to the securities contained in the trust for as long as they remain in the trust.

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

independently verify the truth or accuracy of any such information.

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

Please be certain to send us three copies of your final prospectus as soon as it becomes available. Should we not receive them within a reasonable time after the closing or should they not conform to the representations made to us, we reserve the right to withdraw the rating.

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

Sincerely,

STANDARD & POOR'S  
CORPORATION

CHAPMAN AND CUTLER  
111 WEST MONROE STREET  
CHICAGO, IL 60603

January 11, 1995

Nike Securities L.P.  
Suite 300  
1001 Warrenville Road  
Lisle, Illinois 60532

United States Trust Company  
of New York  
770 Broadway, 6th Floor  
New York, New York 10003

Gentlemen:

We have acted as counsel to The First Trust Combined Series 240 containing The First Trust of Insured Municipal Bonds-Multi-State: Missouri Trust, Series 27 (the "Missouri Trust"), with respect to certain matters preliminary to the issuance and sale of units of interest therein (the "Units") pursuant to a Trust Indenture and Agreement, dated as of the date hereof (the "Indenture"), among Nike Securities L.P., as Depositor (the "Depositor"), United States Trust Company of New York, as Trustee (the "Trustee"), Securities Evaluation Service, Inc., as Evaluator and First Trust Advisors L.P., as Portfolio Supervisor. The Units represent fractional undivided interests in the principal of and net income on obligations deposited in one of several separate trusts, including the Missouri Trust (the "Trust"). Each separate trust will be administered as a distinct entity with separate investments, expenses, books and records.

The assets of the Trust will consist of bonds, notes, warrants, or other evidences of indebtedness issued by or on behalf of the State of Missouri (the "State"), its counties, townships, cities, incorporated towns, school corporations, state educational institutions or state supported institutions of higher learning, other political, municipal, public or quasi-public corporations or bodies, special assessment or taxing districts or authorized bodies of such corporations or districts ("Political Subdivisions") issued after March 11, 1959 (the "Missouri Bonds"), and, provided the interest thereon is exempt

from State income taxes, by or on behalf of territories or possessions of the United States of America, or its political subdivisions, agencies or instrumentalities (the "Possession Bonds") (collectively, the "Bonds"). Distributions of interest on the Bonds received by the Trust will be made semi-annually unless a Unit holder elects to receive them monthly.

Although we express no opinion with respect to the issuance of the Bonds, in rendering our opinion expressed herein, we have assumed that: (i) the Bonds were validly issued, (ii) the interest thereon is excludable from gross income for Federal income tax purposes, (iii) interest on the Missouri Bonds, if received directly by a Unit holder, would be exempt from the income tax imposed by the State of Missouri that is applicable to individuals and corporations (the "Missouri State Income Tax"). This opinion does not address the taxation of persons other than full time residents of Missouri.

Based on the foregoing, and based on review and consideration of existing laws of the State as of this date, it is our opinion, and we herewith advise you, as follows:

(1) The Trust is not an association taxable as a corporation for Missouri income tax purposes, and each Unit holder of the Trust will be treated as the owner of a pro rata portion of the Trust and the income of such portion of the Trust will be treated as the income of the Unit holder for Missouri State Income Tax purposes.

(2) Interest paid and original issue discount, if any, on the Bonds which would be exempt from the Missouri State Income Tax if received directly by a Unit holder will be exempt from the Missouri State Income Tax when received by the Trust and distributed to such Unit holder; however, no opinion is expressed herein regarding taxation of interest paid and original issue discount, if any, on the Bonds received by the Trust and distributed to Unit holders under any other tax imposed pursuant to Missouri law, including but not limited to the franchise tax imposed on financial institutions pursuant to Chapter 148 of the Missouri Statutes.

(3) To the extent that interest paid and original issue discount, if any, derived from the Trust by a Unit holder with respect to Possession Bonds is excludable from gross income for Federal income tax purposes pursuant to 48 U.S.C. Section 745, 48 U.S.C. Section 1423a, and 48 U.S.C. Section 1403, such interest paid and original issue discount, if any, will not be subject to the Missouri State Income Tax; however, no opinion is expressed herein regarding taxation of interest paid and original issue discount, if any, on the Bonds received by the Trust and distributed to Unit holders under any other tax imposed pursuant



to Missouri law, including but not limited to the franchise tax imposed on financial institutions pursuant to Chapter 148 of the Missouri Statutes.

(4) Each Unit holder of the Trust will recognize gain or loss for Missouri State Income Tax purposes if the Trustee disposes of a bond (whether by redemption, sale, or otherwise) or if the Unit holder redeems or sells Units of the Trust to the extent that such a transaction results in a recognized gain or loss to such Unit holder for Federal income tax purposes. Due to the amortization of bond premium and other basis adjustments required by the Internal Revenue Code, a Unit holder, under some circumstances, may realize taxable gain when his or her Units are sold or redeemed for an amount equal to their original cost.

(5) Any insurance proceeds paid under policies which represent maturing interest on defaulted obligations which are excludable from gross income for Federal income tax purposes will be excludable from Missouri State Income Tax to the same extent as such interest would have been paid by the issuer of such Bonds held by the Trust; however, no opinion is expressed herein regarding taxation of interest paid and original issue discount, if any, on the Bonds received by the Trust and distributed to Unit holders under any other tax imposed pursuant to Missouri law, including but not limited to the franchise tax imposed on financial institutions pursuant to Chapter 148 of the Missouri Statutes.

(6) The Missouri State Income Tax does not permit a deduction of interest paid or incurred on indebtedness incurred or continued to purchase or carry Units in the Trust, the interest on which is exempt from such Tax.

(7) The Trust will not be subject to the Kansas City, Missouri Earnings and Profits Tax and each Unit holder's share of income of the Bonds held by the Trust will not generally be subject to the Kansas City, Missouri Earnings and Profits Tax or the City of St. Louis Earnings Tax (except in the case of certain Unit holders, including corporations, otherwise subject to the St. Louis City Earnings Tax).

Units may be subject to the Missouri Estate Tax. We have not examined any of the Bonds to be deposited and held in the Trust or the proceedings for the issuance thereof or the opinions of bond counsel with respect thereto, and therefore express no opinion as to the exemption from the Missouri State Income Tax of interest on the Missouri Bonds if received directly by a Unit holder.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement (No. 33-56773) filed

pursuant to the Securities Act of 1933, as amended (the "Act"), with respect to the registration of the sale of the Units and to the references to our firm in such Registration Statement and the preliminary prospectus included therein. In giving such consent, we do not thereby admit that we are persons whose consent is required by Section 7 of the Act, or the rules and regulations thereunder.

Respectfully submitted

CHAPMAN AND CUTLER

EFF/jln

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