SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1995-07-28**
SEC Accession No. 0000903112-95-000589

(HTML Version on secdatabase.com)

FILER

EMPIRE STATE MUNICIPAL EXEMPT TRUST GUARANTEED SERIES 95

CIK:**897592**| State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **485BPOS** | Act: **33** | File No.: **033-58492** | Film No.: **95556681**

Mailing Address
C/O HODGSON RUSS ANDREWS WOODS & GOODYEA
THREE CITY SQ
ALBANY NY 12207

Business Address
6 EAST 43RD ST
NEW YORK NY 10017

EMPIRE STATE MUNICIPAL EXEMPT TRUST GUARANTEED SERIES 96

CIK:**905251**| State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **485BPOS** | Act: **33** | File No.: **033-62896** | Film No.: **95556682**

Business Address
6 EAST 43RD ST
C/O GLICKENHAUS
NEW YORK NY 10017

As filed with the Securities and Exchange Commission on July 28, 1995

Registration No. 33-33-58492*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 2
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: EMPIRE STATE MUNICIPAL EXEMPT TRUST,
GUARANTEED SERIES 95
AND GUARANTEED SERIES 96

B. Name of depositors: GLICKENHAUS & CO.
LEBENTHAL & CO., INC.

C. Complete address of depositors' principal executive offices:

GLICKENHAUS & CO.	LEBENTHAL & CO., INC.
6 East 43rd Street	120 Broadway
New York, NY 10017	New York, NY 10271

D. Name and complete address of agent for service:

SETH M. GLICKENHAUS	JAMES A. LEBENTHAL	Copy of comments to:
Glickenhaus & Co.	Lebenthal & Co., Inc.	MICHAEL R. ROSELLA, ESQ.
6 East 43rd Street	120 Broadway	Battle Fowler LLP
New York, NY 10017	New York, NY 10271	75 East 55th Street
		New York, NY 10022
		(212) 856-6858

It is proposed that this filing become effective (check appropriate box)

/ / immediately upon filing pursuant to paragraph (b) of Rule 485
/x/ on July 31, 1995 pursuant to paragraph (b)
/ / 60 days after filing pursuant to paragraph (a)
/ / on (date) pursuant to paragraph (a) of Rule 485

* The Prospectus included in this Registration Statement constitutes a combined Prospectus as permitted by the provisions of Rule 429 of the General Rules and Regulations under the Securities Act of 1933 (the "Act"). Said Prospectus covers units of undivided interest in Empire State Municipal Exempt Trust, Guaranteed Series 95 and Guaranteed Series 96 covered by prospectuses heretofore filed as part of separate registration statements on Form S-6 (Registration Nos. 33-58492 and 33-62896, respectively) under the Act.

C/M: 10726.0053 287709.1

EMPIRE STATE MUNICIPAL EXEMPT TRUST,
GUARANTEED SERIES 95 AND GUARANTEED SERIES 96

CROSS-REFERENCE SHEET

Pursuant to Rule 404 of Regulation C
under the Securities Act of 1933

(Form N-8B-2 Items required by Instruction as
to the Prospectus in Form S-6)

Form N8B-2 Item Number	Form S-6 Heading in Prospectus
I. Organization and General Information	
1. (a) Name of trust	Prospectus front cover
(b) Title of securities issued	"
2. Name and address of each depositor	Sponsors
3. Name and address of trustee	Trustee
4. Name and address of principal underwriters	Sponsors; Public Offering -- Distribution of Units; Back Cover
5. State of organization of trust	The Trust
6. Execution and termination of trust agreement	The Trust; Amendment and Termination of the Trust Agreement
7. Changes of name	Not Applicable
8. Fiscal year	"
9. Litigation	None
II. General Description of the Trust and Securities of the Trust	
10. (a) Registered or bearer securities	Rights of Unit Holders
(b) Cumulative or distributive securities	"
(c) Redemption	"
(d) Conversion, transfer, etc.	"
(e) Periodic payment plan	Not Applicable
(f) Voting rights	Amendment and Termination of the Trust Agreement
(g) Notice to certificateholders	Rights of Unit Holders--Reports and Records; Sponsors--Responsibility; Trustee--Resignation; Amendment and Termination of the Trust Agreement
(h) Consents required	Sponsors--Responsibility; Amendment and Termination of the Trust Agreement
(i) Other provisions	The Trust--Tax Status
11. Type of securities comprising units	Prospectus front cover; The Trust--Portfolio
12. Certain information regarding periodic payment certificates	Not Applicable
13. (a) Load, fees, expenses, etc.	Prospectus front cover; Summary of Essential Financial Information; Rights of Unit Holders--Expenses and Charges; Public Offering--Offering Price; Public Offering--Market for Units

(b) Certain information regarding periodic payment certificates	Not Applicable
(c) Certain percentages	Public Offering--Offering Price
(d) Certain other fees, etc. payable by holders	Rights of Unit Holders--Certificates
(e) Certain profits receivable by depositors, principal underwriters, trustee or affiliated persons	Public Offering--Offering Price; Rights of Unit Holders--Redemption--Purchase by the Sponsors of Units Tendered for Redemption
(f) Ratio of annual charges to income	Not Applicable
14. Issuance of trust's securities	The Trust; Rights of Unit Holders--Certificates
15. Receipt and handling of payments from purchasers	Public Offering--Offering Price; Amendment and Termination of the Trust Agreement

C/M: 10726.0053 287709.1

III. Organization, Personnel and Affiliated Persons of Depositor

IV. Distribution and Redemption of Securities

37. Revocation of authority to distribute.................... "
38. (a) Method of distribution.........Public Offering--Distribution of Units
(b) Underwriting agreements........ "
(c) Selling agreements............ "
39. (a) Organization of principal underwriters...................Sponsors
(b) N.A.S.D. membership of principal underwriters......... "
40. Certain fees received by principal underwriters..........Not Applicable
41. (a) Business of principal underwriters...................Sponsors
(b) Branch offices of principal underwriters...................Not Applicable
(c) Salesmen of principal underwriters................... "
42. Ownership of trust's securities by certain persons.... "
43. Certain brokerage commissions received by principal underwriters..................... "
44. (a) Method of valuation...........Prospectus front cover; Public Offering--Offering Price; Public Offering--Distribution of Units
(b) Schedule as to offering price..Not Applicable

(c) Variation in offering price to certain persons...........Public Offering--Offering Price; Public Offering--Distribution of Units
45. Suspension of redemption rights...Not Applicable
46. (a) Redemption valuation.........Rights of Unit Holders--Redemption--Computation of Redemption Price per Unit
(b) Schedule as to redemption price................ Not Applicable
47. Maintenance of position in underlying securities..........Public Offering--Market for Units; Rights of Unit Holders--Redemption--Purchase by the Sponsors of Units Tendered for Redemption; Rights of Unit Holders--Redemption--Computation of Redemption Price per Unit

V. Information Concerning the Trustee or Custodian

48. Organization and regulation of trustee.....................Trustee
49. Fees and expenses of trustee.....Rights of Unit Holders--Expenses and Charges; Rights of Unit Holders--Distribution of Interest and Principal
50. Trustee's lien..................Rights of Unit Holders--Expenses and Charges--Other Charges; Rights of Unit Holders--Distribution of Interest and Principal

VI. Information Concerning Insurance of Holders of Securities

51. Insurance of holders of trust's securities............... Insurance on the Bonds

VII. Policy of Registrant

52. (a) Provisions of trust agreement with respect to selection or elimination of underlying securities..................... Prospectus front cover; Sponsors--Responsibility
(b) Transactions involving elimination of underlying securities..................... Not Applicable
(c) Policy regarding substitution or elimination of underlying

securities......................	Sponsors--Responsibility
(d) Fundamental policy not otherwise covered...............	Not Applicable
53. Tax status of trust.................	Prospectus front cover; Tax Status

VIII. Financial and Statistical Information

54. Trust's securities during last ten years....................	Not Applicable
55. Certain information regarding periodic payment certificates.....	"
56. Certain information regarding periodic payment certificates.....	"

57. Certain information regarding periodic payment certificates.....	"
58. Certain information regarding periodic payment certificates.....	"
59. Financial Statements (Instruction 1(c) to Form S-6)...	Statement of Net Assets; Statements of Operations; Statements of Changes in Net Assets

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95

Prospectus, Part I
9,940 Units
Dated: July 31, 1995

NOTE: Part I of this Prospectus may not be distributed unless accompanied by Part II.

This Prospectus consists of two parts. The first part contains a "Summary of Essential Financial Information" on the reverse hereof as of April 28, 1995 and a summary of additional specific information including "Special Factors Concerning the Portfolio" and audited financial statements of the Trust, including the related bond portfolio, as of March 31, 1995. The second part of this Prospectus contains a general summary of the Trust and "Special Factors Affecting New York."

In the opinion of special counsel for the Sponsors as of the Date of Deposit, interest income to the Trust and, with certain exceptions, to Unit holders is exempt from all regular federal, New York State and New York City income taxes, but may be subject to state and local taxes in other jurisdictions. Capital gains, if any, are subject to tax. See Part II under "Tax Status."

The Trust is a unit investment trust formed for the purpose of obtaining tax-exempt interest income through investment in a diversified, insured portfolio of long-term bonds, issued by or on behalf of the State of New York and counties, municipalities, authorities or political subdivisions thereof or issued by certain United States territories or possessions and their public authorities (the "Bonds"). See Part II under "The Trust." The Bonds deposited in the portfolio of the Trust are sometimes referred to herein as the "Securities." Insurance guaranteeing the payment of principal and interest on the Securities while in the Trust has been obtained by the Trust from the Insurer as set forth in Part II under "Insurance on the Bonds." Such insurance does not guarantee the market value of the Securities or the Units offered hereby. The payment of interest and the preservation of principal are, of course, dependent upon the continuing ability of the issuers of the Bonds and any other insurer to meet their obligations. As a result of the insurance on the Bonds, the Units are rated "AAA" by Standard & Poor's Corporation.

Offering. The initial public offering of Units in the Trust has been completed. The Units offered hereby are issued and outstanding Units which have been acquired by the Sponsors either by purchase from the Trustee of Units tendered for redemption or in the secondary market. See Part II under "Rights of Unit Holders --Redemption -- Purchase by the Sponsors of Units Tendered for Redemption" and "Public Offering -- Market for Units." The price at which the Units offered hereby were acquired was not less than the redemption price determined as described herein. See Part II under "Rights of Unit Holders -- Redemption -- Computation of Redemption Price per Unit."

The Public Offering Price of the Units is based on the aggregate bid price of the Securities in the Trust divided by the number of Units outstanding, plus a sales charge determined on the basis of the maturities of the Securities in the Trust. See "Public Offering -- Offering Price" in Part II of this Prospectus.

Market for Units. The Sponsors, although they are not obligated to do so, intend to maintain a secondary market for the Units at prices based upon the aggregate bid price of the Securities in the Trust plus accrued interest to the date of settlement, as more fully described in Part II under "Public Offering -- Market for Units." If such a market is not maintained, a Unit holder may be able to dispose of his Units only through redemption at prices based upon the aggregate bid price of the underlying Securities. The purchase price of the Securities in the Trust, if they were available for direct purchase by investors, would not include the sales charges included in the Public Offering Price of the Units.

Investors should retain both Parts of this Prospectus for future reference.

C/M: 10726.0053 287349.1

EMPIRE STATE MUNICIPAL EXEMPT TRUST, GUARANTEED SERIES 95

SUMMARY OF ESSENTIAL FINANCIAL INFORMATION
AT APRIL 28, 1995

SPONSORS: GLICKENHAUS & CO.
LEBENTHAL & CO., INC.

AGENT FOR SPONSORS: GLICKENHAUS & CO.
TRUSTEE: THE BANK OF NEW YORK
EVALUATOR: MULLER DATA CORPORATION

Aggregate Principal Amount of Bonds in the Trust:	$	9,700,000
Number of Units:		9,940
Fractional Undivided Interest in the Trust Per Unit:		1/9,940
Total Value of Securities in the Portfolio (Based on Bid Side Evaluations of Securities):	$	8,619,864.80
Sponsors' Repurchase Price Per Unit:	$	867.19
Plus Sales Charge(1):		53.13
Public Offering Price Per Unit(2):	$	920.32
Redemption Price Per Unit(3):	$	867.19
Excess of Public Offering Price Over Redemption		

Price Per Unit:	$	53.13
Weighted Average Maturity of Bonds in the Trust:		24.819 years

Evaluation Time:	2:00 p.m., New York Time, on the day next following receipt by a Sponsor of an order for a Unit sale or purchase or by the Trustee of a Unit tendered for redemption.
Annual Insurance Premium:	$20,872
Evaluator's Fee:	$.55 for each issue of Bonds in the Trust for each daily valuation.
Trustee's Annual Fee:	For each $1,000 principal amount of Bonds in the Trust, $.91 under the monthly and $.51 under the semi-annual distribution plan.
Sponsors' Annual Fee:	Maximum of $.25 per $1,000 face amount of underlying Securities.
Date of Deposit:	May 12, 1993
Date of Trust Agreement:	May 12, 1993
Mandatory Termination Date:	December 31, 2042
Minimum Principal Distribution:	$1.00 per Unit
Minimum Value of the Trust under which Trust Agreement may be Terminated:	$2,000,000

C/M: 10726.0053 287349.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST, GUARANTEED SERIES 95

SUMMARY OF ESSENTIAL FINANCIAL INFORMATION
AT APRIL 28, 1995
(Continued)

<CAPTION>

		Monthly	Semi-annual
<S>		<C>	<C>
P	Estimated Annual Interest Income:	$ 54.48	$ 54.48
	Less Annual Premium on Portfolio Insurance	2.09	2.09
E	Less Estimated Annual Expenses	1.67	1.16
		---------	----------
R	Estimated Net Annual Interest Income:	$ 50.72	$ 51.23
		=========	==========
U	Estimated Interest Distribution:	$ 4.22	$ 25.61
N	Estimated Current Return Based on Public Offering Price (4):	5.51%	5.57%
I			
T	Estimated Long-Term Return Based on Public Offering Price (5):	5.74%	5.80%
	Estimated Daily Rate of Net Interest Accrual:	$ .14088	$ .14230
	Record Dates:	15th Day of Month	15th Day of May and November
	Payment Dates:	1st Day of	1st Day of June

Month and December

</TABLE>

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1. The sales charge is determined based on the maturities of the underlying securities in the portfolio. See "Public Offering -- Offering Price" in Part II of this Prospectus.

2. Plus accrued interest to May 5, 1995, the expected date of settlement, of $11.56 monthly and $33.00 semi- annually.

3. Based solely upon the bid side evaluations of the portfolio securities. Upon tender for redemption, the price to be paid will include accrued interest as described in Part II under "Rights of Unit Holders -- Redemption -- Computation of Redemption Price per Unit."

4. Estimated Current Return is calculated by dividing the estimated net annual interest income received in cash per Unit by the Public Offering Price. Interest income per Unit will vary with changes in fees and expenses of the Trustee and the Evaluator, and with the redemption, maturity, exchange or sale of Securities. This calculation, which includes cash income accrual only, does not include discount accretion on original issue discount bonds or on zero coupon bonds or premium amortization on bonds purchased at a premium. See "Tax Status" and "Estimated Current Return and Estimated Long-Term Return to Unit Holders" in Part II of this Prospectus.

5. Estimated Long-Term Return is calculated by using a formula that takes into account the yields (including accretion of discounts and amortization of premiums) of the individual Bonds in the Trust's portfolio, weighted to reflect the market value and time to maturity (or, in certain cases, to earlier call date) of such Bonds, adjusted to reflect the Public Offering Price (including sales charge and expenses) per Unit. See "Estimated Current Return and Estimated Long-Term Return to Unit Holders" in Part II of this Prospectus.

Portfolio Information

On March 31, 1995, the bid side valuation of 85.9% of the aggregate principal amount of Bonds in the Portfolio for this Trust was at a discount from par and 14.1% was at a premium over par. See Note (B) to "Tax-Exempt Bond Portfolio" for information concerning call and redemption features of the Bonds.

Special Factors Concerning the Portfolio

The Portfolio consists of 7 issues of Bonds issued by entities located in New York or certain United States territories or possessions. The following information is being supplied to inform Unit holders of circumstances affecting the Trust. 24.7% of the aggregate principal amount of the Bonds in the Portfolio are general obligations of the governmental entities issuing them and are backed by the taxing power thereof. 75.3% of the aggregate principal amount of the Bonds in the Portfolio are payable from the income of specific projects or authorities and are not supported by the issuers' power to levy taxes.

Although income to pay such Bonds may be derived from more than one source, the primary sources of such income, the number of issues (and the related dollar weighted percentage of such issues) deriving income from such sources and the purpose of issue are as follows: General Obligation, 1 (24.7%); Revenue: Health Care, 2 (25.6%); Water and Sewer, 1 (19.6%); Transportation, 2 (23.0%); and Escrowed to Maturity, 1 (7.1%). The Trust is deemed to be concentrated in the Health Care Bonds category.1 Six issues, constituting 85.9% of the Bonds in the Portfolio, are original issue discount bonds, of which one is a zero coupon bond. On March 31, 1995, 2 issues (22.6%) were rated AAA, 1 issue (14.1%) was rated AA, 1 issue (24.7%) was rated A- and 1 issue (11.5%) was rated BBB+ by

Standard & Poor's Corporation; 1 issue (7.5%) was rated Aa and 1 issue (19.6%) was rated A by Moody's Investors Service, Inc.2 Subsequent to such date, such ratings may have changed. See "Tax-Exempt Bond Portfolio." For a more detailed discussion, it is recommended that Unit holders consult the official statements for each Security in the Portfolio of the Trust.

Tax Status (The tax opinion which is described herein was rendered on the Date of Deposit. Consult your tax advisor to discuss any relevant changes in tax laws since the Date of Deposit. See also "Tax Status" in Part II of this Prospectus.)

Interest income on the Bonds contained in the Trust Portfolio is, in the opinion of bond counsel to the issuing governmental authorities, excludable from gross income under the Internal Revenue Code of 1986, as amended. See "The Trust - -- Portfolio" in Part II of this Prospectus.

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1 A Trust is considered to be "concentrated" in a particular category or issuer when the Bonds in that category or of that issuer constitute 25% or more of the aggregate face amount of the Portfolio. See "The Trust -- General Considerations" in Part II of this Prospectus.

2 For the meanings of ratings, see "Description of Bond Ratings" in Part II of this Prospectus.

Gain (or loss) realized on a sale, maturity or redemption of the Bonds or on a sale or redemption of a Unit of the Trust is, however, includable in gross income as capital gain (or loss) for federal, state and local income tax purposes assuming that the Unit is held as a capital asset. Such gain (or loss) does not include any amount received in respect of accrued interest. In addition, such gain (or loss) may be long- or short-term depending on the facts and circumstances. Bonds selling at a market discount tend to increase in market value as they approach maturity when the principal amount is payable, thus increasing the potential for taxable gain (or reducing the potential for loss) on their redemption, maturity or sale. In the case of Bonds acquired at a market discount, gain will be treated as ordinary income to the extent of accrued market discount. For tax years beginning after December 31, 1992, long-term capital gains will be taxed at a maximum federal income tax rate of 28%, while ordinary income will be taxed at a maximum federal income tax rate of 36% (plus a 10% surtax applicable to certain high income taxpayers).

INDEPENDENT AUDITORS' REPORT

The Sponsors, Trustee and Unit Holders of Empire State Municipal Exempt Trust, Guaranteed Series 95:

We have audited the accompanying statement of net assets of Empire State Municipal Exempt Trust, Guaranteed Series 95, including the bond portfolio, as of March 31, 1995, and the related statements of operations and changes in net assets for the period from May 19, 1993 to March 31, 1994 and the year ended March 31, 1995. These financial statements are the responsibility of the Sponsors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 1995, by correspondence with the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by the Sponsors, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Empire State Municipal Exempt Trust, Guaranteed Series 95 as of March 31, 1995, and the results of its operations and changes in net assets for the period from May 19, 1993 to March 31, 1994 and the year ended March 31, 1995, in conformity with generally accepted accounting principles.

BDO Seidman, LLP

New York, New York
April 28, 1995

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<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95

STATEMENT OF NET ASSETS
MARCH 31, 1995

<S>	<C>
CASH	$ 102 161
INVESTMENTS IN SECURITIES, at market value (cost $9,242,892)	8 635 171
ACCRUED INTEREST RECEIVABLE	106 401
Total trust property	8 843 733
LESS - ACCRUED EXPENSES	1 010
NET ASSETS	$ 8 842 723

</TABLE>

<TABLE>
NET ASSETS REPRESENTED BY:
<CAPTION>

<S>	Monthly distribution plan <C>	Semi-annual distribution plan <C>	Total <C>
VALUE OF FRACTIONAL UNDIVIDED INTERESTS	$ 4 872 847	$ 3 762 578	$ 8 635 425
UNDISTRIBUTED NET INVESTMENT INCOME	85 494	121 804	207 298
Total value	$ 4 958 341	$ 3 884 382	$ 8 842 723

UNITS OUTSTANDING..................................	5 609	4 331	9 940
VALUE PER UNIT.....................................	$ 883.99	$ 896.87	

</TABLE>

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See accompanying notes to financial statements.

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95

STATEMENTS OF OPERATIONS

<CAPTION>

<S>	<C> Year ended March 31, 1995	<C> Period from May 19, 1993 to March 31, 1994
INVESTMENT INCOME - INTEREST..	$ 547 628	$ 484 383
EXPENSES:		
Trustee fees	8 981	7 414
Evaluation fees..	1 063	803
Sponsors' advisory fees..	2 426	2 208
Insurance premiums...	21 112	19 217
Auditors' fees...	1 800	-
Total expenses..	35 382	29 642
NET INVESTMENT INCOME...	512 246	454 741
REALIZED LOSS ON SECURITIES SOLD OR REDEEMED (NOTE 4)..	(18 678)	-
NET CHANGE IN UNREALIZED MARKET APPRECIATION (DEPRECIATION)..	155 936	(763 657)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS..	$ 649 504	$ (308 916)

</TABLE>

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See accompanying notes to financial statements.

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST

GUARANTEED SERIES 95

STATEMENTS OF CHANGES IN NET ASSETS

<CAPTION>

<S>	Year ended March 31, 1995 <C>	Period from May 19, 1993 to March 31, 1994 <C>
OPERATIONS:		
Net investment income	$ 512 246	$ 454 741
Realized loss on securities sold or redeemed	(18 678)	-
Net change in unrealized market appreciation (depreciation)	155 936	(763 657)
Net increase (decrease) in net assets resulting from operations	649 504	(308 916)
DISTRIBUTIONS TO UNIT HOLDERS:		
Accrued interest to Date of Deposit	-	(168 086)
Net investment income	(519 981)	(71 622)
Principal	(245 000)	-
Total distributions	(764 981)	(239 708)
CAPITAL SHARE TRANSACTIONS:		
Redemption of 60 and -0- units	(48 931)	-
NET DECREASE IN NET ASSETS	(164 408)	(548 624)
NET ASSETS:		
Beginning of period	9 007 131	9 555 755
End of period	$ 8 842 723	$ 9 007 131
DISTRIBUTIONS PER UNIT (Note 2):		
Interest:		
Monthly plan	$ 51.44	$ 29.71
Semi-annual plan	$ 52.35	$ 16.79
Principal:		
Monthly plan	$ 24.50	$ -
Semi-annual plan	$ 24.50	$ -

</TABLE>

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See accompanying notes to financial statements.

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EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

General

The Trust is registered under the Investment Company Act of 1994.

Securities

Securities transactions are recorded on a trade date basis. Securities are stated at bid side market value as determined by an independent outside evaluator.

Taxes on income

The Trust is not subject to taxes on income and, accordingly, no provision has been made.

NOTE 2 - DISTRIBUTIONS

Interest received by the Trust is distributed to Unit holders either semi-annually on the first day of June and December or, if elected by the Unit holder, on the first day of each month, after deducting applicable expenses. Principal distributions, resulting from the sale or redemption of securities, were made in August 1994.

NOTE 3 - NET CHANGE IN UNREALIZED MARKET DEPRECIATION

The $763,657 of unrealized market depreciation of securities for the period May 19, 1993 to March 31, 1994 was increased by $63,148 of unrealized market appreciation of securities attributable to the use of offering prices at May 12, 1993 (Date of Deposit) in the initial registration.

C/M: 10726.0053 287349.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95

NOTES TO FINANCIAL STATEMENTS
(CONCLUDED)

NOTE 4 - BONDS SOLD OR REDEEMED
<CAPTION>

Port-folio No.	Principal Amount	Date Redeemed	Description	Net Proceeds	Cost	Realized Loss
Year ended March 31, 1995:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
7	$ 115 000	6/16/94	New York State Medical Care Facilities Finance Agency, Mental Health Services Facilities Improvement Revenue Bond, 1992 Series F	$ 115 000	$ 120 750	$(5 750)
7	130 000	6/16/94	New York State Medical Care Facilities Finance Agency, Mental Health Services	130 000	136 500	(6 500)

			Facilities Improvement Revenue Bond, 1992 Series F			
4	20 000	12/9/94	New York State Medical Care Facilities Finance Agency, Hospital and Nursing Home Insured Mortgage Revenue Bonds, Series D	15 200	18 600	(3 400)
3	35 000	2/28/95	Triborough Bridge and Tunnel Authority, General Purpose Revenue Bonds, Series 1993A	33 985	37 013	(3 028)
	$ 300 000			$ 294 185	$ 312 863	$(18 678)
	==========			=========	=========	========

</TABLE>

NOTE 5 - NET ASSETS

Cost of 10,000 units at Date of Deposit	$10 048 055
Less gross underwriting commission	492 300

Net cost - initial offering price	9 555 755
Realized net loss on securities sold or redeemed	(18 678)
Principal distributions	(245 000)
Redemption of 60 units	(48 931)
Unrealized market depreciation of securities	(607 721)
Undistributed net investment income	207 298

Net assets	$8 842 723
	==========

C/M: 10726.0053 287349.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95

TAX-EXEMPT BOND PORTFOLIO
MARCH 31, 1995

<CAPTION>

Portfolio No.	Rating (Note A)	Aggregate Principal Amount	Name of Issuer and Title of Bond	Coupon Rate	Date of Maturity (Note B)	Redemption Features S.F. - Sinking Fund Opt. - Optional Call (Note B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	AAA	$ 1 500 000	Metropolitan Transportation Authority, Transit Facilities Revenue Bonds, Series K (MBIA Insured)	6.000%	07/01/16	07/01/15 @ 100 S.F. 07/01/02 @ 100 Opt.
2	AAA	690 000	Glen Cove Industrial Development Agency, Civic Facility Revenue Bonds (The Regency at Glen Cove), 1992	0.000	10/15/19	No Sinking Fund No Optional Call

			Series B (Escrowed to Maturity)			
3	AA	1 365 000	New York State Medical Care Facilities Finance Agency, Hospital and Nursing Home Insured Mortgage Revenue Bonds, Series D	6.450	02/15/32	08/15/06 @ 100 Ant. 02/15/03 @ 102 Opt.
4	Aa*	730 000	Triborough Bridge and Tunnel Authority, General Purpose Revenue Bonds, Series 1993A	5.000	01/01/15	01/01/13 @ 100 S.F. 01/01/03 @ 100 Opt.

</TABLE>

Portfolio No.	Cost of Bonds to Trust	Market Value as of March 31, 1995	Annual Interest Income to Trust
1	$ 1 548 750	$ 1 475 085	$ 90 000
2	146 625	154 739	-
3	1 443 487	1 369 778	88 042
4	678 900	632 479	36 500

C/M: 10726.0053 287349.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95

TAX-EXEMPT BOND PORTFOLIO
MARCH 31, 1995
(Continued)

<CAPTION>

Portfolio No.	Rating (Note A)	Aggregate Principal Amount	Name of Issuer and Title of Bond	Coupon Rate	Date of Maturity (Note B)	Redemption Features S.F. - Sinking Fund Opt. - Optional Call (Note B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
5	A-	$ 2 400 000	The City of New York, General Obligation Bonds, Fiscal 1993 Series A	6.250%	08/01/17	No Sinking Fund 08/01/02 @ 101.5 Opt.
6	A*	1 900 000	New York City, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds, Fiscal 1993 Series A	5.500	06/15/20	06/15/18 @ 100 S.F. 06/15/02 @ 100 Opt.
7	BBB+	1 115 000	New York State	6.500	02/15/19	02/15/13 @ 100 S.F.

		Medical Care Facilities Finance Agency, Mental Health Services Facilities Improvement Revenue Bond, 1992 Series F	08/15/02 @ 102 Opt.
	$ 9 700 000		

</TABLE>

Portfolio No.	Cost of Bonds to Trust	Market Value as of March 31, 1995	Annual Interest Income to Trust
5	$ 2 430 000	$ 2 223 360	$ 150 000
6	1 824 380	1 680 797	104 500
7	1 170 750	1 098 933	72 475
	$ 9 242 892	$ 8 635 171	$ 541 517

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95

TAX-EXEMPT BOND PORTFOLIO
MARCH 31, 1995
(Continued)

NOTES TO TAX-EXEMPT BOND PORTFOLIO

(A) A description of the rating symbols and their meanings appears under "Description of Bond Ratings" in Part II of this Prospectus. Ratings are by Standard & Poor's Corporation, except for those indicated by an asterisk (*), which are by Moody's Investors Service. Certain bond ratings have changed since the Date of Deposit, at which time all such bonds were rated A or better by either Standard & Poor's Corporation or Moody's Investors Service.

(B) Bonds may be redeemable prior to maturity from a sinking fund (mandatory partial redemption) (S.F.) or at the stated optional call (at the option of the issuer) (Opt.) or by refunding. Certain bonds in the portfolio may be redeemed earlier than dates shown in whole or in part under certain unusual or extraordinary circumstances as specified in the terms and provisions of such bonds. Single-family mortgage revenue bonds and housing authority bonds are most likely to be called subject to such provisions, but other bonds may have similar call features.

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

Prospectus, Part 1

1,821 Units
Dated: July 31, 1995

NOTE: Part I of this Prospectus may not be distributed unless accompanied by Part II.

This Prospectus consists of two parts. The first part contains a "Summary of Essential Financial Information" on the reverse hereof as of April 28, 1995 and a summary of additional specific information including "Special Factors Concerning the Portfolio" and audited financial statements of the Trust, including the related bond portfolio, as of March 31, 1995. The second part of this Prospectus contains a general summary of the Trust and "Special Factors Affecting New York."

In the opinion of special counsel for the Sponsors as of the Date of Deposit, interest income to the Trust and, with certain exceptions, to Unit holders is exempt from all regular federal, New York State and New York City income taxes, but may be subject to state and local taxes in other jurisdictions. Capital gains, if any, are subject to tax. See Part II under "Tax Status."

The Trust is a unit investment trust formed for the purpose of obtaining tax-exempt interest income through investment in a diversified, insured portfolio of long-term bonds, issued by or on behalf of the State of New York and counties, municipalities, authorities or political subdivisions thereof or issued by certain United States territories or possessions and their public authorities (the "Bonds"). See Part II under "The Trust." The Bonds deposited in the portfolio of the Trust are sometimes referred to herein as the "Securities." Insurance guaranteeing the payment of principal and interest on the Securities while in the Trust has been obtained by the Trust from the Insurer as set forth in Part II under "Insurance on the Bonds." Such insurance does not guarantee the market value of the Securities or the Units offered hereby. The payment of interest and the preservation of principal are, of course, dependent upon the continuing ability of the issuers of the Bonds and any other insurer to meet their obligations. As a result of the insurance on the Bonds, the Units are rated "AAA" by Standard & Poor's Corporation.

Offering. The initial public offering of Units in the Trust has been completed. The Units offered hereby are issued and outstanding Units which have been acquired by the Sponsors either by purchase from the Trustee of Units tendered for redemption or in the secondary market. See Part II under "Rights of Unit Holders --Redemption -- Purchase by the Sponsors of Units Tendered for Redemption" and "Public Offering -- Market for Units." The price at which the Units offered hereby were acquired was not less than the redemption price determined as described herein. See Part II under "Rights of Unit Holders -- Redemption -- Computation of Redemption Price per Unit."

The Public Offering Price of the Units is based on the aggregate bid price of the Securities in the Trust divided by the number of Units outstanding, plus a sales charge determined on the basis of the maturities of the Securities in the Trust. See "Public Offering -- Offering Price" in Part II of this Prospectus.

Market for Units. The Sponsors, although they are not obligated to do so, intend to maintain a secondary market for the Units at prices based upon the aggregate bid price of the Securities in the Trust plus accrued interest to the date of settlement, as more fully described in Part II under "Public Offering -- Market for Units." If such a market is not maintained, a Unit holder may be able to dispose of his Units only through redemption at prices based upon the aggregate bid price of the underlying Securities. The purchase price of the Securities in the Trust, if they were available for direct purchase by investors, would not include the sales charges included in the Public Offering Price of the Units.

Investors should retain both Parts of this Prospectus for future reference.

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.

C/M: 10726.0053 287351.1

EMPIRE STATE MUNICIPAL EXEMPT TRUST, GUARANTEED SERIES 96

SUMMARY OF ESSENTIAL FINANCIAL INFORMATION
AT APRIL 28, 1995

SPONSORS: GLICKENHAUS & CO.
LEBENTHAL & CO., INC.

AGENT FOR SPONSORS: GLICKENHAUS & CO.
TRUSTEE: THE BANK OF NEW YORK
EVALUATOR: MULLER DATA CORPORATION

Aggregate Principal Amount of Bonds in the Trust:	$	11,820,000
Number of Units:		11,821
Fractional Undivided Interest in the Trust Per Unit:		1/11,821
Total Value of Securities in the Portfolio (Based on Bid Side Evaluations of Securities):	$	10,677,040.67
Sponsors' Repurchase Price Per Unit:	$	903.23
Plus Sales Charge(1):		52.32
Public Offering Price Per Unit(2):	$	955.55
Redemption Price Per Unit(3):	$	903.23
Excess of Public Offering Price Over Redemption Price Per Unit:	$	52.32
Weighted Average Maturity of Bonds in the Trust:		20.925 years

Evaluation Time:	2:00 p.m., New York Time, on the day next following receipt by a Sponsor of an order for a Unit sale or purchase or by the Trustee of a Unit tendered for redemption.
Annual Insurance Premium:	$30,537
Evaluator's Fee:	$.55 for each issue of Bonds in the Trust for each daily valuation.
Trustee's Annual Fee:	For each $1,000 principal amount of Bonds in the Trust, $.91 under the monthly and $.51 under the semi-annual distribution plan.
Sponsors' Annual Fee:	Maximum of $.25 per $1,000 face amount of underlying Securities.
Date of Deposit:	June 17, 1993
Date of Trust Agreement:	June 17, 1993
Mandatory Termination Date:	December 31, 2042
Minimum Principal Distribution:	$1.00 per Unit
Minimum Value of the Trust under which Trust Agreement may be Terminated:	$2,000,000

C/M: 10726.0053 287351.1

<TABLE>

SUMMARY OF ESSENTIAL FINANCIAL INFORMATION
AT APRIL 28, 1995
(Continued)

<CAPTION>

		Monthly	Semi-annual
	<S>	<C>	<C>
P	Estimated Annual Interest Income:	$ 56.53	$ 56.53
	Less Annual Premium on Portfolio Insurance	2.58	2.58
E	Less Estimated Annual Expenses	1.68	1.17
		---------	----------
R	Estimated Net Annual Interest Income:	$ 52.27	$ 52.78
		=========	==========
U	Estimated Interest Distribution:	$ 4.35	$ 26.39
N	Estimated Current Return Based on Public Offering Price (4):	5.47%	5.52%
I			
T	Estimated Long-Term Return Based on Public Offering Price (5):	5.73%	5.78%
	Estimated Daily Rate of Net Interest Accrual:	$ .14519	$ .14661
	Record Dates:	15th Day of Month	15th Day of May and November
	Payment Dates:	1st Day of Month	1st Day of June and December

</TABLE>

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1. The sales charge is determined based on the maturities of the underlying securities in the portfolio. See "Public Offering -- Offering Price" in Part II of this Prospectus.

2. Plus accrued interest to May 5, 1995, the expected date of settlement, of $11.93 monthly and $34.00 semi- annually.

3. Based solely upon the bid side evaluations of the portfolio securities. Upon tender for redemption, the price to be paid will include accrued interest as described in Part II under "Rights of Unit Holders -- Redemption -- Computation of Redemption Price per Unit."

4. Estimated Current Return is calculated by dividing the estimated net annual interest income received in cash per Unit by the Public Offering Price. Interest income per Unit will vary with changes in fees and expenses of the Trustee and the Evaluator, and with the redemption, maturity, exchange or sale of Securities. This calculation, which includes cash income accrual only, does not include discount accretion on original issue discount bonds or on zero coupon bonds or premium amortization on bonds purchased at a premium. See "Tax Status" and "Estimated Current Return and Estimated Long-Term Return to Unit Holders" in Part II of this Prospectus.

5. Estimated Long-Term Return is calculated by using a formula that takes into account the yields (including accretion of discounts and amortization of premiums) of the individual Bonds in the Trust's portfolio, weighted to reflect the market value and time to maturity (or, in certain cases, to earlier call date) of such Bonds, adjusted to reflect the Public Offering Price (including sales charge and expenses) per Unit. See "Estimated Current Return and Estimated Long-Term Return to Unit Holders" in Part II of this Prospectus.

Portfolio Information

On March 31, 1995, the bid side valuation of 72.1% of the aggregate principal amount of Bonds in the Portfolio for this Trust was at a discount from par and 27.9% was at a premium over par. See Note (B) to "Tax-Exempt Bond Portfolio" for information concerning call and redemption features of the Bonds.

Special Factors Concerning the Portfolio

The Portfolio consists of 11 issues of Bonds issued by entities located in New York or certain United States territories or possessions. The following information is being supplied to inform Unit holders of circumstances affecting the Trust. 25.3% of the aggregate principal amount of the Bonds in the Portfolio are general obligations of the governmental entities issuing them and are backed by the taxing power thereof. 38.4% of the aggregate principal amount of the Bonds in the Portfolio are payable from appropriations. 36.3% of the aggregate principal amount of the Bonds in the Portfolio are payable from the income of specific projects or authorities and are not supported by the issuers' power to levy taxes.

Although income to pay such Bonds may be derived from more than one source, the primary sources of such income, the number of issues (and the related dollar weighted percentage of such issues) deriving income from such sources and the purpose of issue are as follows: General Obligation, 4 (25.3%); Appropriations, 2 (38.4%); Revenue: Health Care, 2 (7.8%); Water and Sewer, 1 (19.9%); Transportation, 1 (1.5%); and Escrowed to Maturity, 1 (7.1%). The Trust is deemed to be concentrated in the General Obligation and Appropriations Bonds categories[1] Eleven issues, constituting 100.0% of the Bonds in the Portfolio, are original issue discount bonds, of which 1 is a zero coupon bond. On March 31, 1995, 3 issues (14.9%) were rated AAA and 4 issues (25.2%) were rated A- by Standard & Poor's Corporation; 1 issue (18.6%) was rated Aaa, 1 issue (1.5%) was rated Aa, 1 issue (19.9%) was rated A and 1 issue (19.9%) was rated Baa1 by Moody's Investors Service, Inc.[2] Subsequent to such date, such ratings may have changed. See "Tax-Exempt Bond Portfolio." For a more detailed discussion, it is recommended that Unit holders consult the official statements for each Security in the Portfolio of the Trust.

Tax Status (The tax opinion which is described herein was rendered on the Date of Deposit. Consult your tax advisor to discuss any relevant changes in tax laws since the Date of Deposit. See also "Tax Status" in Part II of this Prospectus.)

Interest income on the Bonds contained in the Trust Portfolio is, in the opinion of bond counsel to the issuing governmental authorities, excludable from gross income under the Internal Revenue Code of 1986, as amended. See "The Trust - -- Portfolio" in Part II of this Prospectus.

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1 A Trust is considered to be "concentrated" in a particular category or issuer when the Bonds in that category or of that issuer constitute 25% or more of the aggregate face amount of the Portfolio. See "The Trust -- General Considerations" in Part II of this Prospectus.

2 For the meanings of ratings, see "Description of Bond Ratings" in Part II of this Prospectus.

Gain (or loss) realized on a sale, maturity or redemption of the Bonds or on a sale or redemption of a Unit of the Trust is, however, includable in gross income as capital gain (or loss) for federal, state and local income tax purposes assuming that the Unit is held as a capital asset. Such gain (or loss) does not include any amount received in respect of accrued interest. In addition, such gain (or loss) may be long- or short-term depending on the facts and circumstances. Bonds selling at a market discount tend to increase in market value as they approach maturity when the principal amount is payable, thus increasing the potential for taxable gain (or reducing the potential for loss) on their redemption, maturity or sale. In the case of Bonds acquired at a market discount, gain will be treated as ordinary income to the extent of accrued market discount. For tax years beginning after December 31, 1992, long-term capital gains will be taxed at a maximum federal income tax rate of 28%, while ordinary income will be taxed at a maximum federal income tax rate of 36% (plus a 10% surtax applicable to certain high income taxpayers).

INDEPENDENT AUDITORS' REPORT

The Sponsors, Trustee and Unit Holders of Empire State Municipal Exempt Trust, Guaranteed Series 96:

We have audited the accompanying statement of net assets of Empire State Municipal Exempt Trust, Guaranteed Series 96, including the bond portfolio, as of March 31, 1995, and the related statements of operations and changes in net assets for the year ended March 31, 1995 and the period from June 24, 1993 to March 31, 1994. These financial statements are the responsibility of the Sponsors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 1995, by correspondence with the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by the Sponsors, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Empire State Municipal Exempt Trust, Guaranteed Series 96 as of March 31, 1995, and the results of its operations and changes in net assets for the year ended March 31, 1995 and the period from June 24, 1993 to March 31, 1994, in conformity with generally accepted accounting principles.

BDO Seidman, LLP

New York, New York
April 28, 1995

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

STATEMENT OF NET ASSETS
MARCH 31, 1995

<S> <C>

CASH	$ 170 636
INVESTMENTS IN SECURITIES, at market value (cost $11,187,900)..................................	10 664 360
ACCRUED INTEREST RECEIVABLE..	128 070
Total trust property..	10 963 066
LESS - ACCRUED EXPENSES..	1 250
NET ASSETS...	$ 10 961 816

</TABLE>

<TABLE>

NET ASSETS REPRESENTED BY:
<CAPTION>

<S>	Monthly distribution plan <C>	Semi-annual distribution plan <C>	Total <C>
VALUE OF FRACTIONAL UNDIVIDED INTERESTS.......................................	$ 5 214 605	$ 5 481 533	$ 10 696 138
UNDISTRIBUTED NET INVESTMENT INCOME..	90 269	175 409	265 678
Total value.................................	$ 5 304 874	$ 5 656 942	$ 10 961 816
UNITS OUTSTANDING...................................	5 763	6 058	11 821
VALUE PER UNIT......................................	$ 920.50	$ 933.79	

</TABLE>

- ----------

See accompanying notes to financial statements.

C/M: 10726.0053 287351.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

STATEMENTS OF OPERATIONS

<CAPTION>

	Year ended March 31, 1995	Period from June 24, 1993 to March 31, 1994

<S>

	<C>	<C>
INVESTMENT INCOME - INTEREST	$ 675 836	$ 521 252
EXPENSES:		
Trustee fees	9 944	7 788
Evaluation fees	1 639	963
Insurance premiums	30 853	24 531
Sponsors' advisory fees	3 001	2 359
Auditors' fees	1 800	-
Total expenses	47 237	35 641
NET INVESTMENT INCOME	628 599	485 611
REALIZED LOSS ON SECURITIES SOLD OR REDEEMED (Note 4)	(2 025)	-
NET CHANGE IN UNREALIZED MARKET APPRECIATION (DEPRECIATION) (Note 4)	8 052	(531 592)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	$ 634 626	$ (45 981)

</TABLE>

- ----------

See accompanying notes to financial statements.

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

STATEMENTS OF CHANGES IN NET ASSETS

<CAPTION>

<S>	Year ended March 31, 1995 <C>	Period from June 24, 1993 to March 31, 1994 <C>
OPERATIONS:		
Net investment income	$ 628 599	$ 485 611
Realized loss on securities sold or redeemed	(2 025)	-
Net change in unrealized market appreciation (depreciation)	8 052	(531 592)
Net increase (decrease) in net assets resulting from operations	634 626	(45 981)
DISTRIBUTIONS TO UNIT HOLDERS:		
Accrued interest to Date of Deposit	-	(195 623)
Net investment income	(634 387)	(18 522)
Total distributions	(634 387)	(214 145)

CAPITAL SHARE TRANSACTIONS:		
Redemption of 179 units and -0- units..............................	(152 947)	-
NET DECREASE IN NET ASSETS..	(152 708)	(260 126)
NET ASSETS:		
Beginning of period..	11 114 524	11 374 650
End of period..	$ 10 961 816	$ 11 114 524
DISTRIBUTIONS PER UNIT (NOTE 2):		
Interest:		
Monthly plan..	$ 52.30	$ 52.30
Semi-annual plan..	$ 52.86	$ 52.86
Principal:		
Monthly...	$ -	$ -
Semi-annual plan..	$ -	$ -

</TABLE>

- ----------

See accompanying notes to financial statements.

C/M: 10726.0053 287351.1

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

General

The Trust is registered under the Investment Company Act of 1940.

Securities

Securities transactions are recorded on a trade date basis. Securities are stated at bid side market value as determined by an independent outside evaluator.

Taxes on income

The Trust is not subject to taxes on income and, accordingly, no provision has been made.

NOTE 2 - DISTRIBUTIONS

Interest received by the Trust is distributed to Unit holders either semi-annually on the first day of June and December or, if elected by the Unit holder, on the first day of each month, after deducting applicable expenses. Principal distributions, resulting from the sale or redemption of securities, were made in the year ended March 31, 1995.

NOTE 3 - NET CHANGE IN UNREALIZED MARKET DEPRECIATION

The $531,592 of unrealized market depreciation of securities for the period June 24, 1993 to March 31, 1994 was increased by $92,877 of unrealized market appreciation of securities attributable to the use of offering prices at June 17, 1993 (Date of Deposit) in the initial registration (see Note 1 to the financial statements).

C/M: 10726.0053 287351.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

NOTES TO FINANCIAL STATEMENTS
(Concluded)

NOTE 4 - BONDS SOLD OR REDEEMED

<CAPTION>

Portfolio No.	Principal Amount	Date Redeemed	Description	Net Proceeds	Cost	Realized Gain (Loss)
Year ended March 31, 1995:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
2	$ 30 000	6/16/94	New York State Medical Care Facilities Finance Agency, Mental Health Services Facilities Improvement Revenue Bonds, 1992 Series B (AMBAC Insured)	$ 30 000	$ 31 800	$(1 800)
10	120 000	12/9/94	New York State Urban Development Corporation, Correctional Capital Facilities Revenue Bonds, Series 2	123 000	123 960	(960)
10	30 000	2/28/95	New York State Urban Development Corporation, Correctional Capital Facilities Revenue Bonds, Series 2	31 725	30 990	735
	$ 180 000			$ 184 725	$ 186 750	$(2 025)

</TABLE>

NOTE 5 - NET ASSETS

Cost of 12,000 units at Date of Deposit	$11 960 730
Less gross underwriting commission	586 080
Net cost - initial offering price	11 374 650
Realized loss on securities sold or redeemed	(2 025)
Redemption of 179 units	(152 947)
Unrealized market depreciation of securities	(523 540)
Undistributed net investment income	265 678
Net assets	$10 961 816

C/M: 10726.0053 287351.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

TAX-EXEMPT BOND PORTFOLIO
MARCH 31, 1995

<CAPTION>

Portfolio No.	Rating (Note A)	Aggregate Principal Amount	Name of Issuer and Title of Bond	Coupon Rate	Date of Maturity (Note B)	Redemption Features S.F. - Sinking Fund Opt. - Optional Call (Note B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	AAA	$ 455 000	New York State Medical Care, Facilities Finance Agency, Mental Health Services Facilities Improvement Revenue Bonds, 1992 Series A (FGIC Insured)	6.375%	08/15/17	02/15/11 @ 100 S.F. 02/15/02 @ 102 Opt.
2	AAA	470 000	New York State Medical Care, Facilities Finance Agency, Mental Health Services Facilities Improvement Revenue Bonds, 1992 Series B (AMBAC Insured)	6.250	08/15/18	02/15/11 @ 100 S.F. 02/15/02 @ 102 Opt.
3	AAA	835 000	Glen Cove Industrial Development Agency, Civic Facility Revenue Bonds (The Regency at Glen Cove), 1992 Series B (Escrowed to Maturity)	0.000	10/15/19	No Sinking Fund No Optional Call
4	Aa*	175 000	Triborough Bridge and Tunnel Authority, General Purpose Revenue Bonds, Series Q	5.000	01/01/17	01/01/14 @ 100 S.F. 01/01/00 @ 100 Opt.

</TABLE>

Portfolio No.	Cost of Bonds to Trust	Market Value as of March 31, 1995	Annual Interest Income to Trust
1	$ 485 713	$ 460 314	$ 29 006
2	498 200	471 217	29 375
3	185 787	187 257	-
4	161 000	150 096	8 750

C/M: 10726.0053 287351.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

TAX-EXEMPT BOND PORTFOLIO
MARCH 31, 1995
(Continued)

<CAPTION>

Port-folio No.	Rating (Note A)	Aggregate Principal Amount	Name of Issuer and Title of Bond	Coupon Rate	Date of Maturity (Note B)	Redemption Features S.F. - Sinking Fund Opt. - Optional Call (Note B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
5	A*	$ 2 350 000	New York City, Municipal Water Financial Authority, Water and Sewer System Revenue Bonds, Fiscal 1990 Series A	6.000%	06/15/19	06/15/17 @ 100 S.F. 06/15/99 @ 100 Opt.
6	A-	1 000 000	The City of New York, General Obligation Bonds, Fiscal 1993 Series A	6.500	08/01/14	No Sinking Fund 08/01/02 @ 101.5 Opt.
7	A-	515 000	The City of New York, General Obligation Bonds, Fiscal 1993 Series A	6.250	08/01/16	No Sinking Fund 08/01/02 @ 101.5 Opt.
8	A-	1 000 000	The City of New York, General Obligation Bonds, Fiscal 1993 Series A	6.250	08/01/21	No Sinking Fund 08/01/02 @ 101.5 Opt.
9	A-	470 000	The City of New York, General Obligation Bonds, Fiscal 1993 Series E	6.000	05/15/21	No Sinking Fund 05/15/03 @ 101.5 Opt.

</TABLE>

Port-folio No.	Cost of Bonds to Trust	Market Value as of March 31, 1995	Annual Interest Income to Trust
5	$ 2 361 750	$ 2 229 328	$ 141 000
6	1 032 500	963 720	65 000
7	520 150	478 384	32 188
8	1 010 000	916 960	62 500
9	462 950	417 022	28 200

C/M: 10726.0053 287351.1

<TABLE>

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 96

TAX-EXEMPT BOND PORTFOLIO
MARCH 31, 1995
(Continued)

<CAPTION>

Portfolio No.	Rating (Note A)	Aggregate Principal Amount	Name of Issuer and Title of Bond	Coupon Rate	Date of Maturity (Note B)	Redemption Features S.F. - Sinking Fund Opt. - Optional Call (Note B)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
10	Aaa*	$ 2 200 000	New York State Urban Development Corporation, Correctional Capital Facilities Revenue Bonds, Series 2	6.500%	01/01/21	01/01/19 @ 100 S.F. 01/01/01 @ 100 Opt.
11	Baa1*	2 350 000	New York Housing Finance Agency, Service Contract Obligation Revenue Bonds, 1993 Series A	5.500	09/15/22	03/15/15 @ 100 S.F. 03/15/03 @ 102 Opt.
		$ 11 820 000				

</TABLE>

Portfolio No.	Cost of Bonds to Trust	Market Value as of March 31, 1995	Annual Interest Income to Trust
10	$ 2 272 600	$ 2 361 942	$ 143 000
11	2 197 250	2 028 120	129 250
	$ 11 187 900	$ 10 664 360	$ 668 269

NOTES TO TAX-EXEMPT BOND PORTFOLIO

(A) A description of the rating symbols and their meanings appears under "Description of Bond Ratings" in Part II of this Prospectus. Ratings are by Standard & Poor's Corporation, except for those indicated by an asterisk (*), which are by Moody's Investors Service. Certain bond ratings have changed since the Date of Deposit, at which time all such bonds were rated A or better by either Standard & Poor's Corporation or Moody's Investors Service.

(B) Bonds may be redeemable prior to maturity from a sinking fund (mandatory partial redemption) (S.F.) or at the stated optional call (at the option of the issuer) (Opt.) or by refunding. Certain bonds in the portfolio may be redeemed earlier than dates shown in whole or in part under certain unusual or extraordinary circumstances as specified in the terms and provisions of such bonds. Single-family mortgage revenue bonds and housing authority bonds are most likely to be called subject to such provisions, but other bonds may have similar call features.

EMPIRE STATE MUNICIPAL EXEMPT TRUST
Guaranteed Series

PROSPECTUS, Part II
Note: Part II of this Prospectus may not be distributed unless accompanied by Part I.

THE TRUST

Organization

The Trust is one of a Series of similar but separate unit investment trusts. Each Trust was created under the laws of the State of New York pursuant to a Trust Indenture and Agreement (the "Trust Agreement"), dated the Date of Deposit as set forth in "Summary of Essential Financial Information" in Part I of this Prospectus, among the Sponsors, the Trustee and the Evaluator. The Bank of New York acts as successor trustee of Series 1 through 22 and as Trustee of Series 23 and subsequent Series. Muller Data Corporation acts as successor Evaluator for all Series. Glickenhaus & Co. and Lebenthal & Co., Inc. act as co-Sponsors for all Series (the "Sponsors").

On the date of this Prospectus, each Unit represented the fractional undivided interest in the Trust set forth in Part I of this Prospectus under "Summary of Essential Financial Information." Thereafter, if any Units are redeemed by the Trustee, the fractional undivided interest in the Trust represented by each unredeemed Unit will increase, although the actual interest in the Trust represented by each such Unit will remain essentially the same. Units will remain outstanding until redeemed upon tender to the Trustee by any Unit holder, which may include the Sponsors, or until the termination of the Trust Agreement for the related Trust. See "Rights of Unit Holders--Redemption."

On the Date of Deposit for each Trust, the Sponsors deposited with the Trustee obligations or contracts for the purchase of such obligations (the "Bonds" or "Securities"). Certain of the Bonds may have been purchased at prices which resulted in the portfolio as a whole being purchased at a discount due to original issue discount, market discount or the inclusion of zero coupon bonds. Bonds selling at market discount tend to increase in market value as they approach maturity when the principal amount is payable, thus increasing the potential for capital gain. Any capital gain other than any earned original issue discount will be taxable and will not be realized until maturity, redemption or sale of the underlying Bonds or Units.

Objectives

The objective of the Trust is to obtain tax-exempt interest income through an investment in a fixed, insured portfolio consisting primarily of various long-term municipal

bonds. No assurance can be given that the Trust's objectives will be achieved because these objectives are subject to the continuing ability of the respective issuers of the bonds in the Portfolio to meet their obligations and of the Insurer to meet its obligations under the insurance. In addition, an investment in the Trust can be affected by interest rate fluctuations.

Series 1 through 5, Series 6 through 30 and Series 31 and subsequent Series have obtained insurance guaranteeing the payment of principal and interest on the Bonds in each respective Trust from National Union Fire Insurance Company of Pittsburgh, Pa. ("National Union"), MBIA Inc. ("MBIA") and MBIA Insurance Corporation ("MBIAC"), respectively (National Union, MBIA and MBIAC are collectively referred to herein as the "Insurer"). Insurance obtained by the Trust applies only while Bonds are retained in the Trust. As to Series 18 through Series 30 and Series 31 and subsequent Series, however, pursuant to irrevocable commitments of MBIA and MBIAC, respectively, in the event of a sale of a Bond from the 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. It is expected that the Trustee will exercise the right to obtain permanent insurance for a Bond in such Series upon instruction from the Sponsors whenever the value of that Bond insured to its maturity less the applicable permanent insurance premium and the related custodial fee exceeds the value of the Bond without such insurance. Insurance relates only to the payment of principal and interest on the Bonds in the Trust but neither covers the nonpayment of any redemption premium on the Bonds nor guarantees the market value of the Units. Certain Bonds in the Trust may also be insured under insurance obtained by the issuers of such Bonds or third parties ("Pre-insured Bonds"). As a result of the insurance, Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa" to all of the Bonds in Series 6 and subsequent Series, as insured, and Standard & Poor's Corporation ("Standard & Poor's") has assigned a rating of "AAA" to the Units of the Trust, and to the Bonds in Series 17 and subsequent Series, as insured, while in the Trust. No representation is made as to any insurer's ability to meet its commitments. Insurance is not a substitute for the basic credit of an issuer, but supplements the existing credit and provides additional security therefor. A single or annual premium is paid by the issuer or any other party for its insurance on Pre-insured Bonds, and a monthly premium is paid by the Trust for the insurance it obtains from the Insurer on the Bonds in the Trust that are not pre-insured by such Insurer. No premium will be paid by Series 1 through 5, Series 6 through 30 and Series 31 and subsequent Series on Bonds pre-insured by National Union, MBIA and MBIAC, respectively. See "Insurance on the Bonds."

Portfolio

In view of the Trust's objectives, the following factors, among others, were considered in selecting the Bonds: (1) all the Bonds are obligations of the State of New York and counties, municipalities, authorities or political subdivisions thereof or issued by certain United States territories or possessions, including Puerto Rico, and their public authorities so that the interest on them will be exempt from Federal, New York State and

New York City income tax under existing law; (2) the Bonds are varied as to purpose of issue; (3) in the opinion of the Sponsors, the Bonds are fairly valued relative to other bonds of comparable quality and maturity; and (4) availability of insurance for the payment of principal and interest on the Bonds. Subsequent to the Date of Deposit, a Bond may cease to be rated or its rating may be reduced. Neither event requires an elimination of such Bond from the portfolio, but such an event may be considered in the Sponsors' determination to direct the Trustee to dispose of the Bonds. See "Sponsors--Responsibility."

An investment in Units of the Trust should be made with an understanding of the risks entailed in investments in fixed-rate bonds, including the risk that the value of such bonds (and, therefore, of the Units) will decline with increases in interest rates. Inflation and recession, as well as measures implemented to address these and other economic problems, contribute to fluctuations in interest rates and the value of fixed-rate bonds generally. The Sponsors cannot predict future economic policies or their consequences nor, therefore, can they predict the course or extent of such fluctuations in the future.

Special Factors Affecting New York

The information set forth below is derived from the official statements and/or preliminary drafts of official statements prepared in connection with the issuance of New York State and New York City municipal bonds. The Sponsors have not independently verified this information.

State Economic Trends. Over the long term, the State of New York (the "State") and the City of New York (the "City") face serious potential economic problems. The City accounts for approximately 41% of the State's population and personal income, and the City's financial health affects the State in numerous ways. The State historically has been one of the wealthiest states in the nation. For decades, however, the State has grown more slowly than the nation as a whole, gradually eroding its relative economic affluence. Statewide, urban centers have experienced significant changes involving migration of the more affluent to the suburbs and an influx of generally less affluent residents. Regionally, the older Northeast cities have suffered because of the relative success that the South and the West have had in attracting people and business. The City has also had to face greater competition as other major cities have developed financial and business capabilities which make them less dependent on the specialized services traditionally available almost exclusively in the City. In recent years the State's economic position has improved in a manner consistent with that for the Northeast as a whole.

The State has for many years had a very high State and local tax burden relative to other states. The State and its localities have used these taxes to develop and maintain their transportation networks, public schools and colleges, public health systems, other social services and recreational facilities. Despite these benefits, the burden of State and local taxation, in combination with the many other causes of regional economic

dislocation, has contributed to the decisions of some businesses and individuals to relocate outside, or not locate within, the State.

Notwithstanding the numerous initiatives that the State and its localities may take to encourage economic growth and achieve balanced budgets, reductions in Federal spending could materially and adversely affect the financial condition and budget projections of the State and its localities.

(1) New York City. The City, with a population of approximately 7.3 million, is an international center of business and culture. Its non-manufacturing economy is broadly based, with the banking and securities, life insurance, communications, publishing, fashion design, retailing and construction industries accounting for a significant portion of the City's total employment earnings. Additionally, the City is the nation's leading tourist destination. The City's manufacturing activity is conducted primarily in apparel and publishing.

The national economic downturn which began in July 1990 adversely affected the local economy, which had been declining since late 1989. As a result, the City experienced job losses in 1990 and 1991 and real Gross City Product (GCP) fell in those two years. In order to achieve a balanced budget as required by the laws of the State for the 1992 fiscal year, the City increased taxes and reduced services during the 1991 fiscal year to close a then projected gap of $3.3 billion in the 1992 fiscal year which resulted from, among other things, lower-than-projected tax revenue of approximately $1.4 billion, reduced State aid for the City and greater-than-projected increases in legally mandated expenditures, including public assistance and Medicaid expenditures. Beginning in calendar year 1992, the improvement in the national economy helped stabilize conditions in the City. Employment losses moderated toward year-end and real GCP increased, boosted by strong wage gains. The City's current four-year financial plan assumes that, after noticeable improvements in the City's economy during calendar year 1994, economic growth will slow in calendar years 1995 and 1996 with local employment increasing modestly. In December 1994, the City experienced substantial shortfalls in payments of non-property tax revenues from those forecasted. Through December 1994, collections of non-property taxes were approximately $200 million lower than projected.

For each of the 1981 through 1994 fiscal years, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP"), and the City's 1995 fiscal year results are projected to be balanced in accordance with GAAP. The City was required to close substantial budget gaps in recent years in order to maintain balanced operating results. For fiscal year 1995, the City has adopted a budget which has halted the trend in recent years of substantial increases in City spending from one year to the next. There can be no assurance that the City will continue to maintain a balanced budget as required by State law without additional tax or other revenue increases or reductions in City services, which could adversely affect the City's economic base.

Pursuant to the laws of the State, the City prepares an annual four-year financial plan, which is reviewed and revised on a quarterly basis and which includes the City's capital, revenue and expense projections and outlines proposed gap-closing programs for years with projected budget gaps. The City is required to submit its financial plans to review bodies, including the New York State Financial Control Board ("Control Board"). If the City were to experience certain adverse financial circumstances, including the occurrence or the substantial likelihood and imminence of the occurrence of an annual operating deficit of more than $100 million or the loss of access to the public credit markets to satisfy the City's capital and seasonal financing requirements, the Control Board would be required by State law to exercise powers, among others, of prior approval of City financial plans, proposed borrowings and certain contracts.

The City depends on the State for State aid both to enable the City to balance its budget and to meet its cash requirements. There can be no assurance that there will not be reductions in State aid to the City from amounts currently projected or that State budgets in future fiscal years will be adopted by the April 1 statutory deadline and that such reductions or delays will not have adverse effects on the City's cash flow or expenditures.

The Mayor is responsible for preparing the City's four-year financial plan, including the City's current financial plan for the 1995 through 1998 fiscal years (the "1995- 1998 Financial Plan" or "Financial Plan"). The City's projections set forth in the Financial Plan are based on various assumptions and contingencies which are uncertain and which may not materialize. Changes in major assumptions could significantly affect the City's ability to balance its budget as required by State law and to meet its annual cash flow and financing requirements. Such assumptions and contingencies include the condition of the regional and local economies, the impact on real estate tax revenues of the real estate market, wage increases for City employees consistent with those assumed in the Financial Plan, employment growth, the results of a pending actuarial audit of the City's pension system which is expected to significantly increase the City's annual pension costs, the ability to implement proposed reductions in City personnel and other cost reduction initiatives, which may require in certain cases the cooperation of the City's municipal unions, revenue generating transactions and provision of State and Federal aid and mandate relief.

Implementation of the Financial Plan is also dependent upon the City's ability to market its securities successfully in the public credit markets. The City's financing program for fiscal years 1995 through 1998 contemplates the issuance of $10.7 billion of general obligation bonds primarily to reconstruct and rehabilitate the City's infrastructure and physical assets and to make other capital investments. In addition, the City issues revenue and tax anticipation notes to finance its seasonal working capital requirements. The success of projected public sales of City bonds and notes will be subject to prevailing market conditions, and no assurance can be given that such sales will be completed. If the City were unable to sell its general obligation bonds and notes, it would be prevented from meeting its planned capital and operating expenditures.

On May 12, 1995 the City submitted to the Control Board the Financial Plan for the 1995 through 1999 fiscal years, which is a modification to the financial plan submitted to the Control Board on July 8, 1994 (the

"July Financial Plan") and which relates to the City, the Board of Education ("BOE") and the City University of New York.

The City's July Financial Plan set forth proposed actions for the 1995 fiscal year to close a previously projected gap of approximately $2.3 billion for the 1995 fiscal year, which included City actions aggregating $1.9 billion, a $288 million increase in State actions over the 1994 and 1995 fiscal years, and a $200 million increase in Federal assistance. The City actions included proposed agency actions aggregating $1.1 billion, including productivity savings; tax and fee enforcement initiatives; service reductions; and savings from the restructuring of City services. City actions also included savings of $45 million resulting from proposed tort reform, the projected transfer to the 1995 fiscal year of $171 million of the projected 1994 fiscal year surplus, savings of $200 million for employee health care costs, $51 million in reduced pension costs, savings of $225 million from refinancing City bonds and $65 million from the proposed sale of certain City assets.

The 1995-1998 Financial Plan submitted to the Control Board on May 12, 1995 reflects actual receipts and expenditures since the Financial Plan published on October 25, 1994 and projects revenues and expenditures for the 1995 fiscal year balanced in accordance with GAAP. For the 1995 fiscal year, the Financial Plan includes actions to offset an additional $774 million budget gap resulting principally from (i) projections of non- property tax revenue shortfalls of $423 million, resulting from lower capital gains, bonuses and business profits, the timing of certain payments and discounting by retailers, (ii) projected increases in certain agency expenditures, including additional Medicaid payments, of $312 million, and (iii) other revenue shortfalls, partially offset by a $100 million projected increase in unrestricted aid and a $101 million projected increase in property taxes. The gap-closing measures for the 1995 fiscal year set forth in the Financial Plan include (i) additional proposed agency expenditure reductions aggregating $257 million, (ii) $162 million of debt service savings, including savings resulting from a completed refunding of outstanding City debt, (iii) $239 million of increased revenues resulting from a proposed sale of two criminal justice facilities to the State and a proposed sale of certain mortgages, and (iv) $116 million of increased revenues resulting from the refund by the Internal Revenue Service of social security payments by the City. Certain of the foregoing gap-closing actions will be subject to the ability of the City to implement expenditure reduction initiatives. In addition, the proposed sale of the criminal justice facilities is subject to approval by the State Legislature. In the event the foregoing gap-closing actions cannot be fully implemented, or if expenditures exceed current forecasts, the City will be required to adopt additional gap-closing measures for the remainder of the 1995 fiscal year, and there is no assurance that such measures will enable the City to achieve a balanced budget for the 1995 fiscal year.

The Financial Plan also sets forth projections for the 1996 through 1999 fiscal years and outlines a proposed gap-closing program to close a projected gap of $3.1 billion

for the 1996 fiscal year and to substantially reduce projected gaps of $3.7 billion, $4.3 billion and $4.2 billion for the 1997, 1998 and 1999 fiscal years, respectively.

The proposed gap-closing actions in the Financial Plan for the 1996 through 1999 fiscal years include (i) a reduction in spending for entitlements of between $700 million and $815 million in each of the 1996 through 1999 fiscal years, primarily affecting public assistance and Medicaid payments by the City; (ii) expenditure reductions in agencies totalling between $1.0 billion and $1.4 billion in each of the 1996 through 1999 fiscal years; (iii) productivity, efficiency and labor savings, totalling $600 million, $400 million and $200 million in each of the 1996, 1997 and 1998 fiscal years, respectively; (iv) $45 million in projected savings as a result of proposed tort reform in each of the 1996 through 1999 fiscal years; (v) between $179 million and $237 million of increased revenues resulting from certain revenue initiatives in each of the 1996 through 1999 fiscal years; (vi) a proposed phase-in of the estimated $300 million annual pension funding cost due to revisions resulting from an actuarial audit of the City pension systems, which would reduce such costs by between $142 million and $255 million in each of the 1996 through 1999 fiscal years; and (vii) $250 million of proposed additional State aid and $50 million of proposed additional

Federal aid in each of the 1996 through 1999 fiscal years.

The proposed agency spending reductions include the reduction of City personnel through attrition, government efficiency initiatives, procurement initiatives and labor productivity initiatives, a substantial part of which are subject to negotiation with the City's municipal unions.

In addition to the gap-closing program set forth in the Financial Plan, the City has described an additional gap-closing program for the 1997, 1998 and 1999 fiscal years to offset the remaining $592 million, $1.1 billion and $1.3 billion projected budget gaps for the 1997, 1998 and 1999 fiscal years, respectively.

The proposals contained in the Financial Plan to close the projected budget gaps, for the 1996 and subsequent fiscal years have caused substantial public debate, and it can be expected that the public debate relating to the 1996 fiscal year budget will continue through the time the budget is scheduled to be adopted in June 1995.

The City's capital plan for fiscal years 1996 through 1999 contemplates the issuance of $8.4 billion of general obligation bonds to make capital investments.

In January 1993, the City announced a settlement with a coalition of municipal unions, including Local 237 of the International Brotherhood of Teamsters, District Council 37 of the American Federation of State, County and Municipal Employees and other unions covering approximately 44% of the City's workforce. The settlement, which has been ratified by the unions, includes a total net expenditure increase of 8.25% over a 39-month period, ending March 31, 1995 for most of these employees. The City is presently bargaining with the Correction Officers' Benevolent Association and the Sanitation Officers'

Association. In addition, the Transit Police Benevolent Association's delegate body rejected a tentative settlement with the City. The contract dispute is currently being arbitrated before the State's Public Employment Relations Board. Moreover, a contract dispute between the City and the Licensed Practical Nurses is currently in arbitration before the City's Office of Collective Bargaining.

The Financial Plan provides no additional wage increases for City employees after their contracts expire in the 1995 and 1996 fiscal years. Each 1% wage increase for all employees commencing in the 1995 and 1996 fiscal years would cost the City an additional $28 million for the 1995 fiscal year, $140 million for the 1996 fiscal year and $150 million each year thereafter above the amounts provided for in the Financial Plan.

Various actions proposed in the Financial Plan, including the proposed increase in State aid, are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal aid is subject to approval by Congress and the President. State and Federal actions are uncertain and no assurance can be given that such actions will in fact be taken or that the savings that the City projects will result from these actions will be realized. The State Legislature failed to approve a substantial portion of the proposed State assumption of Medicaid costs in the last session. The Financial Plan assumes that these proposals will be approved by the State Legislature during the 1995 fiscal year and that the Federal government will increase its share of funding for the Medicaid program. If these measures cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan.

Although the City has maintained balanced budgets in each of its last thirteen fiscal years, and is projected to achieve balanced operating results for the 1995 fiscal year, there can be no assurance that the gap-closing actions proposed in the Financial Plan can be successfully implemented or that the City will maintain a balanced budget in future years without additional State aid, revenue increases or expenditure reductions. Additional tax increases and reductions in essential City services could adversely affect the City's economic base.

The 1995-1998 Financial Plan is based on numerous assumptions, including the continuing improvement in the City's and the region's economy and a modest employment recovery during calendar year 1994 and the concomitant receipt of economically sensitive tax revenues in the amounts projected. The 1995-1998 Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors, the extent, if any, to which wage increases for City employees exceed the annual increases assumed for the 1995 through 1998 fiscal years; continuation of the 9% interest earnings assumptions for pension-fund assets and current assumptions with respect to wages for City employees affecting the City's required pension fund contributions; the willingness and ability of the State, in the context of the State's current financial condition, to provide the aid contemplated by the Financial Plan and to take various other actions to assist the City, including the proposed State takeover of certain Medicaid costs and State mandate relief; the ability of the

Health and Hospitals Corporation ("HHC"), BOE and other such agencies to maintain balanced budgets; the willingness of the Federal government to provide Federal aid; approval of the proposed continuation of the personal income tax surcharge; adoption of the City's budgets by the City Council in substantially the forms submitted by the Mayor; the ability of the City to implement proposed reductions in City personnel and other cost reduction initiatives, which may require in certain cases the cooperation of the City's municipal unions, and the success with which the City controls expenditures; savings for health care costs for City employees in the amounts projected in the Financial Plan; additional expenditures that may be incurred due to the requirements of certain legislation requiring minimum levels of funding for education; the impact on real estate tax revenues of the current weakness in the real estate market; the City's ability to market its securities successfully in the public credit markets; and additional expenditures that may be incurred as a result of deterioration in the condition of the City's infrastructure. Certain of these assumptions have been questioned by the City Comptroller and other public officials.

The projections and assumptions contained in the 1995-1998 Financial Plan are subject to revision which may involve substantial change, and no assurance can be given that these estimates and projections, which include actions which the City expects will be taken but which are not within the City's control, will be realized.

From time to time, the Control Board staff, the Municipal Assistance Corporation for the City of New York ("MAC"), Office of the State Deputy Comptroller ("OSDC"), the City Comptroller and others issue reports and make public statements regarding the City's financial condition, commenting on, among other matters, the City's financial plans, projected revenues and expenditures and actions by the City to eliminate projected operating deficits. Some of these reports and statements have warned that the City may have underestimated certain expenditures and overestimated certain revenues and have suggested that the City may not have adequately provided for future contingencies. Certain of these reports have analyzed the City's future economic and social conditions and have questioned whether the City has the capacity to generate sufficient revenues in the future to meet the costs of its expenditure increases and to provide necessary services. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment.

On May 16, 1995, the City Comptroller issued a report on the secondary effects on the City budget of proposed cuts in City and State spending outlined in the Financial Plan. The report noted that the savings projected in the Financial Plan from the proposed spending cuts assume that people deprived of one service will not require another, possibly more expensive, service. For example, the report noted that, depending on behavioral changes by institutions and individuals as a result of such proposals, proposed reductions in home health care could be offset by increased utilization of nursing homes or hospitals; proposed reductions in foster boarding care through voluntary agencies and day care could be offset by increased costs in foster care; proposed reductions in State mental health facilities and community mental health programs will result in a greater number of

patients in HHC hospitals; proposed reductions in rent supplement payments and home relief could be offset by increased costs for homeless shelters; and proposed reductions in Medicaid spending, will result in the loss of between 34,000 and 61,000 jobs and $270 million in tax revenues, as well as greater welfare costs for the increased number of unemployed. The report noted that the City's current fiscal problems are as serious as those which the City faced in the mid-1970s, and may be more difficult to solve, since the City's economy remains weak and the State and Federal governments are reducing support for the City.

On March 7, 1995, the City Comptroller issued a report on the Financial Plan submitted to the Control Board in February, 1995 (the "February Financial Plan"), which concluded that the budget gap for the 1996 fiscal year, before implementation of the gap- closing actions proposed in the February Financial Plan, may be between $338 million and $538 million greater than set forth in the February Financial Plan.

With respect to the City's $2.7 billion gap-closing program for the 1996 fiscal year, the report noted that a substantial number of the proposed actions are beyond the control of the City, including proposed State aid and mandate relief, proposed Federal aid, and proposed productivity efficiencies and labor initiatives to be negotiated with the City's labor unions. The report noted that portions of the Governor's entitlement relief proposals face opposition in the State Assembly; and that certain proposals may require Federal legislative action or waivers. In addition, the report noted the possible need for the City to close a substantial budget deficit at HHC resulting from anticipated reductions in Medicaid revenues, depending on the results of the State budget and the preparation by HHC of a plan to implement such reductions. The report also noted that the BOE needs to identify approximately $255 million in additional gap-closing initiatives for the 1996 fiscal year and $690 million and $765 million of savings initiatives in the 1997 fiscal year and 1998 fiscal year, respectively, a substantial portion of which require State action. The report concluded that, with actions still to be taken on the Federal and State budgets, the proposed budget for the 1996 fiscal year is subject to significant revision.

In early December 1994, the City Comptroller issued a report which noted that the City is currently seeking to develop and implement plans which will satisfy the Federal Environmental Protection Agency that the water supplied by the City watershed areas does not need to be filtered. The City Comptroller noted that, if the City is ordered to build filtration plants, they could cost as much as $4.57 billion to construct, with annual debt service and operating costs of more than $500 million, leading to a water rate increase of 45%.

On March 17, 1995, the staff of the Control Board issued a report reviewing the February Financial Plan. With respect to the 1995 fiscal year, the report noted that the City must still achieve a number of ambitious gap-closing actions within a limited time frame, including additional work force reductions and the receipt of $120 million from the sale of certain upstate jails. In addition, the report noted that there were risks to the 1995 fiscal year of $209 million, primarily as a result of possible overspending at the BOE and the

inability of the BOE to implement proposed actions to reduce the budget gap. With respect to the 1996 through 1998 fiscal years, the report identified risks of $486 million, $897 million and $1.2 billion, respectively. In addition, the report noted that the February Financial Plan reflected substantial initiatives which are dependent upon actions outside the City's control, including (i) initiatives contained in the State Executive Budget of approximately $800 million in the 1996 fiscal year; and (ii) proposed productivity efficiencies and labor initiatives to be negotiated with the City's unions totaling $600 million, $400 million and $200 million in the 1996 through 1998 fiscal years, respectively. Moreover, the report noted that expenditures for the City are projected to exceed the rate of inflation by the 1998 fiscal year, while projected revenues are unable to maintain growth at the rate of inflation, which opens a gap between revenues and expenditures beginning in the 1997 fiscal year, even assuming successful implementation of the $2.7 billion gap-closing program for the 1996 fiscal year. The report noted that the City's mature local economy cannot be expected to generate significant growth until the City's competitive position is gradually repaired through the comparative slow growth in rents, taxes and the cost of living in general.

On March 21, 1995, OSDC issued a report reviewing the February Financial Plan for fiscal years 1996 through 1998. The report noted that the $2.7 billion budget gap projected by the City for the 1996 fiscal year is the largest gap, both in absolute terms and as a percent of City-fund revenues, faced by the City in at least 15 years. In addition, the report noted that the projected budget gaps could be greater than forecast by the City by $288 million, $318 million and $247 million in the 1996 through 1998 fiscal years, respectively, primarily due to uncertainty concerning anticipated health insurance savings and overtime costs in the uniformed agencies, as well as slightly lower than projected tax revenues. The report identified a number of additional risks that could raise the projected budget gaps by another $382 million, $682 million and $715 million for the 1996 through 1998 fiscal years, respectively. These risks include the expiration of the 14% personal income tax surcharge which the February Financial Plan assumes will be extended by the State, unfunded liabilities at BOE, and the potential for higher pension costs. The report noted that these risks could be partially offset by annual savings of $150 million from overestimating prior years' expense.

With respect to the City's proposed $2.7 billion gap-closing program for the 1996 fiscal year, the report noted that it relies to a very large degree on the cooperation of the Federal and State governments and the municipal unions, and that the City has direct control of less than $500 million of the total gap-closing measures. The gap-closing plan specifically assumes (i) an increase in the Federal Medicaid reimbursement rate, reducing the City's costs by $123 million; (ii) that the State budget will include initiatives worth approximately $800 million that will help the City achieve savings in its Medicaid and public assistance programs, which are facing heavy opposition in the State Assembly; (iii) that the BOE will reduce projected City-funded spending by $500 million; and (iv) that the City's municipal unions will provide $600 million in savings from negotiations. The report noted that the current economic outlook for the City is weakened by the sharp downturn in the

bond market in 1994 and by the Federal Reserve's policy of raising interest rates to dampen national economic growth. The report concluded that if the gap-closing program for the 1996 fiscal year is successfully implemented it would greatly reduce the cost of City government; nonetheless, projected spending would still outpace the projected growth in revenues, indicating continued structural imbalance in the 1997 and 1998 fiscal years.

A substantial portion of the capital improvements in the City are financed by indebtedness issued by MAC. MAC was organized in 1975 to provide financing assistance to the City and also to exercise certain review functions with respect to the City's finances. MAC bonds are payable out of certain State sales and compensating use taxes imposed within the City, State stock transfer taxes and per capita State aid to the City. Any balance from these sources after meeting MAC debt service and reserve fund requirements and paying MAC's operating expenses is remitted to the City or, in the case of the stock transfer taxes, rebated to the taxpayers. The State is not, however, obligated to continue the imposition of such taxes or to continue appropriation of the revenues therefrom to MAC, nor is the State obligated to continue to appropriate the State per capita aid to the City which would be required to pay the debt service on certain MAC obligations. MAC has no taxing power and MAC bonds do not create an enforceable obligation of either the State or the City. As of September 30, 1994, MAC had outstanding an aggregate of approximately $4.885 billion of its bonds.

On July 10, 1995, Standard & Poor's reduced its rating of the

City's general obligation bonds from A- to BBB+. The City's general obligation bonds are rated Baa1 by Moody's. Fitch Investors Service, Inc. ("Fitch") has rated them A-. Such ratings reflect only the view of Moody's, Standard & Poor's and Fitch, from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of the City's general obligation bonds.

(2) New York State and its Authorities. The State's current fiscal year commenced on April 1, 1995, and ends on March 31, 1996, and is referred to herein as the State's 1995-96 fiscal year. The prior fiscal year, which ended on March 31, 1995, is referred to herein as the State's 1994-95 fiscal year. The State's budget for the 1994-95 fiscal year was enacted by the Legislature on June 7, 1994, more than two months after the start of the fiscal year. Prior to adoption of the budget, the Legislature enacted appropriations for disbursements considered to be necessary for State operations and other purposes, including all necessary appropriations for debt service. The State Financial Plan for the 1994-95 fiscal year was formulated on June 16, 1994 and is based on the State's budget as enacted by the Legislature and signed into law by then Governor Cuomo. On February 1, Governor Pataki presented his 1995-96 Executive Budget, containing his recommendations for the upcoming fiscal year. The Governor's budget is balanced on a cash basis in the General Fund (described below). However, there can be no assurance that the Legislature will enact the proposed Executive Budget into law, that the budget will be

adopted in a more timely manner than the prior year's budget, or that actual results will not differ materially and adversely from the projections set forth below.

The economic and financial condition of the State may be affected by various financial, social, economic and political factors. Those factors can be very complex, may vary from fiscal year to fiscal year, and are frequently the result of actions taken not only by the State and its agencies and instrumentalities, but also by entities, such as the Federal government, that are not under the control of the State.

The State Financial Plan is based upon forecasts of national and State economic activity. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and the State economies. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, Federal financial and monetary policies, the availability of credit, and the condition of the world economy, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience results in the current fiscal year that are worse than predicted, with corresponding material and adverse effects on the State's projections of receipts and disbursements.

The State Division of the Budget ("DOB") believes that its projections of receipts and disbursements relating to the current Financial Plan, and the assumptions on which they are based, are reasonable. Actual results, however, could differ materially and adversely from the projections set forth below, and those projections may be changed materially and adversely from time to time.

As noted above, the financial condition of the State is affected by several factors, including the strength of the State and regional economy and actions of the Federal government, as well as State actions affecting the level of receipts and disbursements. Owing to these and other factors, the State may, in future years, face substantial potential budget gaps resulting from a significant disparity between tax revenues projected from a lower recurring receipts base and the future costs of maintaining State programs at current levels. Any such recurring imbalance would be exacerbated if the State were to use a significant amount of nonrecurring resources to balance the budget in a particular fiscal year. To address a potential imbalance for a given fiscal year, the State would be required to take actions to increase receipts and/or reduce disbursements as it enacts the budget for that year, and under the State Constitution the Governor is required to propose a balanced budget each year. To correct recurring budgetary imbalances, the State would need to take significant actions to align recurring receipts and disbursements in future fiscal years. There can be no assurance, however, that the State's actions will be sufficient to preserve budgetary balance in a given fiscal year or to align recurring receipts and disbursements in future fiscal years.

The General Fund is the general operating fund of the State and is used to account for all financial transactions, except those required to be accounted for in another fund. It is the State's largest fund and receives almost all State taxes and other resources not

dedicated to particular purposes. In the State's 1994-95 fiscal year, the General Fund is expected to account for approximately 52 percent of total governmental-fund receipts and 51 percent of total governmental-fund disbursements. General Fund moneys are also transferred to other funds, primarily to support certain capital projects and debt service payments in other fund types.

As a result of the national and regional economic recession, the State's tax receipts for its 1991 and 1992 fiscal years were substantially lower than projected, which resulted in reductions in State aid to localities for the State's 1992 and 1993 fiscal years from amounts previously projected. The State completed its 1993 fiscal year with a positive margin of $671 million in the General Fund, which was deposited into a tax refund reserve account. The State's economy, as measured by employment, started to recover near the start of the 1993 calendar year, continued into mid-1994 and then virtually ceased. The state completed its 1994 fiscal year with a cash-basis balanced budget in the State's General Fund (the major operating fund of the State), after depositing $1.5 billion in various reserve funds.

The State's 1994-95 Financial Plan, which is based upon the enacted State budget, projected a balanced General Fund. The State's 1994-95 Financial Plan provided the City with savings through various actions, which include increased State education aid and State assumption of certain costs previously paid by the City and restoration of certain prior year revenue sharing reductions. However, the State Legislature failed to enact a substantial portion of the proposed State assumption of local Medicaid costs, other significant mandate relief items, and the proposed tort reform legislation, which would have provided the City with additional savings. On February 1, 1995, as part of his Executive Budget for the 1995- 96 fiscal year, the Governor submitted the third quarterly update to the State Financial Plan for the 1994-95 fiscal year. This update reflects changes to receipts and disbursements. The update revises the projected General Fund receipts and disbursements contained in the 1994- 95 State Financial Plan as revised by the first and second quarterly updates issued on July 29, 1994 and October 28, 1994, respectively. The update reflected that estimates of General Fund receipts for the 1994-95 fiscal year have been reduced by $585 million, from the mid-year update, and are down $1.058 billion from the budget enacted in June 1994 (of which $227 million results from a post mid-year accounting restatement of the State Financial Plan). Offsetting this projected loss in receipts, however, are projected reductions of $312 million in disbursements from the mid-year update, attributable to lower spending through the first nine months of the fiscal year, and to the use of greater than anticipated receipts from the State lottery. The net result of the projected reductions in receipts and disbursements is a negative margin of $273 million against the mid-year update's projection of a $14 million surplus, producing a potential deficit of $259 million for the 1994-95 fiscal year. The Governor has proposed to close this deficit through a hiring freeze, a review of pending contracts, and spending cuts in certain programs that were started or expanded in the 1994-95 budget. Governor Pataki submitted a proposed budget for the State's 1995-96 fiscal year on February 1, 1995. The Governor's budget for the 1995-96 fiscal year included significant savings from Medicaid cost containment measures and welfare reform and substantial reductions in State aid to localities, including the City. The 1995-96 Executive Budget is the first to be submitted by the Governor, who assumed office on January 1. It proposes actual reductions in the year-over-year dollar levels of State spending from the General Fund for the first time in over half a century with a proposed cut of 3.4 percent. There are, however, risks and uncertainties concerning whether or not certain tax and spending cuts proposed in the Executive Budget will be upheld in the face of potential legal challenges. For example, there can be no assurance that cuts in social-welfare entitlement programs will not be challenged in court. Further, the Comptroller has indicated his intention to challenge in Court the proposed use of certain pension reserves in the Executive Budget.

According to the Executive Budget, in the 1995-96 fiscal year, the State Financial Plan would be out of balance by almost $4.7 billion, as a result of three key factors: (1) the projected structural deficit resulting from the ongoing disparity between sluggish growth in receipts, the effect of prior-year tax changes, and the rapid acceleration of spending growth ($2.1 billion); (2) the impact of unfunded 1994-95 initiatives, including capital projects such as sports and recreational facilities, an increase in revenue sharing to local governments, further State takeover of local Medicaid costs, more school aid, and increased tuition assistance ($1.1 billion); and (3) the use of one-time solutions to fund recurring spending in the 1994-95 budget ($1.5 billion). Tax cuts proposed to spur economic growth and provide relief for low and middle-income tax payers add $240 million to the projected imbalance or budget gap, bringing the total to approximately $5 billion.

The Executive Budget proposes to close the budget gap for the 1995-96 fiscal year through (1) $1.9 billion from cost containment savings in social-welfare programs, particularly Medicaid cost-containment recommendations ($1.277 billion), Income- Maintenance restructuring recommendations ($340 million), and the consolidation of various child-care programs into a Family Services Block Grant to counties and New York City; (2) $2.5 billion in savings from State agency restructuring that is expected to reduce spending on the State workforce, SUNY and CUNY, mental hygiene programs, capital projects, the prison population, and public authorities; (3) $350 million in savings from local assistance reforms, by freezing school aid, revenue sharing and county costs of pre-school special education at current levels, while proposing program legislation to provide relief from certain mandates that increase local spending; and (4) $200 million in new revenue measures, primarily a new Quick Draw Lottery game and changes to tax-payment schedules. The Executive Budget indicates that for years State revenues have grown at a slower rate than State spending, producing an increasing structural deficit, and that if the proposals in the Executive Budget are upheld (particularly the spending cuts described above) the State will start to eliminate the structural imbalance that has characterized the State's fiscal record. There can, however, be no assurances that the tax and spending cuts proposed in the Executive Budget will be upheld or enacted as proposed, or that if enacted, will eliminate potential imbalances in future fiscal years.

As expected, the Governor's proposals will engender substantial public debate which will continue until the enactment of the budget by the State legislature, which as

expected did not occur before April 1, 1995. However, no assurance can be given as to the amount of savings which the City might realize from any such cost containment measures or welfare reform or the size of any such reductions in State aid to the City. Depending upon the amount of such savings or the size of any such reductions in State aid, the City might be required to make substantial additional changes in the Financial Plan.

In certain prior fiscal years, the State has failed to enact a budget prior to the beginning of the State's fiscal year. The delay in the adoption of the State's budget could delay the projected receipt by the City of State aid, and there can be no assurance that State budgets in future fiscal years will be adopted by the April 1 statutory deadline.

As a result of various uncertainties and other factors, including consumer attitudes toward spending, Federal financial and monetary policies, the availability of credit and the condition of the world economy, actual results could differ materially and adversely from the State's current projections and the State's projections could be materially and adversely changed from time to time.

On January 13, 1992, Standard & Poor's reduced its ratings of the State's general obligation bonds from A to A- and, in addition, reduced its ratings on the State's moral obligation, lease purchase, guaranteed and contractual obligation debt. Standard & Poor's also continued its negative rating outlook assessment on State general obligation debt. On April 26, 1993, Standard & Poor's revised the rating outlook assessment to stable. On February 14, 1994, Standard & Poor's raised its outlook to positive and, on December 12, 1994, confirmed its A-rating. On January 6, 1992, Moody's reduced its ratings on outstanding limited-liability State lease purchase and contractual obligations from A to Baa1. On December 12, 1994, Moody's reconfirmed its A rating on the State's general obligation long-term indebtedness.

The fiscal stability of the State is related to the fiscal stability of its authorities, which generally have responsibility for financing, constructing and operating revenue producing public benefit facilities. The authorities are not subject to the constitutional restrictions on the incurrence of debt which apply to the State itself and may issue bonds and notes within the amounts of, and as otherwise restricted by, their legislative authorization. As of September 30, 1992, there were 18 authorities that had outstanding debt of $100 million or more. The aggregate outstanding debt, including refunding bonds, of these 18 authorities was $63.5 billion as of September 30, 1993. As of March 31, 1994, aggregate public authority debt outstanding as State-supported debt was $21.1 billion and as State- related debt was $29.4 billion.

The authorities are generally supported by revenues generated by the projects financed or operated, such as fares, user fees on bridges, highway tolls and rentals for dormitory rooms and housing. In recent years, however, the State has provided financial assistance through appropriations, in some cases of a recurring nature, to certain of the 18 authorities for operating and other expenses and in fulfillment of its commitments on moral

obligation indebtedness or otherwise for debt service. This assistance is expected to continue to be required in future years.

The Metropolitan Transit Authority ("MTA"), a State agency, oversees the operation of the City's subway and bus system by its affiliates, the New York City Transit Authority and Bronx Surface Transit Operating Authority (collectively, the "TA") and commuter rail and bus lines serving the New York metropolitan area. Fare revenues from such operations have been insufficient to meet expenditures, and MTA depends heavily upon a system of State, local, Triborough Bridge and Tunnel Authority ("TBTA") and, to the extent available, Federal support. Over the past several years, the State has enacted several taxes, including a surcharge on the profits of banks, insurance corporations and general business corporations doing business in the 12-county region served by the MTA and a special one-quarter of 1% regional sales and use tax, that provide additional revenues for mass transit purposes including assistance to the MTA. The surcharge, which expires in November 1995, yielded $507 million in calendar year 1992, of which the MTA was entitled to receive approximately 90% or approximately $456 million. For the 1994-95 State fiscal year, total State assistance to the MTA is estimated at approximately $1.3 billion.

In 1993, State legislation authorized the funding of a five-year $9.56 billion MTA capital plan for the five-year period, 1992 through 1996 (the "1992-96 Capital Program"). The MTA has received approval of the 1992-96 Capital Program based on this legislation from the 1992-96 Capital Program Review Board, as State law requires. This is the third five-year plan since the Legislature authorized procedures for the adoption, approval and amendment of a five-year plan in 1981 for a capital program designed to upgrade the performance of the MTA's transportation system and to supplement, replace and rehabilitate facilities and equipment. The MTA, the TBTA and the TA are collectively authorized to issue an aggregate of $3.1 billion of bonds (net of certain statutory exclusions) to finance a portion of the 1992-96 Capital Program. The 1992-96 Capital Program is expected to be financed in significant part through the dedication of State petroleum business taxes.

There can be no assurance that all the necessary governmental actions for the Capital Program will be taken, that funding sources currently identified will not be decreased or eliminated, or that the 1992-96 Capital Program, or parts thereof, will not be delayed or reduced. Furthermore, the power of the MTA to issue certain bonds expected to be supported by the appropriation of State petroleum business taxes is currently the subject of a court challenge. If the Capital Program is delayed or reduced, ridership and fare revenues may decline, which could, among other things, impair the MTA's ability to meet its operating expenses without additional State assistance.

The State's experience has been that if an Authority suffers serious financial difficulties, both the ability of the State and the Authorities to obtain financing in the public credit markets and the market price of the State's outstanding bonds and notes may be adversely affected. The Housing Finance Agency ("HFA") and the Urban Development Corporation ("UDC") have in the past required substantial amounts of assistance from the

State to meet debt service costs or to pay operating expenses. Further assistance, possibly in increasing amounts, may be required for these, or other, Authorities in the future. In addition, certain statutory arrangements provide for State local assistance payments otherwise payable to localities to be made under certain circumstances to certain Authorities. The State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to Authorities under these arrangements. However, in the event that such local assistance payments are so diverted, the affected localities could seek additional State funds.

(3) Litigation. A number of court actions have been brought involving State finances. The court actions in which the State is a defendant generally involve state programs and miscellaneous tort, real property, and contract claims and the monetary damages sought are substantial. Adverse development in these proceedings or the initiation of new proceedings could affect the ability of the State to maintain a balanced State Financial Plan in the current fiscal year or thereafter.

In addition to the proceedings noted below, the State is party to other claims and litigation which its legal counsel has advised are not probable of adverse court decisions. Although the amounts of potential losses, if any, are not presently determinable, it is the State's opinion that its ultimate liability in these cases is not expected to have a material adverse effect on the State's financial position in the current fiscal year or thereafter.

On May 31, 1988 the United States Supreme Court took jurisdiction of a claim of the State of Delaware that certain unclaimed dividends, interest and other distributions made by issuers of securities and held by New York-based brokers incorporated in Delaware for beneficial owners who cannot be identified or located, had been, and were being, wrongfully taken by the State of New York pursuant to New York's Abandoned Property Law (State of Delaware v. State of New York, United States Supreme Court). All 50 states and the District of Columbia moved to intervene, claiming a portion of such distributions and similar property taken by the State of New York from New York-based banks and depositories incorporated in Delaware. In a decision dated March 30, 1993, the Court granted all pending motions of the states and the District of Columbia to intervene and remanded the case to a Special Master for further proceedings consistent with the Court's decision. The Court determined that the abandoned property should be remitted first to the state of the beneficial owner's last known address, if ascertainable, and, if not, then to the state of incorporation of the intermediary bank, broker or depository. New York and Delaware have executed a settlement agreement which provides for payments by New York to Delaware of $35 million in the State's 1993-94 fiscal year and five annual payments thereafter of $33 million. New York and Massachusetts have executed a settlement agreement which provides for aggregate payments by New York of $23 million, payable over five consecutive years. The claims of the other states and the District of Columbia remain.

Among the more significant of these claims still pending against the State at various procedural stages, are those that challenge: (1) the validity of agreements and

treaties by which various Indian tribes transferred title to the State of certain land in central New York; (2) certain aspects of the State's Medicaid rates and regulations, including reimbursements to providers of mandatory and optional Medicaid services; (3) contamination in the Love Canal area of Niagara Falls; (4) an action against State and New York City officials alleging that the present level of shelter allowance for public assistance recipients is inadequate under statutory standards to maintain proper housing; (5) challenges to the practice of reimbursing certain Office of Mental Health patient care expenses from the client's Social Security benefits; (6) a challenge to the methods by which the State reimburses localities for the administrative costs of food stamp programs; (7) alleged responsibility of State officials to assist in remedying racial segregation in the City of Yonkers; (8) an action in which the State is a third party defendant, for injunctive or other appropriate relief, concerning liability for the maintenance of stone groins constructed along certain areas of Long Island's shoreline; (9) an action challenging legislation enacted in 1990 which had the effect of deferring certain employer contributions to the State Teachers' Retirement System and reducing State aid to school districts by a like amount; (10) a challenge to the constitutionality of financing programs of the Thruway Authority authorized by Chapters 166 and 410 of the Laws of 1991; (11) a challenge to the constitutionality of financing programs of the MTA and the Thruway Authority authorized by Chapter 56 of the Laws of 1993; (12) challenges to the delay by the State Department of Social Services in making two one- week Medicaid payments to the service providers; (13) challenges to provisions of Section 2807-C of the Public Health Law, which impose a 13% surcharge on inpatient hospital bills paid by commercial insurers and employee welfare benefit plans and portions of Chapter 55 of The Laws of 1992 which require hospitals to impose and remit to the State an 11% surcharge on hospital bills paid by commercial insurers; (14) challenges to the promulgation of the State's proposed procedure to determine the eligibility for and nature of home care services for Medicaid recipients; (15) a challenge to State implementation of a program which reduces Medicaid benefits to certain home-relief recipients; (16) challenges to the rationality and retroactive application of State regulations recalibrating nursing home Medicaid rates; and (17) a challenge by AT&T to New York Tax Law ss. 186-a(2-a) as violative of the commerce clause of the U.S. Constitution.

General Considerations

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 the proceeds from such events will be distributed to Unit holders and will not be reinvested, no assurance can be given that the Trust will retain for any length of time its present size and composition. The inclusion of unrated Bonds in certain Series of the Trust may result in less flexibility in their disposal and a loss to the Trust upon their disposition. Except as described in footnotes to "Summary of Essential Financial Information" in Part I of this Prospectus, interest accrues to the benefit of Unitholders commencing with the expected date of settlement for purchase of the Units. Neither the Sponsors nor the Trustee shall be liable in any way for any default, failure or defect in any Security.

The following paragraphs discuss the characteristics of the Bonds in the Trust and of certain types of issuers of the Bonds in the Trust. See "Special Factors Concerning the Portfolio" in Part I of this Prospectus. These paragraphs discuss, among other things, certain circumstances which may adversely affect the ability of such issuers to make payments of principal of and interest on Bonds held in the portfolio of the Trust or which may adversely affect the ratings of such Bonds. Because of the insurance obtained by the Sponsors or by the issuers, however, such changes should not adversely affect the Trust's ultimate receipt of principal and interest, the Standard & Poor's or Moody's ratings of the Bonds in the portfolio, or the Standard & Poor's rating of the Units of the Trust. An investment in Units of the Trust should be made with an understanding of the risks that such an investment may entail, certain of which are described below. Unit holders may obtain additional information concerning a particular Bond by requesting an official statement from the issuer of such Bond.

General Obligation Bonds

General obligation bonds are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. The taxing power of any governmental entity may be limited, however, by provisions of state constitutions or laws, and an entity's credit will depend on many factors, including potential erosion of the tax base due to population declines, natural disasters, declines in the state's industrial base or inability to attract new industries; economic limits on the ability to tax without eroding the tax base; state legislative proposals or voter initiatives to limit ad valorem real property taxes; and the extent to which the entity relies on Federal or state aid, access to capital markets or other factors beyond the state or entity's control.

Appropriations Bonds

Many state or local governmental entities enter into lease purchase obligations as a means for financing the acquisition of capital projects (e.g., buildings or equipment, among other things). Such obligations are often made subject to annual appropriations. Certain Series of the Trust may contain Bonds in the portfolio that are, in whole or in part, subject to and dependent upon (1) the governmental entity making appropriations from time to time or (2) the continued existence of special temporary taxes which require legislative action for their reimposition. The availability of any appropriation is subject to the willingness of the governmental entity to continue to make such special appropriations or to reimpose such special taxes. The obligation to make lease payments exists only to the extent of the monies available to the governmental entity therefor, and no liability is incurred by the governmental entity beyond the monies so appropriated. Subject to the foregoing, once an annual appropriation is made, the governmental entity's obligation to make lease rental payments is absolute and unconditional without setoff or counterclaim, regardless of contingencies, whether or not a given project is completed or used by the governmental entity and notwithstanding any circumstances or occurrences which might arise. In the event of non-appropriation, certificate holders' or bondowners' sole remedy (absent credit

enhancement) generally is limited to repossession of the collateral for resale or releasing, and the obligation of the governmental lessee is not backed by a pledge of the general credit of the governmental lessee. In the event of non-appropriation, the Sponsors may instruct the Trustee to sell such Bonds.

Moral Obligation Bonds. Certain Series of the Trust may contain Bonds in the portfolio that are secured by pledged revenues and additionally by the so-called "moral obligation" of the State or a local governmental body. Should the pledged revenues prove insufficient, the payment of such Bonds is not a legal obligation of the State or local government, and is subject to its willingness to appropriate funds therefor.

Revenue Bonds

Mortgage Revenue Bonds. Certain Bonds may be "mortgage revenue bonds". Under the Internal Revenue Code of 1986, as amended (the "Code") (and under similar provisions of the prior tax law), "mortgage revenue bonds" are obligations the proceeds of which are used to finance owner-occupied residences under programs which meet numerous statutory requirements relating to residency, ownership, purchase price and target area requirements, ceiling amounts for state and local issuers, arbitrage restrictions, and certain information reporting, certification, and public hearing requirements. There can be no assurance that additional federal legislation will not be introduced or that existing legislation will not be further amended, revised, or enacted after delivery of these Bonds or that certain required future actions will be taken by the issuing governmental authorities, which action or failure to act could cause interest on the Bonds to be subject to federal income tax. If any portion of the Bond proceeds is not committed for the purpose of the issue, Bonds in such amount could be subject to earlier mandatory redemption at par, including issues of Zero Coupon Bonds (see "Original Issue Discount and Zero Coupon Bonds").

Housing Bonds. Some of the aggregate principal amount of Bonds may consist of obligations of state and local housing authorities whose revenues are primarily derived from mortgage loans to housing projects for low to moderate income families. Since such obligations are not general obligations of a particular state or municipality and are generally payable primarily or solely from rents and other fees, adverse economic developments including failure or inability to increase rentals, fluctuations of interest rates and increasing construction and operating costs may reduce revenues available to pay existing obligations.

The housing bonds in the Trust, despite their optional redemption provisions which generally do not take effect until ten years after the original issuance dates of such Bonds (often referred to as "ten year call protection"), do contain provisions which require the issuer to redeem such obligations at par from unused proceeds of the issue within a stated period. In recent periods of declining interest rates there have been increased redemptions of housing bonds pursuant to such redemption provisions. In addition, the housing bonds in the Trust are also subject to mandatory redemption in part at par at any time that voluntary or involuntary prepayments of principal on the underlying mortgages are made to the trustee for

such Bonds or that the mortgages are sold by the bond issuer. Prepayments of principal tend to be greater in periods of declining interest rates; it is possible that such prepayments could be sufficient to cause a housing bold to be redeemed substantially prior to its stated maturity date, earliest call date or sinking fund redemption date.

Public Power Revenue Bonds. General problems of the electric utility industry include difficulty in financing large construction programs during an inflationary period; restrictions on operations and increased costs and delays attributable to environmental considerations; the difficulty of the capital markets in absorbing utility debt and equity securities; the availability of fuel for electric generation at reasonable prices, including among other considerations the potential rise in fuel costs and the costs associated with conversion to alternate fuel sources such as coal; technical cost factors and other problems associated with construction, licensing, regulation and operation of nuclear facilities for electric generation, including among other considerations the problems associated with the use of radioactive materials and the disposal of radioactive waste; and the effects of energy conservation. Certain Bonds may have been issued in connection with the financing of nuclear generating facilities. In view of recent developments in connection with such facilities, legislative and administrative actions have been taken and proposed relating to the development and operation of nuclear generating facilities. The Sponsors are unable to predict whether any such actions or whether any such proposals or litigation, if enacted or instituted, will have an adverse impact on the revenues available to pay the debt service on the Bonds in the portfolio issued to finance such nuclear projects.

Each of the problems referred to above could adversely affect the ability of the issuers of public power revenue bonds to make payments of principal of and/or interest on such bonds. Certain municipal utilities or agencies may have entered into contractual arrangements with investor-owned utilities and large industrial users and consequently may be dependent in varying degrees on the performance of such contracts for payment of bond debt service.

Health Care Revenue Bonds. Some of the aggregate principal amount of Bonds may consist of hospital revenue bonds. Ratings of hospital bonds are often initially based on feasibility studies which contain projections of occupancy levels, revenues and expenses. Actual experience may vary considerably from such projections. A hospital's gross receipts and net income will be affected by future events and conditions including, among other things, demand for hospital services and the ability of the hospital to provide them, physicians' confidence in hospital management capability, economic developments in the service area, competition, actions by insurers and governmental agencies and the increased cost and possible unavailability of malpractice insurance. Additionally, a major portion of hospital revenue typically is derived from federal or state programs such as Medicare and Medicaid which have been revised substantially in recent years and which are undergoing further review at the state and federal level.

Proposals for significant changes in the health care system and the present programs for third party payment of health care costs are under consideration in Congress and many states. Future legislation or changes in the areas noted above, among other things, would affect all hospitals to varying degrees and, accordingly, any adverse change in these areas may affect the ability of such issuers to make payment of principal and interest on such bonds.

Higher Education Revenue Bonds. Higher education revenue bonds include debt of state and private colleges, universities and systems, and parental and student loan obligations. The ability of universities and colleges to meet their obligations is dependent upon various factors, including the revenues, costs and enrollment levels of the institutions. In addition, their ability may be affected by declines in Federal, state and alumni financial support, fluctuations in interest rates and construction costs, increased maintenance and energy costs, failure or inability to raise tuition or room charges and adverse results of endowment fund investments.

Pollution Control Facility Revenue Bonds. Bonds in the pollution control facilities category include securities issued on behalf of a private corporation,* including utilities, to provide facilities for the treatment of air, water and solid waste pollution. Repayment of these bonds is dependent upon income from the specific pollution control facility and/or the financial condition of the project corporation. See also "Private Activity Bonds."

Other Utility Revenue Bonds. Bonds in this category include securities issued to finance natural gas supply, distribution and transmission facilities, public water supply, treatment and distribution facilities, and sewage collection, treatment and disposal facilities. Repayment of these bonds is dependent primarily on revenues derived from the billing of residential, commercial and industrial customers for utility services, as well as, in some instances, connection fees and hook-up charges. Such utility revenue bonds may be adversely affected by the lack of availability of Federal and state grants and by decisions of Federal and state regulatory bodies and courts.

Solid Waste and Resource Recovery Revenue Bonds. Bonds in this category include securities issued to finance facilities for removal and disposal of solid municipal waste. Repayment of these bonds is dependent on factors which may include revenues from appropriations from a governmental entity, the financial condition of the private project corporation and revenues derived from the collection of charges for disposal of solid waste. Repayment of resource recovery bonds may also be dependent to various degrees on revenues from the sale of electric energy or steam. Bonds in this category may be subject to

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* For the purposes of the description of users of facilities, all references to "corporations" shall be deemed to include any other nongovernmental person or entity.

mandatory redemption in the event of project non-completion, if the project is rendered uneconomical or if it is considered an environmental hazard.

Transportation Revenue Bonds. Bonds in this category include bonds issued for airport facilities, bridges, turnpikes, port authorities, railroad systems or mass transit systems. Generally, airport facility revenue bonds are payable from and secured by the revenues derived from the ownership and operation of a particular airport. Payment on other transportation bonds is often dependent primarily or solely on revenues from financed facilities, including user fees, charges, tolls and rents. Such revenues may be adversely affected by increased construction and maintenance costs or taxes, decreased use, competition from alternative facilities, scarcity of fuel, reduction or loss of rents or the impact of environmental considerations. Other transportation bonds may be dependent primarily or solely on Federal, state or local assistance including motor fuel and motor vehicle taxes, fees and licenses and, therefore, may be subject to fluctuations in such assistance.

Private Activity Bonds. The portfolio of the Trust may contain other Bonds that are "private activity bonds" (often called industrial revenue bonds ("IRBs") if issued prior to 1987), which would be primarily of two types: (1) Bonds for a publicly owned facility that a private entity may have a right to use or manage to some degree, such as an airport, seaport facility or water system and (2) Bonds for facilities deemed owned or beneficially owned by a private entity but which were financed with tax-exempt bonds of a public issuer, such as a manufacturing facility or a pollution control facility. In the case of the first type, bonds are generally payable from a designated source of revenues derived from the facility and may further receive the benefit of the legal or moral obligation of one or more political subdivisions or taxing jurisdictions. In most cases of project financing of the first type, receipts or revenues of the Issuer are derived from the project or the operator or from the unexpended proceeds of the bonds. Such revenues include user fees, service charges, rental and lease payments, and mortgage and other loan payments.

The second type of issue will generally finance projects which are owned by or for the benefit of, and are operated by, corporate entities. Ordinarily, such private activity bonds are not general obligations of governmental entities and are not backed by the taxing power of such entities, and are solely dependent upon the creditworthiness of the corporate user of the project or corporate guarantor.

The private activity bonds in the Trust have generally been issued under bond resolutions, agreements or trust indentures pursuant to which the revenues and receipts payable under the issuer's arrangements with the users or the corporate operator of a particular project have been assigned and pledged to the holders of the private activity bonds. In certain cases a mortgage on the underlying project has been assigned to the holders of the private activity bonds or a trustee as additional security. In addition, private activity bonds are frequently directly guaranteed by the corporate operator of the project or by another affiliated company.

Special Tax Revenue Bonds. Bonds in this category are bonds secured primarily or solely by receipt of certain state or local taxes, including sales and use taxes or excise taxes. Consequently, such bonds may be subject to fluctuations in the collection of such taxes. Such bonds do not include tax increment bonds or special assessment bonds.

Other Revenue Bonds. Certain Series of the Trust may also contain revenue bonds which are payable from and secured primarily or solely by revenues from the ownership and operation of particular facilities, such as correctional facilities, parking facilities, convention centers, arenas, museums and other facilities owned or used by a charitable entity. Payment on bonds related to such facilities is, therefore, primarily or solely dependent on revenues from such projects, including user fees, charges and rents. Such revenues may be affected adversely by increased construction and maintenance costs or taxes, decreased use, competition from alternative facilities, reduction or loss of rents or the impact of environmental considerations.

Certain Series of the Trust may also contain bonds that are secured by direct obligations of the U.S. Government or, in some cases, obligations guaranteed by the U.S. Government, placed in an escrow account maintained by an independent trustee until maturity or a predetermined redemption date. In a few isolated instances to date, bonds which were thought to be escrowed to maturity have been called for redemption prior to maturity.

Puerto Rico Bonds

Certain of the Bonds in the Trust may be general obligations and/or revenue bonds of issuers located in Puerto Rico which will be affected by general economic conditions in Puerto Rico. The economy of Puerto Rico is closely integrated with that of the mainland United States. During fiscal year 1993, approximately 86% of Puerto Rico's exports were to the United States mainland, which was also the source of 69% of Puerto Rico's imports. In fiscal 1993, Puerto Rico experienced a $2.5 billion positive adjusted trade balance. The economy of Puerto Rico is dominated by the manufacturing and service sectors. The manufacturing sector has experienced a basic change over the years as a result of increased emphasis on higher wage, high technology industries such as pharmaceuticals, electronics, computers, microprocessors, professional and scientific instruments, and certain high technology machinery and equipment. The service sector, including finance, insurance and real estate, also plays a major role in the economy. It ranks second only to manufacturing in contribution to the gross domestic product and leads all sectors in providing employment. In recent years, the service sector has experienced significant growth in response to and paralleling the expansion of the manufacturing sector. Since fiscal 1987, personal income has increased consistently in each fiscal year. In fiscal 1993, aggregate personal income was $24.1 billion ($20.6 billion in 1987 prices) and personal income per capita was $6,760 ($5,767 in 1987 prices). Real personal income showed a small decrease in fiscal 1991 principally as a result of a decline in real transfer payments. Total federal payments to Puerto Rico, which include many types in addition to federal transfer payments, are lower on a per capita basis in Puerto Rico than in any state. Transfer payments to

individuals in fiscal 1993 were $5.3 billion, of which $3.6 billion, or 67.6%, represent entitlement to individuals who had previously performed services or made contributions under programs such as social security, veterans benefits and Medicare. The number of persons employed in Puerto Rico during fiscal 1994 averaged 1,011,000. Unemployment, although at a low level compared to the late 1970s, remains above the average for the United States. In fiscal 1994, the unemployment rate in Puerto Rico was 15.9%. Puerto Rico's decade-long economic expansion continued throughout the five-year period from fiscal 1989 through fiscal 1993. Almost every sector of its economy was affected and record levels of employment were achieved. Factors behind this expansion include Commonwealth sponsored economic development programs, the relatively stable prices of oil imports, the continued growth of the United States economy, periodic declines in exchange value of the United States dollar and the relatively low cost of borrowing during the period. Real gross product amounted to approximately $20.07 billion in fiscal 1993, or 3.1% above the fiscal 1992 level. The Puerto Rico Planning Board's economic activity index, a composite index for thirteen economic indicators, increased 1.6% in fiscal 1994 compared to fiscal 1993, which period showed a decrease of 1.4% over fiscal 1992. Growth in the Puerto Rico economy in fiscal 1994 and 1995 depends on several factors, including the state of the United States economy and the relative stability in the price of oil imports, the exchange value of the U.S. dollar and the cost of borrowing.

Original Issue Discount Bonds and Zero Coupon Bonds

Certain Series of the Trust may contain original issue discount bonds and/or zero coupon bonds. Original issue discount bonds are bonds that were originally issued at less than the market interest rate. Zero coupon bonds are original issue discount bonds that do not provide for the payment of current interest. For Federal income tax purposes, original issue discount on such bonds must be amortized over the term of such bonds. On sale or redemption, the excess of (1) the amount realized (other than amounts treated as tax-exempt income as described below), over (2) the tax basis of such bonds (properly adjusted, in the circumstances described below, for amortization of original issue discount) will be treated as taxable income or loss. See "The Trust--Tax Status." The Code requires holders of tax-exempt obligations issued with original issue discount, such as the Trust, to accrue tax-exempt original issue discount by using the constant interest method provided for the holders of taxable obligations. In addition, the Code provides that the basis of a tax-exempt obligation is increased by the amount of accrued tax-exempt original issue discount. These provisions are applicable to obligations issued after September 3, 1982 and acquired after March 1, 1984. The Trust's tax basis in a Bond is increased by any accrued original issue discount as is a Unit holder's tax basis in his Units. For Bonds issued after June 9, 1980 that are redeemed prior to maturity, the difference between the Trust's basis, as adjusted, and the amount received will be taxable gain or loss to the Unit holders. All or a portion of any such gain may be taxable as ordinary income.

There can be no assurance that additional Federal legislation will not be enacted or that existing legislation will not be amended hereafter with the effect that interest

on bonds becomes subject to Federal income taxation. If the interest on the Bonds should ultimately be deemed to be taxable, the Sponsors may instruct the Trustee to sell them, and, since they would be sold as taxable securities, it is expected that they would have to be sold at a substantial discount from current market prices.

Bonds Subject to Sinking Fund Provisions

Most of the Bonds in the Trust are subject to redemption prior to their stated maturity date pursuant to sinking fund or call provisions. A sinking fund is a reserve fund accumulated over a period of time for retirement of debt. Sinking fund provisions are designed to redeem a significant portion of an issue gradually over the life of the issue. Obligations to be redeemed are generally chosen by lot. A callable debt obligation is one which is subject to redemption prior to maturity at the option of the issuer. To the extent that obligations in the Trust have a bid site valuation higher than their par value, redemption of such obligations at par would result in a loss of capital to a purchaser of Units at the public offering price. The estimated current return of the Units might also be adversely affected if the return on the retired Bonds is greater than the average return on the Bonds in the Trust. In general, call provisions are more likely to be exercised when the offering side valuation is at a premium over par than when it is at a discount from par. See "Special Factors Concerning the Portfolio" in Part I of this Prospectus for information for the number of bonds in the Portfolio that are original issue discount and zero coupon bonds and "Portfolio Information" in Part I of this Prospectus for a breakdown of the percentage of Bonds in the Trust with offering side valuations at a premium, discount or at par. See also "Estimated Current Return and Estimated Long Term Return". The portfolio and "Summary of Essential Financial Information" in Part I of this Prospectus contain a listing of the sinking fund and call provisions, if any, with respect to each of the Bonds therein.

Other Matters

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

To the best knowledge of the Sponsors, there is no litigation pending as of the date hereof in respect of any Securities which might reasonably be expected to have a material adverse effect on the Trust, unless otherwise stated in Part I of this Prospectus. At any time, however, litigation may be initiated on a variety of grounds with respect to Securities in the Trust. Such litigation as, for example, suits challenging the issuance of pollution control revenue bonds under recently enacted environmental protection statutes, may affect the validity of such Securities or the tax-free nature of the interest thereon. While the outcome of such litigation can never be entirely predicted with certainty, bond counsel have given opinions to the issuing authorities of each Bond on the date of issuance to the effect that such Securities have been validly issued and that the interest thereon is exempt from regular Federal income tax. In addition, other litigation or other factors may arise from time to time which potentially may impair the ability of issuers to meet obligations undertaken with respect to Securities.

PUBLIC OFFERING

Offering Price

The Public Offering Price of the Units is based on the aggregate bid price of the Bonds in the Trust (as determined by the Evaluator) plus a sales charge determined in accordance with the schedule set forth below, which is based upon the maturities of each Bond in the Trust. The Sponsors have implemented this variable format as a more equitable method of assessing the sales charge for secondary market purchases. For the purpose of computing the sales charge, Bonds are deemed to mature on their expressed maturity dates, unless the Evaluator evaluates the price of the Bonds to a different date, such as a call date or a mandatory tender date, in which case the maturity will be deemed to be such other date. This method of computing the sales charge will apply different sales charge rates to each Bond in the Trust depending on the maturity of each Bond in accordance with the following schedule:

	Secondary Market Period Sales Charge	
Years to Maturity Per Bond	Percentage of Public Offering Price	Percentage of Net Amount Invested
0 Months to 2 Years	1.0%	1.010%
2 but less than 3	2.0%	2.091%
3 but less than 4	3.0%	3.093%
4 but less than 8	4.0%	4.167%
8 but less than 12	5.0%	5.363%
12 but less than 15	5.5%	5.820%
15 or more	5.9%	6.270%

A minimum sales charge of 1.0% of the Public Offering Price is applied to all secondary market unit purchases. There is no reduction of the sales charge for volume purchases in secondary market transactions.

A proportionate share of accrued and undistributed interest on the Securities at the date of delivery of the Units to the purchaser is also added to the Public Offering Price.

Unless Securities are in default in payment of principal or interest or in significant risk of such default, the Evaluator will not attribute any value to the Units due to the insurance obtained by the Trust. See also "Rights of Unit Holders--Certificates" and "Rights of Unit Holders--Redemption" for information relating to redemption of Units. The Evaluator will consider in its evaluation of Defaulted Bonds which are covered by insurance obtained by the Trust the value of the insurance guaranteeing interest and principal payments as well as the market value of the Securities and the market value of similar securities of issuers whose securities, if identifiable, carry identical interest rates and maturities and are of creditworthiness comparable to the issuer prior to the default or risk of default. If such other securities are not identifiable, the Evaluator will compare prices of securities with substantially identical interest rates and maturities and of a creditworthiness of minimum investment grade. As to Series 18 and subsequent Series, 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 the related custodial fee) and (ii) the market value of such Defaulted Bonds not covered by Permanent Insurance. In any case the Evaluator will consider the ability of the Insurer to meet its commitments under the Trust's insurance policy and, in the case of Series 18 and subsequent Series, MBIA's or MBIAC's commitment to issue Permanent Insurance. For a description of the circumstances under which a full or partial suspension of the right of Unit holders to redeem their Units may occur, see "Rights of Unit Holders--Redemption."

It is the present intention of the Trustee (and, in the case of Series 18 and subsequent Series, assuming the Trustee does not exercise the right to obtain Permanent Insurance on any Defaulted Bonds), so long as the Trust contains either some Bonds not in default or any Pre-insured Bonds, not to sell Defaulted Bonds to effect redemptions or for any other reason but rather to retain them in the portfolio BECAUSE VALUE ATTRIBUTABLE TO THE INSURANCE OBTAINED BY THE TRUST CANNOT BE REALIZED UPON SALE. Insurance obtained by the issuer of a Pre-insured Bond, or by some other party, is effective so long as such Pre-insured Bond is outstanding and the insurer of such Bond continues to fulfill its obligations. Therefore, any such insurance may be considered to represent an element of market value in regard to the Pre-insured Bond, but the exact effect, if any, of this insurance on such market value cannot be predicted. Regardless of whether the insurer of a Pre-insured Bond continues to fulfill its obligations, however, such Bond will in any case continue to be insured under the policy obtained by the Trust from the Insurer as long as the Bond is held in the Trust.

Certain commercial banks are making Units of the Trust available to their customers on an agency basis. A portion of the sales charge discussed above is retained by or remitted to the banks. Under the Glass-Steagall Act, banks are prohibited from underwriting Trust Units; however, the Glass-Steagall Act does permit certain agency transactions, and banking regulators have not indicated that these particular agency transactions are not permitted under such Act.

Market for Units

Although they are not obligated to do so, the Sponsors have maintained and intend to continue to maintain a market for the Units and to continuously offer to purchase Units at prices based on the aggregate bid price of the Securities. The Sponsors' Repurchase Price shall be not less than the Redemption Price plus accrued interest through the expected date of settlement. See "Rights of Unit Holders--Redemption--Computation of Redemption Price per Unit." There is no sales charge incurred when a Unit holder sells Units back to the Sponsors. Any Units repurchased by the Sponsors may be reoffered to the public by the Sponsors at the Public Offering Price at the time, plus accrued interest.

If the supply of Units of any Series exceeds demand, or for some other business reason, the Sponsors may discontinue purchases of Units of such Series at prices based on the aggregate bid price of the Securities. The Sponsors do not in any way guarantee the enforceability, marketability or price of any Security in the portfolio or of the Units of the Trust. In the event that a market is not maintained for the Units, a Unit holder desiring to dispose of his Units may be able to do so only by tendering such Units to the Trustee for redemption at the Redemption Price, which is based upon the aggregate bid price of the underlying Securities. The aggregate bid price of the Securities in the Trust may be expected to be less than the aggregate offering price. If a Unit holder wishes to dispose of his Units, he should inquire of the Sponsors as to current market prices prior to making a tender for redemption to the Trustee. See "Rights of Unit Holders--Redemption" and "Sponsors."

Employees (and their immediate families) of the Sponsors may, pursuant to employee benefit arrangements, purchase Units of the Trust at a price equal to the bid side evaluation of the underlying securities in the Trust, divided by the number of Units outstanding. Such arrangements result in less selling effort and selling expenses than sales to employee groups of other companies. Resales or transfers of Units purchased under the employee benefit arrangements may only be made through the Sponsors' secondary market, so long as it is being maintained.

Distribution of Units

The Sponsors are the sole underwriters of the Units. It is the Sponsors' intention to effect a public distribution of the Units solely through their own organizations. Units may, however, be sold to dealers who are members of the National Association of Securities Dealers, Inc. at a discount. Such discount is subject to change from time to time by the Agent for the Sponsors. Sales will be made only with respect to whole Units, and the Sponsors reserve the right to reject, in whole or in part, any order for the purchase of Units. It is the Sponsors' intention to continue to qualify Units of the Trust for sale where such qualification is necessary. In maintaining a market for the Units (see "Public Offering--Market for Units"), the Sponsors will realize profits or sustain losses in the amount of any

difference between the price at which they buy Units and the price at which they resell such Units (the Public Offering Price described in the currently effective Prospectus which includes the sales charge set forth in Part I of this Prospectus under "Summary of Essential Financial Information") or the price at which they may redeem such Units (based upon the aggregate bid side evaluation of the Securities), as the case may be, and to the extent that they earn sales charges on resales.

ESTIMATED CURRENT RETURN AND ESTIMATED LONG-TERM RETURN TO UNIT HOLDERS

Units of the Trust are offered on a "dollar price" basis. In contrast, tax-exempt bonds customarily are offered on a "yield price" basis. Therefore, the rate of return on each Unit is measured in terms of both Estimated Current Return and Estimated Long- Term Return. Estimated Current Return based on the Public Offering Price per Unit and Estimated Long-Term Return per Unit and information regarding estimated monthly and semi-annual distributions of interest to Unit holders are set forth under "Summary of Essential Financial Information" in Part I of this Prospectus.

Estimated Current Return is computed by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price. Estimated Net Interest Income per Unit will vary with changes in fees and expenses of the Trustee and the Evaluator and with principal prepayment, redemption, maturity, exchange or sale of Bonds. The Public Offering Price per Unit will vary with changes in the offering price of the Bonds. Estimated Current Return takes into account only the interest payable on the Bonds and does not involve a computation of yield to maturity or to an earlier redemption date nor does it reflect any amortization of premium or discount from par value in the Bond's purchase price. Moreover, because interest rates on bonds purchased at a premium are generally higher than current interest rates on newly issued bonds of a similar type with comparable ratings, the Estimated Current Return per Unit may be affected adversely if such Bonds are redeemed prior to their maturity. Therefore, there is no assurance that the Estimated Current Return as set forth under "Summary of Essential Financial Information" in Part I of this Prospectus will be realized in the future.

Estimated Long-Term Return is calculated using a formula that (i) takes into consideration, and determines and factors in the relative weightings of, the market values, yields (taking into account the amortization of premiums and the accretion of discounts) and estimated retirements of all the Bonds in the portfolio and (ii) takes into account the expenses and sales charge associated with each Unit of the Trust. The Estimated Long-Term Return assumes that each Bond is retired on its pricing life date (i.e., that date which produces the lowest dollar price when yield price calculations are done for each optional call date and the maturity date of a callable security). If the Bond is retired on any optional call or maturity date other than the pricing life date, the yield to the holder of that Bond will be greater than the initial quoted yield. Since the market values and estimated retirements of the Bonds, the expenses of the Trust and the Net Annual Interest Income and Public Offering Price per Unit may change, there is no assurance that the Estimated Long-Term Return as set forth under "Summary of Essential Financial Information" in Part I of this Prospectus will be realized in the future.

INSURANCE ON THE BONDS

Insurance guaranteeing the timely payment, when due, of all principal and interest on the Bonds in the Trust has been obtained from the Insurer by the Trust. The Insurer has issued a policy of insurance covering each of the Bonds in the Trust, including Pre-insured Bonds. As to each Trust, the Insurer shall not have any liability under the policy with respect to any Bonds which do not constitute part of the Trust. In determining to insure the Bonds, the Insurer has applied its own respective standards which generally correspond to the standards it has established for determining the insurability of new issues of municipal bonds.

By the terms of its policy, the Insurer unconditionally guarantees to the Trust the payment, when due, required of the issuer of the Bonds of an amount equal to the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on the Bonds as such payments shall become due but not paid. Except as provided below with respect to small issue industrial development Bonds and pollution control revenue Bonds, in the event of any acceleration of the due date of principal by reason of mandatory or optional redemption (other than mandatory sinking fund redemption), default or otherwise, the payments guaranteed will be made in such amounts and at such times as would have been due had there not been an acceleration. The Insurer will be responsible for such payments less any amounts received by the Trust from any trustee for the Bond issuers or from any other source. The policy issued by the Insurer does not guarantee payment on an accelerated basis, the payment of any redemption premium or the value of the Units. The MBIA and MBIAC policies also do not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the trustee or other paying agent for the Bonds. With respect to small issue industrial development Bonds and pollution control revenue Bonds in Series 9 through Series 30 and Series 31 and subsequent Series, however, MBIA and MBIAC, respectively, guarantee the full and complete payments required to be made by or on behalf of an issuer of such Bonds if there occurs pursuant to the terms of the Bonds an event which results in the loss of the tax-exempt status of interest on such Bonds, including principal, interest or premium payments payable thereon, if any, as and when required to be made by or on behalf of the issuer pursuant to the terms of such Bonds. No assurance can be given that the policy issued by the Insurer would insure the payment of principal or interest on Bonds which is not required to be paid by the issuer thereof because the Bonds were not validly issued. At the respective times of issuance of the Bonds, opinions relating to the validity thereof were rendered by bond counsel to the respective issuing authorities.

The insurance policy relating to the Trust is non-cancellable and will continue in force so long as the Trust is in existence and the Securities described in the policy continue to be held in and owned by the Trust. Failure to pay premiums on the policy obtained by the Trust will not result in the cancellation of insurance but will force the Insurer to take action against the Trustee to recover premium payments due it. The Trustee in turn will be entitled to recover such payments from the Trust.

The policy issued by the Insurer shall terminate as to any Bond which has been redeemed from or sold by the Trustee on the date of such redemption or on the settlement date of such sale, and the Insurer shall not have any liability under the policy as to any such Bond thereafter. If the date of such redemption or the settlement date of such sale occurs between a record date and a date of payment of any such Bonds, any MBIA or MBIAC policy will terminate as to such Bond on the business day next succeeding such date of payment. The termination of a MBIA or MBIAC policy as to any Bond shall not affect MBIA's or MBIAC's obligations regarding any other Bond in such Trust or any other Trust which has obtained a MBIA or MBIAC insurance policy. The policy issued by the Insurer will terminate as to all Bonds on the date on which the last of the Bonds matures, is redeemed or is sold by the Trust.

In the case of Series 18 through 30 and Series 31 and subsequent Series, pursuant to irrevocable commitments of MBIA and MBIAC, respectively, the Trustee upon the sale of a Bond in the Trust has the right to obtain permanent insurance with respect to such Bond (i.e., insurance to maturity of the Bonds) (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 such Series of the Trust is eligible to be sold on an insured basis. It is expected that the Trustee will exercise the right to obtain Permanent Insurance for a Bond in the Trust upon instruction from the Sponsors only if upon such exercise the Trust would receive net proceeds (sale of Bond proceeds less the insurance premium attributable to the Permanent Insurance and the related custodial fee) from such sale in excess of the sale proceeds if such Bond was sold on an uninsured basis.

The Permanent Insurance premium with respect to each Bond is determined based upon the insurability of each Bond as of the Date of Deposit and will not be increased or decreased for any change in the creditworthiness of such Bond unless such Bond is in default as to payment of principal and/or interest. In such event, the Permanent Insurance premium shall be subject to an increase predetermined at the Date of Deposit and payable from the proceeds of the sale of such Bond.

Except as indicated below, insurance obtained by the Trust has no effect on the price or redemption value of Units thereof. It is the present intention of the Evaluator to attribute a value to the insurance obtained by the Trust (including, as to Series 18 and subsequent Series, the right to obtain Permanent Insurance) for the purpose of computing the price or redemption value of Units thereof only if the Bonds covered by such insurance are in default in payment of principal or interest or, in the Sponsors' opinion, in significant risk

of such default ("Defaulted Bonds"). The value of the insurance will be equal to the difference between (1) the market value of a Defaulted Bond insured by the Trust (as to Series 18 and subsequent Series, the market value of a Defaulted Bond assuming the exercise of the right to obtain Permanent Insurance less the insurance premium attributable to the purchase of Permanent Insurance and the related custodial fee) and (2) the market value of similar securities not in default or significant risk thereof (as to Series 18 and subsequent Series, the market value of such Defaulted Bonds not covered by Permanent Insurance). Insurance obtained by the issuer of a Bond or by parties other than the Trust is effective so long as such Pre-insured Bond is outstanding and the insurer of such Pre-insured Bond continues to fulfill its obligations.

Regardless of whether the insurer of a Pre-insured Bond continues to fulfill its obligations, however, such Bond will continue to be insured under the policy obtained by the Trust from MBIA or MBIAC as long as the Bond is held in the Trust. Insurance obtained by the issuer of a Bond or by other parties 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.

In the event that interest on or principal of a Bond is due for payment but is unpaid by reason of nonpayment by the issuer thereof, the Insurer will make payments to its fiscal agent, as identified in the insurance policy (the "Fiscal Agent"), equal to such unpaid amounts of principal and interest not later than one business day after the Insurer has been notified by the Trustee that such nonpayment has occurred (but not earlier than the date such payment is due). The Fiscal Agent will disburse to the Trustee the amount of principal and interest which is then due for payment but is unpaid upon receipt by the Fiscal Agent of (1) evidence of the Trust's right to receive payment of such principal and interest and (2) evidence, including any appropriate instruments of assignment, that all of the rights to payment of such principal or interest then due for payment shall thereupon vest in the Insurer. Upon payment by the Insurer of any principal or interest payments with respect to any Bonds, the Insurer shall succeed to the rights of the owner of such Bonds with respect to such payment.

National Union, which was incorporated in Pennsylvania in 1901, is a stock insurance company which provides fire and casualty insurance and is a wholly-owned subsidiary of American International Group, Inc.

Each insurance company constituting MBIA will be severally and not jointly obligated under any MBIA policy obtained by the Trust in the following respective percentages: The Aetna Casualty and Surety Company, 33%; Fireman's Fund Insurance Company, 30%; The Travelers Indemnity Company, 15%; Aetna Insurance Company*, 12%; and The Continental Insurance Company, 10%. As a several obligor, each such

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* Now known as Cigna Property and Casualty Company.

insurance company will be obligated only to the extent of its percentage of any claim under the MBIA policy and will not be obligated to pay any unpaid obligations of any other member of MBIA. Each insurance company's participation is backed by all of its assets. Each insurance company is, however, a multiline insurer involved in several lines of insurance other than municipal bond insurance, and the assets of each insurance company will also secure all of its other insurance policy and surety bond obligations.

MBIAC is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIAC is a separate and distinct entity from MBIA Inc. MBIAC has no liability to the bondholders for the obligations of MBIA under any policy of insurance. Neither MBIA Inc. nor its shareholders are obligated to pay the debts of or claims against MBIAC. MBIAC is a limited liability corporation rather than a several liability association. MBIAC is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico.

As of December 31, 1993, MBIAC 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 December 31, 1994, MBIAC had admitted assets of $3.4 billion (audited), total liabilities of $2.3 billion (audited), and total capital and surplus of $1.1 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Copies of MBIAC's year end financial statements prepared in accordance with statutory accounting practices are available from MBIAC. The address of MBIAC is 113 King Street, Armonk, New York 10504.

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. The Sponsors are not aware that the information herein is inaccurate or incomplete as of the date hereof.

The contract of insurance relating to the Trust and the negotiations in respect thereof (and, in the case of Series 18 and subsequent Series, certain agreements relating to Permanent Insurance) represent the only significant relationship between the Insurer and the Trust. Otherwise, neither the Insurer nor any associate thereof has any material business relationship, direct or indirect, with the Trust or the Sponsors, except that the Sponsors may from time to time in the normal course of their business participate as underwriters or as managers or as members of underwriting syndicates in the distribution of new issues of municipal bonds for which a policy of insurance guaranteeing the payment of interest and principal has been obtained from the Insurer, and except that James A. Lebenthal, Chairman of the Board of Directors of Lebenthal & Co., Inc., is a director of MBIA Inc. Although all issues contained in the portfolio of the Trust are individually insured, neither the Trust, the Units nor the portfolio is insured directly or indirectly by the Insurer.

A purpose of the insurance on the Bonds in the portfolio obtained by the Trust is to obtain a higher yield on the Trust portfolio than would be available if all the Securities in such portfolio had Standard & Poor's "AAA" rating and/or Moody's "Aaa" rating but were uninsured and yet at the same time to have the protection of insurance of payment of interest and principal on the Securities. There is, of course, no certainty that this result will be achieved. Any Pre-insured Bonds in the Trust (all of which are rated "AAA" by Standard & Poor's and/or "Aaa" by Moody's, respectively) may or may not have a higher yield than uninsured bonds rated "AAA" by Standard & Poor's and/or "Aaa" by Moody's, respectively.

Because the Securities are insured by the Insurer as to the payment of principal and interest, Standard & Poor's Rating group, a division of McGraw Hill ("Standard & Poor's"), has assigned its "AAA" investment rating to the Units of the Trust and, in the case of Series 17 and subsequent Series, to all the Bonds, as insured, and, in the case of Series 6 and subsequent Series, Moody's has assigned a rating of "Aaa" to all of the Bonds in the Trust, as insured. See "Tax Exempt Bond Portfolio" in Part I of this Prospectus. The obtaining of these ratings by the Trust should not be construed as an approval of the offering of the Units by Standard & Poor's or Moody's or as a guarantee of the market value of the Trust or of the Units. These ratings are not a recommendation to buy, hold or sell and do not take into account the extent to which Trust expenses or portfolio asset sales for less than the Trust's acquisition price will reduce payment to the Unit holders of the interest or principal.

TAX STATUS (See also "Tax Status" in Part I of this Prospectus)

Interest income on the Bonds contained in the Trust portfolio is, in the opinion of bond counsel to the issuing governmental authorities, which opinion was rendered at the time of original issuance of the Bonds, excludible from gross income under the Internal Revenue Code of 1954, as amended (the "1954 Code"), or the Internal Revenue Code of 1986, as amended (the "Code"), depending upon the date of issuance of the Bonds in any particular Series. See "The Trust--Portfolio."

Gain (or loss) realized on a sale, maturity or redemption of the Bonds or on a sale or redemption of a Unit is, however, includible in gross income as capital gain (or loss) for Federal, state and local income tax purposes, assuming that the Unit is held as a capital asset. Such gain (or loss) does not include any amount received in respect of accrued interest. In addition, such gain (or loss) may be long- or short-term, depending on the holding period of the Units. Bonds selling at a market discount tend to increase in market value as they approach maturity when the principal amount is payable, thus increasing the potential for taxable gain (or reducing the potential for loss) on their redemption, maturity or sale. Gain on the disposition of a Bond purchased at a market discount generally will be treated as ordinary income, rather than capital gain, to the extent of accrued market discount. The deductibility of capital losses is limited to the amount of capital gain; in addition, up to $3,000 of capital losses of non-corporate Unit holders may be deducted against ordinary income. Since the proceeds from sales of Bonds, under certain circumstances, may not be

distributed pro-rata, a Unit holder's taxable income for any year may exceed the actual cash distributions to the Unit holder in that year.

Among other things, the Code provides for the following: (1) interest on certain private activity bonds issued after August 7, 1986 is included in the calculation of the individual's alternative minimum tax (currently taxed at a rate of up to 28%); none of the Bonds in the Trust is a private activity bond, the interest on which is subject to the alternative minimum tax; (2) interest on certain private activity bonds issued after August 7, 1986 is included in the calculation of the corporate alternative minimum tax and 75% of the amount by which adjusted current earnings (including interest on all tax-exempt bonds, such as the Bonds) exceed alternative minimum taxable income, as modified for this calculation, will be included in alternative minimum taxable income. Interest on the Bonds is includible in the adjusted current earnings of a corporation for purposes of such alternative minimum tax, the Code does not otherwise require corporations, and does not require taxpayers other than corporations, including individuals, to treat interest on the Bonds as an item of tax preference in computing an alternative minimum tax; (3) subject to certain exceptions, no financial institution is allowed a deduction for that portion of the institutions's interest expense allocable to tax-exempt interest on tax-exempt bonds acquired after August 7, 1986; (4) the amount of the deduction allowed to property and casualty insurance companies for underwriting loss is decreased by an amount determined with regard to tax-exempt interest income and the deductible portion of dividends received by such companies; (5) all taxpayers are required to report for informational purposes on their Federal income tax returns the amount of tax-exempt interest they receive; (6) an issuer must meet certain requirements on a continuing basis in order for interest on a tax-exempt bond to be tax-exempt, with failure to meet such requirements resulting in the loss of tax exemption; and (7) a branch profits tax on U.S. branches of foreign corporations is implemented which, because of the manner in which the branch profits tax is calculated, may have the effect of subjecting the U.S. branch of a foreign corporation to Federal income tax on the interest on bonds otherwise exempt from such tax.

The Superfund Revenue Act of 1986 (the "Superfund Act") imposes a deductible, broad-based tax on a corporation's alternative minimum taxable income (before net operating losses and any deduction for the tax) at a rate of $12 per $10,000 (0.12%) of alternative minimum taxable income in excess of $2,000,000. The tax is imposed for tax years beginning after 1986 and beginning before 1996 and is applicable even if the corporation pays no alternative minimum tax. For purposes of the Superfund Act, alternative minimum taxable income includes interest on all tax-exempt bonds to the same extent and in the same manner as the Code. The Superfund Act does not impose a tax on taxpayers other than corporations.

Section 86 of the Code provides that a portion of social security benefits is includible in taxable income for taxpayers whose "modified adjusted gross income," combined with a portion of their social security benefits, exceeds a base amount. The base amount is $25,000 for an individual, $32,000 for a married couple filing a joint return and

zero for married persons filing separate returns. Interest on tax-exempt bonds is added to adjusted gross income for purposes of determining whether an individual's income exceeds the base amount described above.

In addition, certain "S Corporations" may be subject to minimum tax on certain passive income, including tax-exempt interest, such as interest on the Bonds.

At the time of the original issuance of the Bonds held by the Trust, opinions relating to the validity of the Bonds and the exemption of interest thereon from regular Federal income tax were or (with respect to "when, as and if issued" Bonds) were to be rendered by bond counsel to the issuing governmental authorities. Neither the Sponsors nor their special counsel have made any review of proceedings relating to the issuance of such Bonds or the basis for bond counsel's opinions.

In the case of certain Bonds which may be included in the Trust, the opinions of bond counsel indicate that, although interest on such Bonds is generally exempt from Federal income tax, such Bonds are "industrial development bonds" under the 1954 Code or are "private activity bonds" as that term is defined in the Code (the following discussion also applies to Bonds that are "industrial development bonds" as they are defined in the 1954 Code in terms similar to those under which private activity bonds are defined in the Code and are generally subject to the same limitations). Interest on certain qualified small issue private activity bonds is exempt from all present Federal income taxation only so long as the "principal user" of the bond-financed facility and any "related person" remain within the capital expenditure limitations imposed by Section 144(a)(4) of the Code and only so long as the aggregate private activity bond limits of Section 144(a)(10) of the Code (Sections 103(b)(6)(D) and 103(b)(15) of the 1954 Code, respectively) are met. In addition, interest on private activity bonds will not be exempt from Federal income tax for any period during which such bonds are held by a "substantial user" of the facilities financed by the proceeds of such bonds (or a "related person" to such a "substantial user"). Interest attributable to such Bonds, if received by a Unit holder who is such a "substantial user" or "related person," will be taxable (i.e., not tax-exempt) to the same extent as if such Bonds were held directly as owner.

In addition, a Bond can lose its tax-exempt status as a result of other subsequent but unforeseeable events such as prohibited "arbitrage" activities by the issuer of the Bond or the failure of the Bond to continue to satisfy the conditions required for the exemption of interest thereon from regular federal income tax. No investigation has been made as to the current or future owners or users of the facilities financed by the bonds, the amount of such persons' outstanding tax-exempt private activities bonds, or the facilities themselves, and no assurance can be given that future events will not affect the tax-exempt status of the Bonds. Investors should consult their tax advisors for advice with respect to the effect of these provisions on their particular tax situation.

Under Section 265 of the Code, if borrowed funds are used by a Unit holder to purchase or carry Units of the Trust, interest on such indebtedness will not be deductible for Federal income tax purposes. Under rules used by the Internal Revenue Service, 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. Similar rules are applicable for purposes of state and local taxation. Also, under Section 291 of the Code, certain financial institutions that acquired Units on or before August 7, 1986 may be subject to a reduction in the amount of interest expense that would otherwise be allowable as a deduction for Federal income tax purposes. Subject to certain exceptions under Section 265 of the Code, no deduction is allowed to a financial institution for that portion of the institution's interest expense allocable to tax-exempt interest on Units acquired after August 7, 1986. Investors with questions regarding this issue should consult their tax advisors.

The Trust may contain Bonds issued with original issue discount. The Code requires holders of tax-exempt obligations issued with original issue discount, such as the Trust, to accrue tax-exempt original issue discount by using the constant interest method provided for the holders of taxable obligations and to increase the basis of a tax-exempt obligation by the amount of accrued tax-exempt original issue discount. These provisions are applicable to obligations issued after September 3, 1982 and acquired after March 1, 1984. The Trust's tax basis in a Bond is increased by any accrued original issue discount as is a Unit holder's tax basis in his Units. For Bonds issued on or after June 9, 1980 that are redeemed prior to maturity, the difference between the Trust's basis, as adjusted, and the amount received will be taxable gain or loss to the Unit holders.

Unit holders should consult their tax advisors with respect to the state and local tax consequences of owning original issue discount bonds. It is possible that, under applicable provisions governing determination of such state and local taxes, interest on tax-exempt bonds such as any Bonds issued with original issue discount may be deemed to be received in the year of accrual even though there is no corresponding cash payment.

If a Unit holder's tax cost for his pro rata interest in a Bond exceeds his pro rata interest in the Bond's face amount, the Unit holder will be considered to have purchased his pro rata interest in the Bond at a "premium." The Unit holder will be required to amortize any premium relating to his pro rata interest in a Bond prior to the maturity of the Bond. Amortization of premium on a Bond will reduce a Unit holder's tax basis for this pro rata interest in the Bond, but will not result in any deduction from the Unit holder's income. Thus, for example, a Unit holder who purchases a pro rata interest in a Bond at a premium and resells it at the same price will recognize taxable gain equal to the portion of the premium that was amortized during the period the Unit holder is considered to have held such interest.

For obligations issued on or before September 27, 1985, bond premium must be amortized under the method the Unit holder regularly employs for amortizing bond

premium (assuming such method is reasonable) or, otherwise, on a straight-line basis. Thus, if a Unit holder has previously amortized bond premium with respect to other bonds (whether tax-exempt or taxable) on a straight-line basis, the Unit holder may be prohibited from adopting a more favorable method of amortizing bond premium such as a constant interest method. For obligations issued after September 27, 1985, amortizable bond premium must be computed on the basis of the Unit holder's yield to maturity, determined by using the Unit holder's basis for the Bond, compounding at the close of each "accrual period" (as defined in Section 1272(a)(5) of the Code). With respect to any tax-exempt bond, the amount of bond premium is determined with reference to the amount of the basis of such bond and the total amount payable at maturity or on an earlier call date. If the amount payable on an earlier call date is used in determining the amortizable bond premium attributable to the period before the earlier call date, such bond shall be treated as maturing on such date for the amount so payable and then reissued on such date for the amount so payable.

The exemption of interest on municipal obligations for Federal income tax purposes does not necessarily result in exemption under the income tax laws of any state or local government. Interest income derived from the Bonds is not excluded from net income in determining New York State or New York City franchise taxes on corporations or financial institutions. The laws of such states and local governments vary with respect to the taxation of such obligations.

From time to time proposals have been introduced before Congress, the purpose of which is to restrict or eliminate the Federal income tax exemption for interest on debt obligations similar to the Bonds in the Trust, and it can be expected that similar proposals may be introduced in the future. The Sponsors cannot predict whether additional legislation, if any, in respect of the Federal income tax status of interest on debt obligations may be enacted and what the effect of such legislation would be on Bonds in the Trust. In addition, the enactment of a "flat tax" or other legislation that significantly alters the federal income tax system may have a material adverse effect on the value of Units. If the interest on any Bonds in the Trust should ultimately be deemed to be taxable, the Sponsors may instruct the Trustee to sell such Bonds, and, since they would be sold as taxable securities, it is expected that they would be sold at a substantial discount from current market prices.

In South Carolina v. Baker, the U.S. Supreme Court held that the federal government may constitutionally require states to register bonds they issue and subject the interest on such bonds to federal income tax if not registered, and that there is no constitutional prohibition against the federal government's taxing the interest earned on state or other municipal bonds. The Supreme Court decision affirms the authority of the federal government to regulate and control bonds such as the Bonds in the Trust and to tax interest on such bonds in the future. The decision does not, however, affect the current exemption from taxation of the interest earned on the Bonds in the Trust in accordance with Section 103 of the Code.

RIGHTS OF UNIT HOLDERS

Certificates

Ownership of Units is evidenced by registered certificates executed by the Trustee and the Sponsors. 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. Certificates are transferable by presentation and surrender to the Trustee properly endorsed and accompanied by a written instrument or instruments of transfer.

Certificates may be issued in denominations of one Unit or any multiple thereof. A Unit holder may be required to pay $2.00 per certificate reissued or transferred and to pay any governmental charge that may be imposed in connection with each such transfer or interchange. For new certificates issued to replace destroyed, stolen or lost certificates, the Unit holder must furnish indemnity satisfactory to the Trustee and must pay such expenses as the Trustee may incur. Mutilated certificates must be surrendered to the Trustee for replacement.

Distribution of Interest and Principal

While interest will be distributed semi-annually or monthly, depending on the method of distribution chosen, principal, including capital gains, will be distributed only semi-annually; provided, however, that, other than for purposes of redemption, no distribution need be made from the Principal Account if the balance therein is less than $1.00 per Unit then outstanding, and that, if at any time the pro rata share represented by the Units of cash in the Principal Account exceeds $10.00 as of a Monthly Record Date, the Trustee shall, on the next succeeding Monthly Distribution Date, distribute the Unit holder's pro rata share of the balance of the Principal Account. Interest (semi-annually or monthly) and principal, including capital gains, if any (semi-annually), received by the Trust will be distributed on each Distribution Date to Unit holders of record of the Trust as of the preceding Record Date who are entitled to such distributions at that time under the plan of distribution chosen. All distributions will be net of applicable expenses and funds required for the redemption of Units. See "Summary of Essential Financial Information" in Part I of this Prospectus, "The Trust--Expenses and Charges" and "Rights of Unit Holders--Redemption."

The Trustee will credit to the Interest Account for the Trust all interest received by the Trust, including that part of the proceeds of any disposition of Securities which represents accrued interest. Other receipts of the Trust will be credited to the Principal Account for the Trust. The pro rata share of the Interest Account of the Trust and the pro rata share of cash in the Principal Account of the Trust represented by each Unit thereof will be computed by the Trustee each month as of the Record Date. See "Summary of Essential Financial Information" in Part I of this Prospectus. Proceeds received from the disposition of any of the Securities subsequent to a Record Date and prior to the next

succeeding Distribution Date will be held in the Principal Account for the Trust and will not be distributed until the second succeeding Distribution Date. Because interest on the Securities is not received by the Trust at a constant rate throughout the year, any particular interest distribution may be more or less than the amount credited to the Interest Account of the Trust as of the Record Date. Persons who purchase Units between a Record Date and a Distribution Date will receive their first distribution on the second Distribution Date following their purchase of Units under the applicable plan of distribution. No distribution need be made from the Principal Account if the balance therein is less than an amount sufficient to distribute $1.00 per Unit.

The difference between the estimated net interest accrued to the first Record Date and to the related Distribution Date is an asset of the respective Unit holder and will be realized in subsequent distributions or upon the earlier of the sale of such Units or the maturity, redemption or sale of Securities in the Trust.

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 April, the Trustee will furnish each Unit holder a card to be returned together with the Certificate by May 15 of such year if the Unit holder desires to change his plan of distribution, and the change will become effective on May 16 of such year for the ensuing twelve months. For a discussion of redemption of Units, see "Rights of Unit Holders--Redemption--Tender of Units."

As of the fifteenth day of each month the Trustee will deduct from the Interest Account and, to the extent funds are not sufficient therein, from the Principal Account, amounts necessary to pay the expenses of the Trust as of the first day of such month. See "The Trust--Expenses and Charges." 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 such amounts as may be necessary to cover redemption of Units by the Trustee. See "Rights of Unit Holders--Redemption." Funds which are available for future distributions, payments of expenses and redemptions are in accounts which are non-interest bearing to the Unit holders and are available for use by the Trustee pursuant to normal banking procedures.

Because interest on Securities in the Trust is payable at varying intervals, usually in semi-annual installments, the interest accruing to the Trust will not be equal to the amount of money received and available monthly for distribution from the Interest Account to Unit holders choosing the monthly payment plan. Therefore, on each monthly Distribution Date, the amount of interest actually deposited in the Interest Account and available for distribution may be slightly more or less than the monthly interest distribution made. In addition, because of the varying interest payment dates of the Securities

constituting the Trust portfolio, 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 will usually remain an item of accrued interest that is added to the value of the Units. If a Unit holder sells 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. Similarly, if a Unit holder redeems all or a portion of his Units, the Redemption Price per Unit which he is entitled to receive from the Trustee will also include accrued interest on the Securities. Thus, the accrued interest attributable to a Unit will not be entirely recovered until the Unit holder either redeems or sells such Unit or until the Trust is terminated. See "Rights of Unit Holders--Redemption--Computation of Redemption Price per Unit."

Expenses and Charges

Initial Expenses

At no cost to the Trust, the Sponsors have borne all the expenses of creating and establishing the Trust, including the cost of the initial preparation, printing and execution of the Trust Agreement and the certificates for Units, legal expenses, advertising and selling expenses, expenses of the Trustee and other out-of-pocket expenses.

Fees

The Trustee's, Sponsor's and Evaluator's fees are set forth under "Summary of Essential Financial Information" in Part I of this Prospectus. The Sponsors' fee, if any, which is earned for portfolio supervisory services, is based on the face amount of Securities in the Trust at December 1 of each year. The Sponsors' fee, which is not to exceed the maximum amount set forth in the "Summary of Essential Financial Information" in Part I of this Prospectus, may exceed the actual costs of providing portfolio supervisory services for a particular Series, but at no time will the total amount received by the Sponsors for portfolio supervisory services rendered to all Series of Empire State Municipal Exempt Trust in any calendar year exceed the aggregate cost to them of supplying such services in such year.

The Trustee will receive for its ordinary recurring services to the Trust an annual fee in the amount set forth in the "Summary of Essential Financial Information" in Part I of this Prospectus. There is no minimum fee and, except as hereinafter set forth, no maximum fee. For a discussion of certain benefits derived by the Trustee from the Trust's funds, see "Rights of Unit Holders--Distribution of Interest and Principal." For a discussion of the services performed by the Trustee pursuant to its obligations under the Trust Agreement, reference is made to the material set forth under "Rights of Unit

Holders."

The Trustee's and Evaluator's fees are payable monthly on or before each Distribution Date and the Sponsors' annual fee is payable annually on December 1, each from the Interest Account to the extent funds are available and then from the Principal Account. These fees may be increased without approval of the Unit holders by amounts not

exceeding proportionate increases in consumer prices for services as measured by the United States Department of Labor's Consumer Price Index entitled "All Services Less Rent." If the balances in the Principal and Interest Accounts are insufficient to provide for amounts payable by the Trust, or amounts payable to the Trustee which are secured by its prior lien on the Trust, the Trustee is permitted to sell Bonds to pay such amounts.

Insurance Premiums

The cost of the insurance obtained by the Trust as set forth under "Summary of Essential Financial Information" in Part I of this Prospectus is based on the aggregate amount of Bonds in the Trust as of the date of such information. The premium, which is an obligation of each respective Trust, is payable monthly by the Trustee on behalf of the Trust. As Securities in the portfolio of the Trust mature, are redeemed by their respective issuers or are sold by the Trustee, the amount of the premium will be reduced in respect of those Securities no longer owned by and held in the Trust. The Trust does not incur any premium expense for any insurance which has been obtained by an issuer of a Pre-insured Bond, since the premium or premiums for such insurance have been paid by such issuer or other party; Pre-insured Bonds, however, are additionally insured by the Trust. No premium will be paid by the Trust on Bonds which are also MBIAC Pre-insured Bonds or MBIA Pre-insured Bonds. The premium payable for Permanent Insurance and the related custodial fee will be paid solely from the proceeds of the sale of a Bond from the Trust in the event that the Trustee exercises the right to obtain Permanent Insurance on such Bond.

Other Charges

The following additional charges are or may be incurred by the Trust: all expenses (including audit and counsel fees) of the Trustee incurred in connection with its activities under the Trust Agreement, including annual audit expenses by independent public accountants selected by the Sponsors (so long as the Sponsors maintain a secondary market, the Sponsors will bear any audit expense which exceeds 50 cents per Unit), 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 Trust Agreement; indemnification of the Trustee for any loss or liability accruing to it without willful misconduct, bad faith or gross negligence on its part, arising out of or in connection with its acceptance or administration of the Trust; and all taxes and other governmental charges imposed upon the Securities or any part of the Trust (no such taxes or charges are being levied or made or, to the knowledge of the Sponsors, contemplated). The above expenses, including the Trustee's fee, when paid by or owing to the Trustee, are secured by a lien on the Trust. In addition, the Trustee is empowered to sell Securities in order to make funds available to pay all expenses.

Reports and Records

The Trustee shall furnish Unit holders of the 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 end of each calendar year, the Trustee will furnish to each person who at any time during the calendar year was a Unit holder of record a statement providing the following information: (1) as to the Interest Account: interest received (including amounts representing interest received upon any disposition of Securities and any earned original issue discount), and, if the issuers of the Securities are located in different states or territories, the percentage of such interest by such states or territories, deductions for payment of applicable taxes and for fees and expenses of the Trust (including insurance costs), 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; (2) as to the Principal Account: the dates of disposition of any Securities and the net proceeds received therefrom (including any unearned original issue discount but excluding any portion representing interest, with respect to the Trust the premium attributable to the Trustee's exercise of the right to obtain Permanent Insurance and any related custodial fee), deductions for payments of applicable taxes and for fees and expenses of the Trust, redemptions of Units, the amount of any "when issued" interest treated as a return of capital 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) a list of the Securities held and the number of Units 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) amounts actually distributed during such calendar year from the Interest Account and from the Principal Account, separately stated, expressed both as total dollar amounts and as dollar amounts representing the pro rata share of each Unit outstanding.

The Trustee shall keep available for inspection by Unit holders, at all reasonable times during usual business hours, books of record and account of its transactions as Trustee including records of the names and addresses of Unit holders, certificates issued or held, a current list of Securities in the portfolio of the Trust and a copy of the Trust Agreement.

Redemption

Tender of Units

While it is anticipated that Units can be sold in the secondary market, Units may also be tendered to the Trustee for redemption at its corporate trust office at 101 Barclay Street, New York, New York 10286, upon payment of any applicable tax. At the present time there are no specific taxes related to the redemption of the Units. No

redemption fee will be charged by the Sponsors or the Trustee. Units redeemed by the Trustee will be cancelled.

Certificates for Units to be redeemed must be delivered to the Trustee and must be properly endorsed and accompanied by a written instrument of transfer. Thus, redemption of Units cannot be effected until certificates representing such Units have been delivered to the person seeking redemption. See "Rights of Unit Holders--Certificates." Unit holders must sign exactly as their names appear on the face of the certificate with signature(s) guaranteed by an officer of a national bank or trust company, a member firm of either the New York, Midwest or Pacific Stock Exchange, or in such other manner as may be acceptable to 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.

Within seven calendar days 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 tendered equal to the Redemption Price per Unit computed as of the Evaluation Time set forth in Part I of this Prospectus under "Summary of Essential Financial Information" as of the next subsequent Evaluation Time. See "Redemption--Computation of Redemption Price per Unit." 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 Evaluation Time on the New York Stock Exchange, the date of tender is the next day on which such Exchange is open for trading or the next day on which there is a sufficient degree of trading in Units of the Trust, 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. For information relating to the purchase by the Sponsors of Units tendered to the Trustee for redemption at prices in excess of the Redemption Price, see "Redemption--Purchase by the Sponsors of Units Tendered for Redemption."

Accrued interest paid on redemption shall be withdrawn from the Interest Account or, if the balance therein is insufficient, from the Principal Account. All other amounts paid on redemption shall be withdrawn from the Principal Account. The Trustee is empowered to sell Securities in order to make funds available for redemption. Such sales, if required, could result in a sale of Securities by the Trustee at a loss. To the extent Securities are sold, the size and diversity of the Trust will be reduced.

As to Series 18 and subsequent Series, if the Trustee exercises the right to obtain Permanent Insurance on a Bond, such Bond will be sold from the Trust on an insured basis. In the event that the Trustee does not exercise the right to obtain Permanent Insurance on a Bond, such Bond will be sold from the Trust on an uninsured basis since the insurance obtained by the Trust covers the timely payment of principal and interest when due on the Bonds only while the Bonds are held in and owned by the Trust. If the Trustee does not obtain Permanent Insurance on a Defaulted Bond, to the extent that (and, in the case of Series 18 and subsequent Series, assuming that the Trustee does not exercise the right to

obtain Permanent Insurance on a Defaulted Bond) Bonds which are current in payment of interest are sold from the Trust portfolio in order to meet redemption requests and Defaulted Bonds are retained in the portfolio in order to preserve the related insurance protection applicable to said Bonds, the overall value of the Bonds remaining in the Trust will tend to diminish. See "Sponsors--Responsibility" for the effect of selling Defaulted Bonds to meet redemption requests.

The Trustee reserves the right to suspend the right of redemption and to postpone the date of payment of the Redemption Price per Unit for any period during which the New York Stock Exchange is closed, other than weekend and holiday closings, or during which trading on that Exchange is restricted or during which (as determined by the Securities and Exchange Commission by rule or regulation) an emergency exists as a result of which disposal or evaluation of the underlying Bonds is not reasonably practicable, or for such other periods as the Securities and Exchange Commission has by order permitted.

Because insurance obtained by the Trust terminates as to Bonds which are sold by the Trustee, and because the insurance obtained by the Trust does not have a realizable cash value which can be used by the Trustee to meet redemptions of Units (assuming, in the case of Series 18 and subsequent Series, that the Trustee does not exercise the right to obtain Permanent Insurance on Defaulted Bonds), under certain circumstances the Sponsors 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 if a significant portion of the Bonds in the portfolio is in default in payment of principal or interest or in significant risk of such default. No assurances can be given that the Securities and Exchange Commission will permit the Sponsors to suspend the rights of Unit holders to redeem their Units, and, without the suspension of such redemption rights when faced with excessive redemptions, the Sponsors may not be able to preserve the benefits of the Trust's insurance on Defaulted Bonds.

Computation of Redemption Price Per Unit

The Redemption Price per Unit is determined by the Trustee on the basis of the bid prices of the Securities in the Trust, as of the Evaluation Time stated under "Summary of Essential Financial Information" in Part I of this Prospectus on the day any such determination is made. The Redemption Price per Unit is each Unit's pro rata share, determined by the Trustee, of (1) the aggregate value of the Securities in the Trust (determined by the Evaluator as set forth below), except for those cases in which the value of insurance has been included, (2) cash on hand in the Trust, and (3) accrued and unpaid interest on the Securities as of the date of computation, less (a) amounts representing taxes or governmental charges payable out of the Trust, (b) the accrued expenses of the Trust, and (c) cash held for distribution to Unit holders of record as of a date prior to the evaluation. The Evaluator may determine the value of the Securities in the Trust (i) on the basis of current bid prices for the Securities, (ii) if bid prices are not available for any Securities, on the basis of current bid prices for comparable bonds, (iii) by appraisal, or (iv) by any

combination of the above. In determining the Redemption Price per Unit, no value will be assigned to the portfolio insurance obtained by the Trust on the Bonds in the Trust unless such Bonds are in default in payment of principal or interest or in significant risk of such default. On the other hand, Pre-insured Bonds in the Trust are entitled at all times to the benefits of insurance obtained by their respective issuers so long as the Pre-insured Bonds are outstanding and the insurer continues to fulfill its obligations, and such benefits are reflected and included in the market value of Pre-insured Bonds. For a description of the situations in which the Evaluator may value the insurance obtained by the Trust, see "Public Offering--Market for Units."

Purchase by the Sponsors of Units Tendered for Redemption

The Trust Agreement requires that the Trustee notify the Sponsors of any tender of Units for redemption. So long as the Sponsors are maintaining a bid in the secondary market, the Sponsors, prior to the close of business on the second succeeding business day, will purchase any Units tendered to the Trustee for redemption at the price so bid by making payment therefor to the Unit holder in an amount not less than the Redemption Price on the date of tender not later than the day on which the Units would otherwise have been redeemed by the Trustee. See "Public Offering--Market for Units." Units held by the Sponsors may be tendered to the Trustee for redemption as any other Units, provided that the Sponsors shall not receive for Units purchased as set forth above a higher price than they paid, plus accrued interest.

The offering price of any Units resold by the Sponsors will be the Public Offering Price determined in the manner provided in this Prospectus. See "Public Offering-- Offering Price." Any profit resulting from the resale of such Units will belong to the Sponsors which likewise will bear any loss resulting from a lower offering or redemption price subsequent to their acquisition of such Units.

Exchange Option

The Sponsors of the Series of Empire State Municipal Exempt Trust (including the Series of Municipal Exempt Trust, the predecessor trust to Empire State Municipal Exempt Trust) (the "Trust") are offering Unit holders of those Series of the Trust for which the Sponsors are maintaining a secondary market an option to exchange a Unit of any Series of the Trust for a Unit of a different Series of the Trust being offered by the Sponsors (other than in the initial offering period) at a Public Offering Price generally based on the bid prices of the underlying Securities divided by the number of Units outstanding (see "Public Offering--Market for Units") plus a fixed sales charge of $15 per Unit (in lieu of the normal sales charge). However, a Unit holder must have held his Unit for a period of at least six months in order to exercise the exchange option or agree to pay a sales charge based on the greater of $15 per Unit or an amount which together with the initial sales charge paid in connection with the acquisition of Units being exchanged equals the normal sales charge of the Series into which the investment is being converted, determined as of the date of the exchange. Such exchanges will be effected in whole Units only. Any excess proceeds from the Units being surrendered will be returned, and the Unit holder will not be permitted to advance any new money in order to complete an exchange. The Sponsors reserve the right to modify, suspend or terminate this plan at any time without further notice to the Unit holders. In the event that the exchange option is not available to a Unit holder at the time he wishes to exercise it, the Unit holder will be immediately notified and no action will be taken with respect to his Units without further instructions from the Unit holder.

Unit holders are urged to consult their tax advisors as to the tax consequences of exchanging Units.

AUTOMATIC ACCUMULATION ACCOUNT

The Sponsors have entered into an arrangement (the "Plan") with Empire Builder Tax Free Bond Fund (the "Empire Builder") which permits Unit holders of the Trust to elect to have distributions from Units in the Trust automatically reinvested in shares of the Empire Builder. The Empire Builder is an open-end, non-diversified investment company whose investment objective is to seek as high a level of current income exempt from Federal income tax, New York State and New York City income taxes as is believed to be consistent with preservation of capital. It is the policy of the Empire Builder to invest primarily in debt securities the interest income from which is exempt from such taxes.

The Empire Builder has an investment objective which differs in certain respects from that of the Trust. The bonds purchased by the Empire Building will be of "investment grade" quality - that is, at the time of purchase by the Empire Building, such bonds either will be rated not lower than the four highest ratings of either Moody's (Aaa, Aa, A or Baa) or Standard & Poor's (AAA, AA, A, or BBB) or will be unrated bonds which at the time of purchase are judged by the Empire Builder's investment advisor to be of comparable quality to bonds rated within such four highest grades. It is a fundamental policy of the Empire Builder that under normal market conditions at least 90% of the income distributed to its shareholders will be exempt from Federal income tax, New York State and New York City personal income taxes. However, during times of adverse market conditions when the Empire Builder is investing for temporary defensive purposes in obligations other than New York tax-exempt bonds, more than 10% of the Empire Builder's income distributions could be subject to Federal income tax, New York State income tax and/or New York City income tax, as described in the current prospectus relating to the Empire Builder (the "Empire Builder Prospectus"). Glickenhaus & Co. ("Glickenhaus"), a sponsor of the Trust, acts as the investment advisor and distributor for the Empire Builder.

Each Unit holder may request from The Bank of New York (the "Plan Agent") a copy of the Empire Builder Prospectus describing the Empire Builder and a form by which such Unit holder may elect to become a participant ("Participant") in the Plan. Thereafter, as directed by such person, distributions on the Participant's Units will, on the applicable Distribution Date, automatically be applied as of that date by the Trustee to purchase shares (or fractions thereof) of the Empire Builder at a net asset value as computed as of the close of trading on the New York Stock Exchange on such date, as described in the Empire Builder Prospectus. Unless otherwise indicated, new Participants in the Empire Builder Plan will be deemed to have elected the monthly distribution plan with respect to their Units. Confirmations of all transactions undertaken for each Participant in the Plan will be mailed to each such Participant by the Plan Agent indicating distributions and shares (or fractions thereof) of the Empire Builder purchased on his behalf. A Participant may at any time prior to ten days preceding the next succeeding distribution date, by so notifying the Plan Agent in writing, elect to terminate his participation in the Plan and receive future distributions on his Units in cash. There will be no charge or other penalty for such termination. The Sponsors, the Trustee, the Empire Building and Glickenhaus, as investment advisor for Empire Builder each will have the right to terminate this Plan at any time for any reason. The reinvestment of distributions from the Trust through the Plan will not affect the income tax status of such distributions. For more complete information about investing in the Empire Builder through the Plan, including charges and expenses, request a copy of the Empire Builder Prospectus from The Bank of New York, Unit Investment Trust Division, P.O. Box 988, Wall Street Station, New York, New York 10268. Read it carefully before you decide to participate.

[ALTERNATE PAGE]

AUTOMATIC ACCUMULATION ACCOUNT

For Unit holders of the Trust who are clients of Lebenthal & Co., Inc., the Sponsors have entered into an arrangement (the "Plan") with Lebenthal New York Municipal Bond Fund (the "Bond Fund") which permits Unit holders of the Trust to elect to have distributions from Units in the Trust automatically reinvested in shares of the Bond Fund. The Bond Fund is an open-end, non-diversified investment company whose investment objective is to maximize current income exempt from regular Federal income tax, and from New York State and New York City income taxes, consistent with preservation of capital and with consideration given to opportunities for capital gain. It is the policy of the Bond Fund to invest primarily in long term investment grade tax-exempt securities the interest income from which is exempt from such taxes.

The Bond Fund has an investment objective which differs in certain respects from that of the Trust. The bonds purchased by the Bond Fund will be of "investment grade" quality -- that is, at the time of purchase by the Bond Fund, such bonds either will be rated not lower than the four highest ratings of either Moodys' (Aaa, Aa, A or Baa) or Standard & Poor's (AAA, A, A or BBB) or will be unrated bonds which at the time of purchase are judged by the Bond Fund's investment advisor to be of comparable quality to bonds rated within such four highest grades. It is a fundamental policy of the Bond Fund that under normal market conditions at least 80% of the income distributed to its shareholders will be exempt from regular Federal income tax, and from New York State and New York City personal income taxes. However, during times of adverse market conditions, more than 20% of the Bond Fund's income distributions could be subject to Federal income tax, New York State and/or New York City income taxes, as described in the current prospectus relating to the Bond Fund (the "Bond Fund Prospectus"). Lebenthal & Co., Inc., a sponsor of the Trust, acts as the manager and distributor for the Bond Fund.

Each Unit holder may request from The Bank of New York (the "Plan Agent") a copy of the Bond Fund Prospectus describing the Bond Fund and a form by which such Unit holder may elect to become a participant ("Participant") in the Plan. Thereafter, as directed by such person, distributions on the Participant's Unit will, on the applicable Distribution Date, automatically be applied as of that date by the Trustee to purchase shares (or fractions thereof) of the Bond Fund at a net asset value as computed as of the close of trading on the New York Stock Exchange on such date, as described in the Bond Fund Prospectus. Unless otherwise indicated, new Participants in the Bond Fund Plan will be deemed to have elected the monthly distribution plan with respect to their Units. Confirmations of all transactions undertaken for each Participant in the Plan will be mailed to each Participant by the Plan Agent indicating distributions and shares (or fractions thereof) of the Bond Fund purchased on his behalf. A Participant may at any time prior to ten days preceding the next succeeding distribution date, by so notifying the Plan Agent in writing, elect to terminate his participation in the Plan and receive future distributions on his Units in cash. There will be no charge or other penalty for such termination. The Sponsors, the Trustee, the Bond Fund and Lebenthal & Co. Inc., as manager for the Bond Fund, each will have the right to terminate this Plan at any time for any reason. The reinvestment of distributions from the Trust through the Plan will not affect the income tax status of such distributions. For more complete information about investing in the Bond Fund through the Plan, including charges and expenses, request a copy of the Bond Fund Prospectus from The Bank of New York, Unit Investment Trust Division, P.O. Box 988, Wall Street Station, New York, New York 10268. Read it carefully before you decide to participate.

SPONSORS

Glickenhaus and Lebenthal are the Sponsors for Empire State Municipal Exempt Trust, Series 10 and all subsequent Series, including all Guaranteed Series.

Glickenhaus, a New York limited partnership, is engaged in the underwriting and securities brokerage business and in the investment advisory business. It is a member of the New York Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and is an associate member of the American Stock Exchange. Glickenhaus acts as a sponsor for successive Series of The Municipal Insured National Trusts and for the prior Series of Empire State Municipal Exempt Trust (including those sold under the name of Municipal Exempt Trust, New York Exempt Series 1, New York Series 2 and New York Series 3). Glickenhaus, in addition to participating as a member of various selling groups of other investment companies, executers orders on behalf of investment companies for the purchase and sale of securities of such companies and sells securities to such companies in its capacity as a broker or dealer in securities. The principal offices of Glickenhaus are located at 6 East 43rd Street, New York, New York 10017.

Lebenthal, a New York corporation originally organized as a New York partnership in 1925, has been buying and selling municipal bonds for its own account as a dealer for over 67 years; Lebenthal also buys and sells securities as an agent and participates as an underwriter in public offerings of municipal bonds. It acted as a sponsor for Empire State Tax Exempt Bond Trust, Series 8 and successive Series of The Municipal Insured National Trust through Series 28. Lebenthal is registered as a broker/dealer with the Securities and Exchange Commission and various state securities regulatory agencies and is a member of the National Association of Securities Dealers, Inc. and Securities Investors Protection Corp. The principal offices of Lebenthal are located at 120 Broadway, New York, New York 10271.

Limitations on Liability

The Sponsors are jointly and severally liable for the performance of their obligations arising from their responsibilities under the Trust Agreement, but will be under no liability to the Unit holders for taking any action or refraining from any action in good faith or for errors in judgment; nor will they be responsible in any way for depreciation or loss incurred by reason of the sale of any Bonds, except in cases of their willful misconduct, bad faith or gross negligence. See "The Trust--Portfolio" and "Sponsors--Responsibility."

Responsibility

The Trustee shall 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 a list furnished by the Sponsors as the Trustee in its sole discretion may deem necessary. In the event that the Trustee does not exercise the right to obtain Permanent

Insurance on a Defaulted Bond or Bonds, to the extent that Bonds are sold which are current in payment of principal and interest in order to meet redemption requests and Defaulted Bonds are retained in the portfolio in order to preserve the related insurance protection applicable to said Bonds, the overall value of the Bonds remaining in the Trust's portfolio will tend to diminish. As to Series 18 and subsequent Series, in the event that the Trustee does not exercise the right to obtain Permanent Insurance on a Defaulted Bond or Bonds, except as described below and in certain other unusual circumstances for which it is determined by the Trustee to be in the best interests of the Unit holders or if there is no alternative, the Trustee is not empowered to sell Defaulted Bonds for which value has been attributed for the insurance obtained by the Trust. Because of such restrictions on the Trustee, under certain circumstances the Sponsors may seek a full or partial suspension of the right of Unit holders to redeem their Units. See "Rights of Unit Holders--Redemption." The Sponsors are empowered, but not obligated, to direct the Trustee to dispose of Bonds in the event of advance refunding. It is the responsibility of the Sponsors to instruct the Trustee to reject any offer made by an issuer of any of the Securities to issue new obligations in exchange and substitution for any Securities pursuant to a refunding or refinancing plan, except that the Sponsors may instruct the Trustee to accept such an offer or to take any other action with respect thereto as the Sponsors may deem proper if the issuer is in default with respect to such Securities or in the judgment of the Sponsors the issuer will probably default with respect to such Securities in the foreseeable future.

Any obligations so received in exchange or substitution will be held by the Trustee subject to the terms and conditions of the Trust Agreement to the same extent as Securities originally deposited thereunder. Within five days after the deposit of obligations in exchange or substitution for underlying Securities, the Trustee is required to give notice thereof to each Unit holder, identifying the obligations eliminated and the Securities substituted therefor. Except as stated in this and the preceding paragraph, the acquisition by the Trust of any securities other than the Securities initially deposited is prohibited.

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 with respect to the Trust or otherwise within 30 days, the Trustee is required to notify the Sponsors thereof. If the Sponsors fail to instruct the Trustee to sell or to hold such Bond within 30 days after notification by the Trustee to the Sponsors of such default, the Trustee may in its discretion sell the Defaulted Bond and not be liable for any depreciation or loss thereby incurred. See "The Trust--Insurance on the Bonds."

The Sponsors may direct the Trustee to dispose of Bonds upon default in the payment of principal or interest, institution of certain legal proceedings or the existence of certain other impediments to the payment of Bonds, default under other documents which may adversely affect debt service, default in the payment of principal or interest on other obligations of the same issuer, decline in projected income pledged for debt service on revenue Bonds, or decline in price or the occurrence of other market factors, including advance refunding, so that in the opinion of the Sponsors the retention of such Bonds in a

Trust would be detrimental to the interest of the Unit holders. The proceeds from any such sales will be credited to the Principal Account of the affected Trust for distribution to the Unit holders.

Notwithstanding the foregoing, in connection with final distributions to Unit holders (if, as to Series 18 and subsequent Series, the Trustee does not exercise the right to obtain Permanent Insurance on any Defaulted Bond), because the portfolio insurance obtained by the Trust is applicable only while Bonds so insured are held by the Trust, the price to be received by the Trust upon the disposition of any such Defaulted Bond will not reflect any value based on such insurance. Therefore, in connection with any liquidation with respect to a Trust, it shall not be necessary for the Trustee to, and the Trustee does not currently intend to, dispose of any Bonds if retention of such Bonds, until due, shall be deemed to be in the best interest of Unit holders, including, but not limited to, situations in which Bonds so insured are in default and situations in which Bonds so insured have a deteriorated market price resulting from a significant risk of default. Since the Pre-insured Bonds will reflect the value of the insurance obtained by the Bond issuer, it is the present intention of the Sponsors not to direct the Trustee to hold any Pre-insured Bonds after the date of termination. All proceeds received, less applicable expenses, from insurance on Defaulted Bonds not disposed of at the date of termination will ultimately be distributed to Unit holders of record as of such date of termination as soon as practicable after the date such Defaulted Bonds become due and applicable insurance proceeds have been received by the Trustee. See "Summary of Essential Financial Information" in Part I of this Prospectus.

Agent for Sponsors

The Sponsor named as Agent for Sponsors under "Summary of Essential Information" in Part I of this Prospectus has been appointed by the other Sponsor as agent for purposes of taking action under the Trust Agreement. In those Trusts for which there is a sole Sponsor, references herein to the Agent for Sponsors shall be deemed to refer to such sole Sponsor. If the Sponsors are unable to agree with respect to action to be taken jointly by them under the Trust Agreement and they cannot agree as to which Sponsor shall act as sole Sponsor, then the Agent for Sponsors shall act as sole Sponsor. If one of the Sponsors fails to perform its duties under the Trust Agreement or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, that Sponsor is automatically discharged under the Trust Agreement and the other Sponsor acts as the Sponsors.

Resignation

Any Sponsor may resign at any time provided that at the time of such resignation one remaining Sponsor maintains a net worth of $1,000,000 and all the remaining Sponsors are agreeable to such resignation. Concurrent with or subsequent to such resignation, a new Sponsor may be appointed by the remaining Sponsors and the Trustee to

assume the duties of the resigning Sponsor. If, at any time, only one Sponsor is acting under the Trust Agreement and that Sponsor shall resign or fail to perform any of its duties thereunder or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, then the Trustee may appoint a successor sponsor or terminate the Trust Agreement and liquidate the Trust.

Financial Information

At September 30, 1994, the total partners' capital of Glickenhaus was $112,898,000 (audited); and at March 31, 1995, the total stockholders' equity of Lebenthal was $3,561,506 (audited).

The foregoing information with regard to the Sponsors relates to the Sponsors only, and not to any series of Empire State Municipal Exempt Trust. Such information is included in this Prospectus only for the purpose of informing investors as to the financial responsibility of the Sponsors and their ability to carry out their contractual obligations shown herein. More comprehensive financial information can be obtained upon request from any Sponsor.

TRUSTEE

The Trustee is The Bank of New York, a trust company organized under the laws of New York, having its offices at 101 Barclay Street, New York, New York 10286, (212) 815-2000. The Bank of New York is subject to supervision and examination by the Superintendent of Banks of the State of New York and the Board of Governors of the Federal Reserve System, and its deposits are insured by the Federal Deposit Insurance Corporation to the extent permitted by law. The Trustee must be a corporation organized under the laws of the United States or the State of New York, which is authorized under such laws to exercise corporate trust powers, and must have at all times an aggregate capital, surplus and undivided profits of not less than $5,000,000 and its principal office and place of business in the Borough of Manhattan, New York City. The duties of the Trustee are primarily ministerial in nature. The Trustee did not participate in the selection of Securities for the portfolio of any Series of the Trust.

Limitations on Liability

The Trustee shall not be liable or responsible in any way for depreciation or loss incurred by reason of the disposition of any moneys, Securities or certificates or in respect of any evaluation or for any action taken in good faith reliance on prima facie properly executed documents except in cases of its willful misconduct, bad faith, gross negligence or reckless disregard for its obligations and duties. In addition, the Trustee shall not be personally liable for any taxes or other governmental charges imposed upon or in respect of the Trust which the Trustee may be required to pay under current or future law of

the United States or any other taxing authority having jurisdiction. See "The Trust--Portfolio."

Responsibility

For information relating to the responsibilities of the Trustee under the Trust Agreement, reference is made to the material set forth under "Rights of Unit Holders," "Sponsors--Responsibility" and "Sponsors--Resignation."

Resignation

By executing an instrument in writing and filing the same with the Sponsors, the Trustee and any successor may resign. In such an event the Sponsors are obligated to appoint a successor trustee as soon as possible. If the Trustee becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, or, in the case of Series 11 and subsequent Series, if the Sponsors deem it to be in the best interest of the Unit holders, the Sponsors may remove the Trustee and appoint a successor as provided in the Trust Agreement. Such resignation or removal shall become effective upon the acceptance of appointment by the successor trustee. If, upon resignation or removal of a trustee, no successor has been appointed and has accepted the appointment within thirty 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.

EVALUATOR

The Evaluator is Muller Data Corporation, a New York corporation, with main offices at 395 Hudson Street, New York, New York 10014. Muller Data Corporation is a wholly owned subsidiary of Thomson Publishing Corporation, a Delaware corporation.

Limitations on Liability

The Trustee and the Sponsors may rely on any evaluation furnished by the Evaluator and shall have no responsibility for the accuracy thereof. Determinations by the Evaluator under the Trust Agreement shall be made in good faith upon the basis of the best information available to it; provided, however, that the Evaluator shall be under no liability to the Trustee, the Sponsors or the Unit holders for errors in judgement. This provision shall not protect the Evaluator in cases of its willful misconduct, bad faith, gross negligence or reckless disregard of its obligations and duties.

Responsibility

The Trust Agreement requires the Evaluator to evaluate the Securities on the basis of their bid prices on each business day after the initial offering period, when any Unit is tendered for redemption and on any other day such evaluation is desired by the Trustee or is requested by the Sponsors. For information relating to the responsibility of the Evaluator to evaluate the Securities on the basis of their offering prices, see "Public Offering--Offering Price."

Resignation

The Evaluator may resign or may be removed by the Sponsors and the Trustee, and the Sponsors 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.

AMENDMENT AND TERMINATION OF THE TRUST AGREEMENT

The Sponsors and the Trustee have the power to amend the Trust Agreement 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 Trust Agreement 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; and the Sponsors and the Trustee may amend the Trust Agreement with the consent of the holders of certificates evidencing 66-2/3% of the Units then outstanding, provided that no such amendment will reduce the interest in a Trust of any Unit holder without the consent of such Unit holder or reduce the percentage of Units required to consent to any such amendment without the consent of all the Unit holders. In no event shall the Trust Agreement be amended to increase the number of Units issuable thereunder or to permit the deposit or acquisition of securities either in addition to or in substitution for any of the Bonds initially deposited in the Trust, except in accordance with the provisions of the Trust Agreement. In the event of any amendment, the Trustee is obligated to notify promptly all Unit holders of the substance of such amendment.

The Trust shall terminate upon the maturity, redemption, sale or other disposition, as the case may be, of the last of the Securities. The Trustee shall notify all Unit holders when the value of the Trust as shown by any evaluation is less than $2,000,000 or less than 20% of the value of the Trust as of the Date of Deposit, whichever is lower, at which time the Trust may be terminated (i) by the consent of the holders of 66-2/3% of the Units or (ii) by the Trustee; provided, however, that the holders of at least 33-1/3% of the Units may instruct the Trustee not to terminate the Trust. In no event, however, may the

Trust continue beyond the Mandatory Termination Date set forth in Part I of this Prospectus under "Summary of Essential Financial Information"; provided, however, as to Series 9 and subsequent Series, that prior to the Mandatory Termination Date the Trustee shall not dispose of any Bonds if the retention of such Bonds, until due, shall be deemed to be in the best interest of the Unit holders of the affected Trust. In the event of termination, written notice thereof will be sent by the Trustee to all Unit holders. Within a reasonable period after termination, the Trustee will sell any remaining Securities and, after paying all expenses and charges incurred by the Trust, will distribute to each Unit holder, upon surrender for cancellation of his certificate for Units, his pro rata share of the balances remaining in the Interest and Principal Accounts of the Trust.

LEGAL OPINIONS

Certain legal matters have been passed upon by Hall, McNicol, Hamilton & Clark, The News Building, 220 East 42nd Street, New York, New York 10017, as counsel for the Sponsors as to Series 1 through 8, by Brown & Wood, One World Trade Center, New York, New York 10048, as special counsel for the Sponsors as to Series 9 through 64 and by Battle Fowler LLP, 75 East 55th Street, New York, New York 10022 as special counsel for the Sponsors as to Series 65 subsequent Series of Empire State Municipal Exempt Trust, Guaranteed Series. Tanner, Propp, Fersko & Sterner, 99 Park Avenue, New York, New York 10016, acts as counsel for the Trustee.

AUDITORS

The financial statements of the Trust included in Part I of this Prospectus have been audited by BDO Seidman, LLP, independent certified public auditors, as stated in their report with respect thereto, and are included therein in reliance upon such report given upon the authority of that firm as experts in accounting and auditing.

DESCRIPTION OF BOND RATINGS

A Standard & Poor's corporate or municipal bond rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment of creditworthiness 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.

The ratings are based on current information furnished to Standard & Poor's by the issuer and obtained by Standard & Poor's from other sources it considers reliable. 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 arrangement 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.

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.

BB, B, CCC, CC: Bonds rated "BB," "B," "CCC" and "CC" are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" indicates the lowest degree of speculation and "CC" the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

Plus (+) or Minus (-): To provide more detailed indications of credit quality, the ratings from "AA" to "B" 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. Accordingly, the investor should exercise his own judgment with respect to such likelihood and risk.

NR: Indicates that no rating has been requested, that there is insufficient information on which to base a rating or that Standard & Poor's does not rate a particular type of obligation as a matter of policy.

SP-1: Very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

SP-2: Satisfactory capacity to pay principal and interest.

SP-3: Speculative capacity to pay principal and interest.

*Moody's Investors Service, Inc. ("Moody's") rating. A summary of the meaning of the applicable rating symbols as published by Moody's follows:

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

Aa: Bonds which are rated "Aa" are judged to be of high quality by all standards. Together with the "Aaa" group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in "Aaa" securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in "Aaa" securities.

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

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

Ba: Bonds which are rated "Ba" are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B: Bonds which are rated "B" generally lack characteristics of the desirable investment. Assurance of interest and principal payments or maintenance of other terms of the contract over any long period of time may be small.

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

Moody's applies numerical modifiers "1," "2" and "3" in each rating classification from "Aa" through "B" in its corporate rating system. The modifier "1" indicates that the security ranks in the higher end of its generic rating category; the modifier "2" indicates a mid-range ranking; and the modifier "3" indicates that the security ranks in the lower end of its generic rating category.

This Prospectus contains information concerning the Trust and the Sponsors, but does not contain all the information set forth in the registration statements and exhibits relating thereto, which the Trust 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.

INDEX

EMPIRE STATE
MUNICIPAL EXEMPT TRUST

GUARANTEED SERIES

PROSPECTUS, PART II

Sponsors:

GLICKENHAUS & CO.
6 East 43rd Street
New York, New York 10017
(212)953-7532

LEBENTHAL & CO., INC.
120 Broadway
New York, New York 10272
(212)425-6116

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

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PART II

ADDITIONAL INFORMATION NOT REQUIRED IN PROSPECTUS

CONTENTS OF REGISTRATION STATEMENT

This Post-Effective Amendment to the Registration Statements on Form S-6 comprises the following papers and documents:

The facing sheet on Form S-6.
The Cross-Reference Sheet.
The Prospectus.
Signatures.
Written Consent of the following persons:
 Consent of Independent Auditors.
 Consent of Battle Fowler LLP (previously filed)
 Consent of the Evaluator including Confirmation of Ratings (included in Exhibit 99.5.1).

The following exhibits:

*99.5.1 -- Consent of the Evaluator including Confirmation of Ratings.

99.6.1 -- Copies of Powers of Attorney of General Partners of Glickenhaus & Co. (filed as Exhibit 6.1 to Amendment No. 1 to Form S-6 Registration Statement No. 33-58492 of Empire State Municipal Exempt Trust, Guaranteed Series 95 on May 12, 1993, and as Exhibit 5.2(a) to Amendment No. 1 to Form S-6 Registration Statement No. 33-78036 of MINT Group 11 on May 3, 1994, and incorporated herein by reference).

99.6.2 -- Copies of Powers of Attorney of Directors and certain officers of Lebenthal & Co., Inc. (filed as Exhibit 6.2 to Amendment No. 1 to Form S-6 Registration Statement No. 33-55385 of Empire State Municipal Exempt Trust, Guaranteed Series 109 on November 2, 1994, and incorporated herein by reference).

*27 -- Financial Data Schedule (for EDGAR filing only).

- --------
* Being filed by this Amendment.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrants, Empire State Municipal Exempt Trust, Guaranteed Series 95 and Guaranteed Series 96, certify that they have met all of the requirements for effectiveness of this Post-Effective Amendment to the Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933. The registrants have duly caused this Post-Effective Amendment to the Registration Statement to be signed on their behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York on the 24th day of July, 1995.

EMPIRE STATE MUNICIPAL EXEMPT TRUST,
GUARANTEED SERIES 95
AND GUARANTEED SERIES 96
(Registrants)

GLICKENHAUS & CO.
(Depositor)

By:/s/ Brian C. Laux
(Authorized Signator)

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Name	Title	Date
ROBERT SANTORO*	General Partner	)
ALFRED FEINMAN*	General Partner	) July 24, 1995
SETH M. GLICKENHAUS*	General Partner	) By:/s/ Brian C. Laux
STEVEN B. GREEN*	General Partner, Chief Financial Officer	) Attorney-in-Fact*
ARTHUR WINSTON*	General Partner	)
JEFFREY L. LEDERER*	General Partner	)

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

* Executed copies of Powers of Attorney were filed as Exhibit 6.1 to Amendment No. 1 to Registration Statement No. 33-58492 on May 12, 1993 and as Exhibit 5.2(a) to Amendment No. 1 to Registration Statement No. 33-78036 on May 3, 1994.

C/M: 10726.0053 287709.1

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrants, Empire State Municipal Exempt Trust, Guaranteed Series 95 and Guaranteed Series 96, certify that they have met all of the requirements for effectiveness of this Post-Effective Amendment to the Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933. The registrants have duly caused this Post-Effective Amendment to the Registration Statement to be signed on their behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York on the 21st day of July, 1995.

EMPIRE STATE MUNICIPAL EXEMPT TRUST
GUARANTEED SERIES 95
AND GUARANTEED SERIES 96
(Registrants)

LEBENTHAL & CO., INC.
(Depositor)

By:/s/ Alexandra Lebenthal
(Attorney-in-Fact)

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment to the Registration Statement has been signed below by the following persons, in the capacities and on the dates indicated.

Name	Title	Date
H. GERARD BISSINGER, II*	Director	) July 21, 1995
JEFFREY M. JAMES*	Director	)
D. WARREN KAUFMAN*	Director	) By: /s/ Alexandra Lebenthal
ALEXANDRA LEBENTHAL*	Director, President	) Attorney-in-Fact*
JAMES A. LEBENTHAL*	Director, Chief Executive Officer	)
DUNCAN K. SMITH*	Director	)

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

* Executed copies of Powers of Attorney were filed as Exhibit 6.2 to Amendment No. 1 to Registration Statement No. 33-55385 on November 2, 1994.

CONSENT OF COUNSEL

The consent of Battle Fowler LLP to the use of their name in the Prospectus included in the Registration Statement is contained in their opinion filed previously.

CONSENT OF INDEPENDENT AUDITORS

The Sponsors and Trustee of

EMPIRE STATE MUNICIPAL EXEMPT TRUST GUARANTEED SERIES 95
AND GUARANTEED SERIES 96

We hereby consent to the use in Post-Effective Amendment No. 2 to Registration Statement No. 33-58492 of our opinion dated April 28, 1995 relating to the financial statements of Empire State Municipal Exempt Trust, Guaranteed Series 95 and Guaranteed Series 96 and to the reference to our firm under the heading "Auditors" in the Prospectus which is a part of such Registration Statement.

BDO SEIDMAN, LLP

New York, New York
July 31, 1995

Exhibit		Description	Page No.
*99.5.1	--	Consent of the Evaluator including Confirmation of Ratings.	
99.6.1	--	Copies of Powers of Attorney of General Partners of Glickenhaus & Co. (filed as Exhibit 6.1 to Amendment No. 1 to Form S-6 Registration Statement No. 33-58492 of Empire State Municipal Exempt Trust, Guaranteed Series 95 on May 12, 1993, and as Exhibit 5.2(a) to Amendment No. 1 to Form S-6 Registration Statement No. 33-78036 of MINT Group 11 on May 3, 1994, and incorporated herein by reference).	
99.6.2	--	Copies of Powers of Attorney of Directors and certain officers of Lebenthal & Co., Inc. (filed as Exhibit 6.2 to Amendment No. 1 to Form S-6 Registration Statement No. 33-55385 of Empire State Municipal Exempt Trust, Guaranteed Series 109 on November 2, 1994, and incorporated herein by reference).	
*27	--	Financial Data Schedule (for EDGAR filing only).	

- --------

* Being filed by this Amendment.

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Muller Data Corporation
A Thomson Financial Services Company
395 Hudson Street
New York, NY 10014-3622

July 15, 1995

Glickenhaus & Co., Inc.
6 East 43rd Street
New York, New York 10017

Lebenthal & Co., Inc.
25 Broadway
New York, New York 10006

RE: EMPIRE STATE MUNICIPAL EXEMPT TRUST
Guaranteed Series 95 - Post-effective Amendment No. 2
Guaranteed Series 96 - Post-effective Amendment No. 2

Gentlemen:

We have examined the post-effective Amendment to the Registration Statement File No. 33-58492 for the above captioned trusts. We hereby acknowledge that Muller Data Corporation is currently acting as the evaluator for the trusts. We hereby consent to the use in the Amendment of the reference to Muller Data Corporation as evaluator.

In addition, we hereby confirm that the ratings indicated in the above referenced Amendment to the Registration Statement for the respective bonds comprising the trust portfolios are the ratings currently indicated in our Muniview data base.

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

Sincerely,

Mario S. Buscemi
Chief Operating Officer

MSB:tg

290069.1