SECURITIES AND EXCHANGE COMMISSION

FORM 497

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

Filing Date: **1994-08-25**
SEC Accession No. 0000912057-94-002834

(HTML Version on secdatabase.com)

FILER

ACTIVE ASSETS MONEY TRUST

CIK:**351895**| IRS No.: **133075005** | State of Incorp.:**MA** | Fiscal Year End: **0630**
Type: **497** | Act: **33** | File No.: **002-71560** | Film No.: **94546052**

Business Address
TWO WORLD TRADE CTR
NEW YORK NY 10048
2123922550

ACTIVE ASSETS TAX FREE TRUST

CIK:**351881**| IRS No.: **133075002** | State of Incorp.:**MA** | Fiscal Year End: **0630**
Type: **497** | Act: **33** | File No.: **002-71559** | Film No.: **94546053**

Business Address
TWO WORLD TRADE CTR
NEW YORK NY 10048
2123922550

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST

CIK:**351898**| IRS No.: **133075004** | State of Incorp.:**MA** | Fiscal Year End: **0630**
Type: **497** | Act: **33** | File No.: **002-71558** | Film No.: **94546054**

Business Address
TWO WORLD TRADE CTR
NEW YORK NY 10048
2123922550

ACTIVE ASSETS CALIFORNIA TAX FREE TRUST

CIK:**877243**| IRS No.: **133622792** | State of Incorp.:**MA** | Fiscal Year End: **0630**
Type: **497** | Act: **33** | File No.: **033-41685** | Film No.: **94546055**

Mailing Address
TWO WORLD TRADE CENTER
NEW YORK NY 10048

Business Address
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NEW YORK NY 10048
2123921520

ACTIVE ASSETS MONEY TRUST
ACTIVE ASSETS TAX-FREE TRUST
ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST
ACTIVE ASSETS GOVERNMENT SECURITIES TRUST

THIS DOCUMENT CONSISTS OF THE PROSPECTUSES OF ACTIVE ASSETS MONEY TRUST, ACTIVE ASSETS TAX-FREE TRUST, ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST AND ACTIVE ASSETS GOVERNMENT SECURITIES TRUST (COLLECTIVELY, THE "TRUSTS") AND AN APPENDIX TO SUCH PROSPECTUSES WHICH CONSTITUTES PART OF THE PROSPECTUSES. A TABLE OF CONTENTS IS CONTAINED ON PAGE 1 OF EACH PROSPECTUS.

Each Trust is a diversified open-end management investment company seeking high current income, preservation of capital and liquidity from investments in short-term securities. Active Assets Money Trust invests in money market instruments generally; Active Assets Tax-Free Trust invests in high quality, short-term tax-exempt securities and pays dividends exempt from federal personal income taxation; Active Assets California Tax-Free Trust invests in high quality, short-term California tax-exempt securities and pays dividends exempt from federal and California personal income taxation; and Active Assets Government Securities Trust invests in money market instruments issued or guaranteed by the United States Government or its agencies or instrumentalities.

The Active Assets -R- Account financial service program ("Active Assets") of Dean Witter Reynolds Inc. ("Dean Witter") provides a medium for the investment of free credit cash balances held in the Active Assets account in shares of the Trusts. An Active Assets account is a Dean Witter securities account (the "Securities Account") which is linked to the Trusts, a Federal Deposit Insurance Corporation ("FDIC") insured bank account (the "Active Assets Insured Account") maintained at a bank which has entered into an agreement with Dean Witter to participate in Active Assets and a Visa-R- check/card account maintained by Bank One, Columbus, N.A., Columbus, Ohio ("Visa Account").

The annual fee for participation in the Active Assets program is presently $80 ($100 for corporations). Dean Witter may charge certain group or special accounts a different fee. Dean Witter reserves the right to change the fee for participation in the Active Assets program at any time. As described in the Appendix to the Prospectus under the section "Purchase of Shares", shares of the Trusts may be purchased by investors maintaining brokerage accounts with Dean Witter who are not subscribers to the Active Assets program. In addition, certain other Securities Accounts which are not subscribers to the Active Assets Program may be linked to the Trusts and the Active Assets Insured Account. Shareholders of the Trusts not subscribing to the Active Assets program will not be charged the program fee.

Subject to the conditions set forth herein, a subscriber to the Active Assets program will have his or her free credit cash balances held in the account automatically invested daily in shares of any of the Trusts or transmitted to the bank for deposit into the Active Assets Insured Account, depending upon which investment is selected by the investor, and earn a return thereon pending further investment of such funds in other aspects of the Active Assets program or utilization through the Visa Account. A program participant may make additional investments in or change his or her chosen investment at any time by following the procedures set forth in the Appendix under "Purchase and Redemption of Shares".

THE INFORMATION IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE DEAN WITTER CLIENT AGREEMENT WHICH IS BEING FURNISHED TO ALL ACTIVE ASSETS SUBSCRIBERS (OR OTHER ACCOUNT AGREEMENT FOR NON-ACTIVE ASSETS SUBSCRIBERS) AND WILL BE FURNISHED TO NEW SUBSCRIBERS PRIOR TO THE TIME AN ACTIVE ASSETS ACCOUNT, OR OTHER SECURITIES ACCOUNT, IS OPENED. REFERENCE IS MADE TO SUCH MATERIAL FOR INFORMATION WITH RESPECT TO THE ACTIVE ASSETS AND OTHER PROGRAMS, INCLUDING THE FEES RELATED THERETO. FOR MORE COMPLETE DETAILS ABOUT THE ACTIVE ASSETS INSURED ACCOUNT, INCLUDING PROCEDURES FOR TRANSFERRING FROM ANY OF THE TRUSTS, THE SUBSCRIBER SHOULD CONSULT HIS OR HER DEAN WITTER ACCOUNT EXECUTIVE.

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For information on participation in the Active Assets program and information relating to a specific account, call:

- Anywhere in the United States, Puerto Rico and the Virgin Islands toll free at (800) 869-3326	- In New York City (212) 392-5000

</TABLE>

ACTIVE ASSETS IS A REGISTERED TRADEMARK OF DEAN WITTER REYNOLDS INC. AUGUST 22, 1994

ACTIVE ASSETS MONEY TRUST

TWO WORLD TRADE CENTER, NEW YORK, NEW YORK 10048 - (212) 392-5000

Active Assets Money Trust (the "Money Trust" or the "Trust") is a no-load, diversified open-end management investment company the investment objectives of which are high current income, preservation of capital and liquidity. The Trust is authorized to reimburse Dean Witter Distributors Inc. for specific expenses incurred in promoting the distribution of the Trust's shares pursuant to a Plan of Distribution pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Act"). Reimbursement may in no event exceed an amount equal to payments at the annual rate of 0.15% of the average daily net assets of the Trust.

The Trust will invest in a diversified portfolio of short-term money market instruments consisting primarily of United States Government securities, obligations of U.S. regulated banks and savings and loan associations having assets of $1 billion or more, certificates of deposit of savings banks and savings and loan associations having total assets of $1 billion or more, high grade commercial paper, high grade corporate obligations maturing in one year or less and certificates of deposit of $100,000 or less of U.S. regulated banks and savings institutions, having total assets of less than $1 billion, which are fully insured by the FDIC.

AN INVESTMENT IN THE TRUST IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. THERE IS NO ASSURANCE THAT THE TRUST WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE OF $1.00 PER SHARE.

SHARES OF THE TRUST ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, AND THE SHARES ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY.

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</TABLE>

THIS PROSPECTUS SETS FORTH CONCISELY THE INFORMATION YOU SHOULD KNOW BEFORE INVESTING IN THE TRUST. IT SHOULD BE READ AND RETAINED FOR FUTURE REFERENCE. ADDITIONAL INFORMATION ABOUT THE TRUST IS CONTAINED IN THE STATEMENT OF ADDITIONAL INFORMATION, DATED AUGUST 22, 1994, WHICH HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND WHICH IS AVAILABLE AT NO CHARGE UPON REQUEST OF THE TRUST AT THE ADDRESS LISTED ABOVE OR BY CALLING DEAN WITTER INTERCAPITAL INC. (THE "INVESTMENT MANAGER" OR "INTERCAPITAL") AT (212) 392-2550. THE STATEMENT OF ADDITIONAL INFORMATION IS INCORPORATED HEREIN BY REFERENCE.

THE INFORMATION IN THIS PROSPECTUS SHOULD BE READ IN CONJUNCTION WITH THE INFORMATION APPEARING ELSEWHERE IN THIS DOCUMENT, INCLUDING THE APPENDIX HERETO, WHICH IS PART OF THIS PROSPECTUS, AND IN THE DEAN WITTER CLIENT AGREEMENT.

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

THE DATE OF THIS PROSPECTUS IS AUGUST 22, 1994.

ACTIVE ASSETS MONEY TRUST

HIGHLIGHTS

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THE TRUST	A no-load, open-end diversified management investment company investing in money market instruments. The Trust is authorized to reimburse Dean Witter Distributors Inc. for specific expenses incurred in promoting the distribution of the Trust's shares pursuant to a Plan of Distribution pursuant to Rule 12b-1 under the Act. (See page A-6). The Trust is organized as an unincorporated business trust under the laws of Massachusetts. (See page A-5).
SHARES OFFERED	The shares of the Money Trust are offered to participants in the Active Assets program of Dean Witter and to non-participants who wish to invest directly in shares of the Trust (See page A-2). The primary components of the Active Assets program are the Securities Account, which is linked to the Active Assets Insured Account, the Money Trust, the Active Assets Tax-Free Trust, the Active Assets California Tax-Free Trust or the Active Assets Government Securities Trust and to the Visa Account. See the Dean Witter Client Agreement for further information.
PURCHASE OF SHARES	Pursuant to the Dean Witter Client Agreement between Dean Witter and the customer, free credit cash balances will be automatically invested in shares of the Money Trust daily at their net asset value without any sales charge. Dean Witter Distributors Inc. is the Distributor of shares of the Trust. Investments in shares are made under the circumstances described under "Purchase and Redemption of Shares" (see page A-1). Non-participants in the Active Assets program should refer to the discussion appearing at page A-2.
INVESTMENT OBJECTIVES	High current income, preservation of capital and liquidity (see page 4). There can be no assurance that the Trust's objectives can be achieved.
AUTHORIZED INVESTMENTS	Money market instruments as follows (see page 4): - United States Government securities; - Obligations of U.S. regulated banks having assets of $1 billion or more; - High grade commercial paper; - High grade corporate obligations maturing in one year or less; - Certificates of deposit of savings banks and savings institutions having assets of $1 billion or more; - Certificates of deposit of $100,000 or less, of U.S. regulated banks and savings institutions, having total assets of less than $1 billion, fully insured by the FDIC;

	- Repurchase Agreements (see page 4).
INVESTMENT MANAGER	Dean Witter InterCapital Inc., the Investment Manager of the Trust, and its wholly-owned subsidiary, Dean Witter Services Company, Inc., serve in various investment management, advisory, management and administrative capacities to eighty-six investment companies and other portfolios with assets of approximately $69.4 billion at June 30, 1994 (see page A-5).
MANAGEMENT FEE	Monthly fee at an annual rate of 1/2 of 1% of average daily net assets, scaled down on assets over $500 million (see page A-5).
DIVIDENDS	Automatically reinvested daily in additional shares at net asset value (see page A-6).
REPORTS	Individual monthly account statements from Dean Witter on the Dean Witter Transaction Statement; annual and semi-annual Trust financial statements.
REDEMPTION OF SHARES	For participants in the Active Assets program, shares of the Money Trust will be redeemed at net asset value automatically to satisfy debit balances in the Securities Account created by activity therein or to satisfy amounts owing in the Visa Account resulting from Visa card purchases, cash advances or checks written against the Visa Account. Non-participants in the Active Assets program should refer to the discussion appearing at page A-4. It is anticipated that the net asset value will remain constant at $1.00 per share. Dean Witter has the right to terminate a shareholder's Active Assets service, in which event all Trust shares held in a shareholder's account will be involuntarily redeemed. The Trust also reserves the right to reduce the number of shares in all accounts if the Trustees determine that this is necessary to maintain the constant $1.00 per share net asset value. See "Purchase and Redemption of Shares" (page A-1).
RISKS	The Trust's investments are limited to U.S. Government securities, high grade corporate obligations and obligations of banks and savings and loan associations having assets of $1 billion or more and fully insured Certificates of Deposit; consequently, the portfolio securities of the Trust are subject to minimal risk of loss of income and principal. However, the investor is directed to the discussion of "Repurchase Agreements" (page 4) concerning the risks associated with such portfolio securities and management techniques.

THE SUMMARY INFORMATION ABOVE SHOULD BE READ IN CONJUNCTION WITH THE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS, INCLUDING THE APPENDIX HERETO, IN THE DEAN WITTER CLIENT AGREEMENT AND IN THE TRUST'S STATEMENT OF ADDITIONAL INFORMATION, INCLUDING THE APPENDIX THERETO.
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SUMMARY OF TRUST EXPENSES

The following table illustrates all expenses and fees that a shareholder of the Trust will incur. The expenses and fees set forth in the table are for the fiscal year ended June 30, 1994.

<TABLE>
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SHAREHOLDER TRANSACTION EXPENSES	
Maximum Sales Charge Imposed on Purchases....	None
Maximum Sales Charge Imposed on Reinvested Dividends.................................	None
Deferred Sales Charge.......................	None
Redemption Fees.............................	None
Exchange Fee................................	None
ANNUAL TRUST OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)	
Management Fees.............................	0.33%
12b-1 Fees..................................	0.10%
Other Expenses..............................	0.08%
Total Trust Operating Expenses..............	0.51%

</TABLE>

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EXAMPLE	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:..	$5	$16	$29	$64

</TABLE>

Dean Witter charges an annual Active Assets program participation fee of $80 ($100 for corporate participants). Shareholders of the Trust who are not program participants will not be charged an Active Assets program fee.

The above example should not be considered a representation of past or future expenses or performance. Actual expenses of the Trust may be greater or less than those shown.

The purpose of this table is to assist the investor in understanding the various costs and expenses that an investor in the Trust will bear directly or indirectly. For a more complete description of these costs and expenses, see pages A-5 and A-6 in the Appendix to this Prospectus.

FINANCIAL HIGHLIGHTS

The following per share data and ratios for a share of beneficial interest outstanding throughout each period have been audited by Price Waterhouse LLP, independent accountants. The financial highlights should be read in conjunction with the financial statements and notes thereto and the report of independent accountants which are contained in this Prospectus commencing on page 6.

<TABLE>
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	FOR THE YEAR ENDED JUNE 30,					
	1994	1993	1992	1991	1990	1989
PER SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period..	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income................	0.029	0.029	0.045	0.068	0.081	0.083
Less dividends from net investment income..............................	(0.029)	(0.029)	(0.045)	(0.068)	(0.081)	(0.083)
Net asset value, end of period........	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
TOTAL INVESTMENT RETURN.................	2.99%	2.95%	4.58%	7.05%	8.43%	8.57%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (in millions)...........................	$4,144	$3,604	$3,628	$3,688	$3,454	$3,021
Ratio of expenses to average net assets..............................	0.51%	0.51%	0.54%	0.52%	0.50%	0.52%
Ratio of net investment income to average net assets..................	2.95%	2.90%	4.45%	6.80%	8.10%	8.33%

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	1988	1987	1986	1985
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period..	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income................	0.066	0.058	0.072	0.094
Less dividends from net investment income..............................	(0.066)	(0.058)	(0.072)	(0.094)
Net asset value, end of period........	$ 1.00	$ 1.00	$ 1.00	$ 1.00
TOTAL INVESTMENT RETURN.................	6.83%	5.90%	7.51%	9.82%
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (in millions)...........................	$2,519	$2,299	$2,240	$2,082
Ratio of expenses to average net assets..............................	0.54%	0.54%	0.56%	0.60%
Ratio of net investment income to average net assets..................	6.63%	5.78%	7.23%	9.24%

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

INVESTMENT OBJECTIVES AND POLICIES

THE INVESTMENT OBJECTIVES OF THE TRUST ARE HIGH CURRENT INCOME, PRESERVATION OF CAPITAL AND LIQUIDITY. THE TRUST SEEKS TO ACHIEVE THOSE OBJECTIVES BY INVESTING IN THE FOLLOWING MONEY MARKET INSTRUMENTS:

U.S. GOVERNMENT SECURITIES--

obligations issued or guaranteed as to principal and interest by the United States or its agencies (such as the Export-Import Bank of the United States, Federal Housing Administration, and Government National Mortgage Association) or its instrumentalities (such as the Federal Home Loan Bank, Federal Intermediate Credit Banks and Federal Land Bank), including Treasury bills, notes, bonds (including zero coupon bonds) and coupons;

BANK OBLIGATIONS--

obligations (including certificates of deposit, bankers' acceptances and bank notes) of banks subject to regulation by the U.S. Government and having total assets of $1,000,000,000 or more, and instruments secured by such obligations, including obligations of foreign branches of domestic banks (because of its relationship to the Active Assets program, the Trust will not purchase securities of Bank One, Columbus, N.A. or its affiliates and will not deal with such Bank or its affiliates as a principal in the purchase and sale of securities);

OBLIGATIONS OF SAVINGS INSTITUTIONS--

certificates of deposit of savings banks and savings and loan associations, having total assets of $1,000,000,000 or more;

FULLY INSURED CERTIFICATES OF DEPOSIT--

certificates of deposit of banks and savings institutions, having total assets of less than $1,000,000,000, if the principal amount of the obligation is insured by the FDIC, limited to $100,000 principal amount per certificate and to 10% or less of the Trust's total assets in all such obligations or in all illiquid assets, in the aggregate;

COMMERCIAL PAPER--

commercial paper rated within the two highest grades by Standard & Poor's Corporation ("S&P") or the highest grade by Moody's Investors Service, Inc., ("Moody's") or, if not rated, issued by a company having an outstanding debt issue rated at least AA by S&P or Aa by Moody's;

CORPORATE OBLIGATIONS--

corporate obligations, rated at least A by S&P or Moody's, maturing in one year or less.

See the Appendix to the Statement of Additional Information for an explanation of S&P and Moody's ratings.

REPURCHASE AGREEMENTS--

The Trust may enter into repurchase agreements, which may be viewed as a type of secured lending by the Trust, and which typically involve the acquisition by the Trust of debt securities from a selling financial institution such as a bank, savings and loan association or broker-dealer. The agreement provides that the Trust will sell back to the institution, and that the institution will repurchase, the underlying security ("collateral") at a specified price and at a fixed time in the future. The Trust will accrue interest from the institution until the time when the repurchase is to occur. Although such date is deemed by the Trust to be the maturity date of a repurchase agreement, the maturities of securities subject to repurchase agreements are not subject to any limits and may exceed thirteen months. While repurchase agreements involve certain risks not associated with direct investments in debt securities, the Trust follows procedures designed to minimize such risks. These procedures include effecting repurchase transactions only with large, well-capitalized and well-established financial institutions and specifying the required value of the collateral underlying the agreement.

The investment objectives and policies stated above may not be changed without shareholder approval. There is no assurance that the Trust's objectives will be achieved.

PORTFOLIO MANAGEMENT--

Although the Trust will generally not seek profits through short-term trading, it may dispose of any portfolio security prior to its maturity if, on the basis of a revised credit evaluation of the issuer or other circumstances or considerations, it believes such disposition advisable.

The Trust is expected to have a high portfolio turnover due to the short maturities of securities purchased, but this should not affect income or net asset value as brokerage commissions are not normally charged on the purchase or sale of money market instruments.

The Trust will attempt to balance its objectives of high current income, capital preservation and liquidity by investing in securities of varying maturities and risks. The Trust will not, however, invest in securities that mature in more than one year from the date of purchase.

VARIABLE RATE AND FLOATING RATE OBLIGATIONS. Certain of the types of investments described above may be variable rate or floating rate obligations. The interest rates payable on variable rate or floating rate obligations are not fixed and may fluctuate based upon changes in market rates. The interest rate payable on a variable rate obligation may be adjusted either at predesignated periodic intervals and on a floating rate obligation whenever there is a change in the market rate of interest on which the interest rate payable is based.

BROKERAGE ALLOCATION. Brokerage commissions are not normally charged on the purchase or sale of money market instruments, but such transactions may involve transaction costs in the form of spreads between bid and asked prices. Although the Trust is expected to have a high portfolio turnover rate due to the short maturities of its portfolio securities, the Trust's income or the net asset value of its shares should not be affected as brokers' commissions are not normally incurred. Pursuant to an order of the Securities and Exchange Commission, the Trust may effect principal transactions in certain money market instruments with Dean Witter. In addition, the Trust may incur brokerage commissions on transactions conducted through Dean Witter.

INVESTMENT RESTRICTIONS

The investment restrictions listed below are among the restrictions that have been adopted by the Trust as fundamental policies. Under the Act, a fundamental policy may not be changed without the vote of a majority of the outstanding voting securities of the Trust, as defined in the Act.

These restrictions provide that the Trust may not:

1. Borrow money, except from banks for temporary or emergency purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities. Borrowing in the aggregate may not exceed 20%, and borrowing for purposes other than meeting redemptions may not exceed 5% of the value of the Trust's total assets (including the amount borrowed), less liabilities (not including the amount borrowed) at the time the borrowing is made;

2. Purchase securities of any issuer, except for securities issued by U.S. Government agencies or instrumentalities, having a record, together with predecessors, of less than three years' continuous operation, if, immediately after such purchase, more than 5% of the value of the Trust's total assets would be invested in such securities;

3. Purchase any securities, other than obligations of the U.S. Government, or its agencies or instrumentalities, if, immediately after such purchase, more than 5% of the value of the Trust's total assets would be invested in securities of any one issuer, or more than 10% of the outstanding securities of one issuer would be owned by the Trust (for this purpose all indebtedness of an issuer shall be deemed a single class of security); and

4. Purchase any securities, other than obligations of banks or of the U.S. Government, or its agencies or instrumentalities, if, immediately after such purchase, more than 25% of the value of the Trust's total assets would be invested in the securities of issuers in the same industry; however, there is no limitation as to investments in bank obligations or in obligations issued or guaranteed by the Federal Government or its agencies or instrumentalities.

If a percentage restriction is adhered to at the time of investment, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total or net assets will not be considered a violation of any of the foregoing restrictions.

ACTIVE ASSETS MONEY TRUST
FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1994

ASSETS:	
Investments in securities, at value (amortized cost $4,144,227,193) (Note 1)	$ 4,144,227,193
Interest receivable	1,407,703
Prepaid expenses	415,785
TOTAL ASSETS	4,146,050,681
LIABILITIES:	
Payable for:	
Shares of beneficial interest repurchased	4,116
Investment management fee (Note 2)	1,130,286
Plan of distribution fee (Note 3)	345,265
Accrued expenses and other payables (Note 4)	497,827
TOTAL LIABILITIES	1,977,494
NET ASSETS:	
Paid-in-capital	4,144,067,961
Accumulated undistributed net investment income	5,226
NET ASSETS	$ 4,144,073,187
NET ASSET VALUE PER SHARE, 4,144,067,961 shares outstanding (unlimited shares authorized of $.01 par value)	$1.00

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1994

INVESTMENT INCOME:	
INTEREST INCOME	$ 135,416,925
EXPENSES	
Investment management fee (Note 2)	13,025,495
Plan of distribution fee (Note 3)	3,816,058
Transfer agent fees and expenses	2,354,692
Registration fees	345,623
Shareholder reports and notices	247,377
Custodian fees	129,013
Professional fees	47,633
Trustees' fees and expenses (Note 4)	32,025
Other	39,273
TOTAL EXPENSES	20,037,189
NET INVESTMENT INCOME	115,379,736
NET REALIZED GAIN ON INVESTMENTS (Note 1)	62,706
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 115,442,442

STATEMENT OF CHANGES IN NET ASSETS

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INCREASE (DECREASE) IN NET ASSETS:	FOR THE YEAR ENDED JUNE 30, 1994	FOR THE YEAR ENDED JUNE 30, 1993
<S>	<C>	<C>
Operations:		
Net investment income...............	$ 115,379,736	$ 108,430,954
Net realized gain on investments....	62,706	-0-
Net increase in net assets resulting from operations.........	115,442,442	108,430,954
Dividends and distributions to shareholders from:		
Net investment income...............	(115,376,388)	(108,432,950)
Net realized gain on investments....	(62,706)	-0-
	(115,439,094)	(108,432,950)
Net increase (decrease) from transactions in shares of beneficial interest (Note 5)....................	539,762,623	(23,997,368)
Total increase (decrease).......	539,765,971	(23,999,364)
NET ASSETS:		
Beginning of period..................	3,604,307,216	3,628,306,580
END OF PERIOD (including undistributed net investment income of $5,226 and $1,878, respectively)...............	$ 4,144,073,187	$ 3,604,307,216

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

ACTIVE ASSETS MONEY TRUST
NOTES TO FINANCIAL STATEMENTS
- --

1. ORGANIZATION AND ACCOUNTING POLICIES--Active Assets Money Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified, open-end management investment company. It was organized as a Massachusetts business trust on March 30, 1981 and commenced operations on July 7, 1981.

The following is a summary of significant accounting policies:

A. VALUATION OF INVESTMENTS--Portfolio securities are valued at amortized cost, which approximates market value.

B. ACCOUNTING FOR INVESTMENTS--Security transactions are accounted for on the trade date (date the order to buy or sell is executed). In computing net investment income, the Trust amortizes any premiums and discounts on securities owned. Realized gains and losses on security transactions are determined on the identified cost method.

C. FEDERAL INCOME TAX STATUS--It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly, no federal income tax provision is required.

D. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS--Dividends and distributions to shareholders are recorded by the Trust as of the close of the Trust's business day.

E. REPURCHASE AGREEMENTS--The Trust's custodian takes possession on behalf of the Trust of the collateral pledged for investments in repurchase agreements. It is the policy of the Trust to value the underlying collateral daily on a mark-to-market basis to determine that the value, including accrued interest, is at least equal to the repurchase price. In the event of default of the obligator to repurchase, the Trust has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation.

2. INVESTMENT MANAGEMENT AGREEMENT--Pursuant to an Investment Management Agreement with Dean Witter InterCapital Inc. (the "Investment Manager"), the Trust pays its Investment Manager a management fee, calculated daily and payable monthly, by applying the following annual rates to the net assets of the Trust determined as of the close of the Trust's business day: 0.50% of the portion of the daily net assets not exceeding $500 million; 0.425% of the portion of the daily net assets exceeding $500 million but not exceeding $750 million; 0.375% of the portion of the daily net assets exceeding $750 million but not exceeding $1 billion; 0.35% of the portion of the daily net assets exceeding $1 billion but not exceeding $1.5 billion; 0.325% of the portion of the daily net assets exceeding $1.5 billion but not exceeding $2 billion; 0.30% of the portion of the daily net assets exceeding $2 billion but not exceeding $2.5 billion; 0.275% of the portion of the daily net assets exceeding $2.5 billion but not exceeding $3 billion; and 0.25% of the portion of the daily net assets exceeding $3 billion.

Under the terms of the Agreement, in addition to managing the Trust's investments, the Investment Manager maintains certain of the Trust's books and records and furnishes office space and facilities, equipment, clerical, bookkeeping and certain legal services, and pays the salaries of all personnel, including officers of the Trust who are employees of the Investment Manager. The Investment Manager also bears the cost of telephone services, heat, light, power and other utilities provided to the Trust.

3. PLAN OF DISTRIBUTION--Shares of beneficial interest of the Trust are distributed by Dean Witter Distributors Inc. (the "Distributor"), an affiliate of the Investment Manager. The Trust has entered into a Plan of Distribution (the "Plan"), pursuant to Rule 12b-1 under the Act, with the Distributor whereby the Distributor finances certain activities in connection with the distribution of the Trust's shares.

Under the Plan, the Distributor bears the expense of all promotional and distribution related activities on behalf of the Trust, except for expenses that the Trustees determine to reimburse, as described below. The following activities and services may be provided by the Distributor under the Plan: (1) compensation to sales representatives of the Distributor and other broker-dealers; (2) sales incentives and bonuses to sales representatives and to marketing personnel in connection with promoting sales of shares; (3) expenses incurred in connection with promoting sales of shares; (4) preparing and distributing sales literature; and (5) providing advertising and promotional activities, including direct mail solicitation and television, radio, newspaper, magazine and other media advertisements.

The Trust is authorized to reimburse specific expenses incurred in promoting the distribution of the Trust's shares. The amount of each monthly reimbursement payment may in no event exceed an amount equal to a payment at the average annual rate of 0.15% of the Trust's average daily net assets during the month. For the year ended June 30, 1994, the distribution fee established by the Trustees and accrued was at the average annual rate of 0.10%.

4. SECURITY TRANSACTIONS AND TRANSACTIONS WITH AFFILIATES--The cost of purchases and the proceeds from sales/maturities of portfolio securities for the year ended June 30, 1994 aggregated $16,379,474,682 and $15,967,631,171, respectively.

On April 1, 1991, the Trust established an unfunded noncontributory defined benefit pension plan covering all independent Trustees of the Trust who will have served as an independent Trustee for at least five years at the time of retirement. Benefits under this Plan are based on years of service and compensation during the last five years of service. Aggregate pension cost for the year ended June 30, 1994, included in Trustees' fees and expenses in the Statement of Operations, amounted to $10,198. At June 30, 1994, the Trust had an accrued pension liability of $43,096 which is included in accrued expenses in the Statement of Assets and Liabilities.

Dean Witter Trust Company, an affiliate of the Investment Manager and the Distributor, is the Trust's transfer agent. At June 30, 1994, the Trust had transfer agent fees and expenses payable of approximately $215,000.

5. SHARES OF BENEFICIAL INTEREST--Transactions in shares of beneficial interest, at $1.00 per share, were as follows:

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED JUNE 30, 1994	FOR THE YEAR ENDED JUNE 30, 1993
Shares sold	18,356,737,820	15,714,334,105
Shares issued in reinvestment of dividends	115,190,871	108,252,232
	18,471,928,691	15,822,586,337
Shares repurchased	(17,932,166,068)	(15,846,583,705)
Net increase (decrease)	539,762,623	(23,997,368)

6. SELECTED PER SHARE DATA AND RATIOS--See the "Financial Highlights" table on page 3 of this prospectus.

ACTIVE ASSETS MONEY TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994

PRINCIPAL AMOUNT (IN THOUSANDS)	DESCRIPTION AND MATURITY DATE	ANNUALIZED YIELD ON DATE OF PURCHASE	VALUE
SHORT-TERM BANK NOTES (4.8%)			
$ 30,000	FCC National Bank 7/11/94	3.30%	$ 30,000,000
170,000	Bank of New York 8/23/94 to 9/12/94	4.44 to 4.51	170,000,000
	TOTAL SHORT-TERM BANK NOTES (AMORTIZED COST $200,000,000)		200,000,000
BANKERS' ACCEPTANCES (1.5%)			
COMMERCIAL BANKS			
10,000	Bank of America NT & SA 7/27/94	4.22	9,969,811
12,000	Mellon Bank, N.A. 9/2/94	4.87	11,899,200
40,000	Republic National Bank, N.Y. 10/3/94	4.65	39,521,645
	TOTAL BANKERS' ACCEPTANCES (AMORTIZED COST $61,390,656)		61,390,656
COMMERCIAL PAPER (78.9%)			
AUTOMOTIVE: FINANCE (4.6%)			
191,200	Ford Motor Credit Co. 7/7/94 to 10/11/94	4.19 to 4.57	190,654,979
BANKS: COMMERCIAL (13.7%)			
75,000	ABN AMRO N.A. Fin., Inc. 8/03/94 to 8/08/94	4.14 to 4.35	74,695,681
50,000	Barclays U.S. Funding Corp. 8/04/94	4.44	49,791,750
140,100	Canadian Imperial Holdings Inc. 7/22/94 to 9/15/94	3.81 to 4.46	139,330,834
73,850	CommerzBank US Finance Inc. 8/12/94 to 9/06/94	3.53 to 3.57	73,496,079
111,500	National Westminster Bancorp Inc. 8/10/94 to 9/08/94	4.38 to 4.51	110,862,531
30,000	Societe Generale N.A. Inc. 8/24/94	4.55	29,797,500
91,500	Toronto-Dominion Holdings (USA) Inc. 7/01/94 to 12/30/94	3.88 to 4.97	90,656,309
			568,630,684

PRINCIPAL AMOUNT (IN THOUSANDS)	DESCRIPTION AND MATURITY DATE	ANNUALIZED YIELD ON DATE OF PURCHASE	VALUE

BANK HOLDING COMPANIES (20.1%)			
$ 40,000	BankAmerica Corp. 7/12/94 to 8/16/94....	3.28 to 3.69%	$ 39,905,847
123,000	Bankers Trust N.Y. Corp. 7/20/94 to 9/02/94................................	3.29 to 4.07	122,600,772
94,200	Chase Manhattan Corporation 8/18/94 to 9/21/94................................	4.31 to 4.73	93,514,697
60,000	Chemical Banking Corporation 9/19/94 to 9/23/94................................	4.49	59,393,200
21,800	Citicorp 7/14/94........................	3.95	21,769,298
40,000	J.P. Morgan & Company Inc. 8/22/94 to 9/27/94................................	4.00 to 4.61	39,663,244
199,500	NationsBank Corp. 7/12/94 to 9/07/94....	4.37 to 4.61	198,560,207
45,000	Norwest Corporation 7/20/94.............	4.41	44,895,975
125,000	PNC Funding Corporation 7/19/94 to 8/09/94................................	4.40 to 4.44	124,515,400
50,000	Republic New York Corporation 9/21/94...	4.52	49,490,917
21,500	SBC Finance (Delaware) Inc. 8/24/94.....	4.51	21,355,520
17,000	U.S. Bancorp 8/11/94....................	4.38	16,915,779
			832,580,856
BROKERAGE (4.4%)			
109,200	Goldman Sachs Group L.P. 7/11/94 to 9/08/94................................	3.92 to 4.47	108,793,506
75,000	Morgan Stanley Group Inc. 7/05/94 to 7/08/94................................	4.27	74,948,767
			183,742,273
EQUIPMENT: FINANCE (1.7%)			
71,200	John Deere Capital Corp. 8/03/94 to 1/31/95................................	4.42 to 5.17	70,522,229

</TABLE>

ACTIVE ASSETS MONEY TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994 (CONTINUED)

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)	DESCRIPTION AND MATURITY DATE	ANNUALIZED YIELD ON DATE OF PURCHASE	VALUE
<C>	<S>	<C>	<C>
FINANCE: DIVERSIFIED (23.1%)			
$151,250	American Express Credit Corp. 7/19/94 to 8/22/94................................	4.33 to 4.37%	$ 150,598,325
90,000	Avco Financial Services, Inc. 7/25/94 to 8/10/94................................	4.30 to 4.39	89,653,600
165,750	CIT Group Holdings Inc. 7/06/94 to 10/14/94...............................	4.18 to 4.73	164,578,216
28,450	Commercial Credit Company 8/05/94.......	4.37	28,329,680
153,800	General Electric Capital Corp. 7/11/94 to 3/02/95.............................	3.29 to 5.11	152,063,098
66,400	Heller Financial Inc. 7/13/94 to 9/30/94................................	4.37 to 4.80	65,983,882
165,000	Household Finance Corp. 7/15/94 to 10/12/94...............................	4.09 to 4.64	164,029,278
141,100	ITT Financial Corp. 7/15/94 to 8/26/94................................	4.32 to 4.46	140,276,090
			955,512,169
FOOD AND BEVERAGES (1.7%)			
40,000	Coca-Cola Company 8/19/94 to 9/20/94....	4.45 to 4.60	39,675,472
30,000	Heinz (HJ) Company 7/01/94.............	4.47	30,000,000
			69,675,472
OFFICE EQUIPMENT (1.4%)			
60,000	Hewlett Packard Company 9/01/94 to 9/06/94................................	4.15	59,561,400
RETAIL (4.2%)			

PRINCIPAL AMOUNT (IN THOUSANDS)	DESCRIPTION AND MATURITY DATE	ANNUALIZED YIELD ON DATE OF PURCHASE	VALUE
173,850	Sears Roebuck Acceptance Corp. 7/28/94 to 8/31/94............................	4.30 to 4.64	172,985,086
TELEPHONE (3.3%)			
$137,800	AT&T Corp. 7/07/94 to 9/16/94...........	4.13 to 4.63%	$ 137,147,616
UTILITIES (0.7%)			
30,000	National Rural Utilities Cooperative Finance Corp. 8/29/94..................	4.38	29,786,617
	TOTAL COMMERCIAL PAPER (AMORTIZED COST $3,270,799,381).......................................		3,270,799,381
VARIABLE COUPON RENEWABLE NOTE* (1.2%)			
50,000	PNC Bank, N.A. (Amortized Cost $49,964,533) 4/21/95..................	4.44	49,964,533
U.S. GOVERNMENT AGENCIES (12.3%)			
21,000	Federal Farm Credit Bank 11/15/94 to 11/30/94..............................	3.63 to 4.87	20,639,458
104,000	Federal Home Loan Banks 7/21/94 to 2/21/95..............................	3.35 to 5.06	102,323,131
390,700	Federal National Mortgage Association 7/06/94 to 12/30/94...................	3.24 to 5.05	386,392,023
	TOTAL U.S. GOVERNMENT AGENCIES (AMORTIZED COST $509,354,612)..		509,354,612
U.S. GOVERNMENT OBLIGATIONS (1.3%)			
53,000	U.S. Treasury Bills (Amortized Cost $52,718,011) 7/28/94 to 11/17/94.......	3.34 to 3.61	52,718,011

TOTAL INVESTMENTS (AMORTIZED COST $4,144,227,193) (A)....................	100.0 %	4,144,227,193
LIABILITIES IN EXCESS OF OTHER ASSETS...	(0.0)	(154,006)
NET ASSETS............................	100.0 %	$ 4,144,073,187

- -----------------
 * FLOATING RATE SECURITY. RATE SHOWN IS THE RATE IN EFFECT AT JUNE 30, 1994.
(A) COST IS THE SAME FOR FEDERAL INCOME TAX PURPOSES.

SEE NOTES TO FINANCIAL STATEMENTS

ACTIVE ASSETS MONEY TRUST
REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Trustees of Active Assets Money Trust

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights (which appear under the heading "Financial Highlights" on page 3 of this Prospectus) present fairly, in all material respects, the financial position of Active Assets Money Trust (the "Trust") at June 30, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the ten years in the period then ended, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities owned at June 30, 1994 by correspondence with the custodian, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
1177 Avenue of the Americas
New York, New York
August 4, 1994

ACTIVE ASSETS MONEY TRUST

ACTIVE ASSETS TAX-FREE TRUST
TWO WORLD TRADE CENTER, NEW YORK, NEW YORK 10048 - (212) 392-5000

Active Assets Tax-Free Trust (the "Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company. The Trust is authorized to reimburse Dean Witter Distributors Inc. for specific expenses incurred in promoting the distribution of the Trust's shares pursuant to a Plan of Distribution pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Act"). Reimbursement may in no event exceed an amount equal to payments at the annual rate of 0.15% of the average daily net assets of the Trust.

The investment objective of the Tax-Free Trust is to provide as high a level of daily income exempt from federal personal income tax as is consistent with stability of principal and liquidity. The Trust seeks to achieve its objective by investing primarily in high quality, tax-exempt securities with short-term maturities including Municipal Bonds, Municipal Notes and Municipal Commercial Paper.

AN INVESTMENT IN THE TRUST IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. THERE IS NO ASSURANCE THAT THE TRUST WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE OF $1.00 PER SHARE.

SHARES OF THE TRUST ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, AND THE SHARES ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY.

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THIS PROSPECTUS SETS FORTH CONCISELY THE INFORMATION YOU SHOULD KNOW BEFORE INVESTING IN THE TRUST. IT SHOULD BE READ AND RETAINED FOR FUTURE REFERENCE. ADDITIONAL INFORMATION ABOUT THE TRUST IS CONTAINED IN THE STATEMENT OF ADDITIONAL INFORMATION, DATED AUGUST 22, 1994, WHICH HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND WHICH IS AVAILABLE AT NO CHARGE UPON REQUEST OF THE TRUST AT THE ADDRESS LISTED ABOVE OR BY CALLING DEAN WITTER INTERCAPITAL INC. (THE "INVESTMENT MANAGER" OR "INTERCAPITAL") AT (212) 392-2550. THE STATEMENT OF ADDITIONAL INFORMATION IS INCORPORATED HEREIN BY REFERENCE.

THE INFORMATION IN THIS PROSPECTUS SHOULD BE READ IN CONJUNCTION WITH THE INFORMATION APPEARING ELSEWHERE IN THIS DOCUMENT, INCLUDING THE APPENDIX HERETO, WHICH IS PART OF THIS PROSPECTUS, AND IN THE DEAN WITTER CLIENT AGREEMENT.

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

THE DATE OF THIS PROSPECTUS AUGUST 22, 1994.

ACTIVE ASSETS TAX-FREE TRUST

HIGHLIGHTS

<TABLE>

<S>	<C>
THE TRUST	A no-load, open-end diversified management investment company investing principally in short-term securities exempt from federal income tax. The Trust is authorized to reimburse Dean Witter Distributors Inc. for specific expenses incurred in promoting the distribution of the Trust's shares pursuant to a Plan of Distribution pursuant to Rule 12b-1 under the Act (See page A-6). The Trust is organized as an unincorporated business trust under the laws of Massachusetts. (See page A-5).
SHARES OFFERED	The shares of the Tax-Free Trust are offered to participants in the Active Assets program of Dean Witter and to non-participants who wish to invest directly in shares of the Trust. (See page A-2). The primary components of the Active Assets program are the Securities Account, which is linked to the Active Assets Insured Account, the Active Assets Money Trust, the Tax-Free Trust, the Active Assets California Tax-Free Trust or the Active Assets Government Securities Trust and to the Visa Account. See the Dean Witter Client Agreement for further information.
PURCHASE OF SHARES	Pursuant to the Dean Witter Client Agreement between Dean Witter and the customer, free credit cash balances will be automatically invested daily in shares of the Trust at their current net asset value without any sales charge. Dean Witter Distributors Inc. is the Distributor of shares of the Trust. Investments in shares are made under the circumstances described under "Purchase and Redemption of Shares" (see page A-1). Non-participants in the Active Assets program should refer to the discussion appearing at page A-2.
INVESTMENT OBJECTIVE	High level of daily tax-exempt income consistent with stability of principal and liquidity (see page 4). There can be no assurance that the Trust's investment objective will be achieved.
INVESTMENT POLICY	A diversified portfolio of tax-exempt, fixed-income securities with short-term maturities (see page 4).
INVESTMENT MANAGER	Dean Witter InterCapital Inc., the Investment Manager of the Trust, and its wholly-owned subsidiary, Dean Witter Services Company, Inc., serve in various investment management, advisory, management and administrative capacities to eighty-six investment companies with assets under management of approximately $69.4 billion at June 30, 1994 (see page A-5).
MANAGEMENT FEE	Monthly fee at an annual rate of 1/2 of 1% of average daily net assets, scaled down on assets over $500 million (see page A-5).
DIVIDENDS	Automatically reinvested daily in additional shares at net asset value (see page A-6).
REPORTS	Individual monthly account statements from Dean Witter on the Dean Witter Transaction Statement; annual and semi-annual Trust financial statements.
REDEMPTION OF SHARES	For participants in the Active Assets program, shares of the Trust will be redeemed at net asset value automatically to satisfy debit balances in the Securities Account created by activity therein or to satisfy amounts owing in the Visa Account resulting from Visa card purchases, cash advances or checks written against the Visa Account. Non-participants in the Active Assets program should refer to the discussion appearing at page A-4. It is anticipated that the net asset value will remain constant at $1.00 per share. Dean Witter has the right to terminate a shareholder's Active Assets service, in which event all Trust shares held in a shareholder's account will be involuntarily redeemed. The Trust also reserves the right to reduce the number of shares in all accounts if the Trustees determine that this is necessary to maintain the constant $1.00 per share net asset value. See "Purchase and Redemption of Shares" (page A-1).
RISKS	The Trust invests principally in high quality, short-term fixed-income securities issued or guaranteed by state and local governments which are subject to minimal risk of loss of income and principal. However, the investor is directed to the discussions of "lease obligations" (page 5) and "When-Issued and Delayed Delivery Securities" (page 6) concerning the risks associated with such portfolio securities and management techniques.

THE SUMMARY INFORMATION ABOVE SHOULD BE READ IN CONJUNCTION WITH THE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS, INCLUDING THE APPENDIX HERETO, IN THE DEAN WITTER CLIENT AGREEMENT AND IN THE TRUST'S STATEMENT OF ADDITIONAL INFORMATION, INCLUDING THE APPENDIX THERETO.
</TABLE>

SUMMARY OF TRUST EXPENSES

The following table illustrates all expenses and fees that a shareholder of the Trust will incur. The expenses and fees set forth in the table are for the fiscal year ended June 30, 1994.

SHAREHOLDER TRANSACTION EXPENSES	
Maximum Sales Charge Imposed on Purchases	None
Maximum Sales Charge Imposed on Reinvested Dividends	None
Deferred Sales Charge	None
Redemption Fees	None
Exchange Fee	None
ANNUAL TRUST OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)	
Management Fees	0.42%
12b-1 Fees	0.10%
Other Expenses	0.04%
Total Trust Operating Expenses	0.56%

EXAMPLE	1 YEAR	3 YEARS	5 YEARS	10 YEARS
You would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:	$ 6	$18	$31	$70

Dean Witter charges an annual Active Assets program participation fee of $80 ($100 for corporate participants). Shareholders of the Trust who are not program participants will not be charged an Active Assets program fee.

The above example should not be considered a representation of past or future expenses or performance. Actual expenses of the Trust may be greater or less than those shown.

The purpose of this table is to assist the investor in understanding the various costs and expenses that an investor in the Trust will bear directly or indirectly. For a more complete description of these costs and expenses, see pages A-5 and A-6 in the Appendix to this Prospectus.

FINANCIAL HIGHLIGHTS

The following ratios and per share data for a share of beneficial interest outstanding throughout each period have been audited by Price Waterhouse LLP, independent accountants. The financial highlights should be read in conjunction with the financial statements and notes thereto and the report of independent accountants which are contained in this Prospectus commencing on page 8.

	FOR THE YEAR ENDED JUNE 30,					
	1994	1993	1992	1991	1990	1989
PER SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00

Net investment income.................	0.020	0.021	0.033	0.047	0.054	0.056
Less dividends from net investment income..............................	(0.020)	(0.021)	(0.033)	(0.047)	(0.054)	(0.056)
Net asset value, end of period........	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
TOTAL INVESTMENT RETURN.................	2.01%	2.15%	3.38%	4.84%	5.57%	5.77%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (in thousands)...........................	$ 1,416,301	$ 1,355,019	$ 1,304,136	$ 1,341,515	$ 1,174,460	$ 1,111,861
Ratio of expenses to average net assets..............................	0.56%	0.57%	0.59%	0.60%	0.56%	0.58%
Ratio of net investment income to average net assets..................	1.98%	2.13%	3.30%	4.71%	5.44%	5.66%

<CAPTION>

	1988	1987	1986	1985
<S>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period..............................	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income.................	0.043	0.039	0.046	0.055
Less dividends from net investment income..............................	(0.043)	(0.039)	(0.046)	(0.055)
Net asset value, end of period........	$ 1.00	$ 1.00	$ 1.00	$ 1.00
TOTAL INVESTMENT RETURN.................	4.45%	4.00%	4.75%	5.67%
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (in thousands)...........................	$ 1,033,901	$ 1,045,440	$ 952,491	$ 640,018
Ratio of expenses to average net assets..............................	0.57%	0.58%	0.62%	0.67%
Ratio of net investment income to average net assets..................	4.35%	3.89%	4.62%	5.43%

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

INVESTMENT OBJECTIVE AND POLICIES

THE INVESTMENT OBJECTIVE OF THE TRUST IS TO PROVIDE AS HIGH A LEVEL OF DAILY INCOME EXEMPT FROM FEDERAL PERSONAL INCOME TAX AS IS CONSISTENT WITH STABILITY OF PRINCIPAL AND LIQUIDITY. It is a fundamental policy of the Trust that at least 80% of its total assets will be invested in securities the interest on which is exempt from federal personal income tax ("tax-exempt securities"). This policy and the Trust's investment objective may not be changed without a vote of a majority of the Trust's outstanding voting securities (as defined in the Act). There is no assurance that the objective will be achieved.

The Trust seeks to achieve its investment objective by investing primarily in high quality tax-exempt securities with short-term maturities. Such securities will include Municipal Bonds, Municipal Notes and Municipal Commercial Paper ("Municipal Obligations") with maturities of thirteen months or less, which are rated in one of the two highest rating categories for debt obligations by at least two nationally recognized statistical rating organizations ("NRSROs" -- primarily Moody's Investors Service ("Moody's") and Standard & Poor's Corporation ("S&P")), or one NRSRO if the obligation is rated by only one NRSRO. Unrated obligations may be purchased if they are determined to be of comparable quality by the Trust's Trustees.

Municipal Bonds and Municipal Notes are debt obligations of states, cities, municipalities and municipal agencies which generally have maturities, at the time of their issuance, of either one year or more (Bonds) or from six months to three years (Notes). Municipal Commercial Paper refers to short-term obligations of municipalities.

The Trust may purchase certain Municipal Obligations which have a final maturity of more than thirteen months but which are subject to short-term demand features or tenders prior to final maturity, either determined by the issuer or selected at the holder's option. The former are commonly referred to as "variable rate" obligations (see below) and the latter as municipal commercial paper. The Trust may purchase Municipal Bonds and Notes if they are within either the short-term or long-term rating levels set forth above for Municipal Obligations.

See the Appendix to the Statement of Additional Information for an explanation of Moody's and S&P ratings.

Any municipal obligation which depends on the credit of the Federal Government shall be considered to have a rating in the highest category.

Up to 20% of the Trust's total assets may be invested in securities the interest on which is not exempt from federal personal income tax ("taxable securities") and in tax-exempt securities subject to the federal alternative minimum tax for individual ("AMT") (tax-exempt securities which are subject to the AMT will not be included in the 80% total referred to above for investment in tax-exempt securities).

Up to 20% of the Trust's total assets may be invested in taxable securities of the type described below. The Trust may temporarily invest more than 20% in taxable securities and tax-exempt securities subject to AMT to maintain a "defensive" posture when, in the opinion of the Investment Manager, it is advisable to do so because of market conditions. The types of taxable securities in which the Trust may invest are limited to the following short-term, fixed-income securities (maturing in thirteen months or less from the time of purchase): (i) obligations of the United States Government or its agencies, instrumentalities or authorities; (ii) prime commercial paper rated P-1 by Moody's or A-1 by S&P; (iii) certificates of deposit and banker's acceptances of domestic banks with assets of $1 billion or more; and (iv) repurchase agreements with respect to any of the foregoing portfolio securities.

The foregoing percentage and rating limitations apply at the time of acquisition of a security based on the last previous determination of the Trust's net asset value. Any subsequent change in any rating by a rating service or change in percentages resulting from market fluctuations or amount of total or net assets may not require elimination of any security from the Trust's portfolio.

The ratings assigned by NRSROs represent their opinions as to the quality of the securities which they undertake to rate. It should be emphasized, however, that the ratings are general and not absolute standards of quality. However, in accordance with procedures adopted by the Trust's Trustees pursuant to federal securities regulations governing money market funds, the Investment Manager will perform a creditworthiness analysis of such downgraded securities, which analysis will be reported to the Trustees who will, in turn, determine whether the securities continue to present minimal credit risks to the Trust.

The two principal classifications of Municipal Obligations are "general obligation" and "revenue" bonds, notes or commercial paper. General obligation bonds, notes or commercial paper are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. Issuers of general obligation bonds, notes or commercial paper include a state, its counties, cities, towns and other governmental units. Revenue bonds, notes or commercial paper are payable from the revenues derived from a particular facility or class of facilities or, in some cases, from specific revenue sources. Revenue bonds, notes or commercial paper are issued for a wide variety of purposes, including the financing of electric, gas, water and sewer systems and other public utilities; industrial development and pollution control facilities; single and multi-family housing units; public buildings and facilities; air and marine ports, transportation facilities such as toll roads, bridges and tunnels; and health and educational facilities such as hospitals and dormitories. They rely primarily on user fees to pay debt service, although the principal revenue source is often supplemented by additional security features which are intended to enhance the creditworthiness of the issuer's obligations. In some cases, particularly revenue bonds issued to finance housing and public buildings, a direct or implied "moral obligation" of a governmental unit may be pledged to the payment of debt service. In other cases, a special tax or other charge may augment user fees.

Included within the revenue bonds category are participations in lease obligations or installment purchase contracts (hereinafter collectively called "lease obligations") of municipalities. State and local agencies or authorities issue lease obligations to acquire equipment and facilities.

Lease obligations may have risks not normally associated with general obligation or other revenue bonds. Leases, and installment purchase or conditional sale contracts (which may provide for title to the leased asset to pass eventually to the issuer), have developed as a means for governmental issuers to acquire property and equipment without the necessity of complying with the constitutional and statutory requirements generally applicable for the issuance of debt. Certain lease obligations contain "non-appropriation" clauses that provide that the governmental issuer has no obligation to make future payments under the lease or contract unless money is appropriated for such purpose by the appropriate legislative body on an annual or other periodic basis. Consequently, continued lease payments on those lease obligations containing "non-appropriation" clauses are dependent on future legislative actions. If such legislative actions do not occur, the holders of the lease obligation may experience difficulty in exercising their rights, including disposition of the property.

In addition, lease obligations represent a relatively new type of financing that has not yet developed the depth of marketability associated with more conventional municipal obligations, and, as a result, certain of such lease obligations may be considered illiquid securities. To determine whether or not the Trust will consider such securities to be

illiquid (the Trust may not invest more than ten percent of its net assets in illiquid securities), the Trustees of the Trust have established guidelines to be utilized by the Trust in determining the liquidity of a lease obligation. The factors to be considered in making the determination include: 1) the frequency of trades and quoted prices for the obligation; 2) the number of dealers willing to purchase or sell the security and the number of other potential purchasers; 3) the willingness of dealers to undertake to make a market in the security; and 4) the nature of the marketplace trades, including, the time needed to dispose of the security, the method of soliciting offers, and the mechanics of the transfer. All lease obligations purchased by the Trust are subject to the creditworthiness standards discussed above for Municipal Obligations.

The Trust does not generally intend to invest more than 25% of its total assets in securities of governmental units located in any one state, territory, or possession of the United States. The Trust may invest more than 25% of its total assets in industrial development and pollution control bonds (two kinds of tax-exempt Municipal Bonds) whether or not the users of facilities financed by such bonds are in the same industry. In cases where such users are in the same industry, there may be additional risk to the Trust in the event of an economic downturn in such industry, which may result generally in a lowered need for such facilities and a lowered ability of such users to pay for the use of such facilities.

The high quality, short-term fixed income securities in which the Trust principally invests are issued and/or guaranteed by state and local governments and their agencies and authorities and are subject to minimal risk of loss of income and principal.

PORTFOLIO MANAGEMENT

Although the Trust will generally acquire securities for investment with the intent of holding them to maturity and will not seek profits through short-term trading, the Trust may dispose of any security prior to its maturity to meet redemption requests. Securities may also be sold when the Trust's Investment Manager believes such disposition to be advisable on the basis of a revised evaluation of the issuer or based upon relevant market considerations. There may be occasions when, as a result of maturities of portfolio securities or sales of Trust shares, or in order to meet anticipated redemption requests, the Trust may hold cash which is not earning income.

The average weighted maturity of the portfolio will be 90 days or less. The relatively short-term nature of the Trust portfolio is expected to result in a lower yield than portfolios comprised of longer-term tax-exempt securities.

VARIABLE RATE AND FLOATING RATE OBLIGATIONS. The interest rates payable on certain Municipal Bonds and Municipal Notes are not fixed and may fluctuate based upon changes in market rates. Municipal obligations of this type are called "variable rate" or "floating rate" obligations. The interest rate payable on a variable rate obligation is adjusted at predesignated periodic intervals and on a floating rate obligation, whenever there is a change in the market rate of interest on which the interest rate payable is based.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. The Trust may purchase tax-exempt securities on a when-issued or delayed delivery basis; i.e., delivery and payment can take place a month or more after the date of the transaction. These securities are subject to market fluctuation and no interest accrues to the purchaser prior to settlement. At the time the Trust makes the commitment to purchase such securities, it will record the transaction and thereafter reflect the value, each day, of such security in determining its net asset value.

BROKERAGE ALLOCATION. Brokerage commissions are not normally charged on purchases and sales of short-term municipal obligations, but such transactions may involve transaction costs in the form of spreads between bid and asked prices. Pursuant to an order of the Securities and Exchange Commission, the Trust may effect principal transactions in

certain money market instruments with Dean Witter. In addition, the Trust may incur brokerage commissions on transactions conducted through Dean Witter.

INVESTMENT RESTRICTIONS

The investment restrictions listed below are among the restrictions that have been adopted by the Trust as fundamental policies. Under the Act, a fundamental policy may not be changed without the vote of a majority of the outstanding voting securities of the Trust, as defined in the Act. For purposes of the following limitations: (a) an "issuer" of a security is the entity whose assets and revenues are committed to the payment of interest and principal on that particular security, provided that the guarantee of a security will be considered a separate security; (b) a "taxable security" is any security the interest on which is subject to federal income tax; and (c) all percentage limitations apply immediately after a purchase or initial investment, and any subsequent change in any applicable percentage resulting from market fluctuations or amount of total or net assets does not require elimination of any security from the portfolio.

The Trust may not:

1. Invest more than 5% of the value of its total assets in the securities of any one issuer (other than obligations issued, or guaranteed by, the United States Government, its agencies or instrumentalities);

2. Purchase more than 10% of all outstanding taxable debt securities of any one issuer;

3. Invest more than 25% of the value of its total assets in taxable securities of issuers in any one industry (industrial development and pollution control bonds are grouped into industries based upon the business in which the issuers of such obligations are engaged). This restriction does not apply to obligations issued or guaranteed by the United States Government or its agencies or instrumentalities or to investments in bank obligations;

4. Invest more than 5% of the value of its total assets in taxable securities of issuers having a record, together with predecessors, of less than three years of continuous operation. This restriction shall not apply to any obligation of the United States Government, its agencies or instrumentalities; and

5. Borrow money, except from banks for temporary or emergency purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities. Borrowing in the aggregate may not exceed 20%, and borrowing for purposes other than meeting redemptions may not exceed 5%, of the value of the Trust's total assets (including the amount borrowed), less liabilities (not including the amount borrowed) at the time the borrowing is made.

ACTIVE ASSETS TAX-FREE TRUST
FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1994

<TABLE>
<S> <C>
ASSETS:
Investments in securities, at value

(amortized cost $1,460,506,099) (Note 1).....................................	$ 1,460,506,099
Cash..................................	4,146,235
Receivable for:	
Interest.............................	7,016,394
Investments sold.....................	5,648,195
Prepaid expenses and other assets.......	72,400
TOTAL ASSETS.....................	1,477,389,323
LIABILITIES:	
Payable for:	
Investments purchased................	60,302,875
Shares of beneficial interest repurchased.........................	1,574
Investment management fee (Note 2)....	501,970
Plan of distribution fee (Note 3).....	119,936
Accrued expenses (Note 4)..............	162,156
TOTAL LIABILITIES................	61,088,511
NET ASSETS:	
Paid-in-capital........................	1,416,370,037
Accumulated net realized loss on investments...........................	(69,581)
Accumulated undistributed net investment income................................	356
NET ASSETS.......................	$ 1,416,300,812
NET ASSET VALUE PER SHARE, 1,416,370,037 shares outstanding (unlimited shares authorized of $.01 par value)..........	$1.00

</TABLE>

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1994

- --

<TABLE>

<S>	<C>
INVESTMENT INCOME:	
INTEREST INCOME.......................	$ 37,415,944
EXPENSES	
Investment management fee (Note 2)....	6,138,744
Plan of distribution fee (Note 3).....	1,444,689
Transfer agent fees and expenses......	356,186
Registration fees....................	126,989
Custodian fees.......................	60,204
Professional fees....................	56,354
Shareholder reports and notices.......	36,736
Trustees' fees and expenses (Note 4).................................	32,099
Other................................	20,182
TOTAL EXPENSES...................	8,272,183
NET INVESTMENT INCOME.........	29,143,761
NET REALIZED LOSS ON INVESTMENTS (Note 1).............................	(12,019)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS....	$ 29,131,742

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

- --

<TABLE>
<CAPTION>

INCREASE (DECREASE) IN NET ASSETS:	FOR THE YEAR ENDED JUNE 30, 1994	FOR THE YEAR ENDED JUNE 30, 1993

Operations:		
Net investment income..............	$ 29,143,761	$ 29,439,169
Net realized gain (loss) on investments.......................	(12,019)	15,900
Net increase in net assets resulting from operations.........	29,131,742	29,455,069
Dividends to shareholders from net investment income...................	(29,144,673)	(29,438,000)
Net increase from transactions in shares of beneficial interest (Note 5).................................	61,295,026	50,865,160
Total increase.................	61,282,095	50,882,229
NET ASSETS:		
Beginning of period..................	1,355,018,717	1,304,136,488
END OF PERIOD (including undistributed net investment income of $356 and $1,268, respectively)...............	$ 1,416,300,812	$ 1,355,018,717

SEE NOTES TO FINANCIAL STATEMENTS

ACTIVE ASSETS TAX-FREE TRUST
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND ACCOUNTING POLICIES -- Active Assets Tax-Free Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified, open-end management investment company. The Trust was organized as a Massachusetts business trust on March 30, 1981 and commenced operations on July 7, 1981.

The following is a summary of significant accounting policies:

A. VALUATION OF INVESTMENTS -- Portfolio securities are valued at amortized cost, which approximates market value.

B. ACCOUNTING FOR INVESTMENTS -- Security transactions are accounted for on the trade date (date the order to buy or sell is executed). In computing net investment income, the Trust amortizes any premiums and original issue discounts and accrues interest income daily on securities owned. Realized gains and losses on security transactions are determined on the identified cost method.

C. FEDERAL INCOME TAX STATUS -- It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable and non-taxable income to its shareholders. Accordingly, no federal income tax provision is required.

D. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS -- Dividends and distributions to shareholders are recorded by the Trust as of the close of the Trust's business day.

2. INVESTMENT MANAGEMENT AGREEMENT -- Pursuant to an Investment Management Agreement with Dean Witter InterCapital Inc. (the "Investment Manager"), the Trust pays its Investment Manager a management fee, calculated daily and payable monthly, by applying the following annual rates to the net assets of the Trust determined as of the close of each business day: 0.50% of the portion of the daily net assets not exceeding $500 million; 0.425% of the portion of the daily net assets exceeding $500 million but not exceeding $750 million; 0.375% of the portion of the daily net assets exceeding $750 million but not exceeding $1 billion; 0.35% of the portion of the daily net assets exceeding $1 billion but not exceeding $1.5 billion; 0.325% of the portion of the daily net assets exceeding $1.5 billion but not exceeding $2 billion; 0.30% of the portion of the daily net assets exceeding $2 billion but not exceeding $2.5 billion; 0.275% of the portion of the daily net assets exceeding $2.5 billion but not exceeding $3 billion; and 0.25% of the portion of the daily net assets exceeding $3 billion.

Under the terms of the Agreement, in addition to managing the Trust's investments, the Investment Manager maintains certain of the Trust's books and records and furnishes office space and facilities, equipment, clerical, bookkeeping and certain legal services, and pays the salaries of all personnel, including officers of the Trust who are employees of the Investment Manager. The Investment Manager also bears the cost of telephone services, heat, light, power and other utilities provided to the Trust.

3. PLAN OF DISTRIBUTION -- Shares of beneficial interest of the Trust are distributed by Dean Witter Distributors Inc. (the "Distributor"), an affiliate of the Investment Manager. The Trust has entered into a Plan of Distribution (the "Plan"), pursuant to Rule 12b-1 under the Act, with the Distributor whereby the Distributor finances certain activities in connection with the distribution of shares of the Trust.

Under the Plan, the Distributor bears the expense of all promotional and distribution related activities on behalf of the Trust, except for expenses that the Trustees determine to reimburse, as described below. The following activities and services may be provided by the Distributor under the Plan: (1) compensation to sales representatives of the Distributor and other broker-dealers; (2) sales incentives and bonuses to sales

representatives and to marketing personnel in connection with promoting sales of shares; (3) expenses incurred in connection with promoting sales of shares; (4) preparing and distributing sales literature; and (5) providing advertising and promotional activities, including direct mail solicitation and television, radio, newspaper, magazine and other media advertisements.

The Trust is authorized to reimburse the Distributor for specific expenses the Distributor incurs or plans to incur in promoting the distribution of the Trust's shares. The amount of each monthly reimbursement payment may in no event exceed an amount equal to a payment at the average annual rate of 0.15% of the Trust's average daily net assets during the month. For the year ended June 30, 1994, the distribution fee established by the Trustees and accrued was at the average annual rate of 0.10%.

4. SECURITY TRANSACTIONS AND TRANSACTIONS WITH AFFILIATES -- The cost of purchases and the proceeds from sales/maturities of portfolio securities for the year ended June 30, 1994 aggregated $2,636,186,050 and $2,700,789,933, respectively.

On April 1, 1991, the Trust established an unfunded noncontributory defined benefit pension plan covering all independent Trustees of the Trust who will have served as an independent Trustee for at least five years at the time of retirement. Benefits under this plan are based on years of service and compensation during the last five years of service. Aggregate pension cost for the year ended June 30, 1994, included in Trustees' fees and expenses in the Statement of Operations, amounted to $10,198. At June 30, 1994, the Trust had an accrued pension liability of $43,097 which is included in accrued expenses in the Statement of Assets and Liabilities.

Dean Witter Trust Company, an affiliate of the Investment Manager and the Distributor, is the Trust's transfer agent. At June 30, 1994, the Trust had transfer agent fees and expenses payable of approximately $31,000.

5. SHARES OF BENEFICIAL INTEREST -- Transactions in shares of beneficial interest, at $1.00 per share, were as follows:

<TABLE>
<CAPTION>

<S>	FOR THE YEAR ENDED JUNE 30, 1994 <C>	FOR THE YEAR ENDED JUNE 30, 1993 <C>
Shares sold	5,847,211,623	5,085,457,781
Shares issued in reinvestment of dividends	29,144,673	29,438,000
	5,876,356,296	5,114,895,781
Shares repurchased	(5,815,061,270)	(5,064,030,621)
Net increase	61,295,026	50,865,160

</TABLE>

6. FEDERAL INCOME TAX STATUS -- At June 30, 1994, the Trust had capital loss

carryovers of approximately $47,000 available through June 30, 2000 which may be used to offset future capital gains to the extent provided by regulations. Capital losses incurred after October 31 within the taxable year are deemed to arise on the first day of the Fund's next taxable year. The Trust incurred and will elect to defer such net capital losses of approximately $12,000 during fiscal 1994.

7. SELECTED RATIOS AND PER SHARE DATA -- See the "Financial Highlights" table on page 3 of this Prospectus.

ACTIVE ASSETS TAX-FREE TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)		CURRENT YIELD	VALUE
<C>	<S>	<C>	<C>
	SHORT-TERM VARIABLE RATE MUNICIPAL OBLIGATIONS* (77.0%)		
	ARIZONA		
$ 3,900	Phoenix, Ser 1994-1, 3.30% due 7/1/94...	3.30%	$ 3,900,000
	ARKANSAS		
20,000	Crossett, Georgia Pacific Corp Ser 1984, 2.25% due 7/7/94......................	2.25	20,000,000
17,000	Little River County, Georgia Pacific Corp Ser 1991 (AMT), 2.925% due 7/7/94................................	2.925	17,000,000
	CALIFORNIA		
10,000	Long Beach, Memorial Health Services Ser 1991, 2.20% due 7/6/94................	2.20	10,000,000
	COLORADO		
30,000	Arapahoe County, Highway E-470 Ser 1986 F, 2.90% due 8/31/94..................	2.90	30,000,000
	CONNECTICUT		
10,000	Connecticut, Economic Recovery Ser B, 2.40% due 7/6/94......................	2.40	10,000,000
	DISTRICT OF COLUMBIA		
13,800	General Fund Recovery Ser 1991 B-2 & B-3, 3.60% due 7/1/94.................	3.60	13,800,000
8,025	Georgetown University Ser 1988 B, 2.55% due 7/6/94............................	2.55	8,025,000
	FLORIDA		
7,850	Atlantic Beach, Fleet Landing Ser 1989, 2.25% due 7/7/94......................	2.25	7,850,000
23,500	Dade County Industrial Development Authority, Dolphins Stadium Ser 1985 B & C, 2.80% due 7/5/94.................	2.80	23,500,000
15,000	Dade County, Water & Sewer System Ser 1994 (FGIC Insured), 2.20% due 7/6/94................................	2.20	15,000,000
5,205	Gulf Breeze, Local Government Ser 1985 B (FGIC Insured), 2.25% due 7/7/94.......	2.25	5,205,000
10,000	Martin County Industrial Development Authority, Indiantown Cogeneration Ser 1992 B (AMT), 2.30% due 7/6/94.........	2.30	10,000,000
16,600	Sarasota County Health Facilities Authority, Venice Hospital, 3.60% due 7/1/94................................	3.60	16,600,000
21,460	Volusia County Health Facilities Authority, Pooled Ser 1985 (FGIC Insured), 2.50% due 7/6/94............	2.50	21,460,000
	GEORGIA		
10,000	Albany-Dougherty County Hospital Authority, Phoebe-Putney Memorial Hospital Ser 1991 (AMBAC Insured), 2.45% due 7/6/94......................	2.45	10,000,000

9,800	Burke County Development Authority, Ogelthorpe Power Corp Vogtle Proj Ser 1993 A, 2.20% due 7/6/94..............	2.20	9,800,000
17,441	Georgia Municipal Association, Pool Ser 1990 COPs (MBIA Insured), 2.25% due 7/7/94................................	2.25	17,441,046
	HAWAII		
	Hawaii Department of Budget & Finance,		
9,000	Kaiser Permanente Semiannual Tender Ser 1984 B, 2.58% due 9/1/94..............	2.58	9,000,000
23,500	Queens Medical Center Ser 1985 B (FGIC Insured), 2.60% due 7/6/94............	2.60	23,500,000
	IDAHO		
20,000	Idaho Health Facilities Authority, Pooled Ser 1985, 2.50% due 7/5/94......	2.50	20,000,000

</TABLE>

ACTIVE ASSETS TAX-FREE TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994 (CONTINUED)

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)		CURRENT YIELD	VALUE
<C>	<S>	<C>	<C>
	ILLINOIS		
$25,000	Chicago, Tender Notes Ser 1994 A, 2.45% due 10/25/94..........................	2.45%	$ 25,000,000
8,100	Chicago, O'Hare International Airport American Airlines Ser 1983 D, 3.60% due 7/1/94................................	3.60	8,100,000
1,850	Illinois Development Finance Authority, Wilton Corp Ser C (AMT), 2.60% due 7/6/94................................	2.60	1,850,000
	Illinois Health Facilities Authority,		
5,150	The Carle Foundation Ser 1992 (FGIC Insured), 2.40% due 7/6/94............	2.40	5,150,000
23,000	Elmhurst Memorial Hospital Ser 1993 B, 3.50% due 7/1/94......................	3.50	23,000,000
15,870	Franciscan Sisters Health Care Corp Ser 1992, 3.50% due 7/1/94................	3.50	15,870,000
11,500	Healthcorp Affiliates Central Dupage Hospital Assn, 3.50% due 7/1/94........	3.50	11,500,000
22,500	Lutheran General Health Care System Ser 1985 B, 2.75% due 7/1/94..............	2.75	22,500,000
10,000	Parkside Development Corp Ser 1991, 2.45% due 7/6/94......................	2.45	10,000,000
4,800	Resurrection Health Care System Ser 1993, 3.00% due 7/1/94................	3.00	4,800,000
10,000	Revolving Fund Ser 1985 B, 2.40% due 7/6/94................................	2.40	10,000,000
	INDIANA		
12,500	Indiana Hospital Equipment Financing Authority, Ser 1985 (MBIA Insured), 2.90% due 7/6/94......................	2.90	12,500,000
6,760	Indianapolis, Resource Recovery Ogden Martin System Inc Ser 1987 (AMT), 3.00% due 7/1/94............................	3.00	6,760,000
	KENTUCKY		
7,000	Jamestown, Union Underwear Co, 2.60% due 7/6/94................................	2.60	7,000,000
20,000	Kentucky Pollution Abatement & Water Resources Authority, Toyota Motor Manufacturers USA Inc Ser 1986 (AMT), 3.50% due 7/1/94......................	3.50	20,000,000
	LOUISIANA		
	Louisana Offshore Terminal Authority,		
8,800	LOOP Inc Ser 1986, 3.50% due 7/1/94.....	3.50	8,800,000
8,100	LOOP Inc Ser 1992 A, 2.85% due 7/1/94...	2.85	8,100,000

24,100	New Orleans Aviation Board, Ser 1993 B (MBIA Insured), 2.50% due 7/6/94.......	2.50	24,100,000
	MAINE		
9,500	Biddeford, Maine Energy Recovery Co Ser 1985, 2.85% due 7/1/94................	2.85	9,500,000
	MARYLAND		
10,000	Baltimore Industrial Development Authority, Cap Acq Ser 1986, 2.65% due 7/6/94................................	2.65	10,000,000
7,850	Maryland Energy Financing Administration, Baltimore First Ltd Partnership Ser 1991 (AMT), 3.55% due 7/1/94................................	3.55	7,850,000
23,000	Montgomery County, Cons Ser 1992 B BANs, 2.45% due 7/6/94......................	2.45	23,000,000
5,000	Montgomery County Housing Opportunities Commission, 1993 Ser B, 2.85% due 11/1/94...............................	2.85	5,000,000
	MASSACHUSETTS		
10,000	Massachusetts Bay Transportation Authority, 1984 Ser A, 2.75% due 9/1/94................................	2.75	10,000,000
5,800	Massachusetts, Dedicated Income Tax Ser 1990 E, 3.10% due 7/1/94..............	3.10	5,800,000
	Massachusetts Health & Educational Facilities Authority,		
6,700	Capital Asset Prog Ser B (MBIA Insured), 3.00% due 7/1/94......................	3.00	6,700,000
14,000	Harvard University Ser 1985 I, 2.10% due 7/7/94................................	2.10	14,000,000

</TABLE>

ACTIVE ASSETS TAX-FREE TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994 (CONTINUED)

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)		CURRENT YIELD	VALUE
<C>	<S>	<C>	<C>
	MICHIGAN		
$ 3,200	Michigan State Hospital Finance Authority, Equipment Loan Ser 1989, 2.25% due 7/6/94......................	2.25%	$ 3,200,000
6,000	University of Michigan, Hospital Ser 1992 A, 2.85% due 7/1/94..............	2.85	6,000,000
	MINNESOTA		
3,900	Beltrami County, Environmental Northwood Panelboard Co Ser 1991, 3.55% due 7/1/94................................	3.55	3,900,000
1,755	Minneapolis Community Development Agency, Riverside Pinnacle Apts, 2.50% due 7/7/94............................	2.50	1,755,000
10,000	University of Minnesota, Ser 1985 F, 2.40% due 8/1/94......................	2.40	10,000,000
	MISSISSIPPI		
2,800	Mississippi Hospital Equipment & Facilities Authority, Mississippi Baptist Medical Center Ser 1990 B, 3.00% due 7/6/94......................	3.00	2,800,000
	MISSOURI		
14,000	Missouri Environmental Improvement & Energy Resources Authority, Noranda Aluminum Inc Ser 1982, 3.00% due 7/6/94................................	3.00	14,000,000
	Missouri Health & Educational Facilities Authority,		
13,500	Missouri Baptist Medical Center Ser 1990		

	B, 2.45% due 8/1/94	2.45	13,500,000
10,000	Sisters of Mercy Health System St Louis Inc Ser 1989 A, 2.30% due 7/7/94	2.30	10,000,000
5,300	Sisters of Mercy Health System St Louis Inc Ser 1992 B, 2.30% due 7/7/94	2.30	5,300,000
9,800	St Anthony's Medical Center Ser 1989 A, 2.65% due 7/5/94	2.65	9,800,000
	NEBRASKA		
	Nebraska Higher Education Loan Program Inc,		
17,785	1985 Ser E (MBIA Insured), 2.25% due 7/6/94	2.25	17,785,000
8,600	1986 Ser C (AMT), 2.40% due 7/6/94	2.40	8,600,000
	NEVADA		
12,000	Clark County, Airport Sys Refg Ser 1993 A (MBIA Insured), 2.20% due 7/6/94	2.20	12,000,000
	NEW HAMPSHIRE		
2,500	New Hampshire Higher Educational & Health Facilities Authority, Dartmouth Education Loan Corp Ser 1993 (AMT), 3.75% due 6/1/95	3.75	2,500,000
	NEW JERSEY		
10,000	New Jersey Economic Development Authority, Center For Aging Inc--Applewood Estates Ser 1989, 2.20% due 7/7/94	2.20	10,000,000
	NEW YORK		
	New York City,		
10,000	Fiscal 1994 Subser A-5 & A-8, 3.60% due 7/1/94	3.60	10,000,000
2,000	New York Local Government Assistance Corporation, Ser 1994 B, 2.00% due 7/6/94	2.00	2,000,000
10,000	New York State Mortgage Agency, Homeowner Ser 37-B, 3.10% due 9/29/94	3.10	10,000,000
7,000	New York State Power Authority, Tender Notes, 2.75% due 9/1/94	2.75	7,000,000
2,800	Port Authority of New York & New Jersey, Ser 2, 3.50% due 7/1/94	3.50	2,800,000

</TABLE>

ACTIVE ASSETS TAX-FREE TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994 (CONTINUED)

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)		CURRENT YIELD	VALUE
<C>	<S>	<C>	<C>
	NORTH CAROLINA		
	North Carolina Medical Care Commission,		
$14,200	Duke University Hospital Ser 1985 B, 2.20% due 7/7/94	2.20%	$ 14,200,000
10,785	Duke University Hospital Ser 1985 C, 2.20% due 7/7/94	2.20	10,785,000
15,400	Pooled Ser 1985 (MBIA Insured), 2.55% due 7/5/94	2.55	15,400,000
5,000	Pooled Ser 1991 A, 3.60% due 7/1/94	3.60	5,000,000
21,700	Person County Industrial Facilities & Pollution Control Financing Authority, Carolina Power & Light Co Ser 1992 A, 2.65% due 7/6/94	2.65	21,700,000
	OKLAHOMA		
4,000	Oklahoma Housing Finance Agency, Homeownership Loan 1994 Ser A (AMT), 3.875% due 5/1/95	3.875	4,000,000
13,970	Oklahoma Water Resources Board, State		

	Loan Prog Ser 1994 A, 2.85% due 9/1/94................................	2.85	13,970,000
	OREGON		
10,000	Oregon, Veterans' Welfare Ser 73 H, 2.40% due 7/6/94......................	2.40	10,000,000
	PENNSYLVANIA		
10,000	Allegheny County Hospital Development Authority, Health Education & Research Corp Ser 1988 B, 2.40% due 7/6/94......	2.40	10,000,000
	Emmaus General Authority,		
15,000	Local Govt Ser 1989 B Subser B-5, 2.35% due 7/6/94............................	2.35	15,000,000
6,200	Local Govt Ser 1989 D, 2.25% due 7/6/94................................	2.25	6,200,000
10,500	Pennsylvania Energy Development Authority, Clarion Co Piney Creek Ser A (AMT), 2.30% due 7/6/94...............	2.30	10,500,000
5,200	University of Pittsburgh, Univ Cap 1989 Ser A, 2.525% due 7/7/94..............	2.525	5,200,000
8,400	Washington County Authority, Pooled Ser 1985 A-1 Subser B, 2.95% due 7/6/94....	2.95	8,400,000
	RHODE ISLAND		
	Rhode Island Housing & Mortgage Finance Corporation,		
3,900	Homeownership Ser 9 B, 2.40% due 7/6/94................................	2.40	3,900,000
7,500	Homeownership Ser 13, 2.25% due 7/6/94................................	2.25	7,500,000
	SOUTH CAROLINA		
12,000	York County, North Carolina Electric Membership Corp Pooled Ser 1984 N-3 & 4 (NRU-CFC Gtd), 3.05% due 9/15/94.......	3.05	12,000,000
	TEXAS		
3,800	Angelina & Neches River Authority, TEEC Inc Ser 1984 D, 3.55% due 7/1/94.......	3.55	3,800,000
9,700	Gulf Coast Industrial Development Authority, Amoco Oil Co Ser 1993 (AMT), 3.10% due 7/1/94......................	3.10	9,700,000
	Gulf Coast Waste Disposal Authority,		
3,000	Amoco Oil Co Ser 1991 (AMT), 2.95% due 10/1/94...............................	2.95	3,000,000
3,700	Amoco Oil Co Ser 1992, 2.75% due 7/1/94................................	2.75	3,700,000
15,100	Harris County, Toll Road Unlimited Tax Sub Lien Ser 1985 E, 2.25% due 7/7/94................................	2.25	15,100,000
8,000	Harris County Health Facilities Development Corporation, St Lukes Episcopal Hospital 1992 A, 3.30% due 7/1/94................................	3.30	8,000,000

</TABLE>

ACTIVE ASSETS TAX-FREE TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994 (CONTINUED)

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)		CURRENT YIELD	VALUE
<C>	<S>	<C>	<C>
$13,000	Hockley County Industrial Development Corporation, Amoco Oil Co Ser 1985, 3.15% due 11/1/94.....................	3.15%	$ 13,000,000
6,400	Houston Health Facilities Development Corporation, Methodist Hospital Ser 1984, 3.30% due 7/1/94................	3.30	6,400,000
	UTAH		
15,500	Intermountain Power Agency, 1985 Ser E &		

	F, 3.00% due 9/15/94..................	3.00	15,500,000
15,000	Utah Housing Finance Agency, Single Family Mortgage 1994 Ser 2 (AMT), 2.75% due 7/6/94............................	2.75	15,000,000
	VIRGINIA		
	Richmond Redevelopment & Housing Authority,		
7,000	Tobacco Row 1989 Ser B-4 (AMT), 2.75% due 7/6/94............................	2.75	7,000,000
8,710	Tobacco Row 1989 Ser B-7 (AMT), 2.75% due 7/6/94............................	2.75	8,710,000
	WASHINGTON		
7,000	Washington State Housing Finance Commission, Single Family Mortgage Ser 1994 D (AMT), 3.90% due 6/1/95.........	3.90	7,000,000
4,500	Washington Student Loan Finance Association, Ser 1988 A (AMT), 2.75% due 7/7/94............................	2.75	4,500,000
	WEST VIRGINIA		
4,700	Marion County, Grant Town Cogeneration Ser 1990 D (AMT), 2.35% due 7/6/94.....	2.35	4,700,000
	WISCONSIN		
10,000	Wisconsin Health Facilities Authority, Franciscan Health Care Inc Ser 1985 A-1, 2.90% due 7/6/94.................	2.90	10,000,000

	TOTAL SHORT-TERM VARIABLE RATE MUNICIPAL OBLIGATIONS (AMORTIZED COST $1,090,766,046).......		1,090,766,046

<CAPTION>

		YIELD TO MATURITY ON DATE OF PURCHASE	

<C>	<S>	<C>	<C>
	TAX-EXEMPT COMMERCIAL PAPER (13.6%)		
	CALIFORNIA		
4,000	Long Beach Harbor Department, Ser A (AMT), 3.00% due 8/15/94..............	3.00%	4,000,000
	FLORIDA		
14,000	Jacksonville, Ser A, 2.90% due 8/11/94...............................	2.90	14,000,000
6,500	Jacksonville Electric Authority, 3.30% due 10/27/94..........................	3.30	6,500,000
8,000	Lee County Hospital Board of Directors, Lee Memorial Hospital Ser 1992 B, 2.65% due 8/19/94...........................	2.65	8,000,000
	GEORGIA		
4,000	Burke County Development Authority, Oglethorpe Power Corp Ser 1992 A, 3.30% due 9/12/94...........................	3.30	4,000,000
9,900	Georgia Municipal Gas Authority, Ser B, 2.65% due 7/14/94......................	2.65	9,900,000
	LOUISIANA		
10,000	Louisana Offshore Terminal Authority, LOOP Inc Ser 1991 A, 3.30% due 9/13/94...............................	3.30	10,000,000

</TABLE>

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<TABLE>
<CAPTION>

	YIELD TO MATURITY ON DATE
PRINCIPAL AMOUNT	

PRINCIPAL AMOUNT (IN THOUSANDS)		RATE OF PURCHASE	VALUE
$25,000	St James Parish, Texaco Inc Ser 1988 B, 2.80% due 8/16/94.....................	2.80%	$ 25,000,000
	NEW HAMPSHIRE		
10,000	New Hampshire Business Finance Authority, New England Power Co 1990 Ser A (AMT), 3.45% due 10/13/94........	3.45	10,000,000
	OHIO		
8,000	Ohio Water Development Authority, Duquesne Light Co Ser 1988 (AMT), 3.45% due 10/25/94..........................	3.45	8,000,000
	PENNSYLVANIA		
	Pennsylvania Economic Development Financing Authority,		
6,500	Inter-Power/AhlCon Partners 1992 Ser A (AMT), 2.85% due 7/19/94..............	2.85	6,500,000
8,900	Inter-Power/AhlCon Partners 1992 Ser A (AMT), 2.85% due 7/21/94..............	2.85	8,900,000
8,000	Venango Industrial Development Authority, Scrubgrass Ser 1990 B (AMT), 2.65% due 8/23/94.....................	2.65	8,000,000
	TEXAS		
10,000	Brazos River Authority, Texas Utilities Electric Co Ser 1994 B (AMT), 3.35% due 9/15/94..............................	3.35	10,000,000
11,300	Braxos River Harbor Navigation District, Dow Chemical Co Ser 1992 (AMT), 2.80% due 8/24/94...........................	2.80	11,300,000
6,700	Harris County Health Facilities Development Corporation, Sisters of Charity of the Incarnate Word, 2.55% due 8/17/94...........................	2.55	6,700,000
	Lower Colorado River Authority,		
5,000	Ser B, 2.95% due 8/29/94...............	2.95	5,000,000
9,500	Ser C, 3.25% due 9/14/94...............	3.25	9,500,000
10,000	Texas A & M University, Ser B, 2.95% due 8/26/94..............................	2.95	10,000,000
	UTAH		
7,000	Tooele County, Union Pacific Corp Ser A (AMT), 2.95% due 10/19/94.............	2.95	7,000,000
	VIRGINIA		
6,380	Norfolk Industrial Development Authority, Sentara Hospitals Ser 1990 A, 3.30% due 10/21/94.................	3.30	6,380,000
	WYOMING		
4,400	Sublette County, Exxon Corp Ser 1987 B (AMT), 3.35% due 10/11/94.............	3.35	4,400,000
	TOTAL TAX-EXEMPT COMMERCIAL PAPER (AMORTIZED COST $193,080,000).........		193,080,000
	SHORT-TERM MUNICIPAL NOTES (12.5%)		
	CALIFORNIA		
23,000	Alameda County, 1993-1994 TRANs, dtd 7/8/93 3.25% due 7/29/94..............	2.75	23,008,576
	California School Cash Reserve Program Authority,		
35,000	1993 Pool Ser A, dtd 7/2/93 3.40% due 7/5/94................................	2.90	35,001,860
20,000	1994 Pool Ser A, dtd 7/5/94 4.50% due 7/5/95 (a)............................	3.75	20,144,400
25,000	California Statewide Communities Development Authority, 1994 Ser A TRANs, dtd 7/6/94 4.50% due 7/17/95 (a)..................................	2.80	25,211,000
13,000	Los Angeles County Local Educational Agencies, Pooled 1994-95 Ser A TRANs, dtd 7/7/94 4.50% due 7/6/95(a).............................	3.75	13,093,600

</TABLE>

ACTIVE ASSETS TAX-FREE TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994 (CONTINUED)

PRINCIPAL AMOUNT (IN THOUSANDS)		YIELD TO MATURITY ON DATE OF PURCHASE	VALUE
	CONNECTICUT		
$10,000	Connecticut, Special Assessment Unemployment Compensation 1993 Ser C (FGIC Insured), dtd 9/23/93 3.00% due 7/1/94	2.80%	$ 10,000,000
	INDIANA		
25,000	Indiana Bond Bank, Advance Funding Notes, Ser 1994 A-2, dtd 1/13/94 3.03% due 1/17/95	2.75	25,037,225
	IOWA		
25,000	Iowa School Corporations, Warrant Certificates Ser A 1994 (Capital Guaranty Insured), dtd 6/29/94 4.25% due 7/17/95	3.60	25,163,392
	TOTAL SHORT-TERM MUNICIPAL NOTES (AMORTIZED COST $176,660,053)		176,660,053

	TOTAL INVESTMENTS (AMORTIZED COST $1,460,506,099) (B)	103.1%	1,460,506,099
	LIABILITIES IN EXCESS OF CASH AND OTHER ASSETS	(3.1)	(44,205,287)
	NET ASSETS	100.0%	$ 1,416,300,812

AMT - ALTERNATIVE MINIMUM TAX.
BANS - BOND ANTICIPATION NOTES.
COPS - CERTIFICATE OF PARTICIPATION.
TRANS - TAX AND REVENUE ANTICIPATION NOTES.
* DUE DATE REFLECTS NEXT RATE CHANGE.
(A) WHEN ISSUED SECURITY.
(B) COST IS THE SAME FOR FEDERAL INCOME TAX PURPOSES.

SEE NOTES TO FINANCIAL STATEMENTS

1994 FEDERAL TAX NOTICE (UNAUDITED)

During the year ended June 30, 1994, the Trust paid to shareholders $0.019898 per share from net investment income. All of the Trust's dividends were exempt interest dividends, excludable from gross income for Federal income tax purposes.

ACTIVE ASSETS TAX-FREE TRUST
REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Trustees of Active Assets Tax-Free Trust

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights (which appear under the heading "Financial Highlights" on page 3 of this Prospectus) present fairly, in all material respects, the financial position of Active Assets Tax-Free Trust (the "Trust") at June 30, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the ten years in the period then ended, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities owned at June 30, 1994 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
1177 Avenue of the Americas
New York, New York
August 4, 1994

ACTIVE ASSETS TAX-FREE TRUST

ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST

TWO WORLD TRADE CENTER, NEW YORK, NEW YORK 10048 - (212) 392-5000

Active Assets California Tax-Free Trust (the "California Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company. The Trust is authorized to reimburse Dean Witter Distributors Inc. for specific expenses incurred in promoting the distribution of the Trust's shares pursuant to a Plan of Distribution pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Act"). Reimbursement may in no event exceed an amount equal to payments at the annual rate of 0.15% of the average daily net assets of the Trust.

The investment objective of the Trust is to provide as high a level of daily income exempt from federal and California personal income tax as is consistent with stability of principal and liquidity. The Trust seeks to achieve its objective by investing primarily in high quality, California tax-exempt securities with short-term maturities including Municipal Bonds, Municipal Notes and Municipal Commercial Paper.

AN INVESTMENT IN THE TRUST IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. THERE IS NO ASSURANCE THAT THE TRUST WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE OF $1.00 PER SHARE.

SHARES OF THE TRUST ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, AND THE SHARES ARE NOT FEDERALLY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY.

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<TABLE>
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</TABLE>

THIS PROSPECTUS SETS FORTH CONCISELY THE INFORMATION YOU SHOULD KNOW BEFORE INVESTING IN THE TRUST. IT SHOULD BE READ AND RETAINED FOR FUTURE REFERENCE.

ADDITIONAL INFORMATION ABOUT THE TRUST IS CONTAINED IN THE STATEMENT OF ADDITIONAL INFORMATION, DATED AUGUST 22, 1994, WHICH HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND WHICH IS AVAILABLE AT NO CHARGE UPON REQUEST OF THE TRUST AT THE ADDRESS LISTED ABOVE OR BY CALLING THE DEAN WITTER INTERCAPITAL INC. (THE "INVESTMENT MANAGER" OR "INTERCAPITAL") AT (212) 392-2550. THE STATEMENT OF ADDITIONAL INFORMATION IS INCORPORATED HEREIN BY REFERENCE.

THE INFORMATION IN THIS PROSPECTUS SHOULD BE READ IN CONJUNCTION WITH THE INFORMATION APPEARING ELSEWHERE IN THIS DOCUMENT, INCLUDING THE APPENDIX HERETO, WHICH IS PART OF THIS PROSPECTUS, AND IN THE DEAN WITTER CLIENT AGREEMENT.

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

THE DATE OF THIS PROSPECTUS IS AUGUST 22, 1994.

ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST

HIGHLIGHTS

<TABLE>

<S>	<C>
THE TRUST	A no-load, open-end diversified management investment company investing principally in short-term securities exempt from federal and California personal income tax. The Trust is authorized to reimburse Dean Witter Distributors Inc. for specific expenses incurred in promoting the distribution of the Trust's shares pursuant to a Plan of Distribution pursuant to Rule 12b-1 under the Act (See page A-6). The Trust is organized as an unincorporated business trust under the laws of Massachusetts. (See page A-5).
SHARES OFFERED	The shares of the Trust are offered to participants in the Active Assets program of Dean Witter and to non-participants who wish to invest directly in shares of the Trust. (See page A-2). The primary components of the Active Assets program are the Securities Account, which is linked to the Active Assets Insured Account, the Active Assets Money Trust, the Active Assets Tax-Free Trust, the California Tax-Free Trust or the Active Assets Government Securities Trust and to the Visa Account. See the Dean Witter Client Agreement for further information.
PURCHASE OF SHARES	Pursuant to the Dean Witter Client Agreement between Dean Witter and the customer, free credit cash balances will be automatically invested daily in shares of the Trust at their current net asset value without any sales charge. Dean Witter Distributors Inc. is the Distributor of shares of the Trust. Investments in shares are made under the circumstances described under "Purchase and Redemption of Shares" (see page A-1). Non-participants in the Active Assets program should refer to the discussion appearing at page A-2.
INVESTMENT OBJECTIVE	High level of daily California tax-exempt income consistent with stability of principal and liquidity (see page 4). There can be no assurance that the Trust's investment objective will be achieved.
INVESTMENT POLICY	A diversified portfolio of tax-exempt, fixed-income securities with short-term maturities (see page 4).
INVESTMENT MANAGER	Dean Witter InterCapital Inc., the Investment Manager of the Trust, and its wholly-owned subsidiary, Dean Witter Services Company, Inc., serve in various investment management, advisory, management and administrative capacities to eighty-six investment companies with assets under management of approximately $69.4 billion at June 30, 1994 (see page A-5).
MANAGEMENT FEE	Monthly fee at an annual rate of 1/2 of 1% of average daily net assets, scaled down on assets over $500 million (see page A-5).
DIVIDENDS	Automatically reinvested daily in additional shares at net asset value (see page A-6).
REPORTS	Individual monthly account statements from Dean Witter on the Dean Witter Transaction Statement; annual and semi-annual Trust financial statements.
REDEMPTION OF SHARES	For participants in the Active Assets program, shares of the Trust will be redeemed at net asset value automatically to satisfy debit balances in the Securities Account created by activity therein or to satisfy amounts owing in the Visa Account resulting from Visa card purchases, cash advances or checks written against the Visa Account. Non-participants in the Active Assets program should refer to the discussion appearing at page A-4. It is anticipated that the net asset value will remain constant at $1.00 per share. Dean Witter has the right to terminate a shareholder's Active Assets service, in which event all Trust shares held in a shareholder's account will be involuntarily

	redeemed. The Trust also reserves the right to reduce the number of shares in all accounts if the Trustees determine that this is necessary to maintain the constant $1.00 per share net asset value. See "Purchase and Redemption of Shares" (page A-1).
RISKS	The Trust invests principally in high quality, short-term fixed-income securities issued or guaranteed by the state of California and its local governments which are subject to minimal risk of loss of income and principal. However, the investor is directed to the discussions of "lease obligations" (page 5) and "When-Issued and Delayed Delivery Securities" (page 6) concerning the risks associated with such portfolio securities and management techniques. Since the Trust concentrates its investments in California tax-exempt securities, the Trust is affected by any political, economic or regulatory developments affecting the ability of California issuers to pay interest or repay principal (page 6).

THE SUMMARY INFORMATION ABOVE SHOULD BE READ IN CONJUNCTION WITH THE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS, INCLUDING THE APPENDIX HERETO, IN THE DEAN WITTER CLIENT AGREEMENT AND IN THE TRUST'S STATEMENT OF ADDITIONAL INFORMATION, INCLUDING THE APPENDIX THERETO.
</TABLE>

SUMMARY OF TRUST EXPENSES

The following table illustrates all expenses and fees that a shareholder of the Trust will incur. The expenses and fees set forth in the table are for the year ended June 30, 1994.

<TABLE>

<S>	<C>
SHAREHOLDER TRANSACTION EXPENSES	
Maximum Sales Charge Imposed on Purchases.............................	None
Maximum Sales Charge Imposed on Reinvested Dividends..................	None
Deferred Sales Charge..................	None
Redemption Fees........................	None
Exchange Fee...........................	None
ANNUAL FUND OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)	
Management Fees........................	0.50%
12b-1 Fees.............................	0.10%
Other Expenses.........................	0.08%
Total Trust Operating Expenses.........	0.68%

</TABLE>

<TABLE>
<CAPTION>

EXAMPLE	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:	$ 7	$22	$38	$85

</TABLE>

Dean Witter charges an annual Active Assets program participation fee of $80 ($100 for corporate participants). Shareholders of the Trust who are not program participants will not be charged an Active Assets program fee.

The above example should not be considered a representation of past or future expenses or performance. Actual expenses of the Trust may be greater or less than those shown.

The purpose of this table is to assist the investor in understanding the various costs and expenses that an investor in the Trust will bear directly or indirectly. For a more complete description of these costs and expenses, see pages A-5 and A-6 in the Appendix to this Prospectus.

FINANCIAL HIGHLIGHTS

The following ratios and per share data for a share of beneficial interest outstanding throughout each period have been audited by Price Waterhouse LLP, independent accountants. The financial highlights should be read in conjunction with the financial statements and notes thereto and the report of independent accountants which are contained in this Prospectus commencing on page 11.

	FOR THE YEAR ENDED JUNE 30, 1994	FOR THE YEAR ENDED JUNE 30, 1993	FOR THE PERIOD NOVEMBER 12, 1991* THROUGH JUNE 30, 1992
PER SHARE OPERATING PERFORMANCE:			
Net asset value, beginning of period	$ 1.00	$ 1.00	$ 1.00
Net investment income	0.018	0.018	0.017
Less dividends from net investment income	(0.018)	(0.018)	(0.017)
Net asset value, end of period	$ 1.00	$ 1.00	$ 1.00
TOTAL INVESTMENT RETURN	1.78%	1.84%	1.66% (1)
RATIOS/SUPPLEMENTAL DATA:			
Net assets, end of period (in thousands)	$288,506	$202,149	$170,364
Ratio of expenses to average net assets	0.68%	0.71%	0.56% (2) (3)
Ratio of net investment income to average net assets	1.77%	1.82%	2.42% (2) (3)

* DATE OF COMMENCEMENT OF OPERATIONS.
(1) NOT ANNUALIZED.
(2) ANNUALIZED.
(3) IF THE TRUST HAD BORNE ALL EXPENSES THAT WERE ASSUMED OR WAIVED BY THE INVESTMENT MANAGER, THE ABOVE ANNUALIZED EXPENSE RATIO WOULD HAVE BEEN .80% ($.006 PER SHARE) AND THE ABOVE ANNUALIZED NET INVESTMENT INCOME RATIO WOULD HAVE BEEN 2.18% ($.023 PER SHARE).

SEE NOTES TO FINANCIAL STATEMENTS

INVESTMENT OBJECTIVE AND POLICIES

THE INVESTMENT OBJECTIVE OF THE TRUST IS TO PROVIDE AS HIGH A LEVEL OF DAILY INCOME EXEMPT FROM FEDERAL AND CALIFORNIA PERSONAL INCOME TAX AS IS CONSISTENT WITH STABILITY OF PRINCIPAL AND LIQUIDITY. It is a fundamental policy of the Trust that at least 80% of its total assets will be invested in securities the interest on which is exempt from federal and California personal income tax ("California tax-exempt securities"). This policy and the Trust's investment objective may not be changed without a vote of a majority of the Trust's outstanding voting securities, as defined in the Act. There is no assurance that the objective will be achieved.

The Trust seeks to achieve its investment objective by investing primarily in high quality tax-exempt securities with short-term maturities. Such securities will include California Municipal Bonds, California Municipal Notes and California Municipal Commercial Paper ("Municipal Obligations") with maturities of thirteen months or less, which are rated in one of the two highest rating categories for debt obligations by at least two nationally recognized statistical rating organizations ("NRSRO's"-- primarily Moody's Investors Service ("Moody's") and Standard & Poor's Corporation ("S&P")), or one NRSRO if the obligation is rated by only one NRSRO. Unrated obligations may be purchased if they are determined to be of comparable quality by the Trust's Trustees.

Up to 20% of the Trust's total assets may also be invested in securities exempt from federal personal income tax but not from California personal income tax ("non-California tax-exempt securities"), in taxable securities and in tax-exempt securities subject to the federal alternative minimum tax for individual shareholders ("AMT") (California tax-exempt securities subject to AMT will not be included in the 80% total referred to above for investment in California tax-exempt securities). In addition, the Trust may temporarily invest more than 20% of its total assets in taxable securities, non-California tax-exempt securities, or in tax-exempt securities subject to AMT, to maintain a "defensive" posture when, in the opinion of the Investment Manager, it is advisable to do so because of market conditions. The types of taxable securities in which the Trust may temporarily invest are limited to the following short-term fixed-income securities (maturing in thirteen months or less from the time of purchase); (i) obligations of the United States Government or its agencies, instrumentalities or authorities; (ii) commercial paper rated P-1 by Moody's or A-1 by S&P; (iii) certificates of deposit of domestic banks with assets of $1 billion or more; and (iv) repurchase agreements with respect to any of the foregoing portfolio securities.

California Municipal Bonds and California Municipal Notes are debt obligations of a state, its cities, municipalities and municipal agencies which generally have maturities, at the time of their issuance, of either one year or more (Bonds) or from six months to three years (Notes). California Municipal Commercial Paper refers to short-term obligations of municipalities. Any Municipal Obligation which depends on the credit of the Federal Government, its agencies or instrumentalities shall be considered to have a Moody's rating of Aaa or S&P rating of AAA. An obligation shall be considered a Municipal Obligation only if, in the opinion of bond counsel, the interest payable therefrom is exempt from both federal income tax and California personal income tax.

The foregoing percentage and rating limitations apply at the time of acquisition of a security based on the last previous determination of the Trust's net asset value. Any subsequent change in any rating by a rating service or change in percentages resulting from market fluctuations may not require elimination of any security from the Trust's portfolio. However, in accordance with procedures adopted by the Trust's Trustees pursuant to federal securities regulations governing money market funds, the Investment Manager will perform a

creditworthiness analysis of such downgraded securities, which analysis will be reported to the Trustees who will, in turn, determine whether the securities continue to present minimal credit risks to the Trust. The Trust does not anticipate that more than 5% of its net assets are likely to be downgraded below the rating requirements described above for Municipal Obligations.

The ratings assigned by NRSROs represent their opinions as to the quality of the securities which they undertake to rate (see the Appendix to the Statement of Additional Information for an explanation of Moody's and S&P ratings). It should be emphasized, however, that the ratings are general and not absolute standards of quality.

The two principal classifications of Municipal Obligations are "general obligation" and "revenue" bonds, notes or commercial paper. General obligation bonds, notes or commercial paper are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. Issuers of general obligation bonds, notes or commercial paper include a state, its counties, cities, towns and other governmental units. Revenue bonds, notes or commercial paper are payable from the revenues derived from a particular facility or class of facilities or, in some cases, from specific revenue sources. Revenue bonds, notes or commercial paper are issued for a wide variety of purposes, including the financing of electric, gas, water and sewer systems and other public utilities; industrial development and pollution control facilities; single and multi-family housing units; public buildings and facilities; air and marine ports, transportation facilities such as toll roads, bridges and tunnels; and health and educational facilities such as hospitals and dormitories. They rely primarily on user fees to pay debt service, although the principal revenue source is often supplemented by additional security features which are intended to enhance the creditworthiness of the issuer's obligations. In some cases, particularly revenue bonds issued to finance housing and public buildings, a direct or implied "moral obligation" of a governmental unit may be pledged to the payment of debt service. In other cases, a special tax or other charge may augment user fees.

Included within the revenue bonds category are participations in lease obligations or installment purchase contracts (hereinafter collectively called "lease obligations") of municipalities. State and local agencies or authorities issue lease obligations to acquire equipment and facilities.

Lease obligations may have risks not normally associated with general obligation or other revenue bonds. Leases, and installment purchase or conditional sale contracts (which may provide for title to the leased asset to pass eventually to the issuer), have developed as a means for governmental issuers to acquire property and equipment without the necessity of complying with the constitutional and statutory requirements generally applicable for the issuance of debt. Certain lease obligations contain "non-appropriation" clauses that provide that the governmental issuer has no obligation to make future payments under the lease or contract unless money is appropriated for such purpose by the appropriate legislative body on an annual or other periodic basis. Consequently, continued lease payments on those lease obligations containing "non-appropriation" clauses are dependent on future legislative actions. If such legislative actions do not occur, the holders of the lease obligation may experience difficulty in exercising their rights, including disposition of the property.

In addition, lease obligations represent a relatively new type of financing that has not yet developed the depth of marketability associated with more conventional municipal obligations, and, as a result, certain of such lease obligations may be considered illiquid securities. To determine whether or not the Trust will consider such securities to be illiquid (the Trust may not invest more than ten percent of its net assets in illiquid securities), the Trustees of the Trust have established guidelines to be utilized by the Trust in determining the liquidity of a lease obligation. The factors to be considered in making the determination include: 1) the frequency of trades and quoted prices for the obliga-

tion; 2) the number of dealers willing to purchase or sell the security and the number of other potential purchasers; 3) the willingness of dealers to undertake to make a market in the security; and 4) the nature of the marketplace trades, including, the time needed to dispose of the security, the method of soliciting offers, and the mechanics of the transfer. All lease obligations purchased by the Trust are subject to the creditworthiness standards discussed above for Municipal Obligations.

The Trust does not generally intend to invest more than 25% of its total assets in securities of any one governmental unit. The Trust may invest more than 25% of its total assets in industrial development and pollution control bonds (two kinds of tax-exempt Municipal Bonds) whether or not the users of facilities financed by such bonds are in the same industry. In cases where such users are in the same industry, there will be additional risk to the Trust in the event of an economic downturn in such industry, which may result generally in a lowered need for such facilities and a lowered ability of such users to pay for the use of such facilities.

PORTFOLIO MANAGEMENT

Although the Trust will generally acquire securities for investment with the intent of holding them to maturity and will not seek profits through short-term trading, the Trust may dispose of any security prior to its maturity to meet redemption requests. Securities may also be sold when the Trust's Investment Manager believes such disposition to be advisable on the basis of a revised evaluation of the issuer or based upon relevant market considerations. There may be occasions when, as a result of maturities of portfolio securities or sale of Trust shares, or in order to meet anticipated redemption requests, the Trust may hold cash which is not earning income.

The Trust anticipates that the average weighted maturity of the portfolio will be 90 days or less. The relatively short-term nature of the Trust's portfolio is expected to result in a lower yield than portfolios comprised of longer-term tax-exempt securities.

VARIABLE RATE AND FLOATING RATE OBLIGATIONS. The interest rates payable on certain Municipal Bonds and Municipal Notes are not fixed and may fluctuate based upon changes in market rates. Municipal obligations of this type are called "variable rate" or "floating rate" obligations. The interest rate payable on a variable rate obligation is adjusted at predesignated periodic intervals and on a floating rate obligation, whenever there is a change in the market rate of interest on which the interest rate payable is based.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. The Trust may purchase tax-exempt securities on a when-issued or delayed delivery basis; i.e., delivery and payment can take place a month or more after the date of the transaction. These securities are subject to market fluctuation and no interest accrues to the purchaser prior to settlement. At the time the Trust makes the commitment to purchase such securities, it will record the transaction and thereafter reflect the value, each day, of such securities in determining its net asset value.

BROKERAGE ALLOCATION. Brokerage commissions are not normally charged on purchases and sales of short-term municipal obligations, but such transactions may involve transaction costs in the form of spreads between bid and asked prices. Pursuant to an order of the Securities and Exchange Commission, the Trust may effect principal transactions in certain money market instruments with Dean Witter. In addition, the Trust may incur brokerage commissions on transactions conducted through Dean Witter.

SPECIAL CONSIDERATIONS RELATING TO CALIFORNIA TAX-EXEMPT SECURITIES

The Trust will be affected by any political, economic or regulatory developments affecting the ability of California issuers to pay interest or repay principal on their obligations. Various subsequent developments regarding the California Constitution and State statutes which limit the taxing and spending authority of California governmental entities may impair the ability of California issuers to maintain debt service on their obligations. Of

particular impact are constitutional voter initiatives, which have become common in recent years. The following information constitutes only a brief summary and is not intended as a complete description.

In 1978, Proposition 13, an amendment to the California Constitution, was approved, limiting real property valuation for property tax purposes and the power of local governments to increase real property tax revenues and revenues from other sources. Legislation adopted after Proposition 13 provided for assistance to local governments, including the redistribution of the then-existing surplus in the General Fund, reallocation of revenues to local governments, and assumption by the State of certain local government obligations. However, more recent legislation reduced such state assistance. There can be no assurance that any particular level of State aid to local governments will be maintained in future years. In NORDLINGER V. HAHN, the United States Supreme Court upheld certain provisions of Proposition 13 against claims that it violated the equal protection clause of the Constitution. In 1979, an amendment was passed adding Article XIIIB to the State Constitution. As amended in 1990, Article XIIIB imposes an "appropriations limit" on the spending authority of the State and local government entities. In general, the appropriations limit is based on certain 1985-86 expenditures, adjusted annually to reflect changes in the cost of living, population and certain services provided by State and local government entities. "Appropriations limit" does not include appropriations for qualified capital outlay projects, certain increases in transportation-related taxes, and certain emergency appropriations.

In 1988, State voters approved Proposition 87, which amended Article XVI of the State Constitution to authorize the State Legislature to prohibit redevelopment agencies from receiving any property tax revenues raised by increased property taxes to repay bonded indebtedness of local government which is not approved by voters on or before January 1, 1989. It is not possible to predict whether the State Legislature will enact such a prohibition, nor is it possible to predict the impact of Proposition 87 on redevelopment agencies and their ability to make payments on outstanding debt obligations.

In November 1988, California voters approved Proposition 98. This initiative requires that revenues in excess of amounts permitted to be spent and which would otherwise be returned by revision of tax rates or fee schedules, be transferred and allocated (up to a maximum of 40%) to the State School Fund and be expended solely for purposes of instructional improvement and accountability. No such transfer or allocation of funds will be required if certain designated state officials determine that annual student expenditures and class size meet certain criteria as set forth in Proposition 98. Any funds allocated to the State School Fund shall cause the appropriation limits to be annually increased for any such allocation made in the prior year. Proposition 98 also requires the State of California to provide a minimum level of funding for public schools and community colleges. The initiative permits the enactment of legislation, by a two-thirds vote, to suspend the minimum funding requirement for one year.

In July 1991, California increased taxes by adding two new marginal tax rates, at 10% and 11%, effective for tax years 1991 through 1995. After 1995, the maximum personal income tax rate is scheduled to return to 9.3%, and the alternative minimum tax rate is scheduled to drop from 8.5% to 7%. In addition, legislation in July 1991 raised the sales tax by 1.25%. 0.5% was a permanent addition to counties, but with the money earmarked to trust funds to pay for health and welfare programs whose administration was transferred to counties. This tax increase will be cancelled if a court rules that such transfer and tax increase violate any constitutional requirements. 0.5% of the State tax rate was scheduled to expire on June 30, 1993, but was extended for six months for the benefit of counties and cities. On November 2, 1993, voters made this half-percent levy a permanent source of funding for local government.

The State is a party to numerous legal proceedings, many of which normally occur in governmental operations. In addition, the State is involved in certain other legal proceedings that, if decided against the State, might require the State to make significant future expenditures or impair future revenue sources. Two such court cases may upset California's budgetary balance. In 1992-93 and 1993-94, the State met part of its Proposition 98 commitment to education through $1.8 billion in off-book loans. These loans were held to be illegal in a lower court decision, CALIFORNIA TEACHERS ASSOCIATION V. GOULD. If this decision is upheld on appeal, the schools will not be required to repay those loans, and the officially recognized 1994-95 year-end deficit would increase by $1.8 billion. In July, 1994, a federal appeals court invalidated the Bush Administration's approval of a 5.8% welfare benefits cut imposed in December, 1992. The ruling could also nullify a further 2.7% reduction approved in 1993 and a 2.3% reduction scheduled to go into effect in September, 1994. It has been estimated that, if the ruling is upheld on appeal, it could cost the State up to $175 million per year in additional welfare benefit payments.

Since 1990, California has faced the worst economic, fiscal and budget conditions since the 1930s. After experiencing strong growth throughout much of the 1980s, the State was adversely affected by the national recession and cutbacks in aerospace and defense spending, both of which have had a severe impact on the economy in Southern California. The State's tax revenue experience clearly reflects sharp declines in employment, income and retail sales on a scale not seen in over fifty years. Although the national economic recovery continued at a strong pace in the first quarter of 1994, California is still experiencing the effects of the recession. However, the State's budget for fiscal year 1994-95 assumes that the State will begin to recover from recessionary conditions in 1994, with a modest upturn in 1994 and continuing in 1995.

These economic difficulties have exacerbated the structural budget imbalance which has been evident since fiscal year 1985-1986. Since that time, budget shortfalls have become increasingly more difficult to solve. The State has recorded General Fund operating deficits in five of the past six fiscal years. Many of these problems have been attributable to the fact that the great population influx has produced increased demand for education and social services at a far greater pace than the growth in the State's tax revenues. Despite substantial tax increases, expenditure reductions and the shift of some expenditure responsibilities to local government, the budget condition remains problematic.

On July 8, 1994, the Governor of California signed into law a $57.5 billion budget which, among other things: (a) reduces welfare grants and aid to families and to the aged, blind and disabled, and (b) relies on the State's ability to obtain $2.8 billion in new reimbursement from the federal government for the State's cost of serving illegal immigrants. Although the State legislature has passed a standby measure which could trigger automatic budget reductions if the state's fiscal condition worsens over the next two years, the stability of the budget would be jeopardized if the state is unable to obtain the hoped-for federal funds.

The current budget includes General Fund spending of $40.9 billion, up 4.2% from the level of spending during the 1993-94 fiscal year. The budget also envisions General Fund spending climbing another 8.4% in the 1995-96 fiscal year. The budget forecasts levels of revenues and expenditures which will result in operating surpluses in both 1994-95 and 1995-96, leading to the elimination of an estimated $2.0 billion accumulated budget deficit by June 30, 1996.

Because of the State's continuing budget problems, the State's General Obligation bonds were downgraded in July 1994 from Aa to A1 by Moody's, to A from A+ by Standard & Poor's, and from AA to A by Fitch Investors Service, Inc. All three rating agencies expressed uncertainty in the State's ability to balance its budget by 1996.

On January 17, 1994, Northridge, California experienced an earthquake that registered 6.7 on

the Richter Scale resulting in significant property damage to private and public facilities throughout Los Angeles and Ventura Counties, and to parts of Orange and San Bernardino Counties. The effected portions of the counties were declared to be federal and state disaster areas. The total damage is estimated to be between $13 billion and $20 billion. The cost to federal, state and local government is estimated to be $11.6 billion with the State's and local governments' share estimated to be $1.9 billion and $135 million, respectively. In mid-February 1994 Congress approved an earthquake relief package totaling about $8.6 billion, bringing total federal support to $9.5 billion. The California legislature approved $2 billion in bond refinancing in mid-March 1994 for earthquake recovery costs and seismic safety improvements. However, the bond issue was rejected by California voters in the June 1994 election. It now appears that the state will pay for its share of the recovery costs through a reallocation of existing funds and borrowing from the federal government.

The bipartisan Commission on State Finance believes that, although it may carry long-term implications for the City of Los Angeles, the earthquake will not derail the State's economic recovery.

The effect of these various constitutional and statutory amendments and budget developments upon the ability of California issuers to pay interest and principal on their obligations remains unclear and in any event may depend upon whether a particular California tax-exempt security is a general or limited obligation bond and on the type of security provided for the bond. It is possible that other measures affecting the taxing or spending authority of California or its political subdivisions may be approved or enacted in the future.

For a more detailed discussion of the State of California economic factors, see the Statement of Additional Information.

INVESTMENT RESTRICTIONS

Investment restrictions listed below are among the restrictions which have been adopted by the Trust as fundamental policies. Under the Act, a fundamental policy may not be changed without the vote of a majority of the outstanding voting securities of the Trust, as defined in the Act.

For purposes of the following restrictions: (a) an "issuer" of a security is the entity whose assets and revenues are committed to the payment of interest and principal on that particular security, provided that the guarantee of a security will be considered a separate security; (b) a "taxable security" is any security the interest on which is subject to federal income tax; and (c) all percentage limitations apply immediately after a purchase or initial investment, and any subsequent change in any applicable percentage resulting from market fluctuations does not require elimination of any security from the portfolio.

The Trust may not:

1. With respect to 75% of its total assets, purchase securities of any issuer if, immediately thereafter, more than 5% (10% where the security is the guarantee of a security) of the value of its total assets are in the securities of any one issuer (other than obligations issued, or guaranteed by, the United States Government, its agencies or instrumentalities or by the State of California or its political subdivisions).

2. With respect to 75% of its total assets, purchase more than 10% of all outstanding taxable debt securities of any one issuer (other than debt securities issued, or guaranteed as to principal and interest by, the United States Government, its agencies or instrumentalities).

3. Invest 25% or more of the value of its total assets in taxable securities of issuers in

any one industry (industrial development and pollution control bonds are grouped into industries based upon the business in which the issuers of such obligations are engaged). This restriction does not apply to obligations issued or guaranteed by the United States Government, its agencies or instrumentalities or by the State of California or its political subdivisions, or to domestic bank obligations (including domestic branches of foreign banks).

The Trust will comply with any investment policies necessitated by rules governing the pricing of shares of money market funds (see "How Net Asset Value is Determined" in the Appendix), even though an investment restriction of the Trust is less restrictive than the related policy.

ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST
FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1994

- ---

<TABLE>

ASSETS:	
Investments in securities, at value (amortized cost $314,834,156) (Note 1)	$ 314,834,156
Cash	12,964,989
Interest receivable	1,417,775
Deferred organizational expenses (Note 1)	22,039
Prepaid expenses	9,109
TOTAL ASSETS	329,248,068
LIABILITIES:	
Payable for:	
Investments purchased	40,518,412
Shares of beneficial interest repurchased	20
Investment management fee (Note 2)	118,278
Plan of distribution fee (Note 3)	23,656
Accrued expenses (Note 4)	81,758
TOTAL LIABILITIES	40,742,124
NET ASSETS:	
Paid-in-capital	288,522,781
Accumulated net realized loss on investments	(16,957)
Accumulated undistributed net investment income	120
NET ASSETS	$ 288,505,944
NET ASSET VALUE PER SHARE, 288,522,781 shares outstanding (unlimited shares authorized of $.01 par value)	$1.00

</TABLE>

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1994
- ---

<TABLE>

INVESTMENT INCOME:	
INTEREST INCOME	$ 6,518,565
EXPENSES	
Investment management fee (Note 2)	1,328,271
Plan of distribution fee (Note 3)	261,619
Transfer agent fees and expenses	62,069
Professional fees	55,514
Registration fees	35,284
Shareholder reports and notices	26,469
Trustees' fees and expenses (Note 4)	26,082
Organizational expenses (Note 1)	10,364
Other	5,217
TOTAL EXPENSES	1,810,889
NET INVESTMENT INCOME	4,707,676
NET REALIZED LOSS ON INVESTMENTS (Note 1)	(900)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 4,706,776

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS
- --

INCREASE (DECREASE) IN NET ASSETS:	FOR THE YEAR ENDED JUNE 30, 1994	FOR THE YEAR ENDED JUNE 30, 1993
Operations:		
Net investment income...............	$ 4,707,676	$ 3,293,182
Net realized loss on investments....	(900)	(16,057)
Net increase in net assets resulting from operations.........	4,706,776	3,277,125
Dividends to shareholders from net investment income....................	(4,707,587)	(3,293,161)
Net increase from transactions in shares of beneficial interest (Note 5).................................	86,358,020	31,800,872
Total increase....................	86,357,209	31,784,836
NET ASSETS:		
Beginning of period..................	202,148,735	170,363,899
END OF PERIOD (including undistributed net investment income of $120 and $31, respectively)..................	$288,505,944	$202,148,735

SEE NOTES TO FINANCIAL STATEMENTS

ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND ACCOUNTING POLICIES -- Active Assets California Tax-Free Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified, open-end management investment company. The Trust was organized as a Massachusetts business trust on July 10, 1991 and commenced operations on November 12, 1991.

The following is a summary of significant accounting policies:

A. VALUATION OF INVESTMENTS -- Portfolio securities are valued at amortized cost, which approximates market value.

B. ACCOUNTING FOR INVESTMENTS -- Security transactions are accounted for on the trade date (date the order to buy or sell is executed). In computing net investment income, the Trust amortizes any premiums and original issue discounts and accrues interest daily on securities owned. Realized gains and losses on security transactions are determined on the identified cost method.

C. FEDERAL INCOME TAX STATUS -- It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable and non-taxable income to its shareholders. Accordingly, no federal income tax provision is required.

D. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS -- Dividends and distributions to shareholders are recorded by the Trust as of the close of the Trust's business day.

E. ORGANIZATIONAL EXPENSES -- The Trust's Investment Manager paid organizational expenses of the Trust in the amount of approximately $46,500. The Trust reimbursed the Investment Manager for these costs which are being amortized by the Trust on a straight-line basis over a period not to exceed five years from the commencement of operations.

2. INVESTMENT MANAGEMENT AGREEMENT -- Pursuant to an Investment Management Agreement with Dean Witter InterCapital Inc. (the "Investment Manager"), the Trust pays its Investment Manager a management fee, calculated daily and payable monthly, by applying the following annual rates to the net assets of the Trust determined as of the close of each business day: 0.50% of the portion of the daily net assets not exceeding $500 million; 0.425% of the portion of the daily net assets exceeding $500 million but not exceeding $750 million; 0.375% of the portion of the daily net assets exceeding $750 million but not exceeding $1 billion; 0.35% of the portion of the daily net assets exceeding $1 billion but

not exceeding $1.5 billion; 0.325% of the portion of the daily net assets exceeding $1.5 billion but not exceeding $2 billion; 0.30% of the portion of the daily net assets exceeding $2 billion but not exceeding $2.5 billion; 0.275% of the portion of the daily net assets exceeding $2.5 billion but not exceeding $3 billion; and 0.25% of the portion of the daily net assets exceeding $3 billion.

Under the terms of the Agreement, in addition to managing the Trust's investments, the Investment Manager maintains certain of the Trust's books and records and furnishes office space and facilities, equipment, clerical, bookkeeping and certain legal services, and pays the salaries of all personnel, including officers of the Trust who are employees of the Investment Manager. The Investment Manager also bears the cost of telephone services, heat, light, power and other utilities provided to the Trust.

3. PLAN OF DISTRIBUTION -- Shares of beneficial interest of the Trust are distributed by Dean Witter Distributors Inc. (the "Distributor"), an affiliate of the Investment Manager. The Trust has entered into a Plan of Distribution (the "Plan"), pursuant to Rule 12b-1 under the Act, with the Distributor whereby the Distributor finances certain activities in connection with the distribution of shares of the Trust.

Under the Plan the Distributor bears the expense of all promotional and distribution related activities on behalf of the Trust, except for expenses that the Trustees determine to reimburse, as described below. The following activities and services may be provided by the Distributor under the Plan: (1) compensation to sales representatives of the Distributor and other broker-dealers; (2) sales incentives and bonuses to sales representatives and to marketing personnel in connection with promoting sales of shares; (3) expenses incurred in connection with promoting sales of shares; (4) preparing and distributing sales literature; and (5) providing advertising and promotional activities, including direct mail solicitation and television, radio, newspaper, magazine and other media advertisements.

The Trust is authorized to reimburse the Distributor for specific expenses the Distributor incurs or plans to incur in promoting the distribution of the Trust's shares. The amount of each monthly reimbursement payment may in no event exceed an amount equal to a payment at the annual rate of 0.15% of the Trust's average daily net assets during the month. For the year ended June 30, 1994, the distribution fee established by the Trustees, and accrued was at the annual rate of 0.10%.

4. SECURITY TRANSACTIONS AND TRANSACTIONS WITH AFFILIATES -- The cost of purchases and the proceeds from sales/maturities of portfolio securities for the year ended June 30, 1994 aggregated $623,042,920 and $536,503,769, respectively.

Effective January 1, 1994, the Trust adopted an unfunded noncontributory defined benefit pension plan covering all independent Trustees of the Trust who will have served as an independent Trustee for at least five years at the time of retirement. Benefits under this plan are based on years of service and compensation during the last five years of service. Aggregate pension cost for the year ended June 30, 1994 included in Trustees' fees and expenses in the Statement of Operations, amounted to $5,950. At June 30, 1994, the Trust had an accrued pension liability of $5,859 which is included in accrued expenses in the Statement of Assets and Liabilities.

Dean Witter Trust Company, an affiliate of the Investment Manager and the Distributor, is the Trust's transfer agent. At June 30, 1994, the Trust had transfer agent fees and expenses payable of approximately $5,700.

5. SHARES OF BENEFICIAL INTEREST -- Transactions in shares of beneficial interest, at $1.00 per share, were as follows:

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED JUNE 30, 1994	FOR THE YEAR ENDED JUNE 30, 1993
<S>	<C>	<C>
Shares sold............................	1,106,266,195	683,300,787
Shares issued in reinvestment of dividends............................	4,707,587	3,293,161

	1,110,973,782	686,593,948
Shares repurchased.....................	(1,024,615,762)	(654,793,076)
Net increase...........................	86,358,020	31,800,872

</TABLE>

6. FEDERAL INCOME TAX STATUS -- At June 30, 1994 the Trust had a net capital loss carryover of approximately $16,000 available through June 30, 2002 which may be used to offset future capital gains to the extent provided by regulations. Capital losses incurred after October 31 within the taxable year are deemed to arise on the first business day of the Trust's next taxable year. The Trust incurred and will elect to defer such net capital losses of approximately $900 during fiscal 1994.

7. SELECTED RATIOS AND PER SHARE DATA -- See the "Financial Highlights" table on page 3 of this Prospectus.

ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)	CALIFORNIA TAX-EXEMPT SHORT-TERM VARIABLE RATE MUNICIPAL	CURRENT YIELD	VALUE
<C>	<S>	<C>	<C>
	OBLIGATIONS* (68.1%)		
	CALIFORNIA		
$ 4,140	Association of Bay Area Governments, Pooled Ser 1987, 2.60% due 7/7/94......	2.60%	$ 4,140,000
4,000	Big Bear Lake, Southwest Gas Corp 1993 Series A (AMT), 2.25% due 7/6/94.......	2.25	4,000,000
13,000	California Alternative Energy Finance Authority, GE Capital Corp Arroyo Energy Ser 1993 B (AMT), 2.20% due 7/6/94................................	2.20	13,000,000
6,000	California Health Facilities Financing Authority, Adventist Health System West Sutter Health Ser A, 2.20% due 7/7/94.........	2.20	6,000,000
2,900	Catholic HealthCare West 1988 Ser A (MBIA Insured), 2.35% due 7/6/94.......	2.35	2,900,000
3,800	Childrens Hospital of Orange County Ser 1991 (MBIA Insured), 2.15% due 7/7/94......................	2.15	3,800,000
7,000	Health Dimensions Inc Ser 1987 A, 2.35% due 8/1/94............................	2.35	7,000,000
5,460	Huntington Memorial Hospital Ser 1985, 2.20% due 7/6/94......................	2.20	5,460,000
2,800	Pooled Loan Ser 1987 A (MBIA Insured), 2.55% due 7/7/94......................	2.55	2,800,000
3,000	St Francis Memorial Hospital Ser 1993 B, 3.50% due 7/1/94......................	3.50	3,000,000
7,000	St Joseph Health System Ser 1991 B, 2.75% due 7/1/94......................	2.75	7,000,000
	California Pollution Control Financing Authority, Chevron USA Ser B 1984, 3.70% due 12/15/94..............................	3.70	3,535,000
3,535			
1,750	Noranda-Grey Eagle Mines Inc Ser 1984 B, 2.45% due 7/6/94......................	2.45	1,750,000
5,000	North County Recycling Center 1991 Series B, 2.50% due 7/6/94............	2.50	5,000,000
5,000	Stanislaus Inc Ser 1987 (AMT), 3.00% due 7/1/94................................	3.00	5,000,000
14,000	California Public Capital Improvements Financing Authority, Pooled Ser 1988 C, 3.15% due 9/15/94.....................	3.15	14,000,000
8,000	Contra Costa County, Multi-family The Park Regency Ser 1992 A (AMT), 2.30% due 7/6/94......................	2.30	8,000,000
4,600	Contra Costa Transportation Authority,		

	Sales Tax 1993 Ser A (FGIC Insured), 2.55% due 7/6/94......................	2.55	4,600,000
11,700	Daly City Housing Development Finance Agency, Serramonte-Del Ray Multi-family Ser 1985 A, 2.30% due 7/7/94..........	2.30	11,700,000
5,000	Irvine, The Irvine Co Multi-family Ser 1983 A, 2.65% due 7/5/94..............	2.65	5,000,000
3,800	Kern County, Public Facilities Ser 1986 C COPs, 2.25% due 7/6/94..............	2.25	3,800,000
6,000	Long Beach, Memorial Health Services Semiannual Ser 1984 C, 2.20% due 7/6/94................................	2.20	6,000,000
2,900	Los Angeles, Multi-family 1985 Ser K, 2.40% due 7/5/94......................	2.40	2,900,000
10,500	Los Angeles County Metropolitian Transportation Authority, Prop C Sales Tax Refg Ser 1993 A (MBIA Insured), 2.40% due 7/7/94......................	2.40	10,500,000
5,000	Newport Beach, Hoag Memorial Hospital/Presbyterian 1992 Ser A, 3.45% due 7/1/94......................	3.45	5,000,000
4,600	Ontario Redevelopment Agency, Daisy XX Assoc Ltd Ser 1984, 2.25% due 7/7/94...	2.25	4,600,000
2,000	Orange County, Niguel Summit II Apts Issue U of 1985, 2.60% due 7/5/94......	2.60	2,000,000
5,000	Orange County Sanitation Districts, Ser 1993 COPs (AMBAC Insured), 3.00% due 7/1/94......................	3.00	5,000,000
3,900	Redlands, Orange Village Apts 1988 Ser A (AMT), 2.55% due 7/6/94...............	2.55	3,900,000
6,200	Sacramento County, Administration Center & Courthouse Ser 1990 COPs, 2.10% due 7/7/94......................	2.10	6,200,000
6,000	San Diego County Regional Transportation Commission, Sales Tax 1992 Ser A (FGIC Insured), 2.50% due 7/6/94............	2.50	6,000,000
5,000	San Francisco Redevelopment Agency, Bayside Village Multi-family 1985 Issue D Ser A, 2.525% due 7/7/94............	2.525	5,000,000
2,000	San Jose, Kimberly Woods Apts Issue of 1984, 2.25% due 7/7/94................	2.25	2,000,000
1,300	Santa Ana, Town & Country Manor Ser 1990, 3.00% due 7/1/94................	3.00	1,300,000
7,200	Southern California Public Power Authority, Transmission 1991 Refg Ser (AMBAC Insured), 2.10% due 7/6/94......	2.10	7,200,000
4,415	Turlock, Irrigation District Ser 1988 A, 2.20% due 7/6/94......................	2.20	4,415,000
	PUERTO RICO		
2,000	Puerto Rico Government Development Bank, Refg Ser 1985, 2.25% due 7/6/94........	2.25	2,000,000
1,000	Puerto Rico Highway & Transportation Authority, Ser X, 2.40% due 7/6/94.....	2.40	1,000,000

	TOTAL CALIFORNIA TAX-EXEMPT SHORT-TERM VARIABLE RATE MUNICIPAL OBLIGATIONS (AMORTIZED COST $196,500,000)		196,500,000

</TABLE>

ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994 (CONTINUED)

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)		YIELD TO MATURITY ON DATE OF PURCHASE	VALUE
<C>	<S>	<C>	<C>
	CALIFORNIA TAX-EXEMPT COMMERCIAL PAPER (25.3%)		
	California Pollution Control Financing Authority, Pacific Gas & Electric Co Ser B 1988,		

$ 2,500	3.00% due 8/12/94.....................	3.00%	$ 2,500,000
6,000	Pacific Gas & Electric Co Ser E 1988, 3.20% due 9/14/94.....................	3.20	6,000,000
5,000	Thermal Energy Dev Partnership Ser A (AMT), 3.25% due 8/4/94................	3.25	5,000,000
5,000	Chula Vista, San Diego Gas & Electric Co Ser 1992 C (AMT), 3.10% due 8/16/94....	3.10	5,000,000
2,500	Delmar Race Track Authority, Ser 1993 BANs, 2.65% due 8/10/94................	2.65	2,500,000
4,000	East Bay Municipal Utility District, Water, 2.45% due 8/11/94..............	2.45	4,000,000
	Irvine Assessment District # 85-7,		
3,000	2.80% due 7/21/94......................	2.80	3,000,000
2,000	2.45% due 8/18/94......................	2.45	2,000,000
6,000	Long Beach Harbor Department, Ser A (AMT), 2.75% due 9/12/94..............	2.75	6,000,000
	Los Angeles Department of Water & Power, Electric		
3,900	3.15% due 8/17/94......................	3.15	3,900,000
5,000	2.65% due 9/8/94.......................	2.65	5,000,000
6,900	3.25% due 9/20/94......................	3.25	6,900,000
	Los Angeles Wastewater Sys		
6,400	2.65% due 8/15/94......................	2.65	6,400,000
4,700	3.15% due 8/23/94......................	3.15	4,700,000
	Sacramento Municipal Utility District, Ser H,		
4,000	2.70% due 7/27/94......................	2.70	4,000,000
6,194	3.30% due 10/21/94.....................	3.30	6,194,000

	TOTAL CALIFORNIA TAX-EXEMPT COMMERCIAL PAPER (AMORTIZED COST $73,094,000)..........		73,094,000

	CALIFORNIA TAX-EXEMPT SHORT-TERM MUNICIPAL NOTES (15.7%)		
5,000	Alameda County, 1993-1994 TRANs, dtd 7/8/93 3.25% due 7/29/94..............	2.75	5,001,864
	California School Cash Reserve Program Authority,		
7,000	1993 Pool Ser A, dtd 7/2/93 3.40% due 7/5/94................................	2.90	7,000,372
5,000	1994 Contingency Ser A, dtd 7/5/94 4.50% due 6/28/95 (a).......................	3.85	5,030,700
8,000	1994 Pool Ser A, dtd 7/5/94 4.50% due 7/5/95 (a)............................	3.75	8,057,760
9,000	California Statewide Communities Development Authority, 1994 Ser A TRANs, dtd 7/6/94 4.50% due 7/17/95 (a)..................................	3.65	9,075,960
5,000	Los Angeles County Local Educational Agencies, Pooled 1994-95 Ser A TRANs, dtd 7/7/94 4.50% due 7/6/95 (a)........	3.75	5,036,000
6,000	Riverside County,1994-95 TRANs, dtd 7/1/94 4.25% due 6/30/95 (a)..........	3.60	6,037,500

	TOTAL CALIFORNIA TAX-EXEMPT SHORT-TERM MUNICIPAL NOTES (AMORTIZED COST $45,240,156)..........		45,240,156

</TABLE>

<TABLE>

<C>	<S>	<C>	<C>
	TOTAL INVESTMENTS (AMORTIZED COST $314,834,156) (B).....................	109.1%	314,834,156
	LIABILITIES IN EXCESS OF CASH AND OTHER ASSETS...............................	(9.1)	(26,328,212)
		-----	-------------
	NET ASSETS.............................	100.0%	$ 288,505,944
		-----	-------------
		-----	-------------

<FN>

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AMT - ALTERNATIVE MINIMUM TAX.
BANS - BOND ANTICIPATION NOTES.
COPS - CERTIFICATE OF PARTICIPATION.
TRANS - TAX AND REVENUE ANTICIPATION NOTES.
* DUE DATE REFLECTS NEXT RATE CHANGE.

(A) WHEN ISSUED SECURITY.
(B) COST IS THE SAME FOR FEDERAL INCOME TAX PURPOSES.
</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

1994 FEDERAL TAX NOTICE (UNAUDITED)

During the year ended June 30, 1994, the Trust paid to shareholders $0.017624 per share from net investment income. All of the Trust's dividends were exempt interest dividends, excludable from gross income for Federal income tax purposes.

ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST
REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Trustees of Active Assets California Tax-Free Trust

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights (which appear under the heading "Financial Highlights" on page 3 of this Prospectus) present fairly, in all material respects, the financial position of Active Assets California Tax-Free Trust (the "Trust") at June 30, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the two years in the period then ended and for the period November 12, 1991 (commencement of operations) through June 30, 1992, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities owned at June 30, 1994 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
1177 Avenue of the Americas
New York, New York
August 4, 1994

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST

TWO WORLD TRADE CENTER, NEW YORK, NEW YORK 10048 - (212) 392-5000

Active Assets Government Securities Trust (the "Government Securities Trust" or the "Trust") is a no-load, diversified open-end management investment company. The Trust is authorized to reimburse Dean Witter Distributors Inc. for specific expenses incurred in promoting the distribution of the Trust's shares pursuant to a Plan of Distribution pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Act"). Reimbursement may in no event exceed an amount equal to payments at the annual rate of 0.15% of the average daily net assets of the Trust.

The investment objectives of the Trust are high current income, preservation of capital and liquidity. The Trust will seek to achieve these objectives by investing in a diversified portfolio of short-term money market instruments issued or guaranteed by the United States Government or its agencies or instrumentalities.

AN INVESTMENT IN THE TRUST IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. THERE IS NO ASSURANCE THAT THE TRUST WILL BE ABLE TO MAINTAIN A STABLE NET ASSET VALUE OF $1.00 PER SHARE.

SHARES OF THE TRUST ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY BANK, AND THE SHARES ARE NOT FEDERALLY INSURED BY THE FEDERAL

DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY.

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THIS PROSPECTUS SETS FORTH CONCISELY THE INFORMATION YOU SHOULD KNOW BEFORE INVESTING IN THE TRUST. IT SHOULD BE READ AND RETAINED FOR FUTURE REFERENCE. ADDITIONAL INFORMATION ABOUT THE TRUST IS CONTAINED IN THE STATEMENT OF ADDITIONAL INFORMATION, DATED AUGUST 22, 1994, WHICH HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, AND WHICH IS AVAILABLE AT NO CHARGE UPON REQUEST OF THE TRUST AT THE ADDRESS LISTED ABOVE OR BY CALLING DEAN WITTER INTERCAPITAL INC. (THE "INVESTMENT MANAGER" OR "INTERCAPITAL") AT (212) 392-2550. THE STATEMENT OF ADDITIONAL INFORMATION IS INCORPORATED HEREIN BY REFERENCE.

THE INFORMATION IN THIS PROSPECTUS SHOULD BE READ IN CONJUNCTION WITH THE INFORMATION APPEARING ELSEWHERE IN THIS DOCUMENT, INCLUDING THE APPENDIX HERETO, WHICH IS PART OF THIS PROSPECTUS, AND IN THE DEAN WITTER CLIENT AGREEMENT.

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

THE DATE OF THIS PROSPECTUS IS AUGUST 22, 1994.

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST

HIGHLIGHTS

<TABLE>
<S> <C>

THE TRUST	A no-load, open-end diversified management investment company investing principally in short-term money market instruments issued or guaranteed by the United States Government or its agencies or instrumentalities. The Trust is authorized to reimburse Dean Witter Distributors Inc. for specific expenses incurred in promoting the distribution of the Trust's shares pursuant to a Plan of Distribution pursuant to Rule 12b-1 under the Act. (see page A-6). The Trust is organized as an unincorporated business trust under the laws of Massachusetts. (see page A-5).
SHARES OFFERED	The shares of the Government Securities Trust are offered to participants in the Active Assets program of Dean Witter and to non-participants who wish to invest directly in shares of the Trust (See page A-2). The primary components of the Active Assets program are the Securities Account, which is linked to the Active Assets Insured Account, the Active Assets Money Trust, the Active Assets Tax-Free Trust, the Active Assets California Tax-Free Trust or the Government Securities Trust, and to the Visa Account. See the Dean Witter Client Agreement for further information.
PURCHASE OF SHARES	Pursuant to the Dean Witter Client Agreement between Dean Witter and the customer, free credit cash balances in an Active Assets account will automatically be invested in shares of the Government Securities Trust daily at their net asset value without any sales charge. Dean Witter Distributors Inc. is the Distributor of shares of the Trust. Investments in shares are made under the circumstances described under "Purchase and Redemption of Shares" (see page A-1). Non-participants in the Active Assets program should refer to the discussion appearing at page A-2.
INVESTMENT OBJECTIVES	High current income, preservation of capital and liquidity (see page 4). There can be no assurance that the Trust's investment objectives will be achieved.
INVESTMENT POLICY	A diversified portfolio of short-term money market instruments issued or guaranteed by the United States Government or its agencies or instrumentalities (see page 4).

INVESTMENT MANAGER	Dean Witter InterCapital Inc., the Investment Manager of the Trust, and its wholly-owned subsidiary, Dean Witter Services Company, Inc., serve in various investment management, advisory, management and administrative capacities to eighty-six investment companies and other portfolios with assets under management of approximately $69.4 billion at June 30, 1994 (see page A-5).
MANAGEMENT FEE	Monthly fee at an annual rate of 1/2 of 1% of average daily net assets, scaled down on assets over $500 million (see page A-5).
DIVIDENDS	Automatically reinvested daily in additional shares at net asset value (see page A-6).
REPORTS	Individual monthly account statements from Dean Witter on the Dean Witter Transaction Statement; annual and semi-annual Trust financial statements.
REDEMPTION OF SHARES	For participants in the Active Assets program, shares of the Government Securities Trust will be redeemed at net asset value automatically to satisfy debit balances in the securities account created by activity therein or to satisfy amounts owing in the Visa Account resulting from Visa card purchases, cash advances or checks written against the Visa Account. Non-participants in the Active Assets program should refer to the discussion appearing at page A-4. It is anticipated that the net asset value will remain constant at $1.00 per share. Dean Witter has the right to terminate a shareholder's Active Assets service, in which event all Trust shares held in a shareholder's account will be involuntarily redeemed. The Trust also reserves the right to reduce the number of shares in all accounts if the Trustees determine that this is necessary to maintain the constant $1.00 per share net asset value. See "Purchase and Redemption of Shares" (page A-1).
RISKS	The Trust invests principally in high quality, short-term securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities which are subject to minimal risk of loss of income and principal. However, the investor is directed to the discussion under the captions "Investment Objectives and Policies" (page 4), "Repurchase Agreements" (page 5), and "When-Issued and Delayed Delivery Securities" (page 5) concerning the risks associated with such portfolio securities and management strategies.

THE SUMMARY INFORMATION ABOVE SHOULD BE READ IN CONJUNCTION WITH THE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS, INCLUDING THE APPENDIX HERETO, IN THE DEAN WITTER CLIENT AGREEMENT AND IN THE TRUST'S STATEMENT OF ADDITIONAL INFORMATION, INCLUDING THE APPENDIX THERETO.
</TABLE>

SUMMARY OF TRUST EXPENSES

The following table illustrates all expenses and fees that a shareholder of the Trust will incur. The expenses and fees set forth in the table are for the fiscal year ended June 30, 1994.
<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES	
Maximum Sales Charge Imposed on Purchases	None
Maximum Sales Charge Imposed on Reinvested Dividends	None
Deferred Sales Charge	None
Redemption Fees	None
Exchange Fee	None

<CAPTION>

ANNUAL TRUST OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS)	
Management Fees	0.50%
12b-1 Fees	0.10%
Other Expenses	0.06%
Total Trust Operating Expenses	0.66%

</TABLE>

<TABLE>
<CAPTION>

EXAMPLE	1 YEAR	3 YEARS	5 YEARS	10 YEARS

<S> <C> <C> <C> <C>

You would pay the following expenses on a $1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period:..................	$ 7	$21	$37	$82

</TABLE>

Dean Witter charges an annual Active Assets program participation fee of $80 ($100 for corporate participants). Shareholders of the Trust who are not program participants will not be charged an Active Assets program fee.

The above example should not be considered a representation of past or future expenses or performance. Actual expenses of the Trust may be greater or less than those shown.

The purpose of this table is to assist the investor in understanding the various costs and expenses that an investor in the Trust will bear directly or indirectly. For a more complete description of these costs and expenses, see pages A-5 and A-6 in the Appendix to this Prospectus.

FINANCIAL HIGHLIGHTS

The following per share data and ratios for a share of beneficial interest outstanding throughout each period have been audited by Price Waterhouse LLP, independent accountants. The financial highlights should be read in conjunction with the financial statements and notes thereto and the report of independent accountants which are contained in this Prospectus commencing on page 6.

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED JUNE 30,					
	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:						
Net asset value, beginning of period..............................	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income................	0.027	0.027	0.043	0.065	0.077	0.079
Less dividends from net investment income..............................	(0.027)	(0.027)	(0.043)	(0.065)	(0.077)	(0.079)
Net asset value, end of period........	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
TOTAL INVESTMENT RETURN................	2.76%	2.71%	4.37%	6.72%	8.03%	8.20%
RATIOS/SUPPLEMENTAL DATA:						
Net assets, end of period (in thousands)..........................	$ 471,501	$ 508,582	$ 533,438	$ 597,098	$ 300,213	$ 243,631
Ratio of expenses to average net assets..............................	0.66%	0.66%	0.68%	0.70%	0.68%	0.70%
Ratio of net investment income to average net assets..................	2.72%	2.68%	4.28%	6.39%	7.74%	7.94%

<CAPTION>

	1988	1987	1986	1985
<S>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:				
Net asset value, beginning of period..............................	$ 1.00	$ 1.00	$ 1.00	$ 1.00
Net investment income................	0.062	0.055	0.069	0.089
Less dividends from net investment income..............................	(0.062)	(0.055)	(0.069)	(0.089)
Net asset value, end of period........	$ 1.00	$ 1.00	$ 1.00	$ 1.00
TOTAL INVESTMENT RETURN................	6.41%	5.62%	7.10%	9.22%
RATIOS/SUPPLEMENTAL DATA:				
Net assets, end of period (in thousands)..........................	$ 236,449	$ 177,053	$ 181,731	$ 159,906
Ratio of expenses to average net assets..............................	0.68%	0.70%	0.71%	0.76%
Ratio of net investment income to average net assets..................	6.22%	5.47%	6.85%	8.80%

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

INVESTMENT OBJECTIVES AND POLICIES

THE INVESTMENT OBJECTIVES OF THE TRUST ARE HIGH CURRENT INCOME, PRESERVATION OF CAPITAL AND LIQUIDITY.

The Trust seeks to achieve its objectives by investing in U.S. Government securities, including a variety of securities which are issued or guaranteed by the United States Treasury, by various agencies of the United States Government, and by various instrumentalities which have been established or sponsored by the United States Government, and certain interests in the foregoing securities. Except for U.S. Treasury securities, these obligations, even those which are guaranteed by Federal agencies or instrumentalities, may or may not be backed by the "full faith and credit" of the United States. In the case of securities not backed by the full faith and credit of the United States, they may be backed, in part, by a line of credit with the U.S. Treasury (such as the Federal National Mortgage Association), or the Trust must look to the agency issuing or guaranteeing the obligation for ultimate repayment (such as securities of the Federal Farm Credit System) in which case the Trust may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitments.

Treasury securities include Treasury bills, Treasury coupons, Treasury notes, and Treasury bonds (including zero coupon bonds). Some of the Government agencies and instrumentalities which issue or guarantee securities include the Federal Farm Credit System, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, the Federal National Mortgage Association, the Farmers Home Administration, the Federal Land Banks, the Small Business Administration, the Export-Import Bank, the Federal Intermediate Credit Banks and the Banks for Cooperatives.

The Trust may invest in securities issued or guaranteed by any agency or instrumentality established or sponsored by the United States Government. Such investments may take the form of participation interests in, and may be evidenced by deposit or safekeeping receipts for, any of the foregoing. Participation interests are pro rata interests in U.S. Government securities held by others such as interests in pools of mortgages sold by the Government National Mortgage Association; instruments evidencing deposit or safekeeping are documentary receipts for such original securities held in custody by others.

The Federal Deposit Insurance Corporation is the administrative authority over the Bank Insurance Fund and the Savings Insurance Fund which are the agencies of the U.S. Government which insure (including both principal and interest) the deposits of certain banks and savings and loan associations up to $100,000 per deposit. Current federal regulations also permit such institutions to issue insured negotiable certificates of deposit ("CDs") in principal amounts of $100,000 or more without regard to the interest rate ceilings on other deposits. To remain fully insured as to principal, these investments must currently be limited to $100,000 per bank or savings and loan association. The interest on such investments is not insured. The Trust may invest in such CDs of banks and savings and loan institutions having total assets of less than $1,000,000,000, limited to the insured amount of principal ($100,000) in each case and limited with regard to all such CDs and all illiquid assets, in the aggregate, to 10% of the Trust's total assets.

The Trust intends normally to hold its portfolio securities to maturity. Historically, securities issued or guaranteed by the U.S. Government or its agencies and instrumentalities have involved minimal risk of loss of principal or interest, if held to maturity.

The Trust may not borrow money, except from banks for temporary or emergency purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities. Borrowing in the aggregate, including reverse repurchase agreements, may not exceed 20%, and borrowing for purposes other than meeting redemptions may not exceed 5% of the value of the Trust's total assets (including the amount borrowed), less liabilities (not including the amount borrowed) at the time the borrowing is made.

The investment objectives and policies stated above may not be changed without shareholder approval. There is no assurance that the Trust's objectives will be achieved.

PORTFOLIO MANAGEMENT

REPURCHASE AGREEMENTS. The Trust may enter into repurchase agreements, which may be viewed as a type of secured lending by the Trust, and which typically involve the acquisition by the Trust of government securities from a selling financial institution such as a bank, savings and loan association or broker-dealer. The agreement provides that the Trust will sell back to the institution, and that the institution will repurchase, the underlying security ("collateral") at a specified price and at a fixed time in the future. The Trust will accrue interest from the institution until the time when the repurchase is to occur. Although such date is deemed by the Trust to be the maturity date of a repurchase agreement, the maturities of securities subject to repurchase agreements are not subject to any limits and may exceed thirteen months. While repurchase agreements involve certain risks not associated with direct investments in U.S. Government securities, the Trust follows procedures designed to minimize such risks. These procedures include effecting repurchase transactions only with large, well capitalized and well established financial institutions and specifying the required value of the collateral underlying the agreement.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. The Trust may purchase securities on a when-issued or delayed delivery basis; i.e., delivery and payment can take place a month or more after the date of the transaction. When such transactions are negotiated, the price is fixed at the time of commitment, but delivery and payment can take place between one month and 120 days after the date of the commitment. These securities are subject to market fluctuation and no interest accrues to the purchaser during this period. At the time the Trust makes the commitment to purchase securities on a when-issued or delayed delivery basis, it will record the transaction and thereafter reflect the value, each day, of such security in determining its net asset value.

All the foregoing strategies may subject the Trust to the effects of interest rate fluctuations to a greater extent than would occur if such strategies were not used. While such strategies listed above may be used by the Trust if, in the opinion of the Investment Manager, they will be advantageous to the Trust, the Trust will be free to reduce or eliminate its activity in any of these areas without changing its fundamental investment policies. Certain provisions of the Internal Revenue Code, related regulations, and rulings of the Internal Revenue Service may also have the effect of reducing the extent to which the previously cited techniques may be used by the Trust, either individually or in combination. Furthermore, there is no assurance that any of these strategies or any other strategies and methods available to the Trust will result in the achievement of its objectives.

The Trust will invest in securities of varying maturities and risks, although it will not invest in securities with an effective maturity of more than one year. The Trust will generally not seek profits through short-term trading, although it may dispose of any portfolio security prior to maturity if, on the basis of a revised evaluation or other circumstance or consideration, the Investment Manager deems such disposition advisable.

The Trust is expected to have a high portfolio turnover due to the short maturities of securities purchased, but this should not affect income or net asset value as brokerage commissions are not normally charged on the purchase or sale of money market instruments such as U.S. Government obligations.

BROKERAGE ALLOCATION. Brokerage commissions are not normally charged on the purchase or sale of money market instruments such as U.S. Government obligations, but such transactions may involve transaction costs in the form of spreads between bid and asked prices. Pursuant to an order of the Securities and Exchange Commission, the Trust may effect principal transactions in certain money market instruments with Dean Witter. In addition, the Trust may incur brokerage commissions on transactions conducted through Dean Witter.

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST
FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 1994

ASSETS:	
Investments in securities, at value (amortized cost $471,776,079) (Note 1)	$ 471,776,079
Cash	767
Interest receivable	612
Prepaid expenses	63,591
TOTAL ASSETS	471,841,049
LIABILITIES:	
Payable for:	
Shares of beneficial interest repurchased	100
Investment management fee (Note 2)	205,952
Plan of distribution fee (Note 3)	41,259
Accrued expenses (Note 4)	93,134
TOTAL LIABILITIES	340,445
NET ASSETS:	
Paid-in-capital	471,500,030
Accumulated undistributed net investment income	574
NET ASSETS	$ 471,500,604
NET ASSET VALUE PER SHARE, 471,500,030 shares outstanding (unlimited shares authorized of $.01 par value)	$1.00

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1994

INVESTMENT INCOME:	
INTEREST INCOME	$ 17,616,308
EXPENSES	
Investment management fee (Note 2)	2,594,882
Plan of distribution fee (Note 3)	515,023
Registration fees	100,186
Transfer agent fees and expenses	84,378
Professional fees	32,832
Trustees' fees and expenses (Note 4)	31,760
Custodian fees	29,494
Shareholder reports and notices	29,474
Other	7,773
TOTAL EXPENSES	3,425,802
NET INVESTMENT INCOME AND NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 14,190,506

STATEMENT OF CHANGES IN NET ASSETS

	FOR THE YEAR ENDED JUNE 30, 1994	FOR THE YEAR ENDED JUNE 30, 1993

INCREASE (DECREASE) IN NET ASSETS:		
Operations:		
Net investment income and net increase in net assets resulting from operations....................	$ 14,190,506	$ 14,662,140
Dividends to shareholders from net investment income....................	(14,190,247)	(14,661,925)
Net decrease from transactions in shares of beneficial interest (Note 5)...................................	(37,081,813)	(24,855,698)
Total decrease...................	(37,081,554)	(24,855,483)
NET ASSETS:		
Beginning of period..................	508,582,158	533,437,641
END OF PERIOD (including undistributed net investment income of $574 and $315, respectively).................	$471,500,604	$508,582,158

</TABLE>

SEE NOTES TO FINANCIAL STATEMENTS

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST
NOTES TO FINANCIAL STATEMENTS

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1. ORGANIZATION AND ACCOUNTING POLICIES--Active Assets Government Securities Trust (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified, open-end management investment company. It was organized as a Massachusetts business trust on March 30, 1981 and commenced operations on July 7, 1981.

The following is a summary of significant accounting policies:

A. VALUATION OF INVESTMENTS--Portfolio securities are valued at amortized cost, which approximates market value.

B. ACCOUNTING FOR INVESTMENTS--Security transactions are accounted for on the trade date (date the order to buy or sell is executed). In computing net investment income, the Trust amortizes any premiums and discounts on securities owned. Realized gains and losses on security transactions are determined on the identified cost method.

C. FEDERAL INCOME TAX STATUS--It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Accordingly no federal income tax provision is required.

D. DIVIDENDS TO SHAREHOLDERS--Dividends to shareholders are recorded by the Trust as of the close of the Trust's business day.

E. REPURCHASE AGREEMENTS--The Trust's custodian takes possession on behalf of the Trust of the collateral pledged for investments in repurchase agreements. It is the policy of the Trust to value the underlying collateral daily on a mark-to-market basis to determine that the value, including accrued interest, is at least equal to the repurchase price plus accrued interest. In the event of default of the obligation to repurchase, the Trust has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation.

2. INVESTMENT MANAGEMENT AGREEMENT--Pursuant to an Investment Management Agreement with Dean Witter InterCapital Inc. (the "Investment Manager"), the Trust pays its Investment Manager a management fee, calculated daily and payable monthly, by applying the following annual rates to the net assets of the Trust determined as of the close of the Trust's business day: 0.50% of the portion of the daily net assets not exceeding $500 million; 0.425% of the portion of the daily net assets exceeding $500 million but not exceeding $750 million; 0.375% of the portion of the daily net assets exceeding $750 million but not exceeding $1 billion; 0.35% of the portion of the daily net assets exceeding $1 billion but not exceeding $1.5 billion; 0.325% of the portion of the daily net assets exceeding $1.5 billion but not exceeding $2 billion; 0.30% of the portion of the daily net assets exceeding $2 billion but not exceeding $2.5 billion; and 0.275% of the portion of the daily net assets exceeding $2.5 billion but not exceeding $3 billion; and 0.25% of the portion of the daily net assets exceeding $3 billion.

Under the terms of the Agreement, in addition to managing the Trust's investments, the Investment Manager maintains certain of the Trust's books and records and furnishes office space and facilities, equipment, clerical, bookkeeping and certain legal services, and pays the salaries of all personnel, including officers of the Trust who are employees of the Investment Manager. The Investment Manager also bears the cost of telephone services, heat, light, power and other utilities provided to the Trust.

3. PLAN OF DISTRIBUTION--Shares of beneficial interest of the Trust are distributed by Dean Witter Distributors Inc. (the "Distributor"), an affiliate of the Investment Manager. The Trust has entered into a Plan of

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Distribution (the "Plan"), pursuant to Rule 12b-1 under the Act, with the Distributor whereby the Distributor finances certain activities in connection with the distribution of shares of the Trust.

Under the Plan, the Distributor bears the expense of all promotional and distribution related activities on behalf of the Trust, except for expenses that the Trustees determine to reimburse, as described below. The following activities and services may be provided by the Distributor under the Plan: (1) compensation to sales representatives of the Distributor and other broker-dealers; (2) sales incentives and bonuses to sales representatives and to marketing personnel in connection with promoting sales of shares; (3) expenses incurred in connection with promoting sales of shares; (4) preparing and distributing sales literature; and (5) providing advertising and promotional activities, including direct mail solicitation and television, radio, newspaper, magazine and other media advertisements.

The Trust is authorized to reimburse the Distributor for specific expenses the Distributor incurs or plans to incur in promoting the distribution of the Trust's shares. The amount of each monthly reimbursement payment may in no event exceed an amount equal to a payment at the average annual rate of 0.15% of the Trust's average daily net assets during the month. For the year ended June 30, 1994, the distribution fee established by the Trustees and accrued was at the average annual rate of 0.10%.

4. SECURITY TRANSACTIONS AND TRANSACTIONS WITH AFFILIATES--The cost of purchases and the proceeds from sales/maturities of portfolio securities for the year ended June 30, 1994 aggregated $6,108,535,457 and $6,162,603,679, respectively.

On April 1, 1991, the Trust established an unfunded noncontributory defined benefit pension plan covering all independent Trustees of the Trust who will have served as an independent Trustee for at least five years at the time of retirement. Benefits under this Plan are based on years of service and compensation during the last five years of service. Aggregate pension cost for the year ended June 30, 1994, included in Trustees' fees and expenses in the Statement of Operations, amounted to $10,198. At June 30, 1994, the Trust had an accrued pension liability of $43,096 which is included in accrued expenses in the Statement of Assets and Liabilities.

Dean Witter Trust Company, an affiliate of the Investment Manager and the Distributor, is the Trust's transfer agent. At June 30, 1994, the Trust had transfer agent fees and expenses payable of approximately $9,900.

5. SHARES OF BENEFICIAL INTEREST--Transactions in shares of beneficial interest, at $1.00 per share, were as follows:

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED JUNE 30, 1994	FOR THE YEAR ENDED JUNE 30, 1993
<S>	<C>	<C>
Shares sold............................	1,898,931,530	1,936,859,703
Shares issued in reinvestment of dividends............................	14,176,134	14,650,953
	1,913,107,664	1,951,510,656
Shares repurchased.....................	(1,950,189,477)	(1,976,366,354)
Net decrease...........................	(37,081,813)	(24,855,698)

</TABLE>

6. SELECTED PER SHARE DATA AND RATIOS--See the "Financial Highlights" table on page 3 of this prospectus.

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST
PORTFOLIO OF INVESTMENTS JUNE 30, 1994

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT (IN THOUSANDS)	DESCRIPTION AND MATURITY DATE	ANNUALIZED YIELD ON DATE OF PURCHASE	VALUE
<C>	<S>	<C>	<C>
U.S. GOVERNMENT OBLIGATION (3.2%)			
$ 15,000	U.S. Treasury Bill (Amortized Cost $14,954,738) 8/04/94	3.25%	$ 14,954,738
U.S. GOVERNMENT AGENCIES (95.8%)			
122,070	Federal Farm Credit Bank 7/06/94 to 12/04/94	3.77 to 4.72	121,573,061
75,770	Federal Home Loan Banks 7/20/94 to 9/20/94	3.99 to 4.49	75,330,654
12,000	Federal Home Loan Mortgage Corp. 8/15/94	4.26	11,936,550
166,400	Federal National Mortgage Association 7/08/94 to 12/16/94	3.24 to 5.04	165,174,520
26,000	Student Loan Marketing Association 7/26/94 to 9/08/94	4.28 to 4.44	25,868,444
51,890	Tennessee Valley Authority 7/18/94 to 8/01/94	4.26 to 4.47	51,750,112
	TOTAL U.S GOVERNMENT AGENCIES (AMORTIZED COST $451,633,341)		451,633,341
REPURCHASE AGREEMENT (1.1%)			
5,188	Dillon Read & Co. 7/1/94 [dated 6/30/94; proceeds $5,188,612 collateralized by $4,900,000 United States Treasury Bonds 8 1/8% due 8/15/94 valued at $5,292,000] (Amortized Cost $5,188,000)	4.25	5,188,000

</TABLE>

<TABLE>

<S>	<C>	<C>
TOTAL INVESTMENTS (AMORTIZED COST $471,776,079)(A)	100.1 %	471,776,079
LIABILITIES IN EXCESS OF CASH AND OTHER ASSETS	(0.1)	(275,475)
NET ASSETS	100.0 %	$ 471,500,604

<FN>
- ---------
(A) COST IS THE SAME FOR FEDERAL INCOME TAX PURPOSES.
</TABLE>

See Notes to Financial Statements

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST
REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Trustees of Active Assets Government Securities Trust

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights (which appear under the heading "Financial Highlights" on page 3 of this Prospectus) present fairly, in all material respects, the financial position of Active Assets Government Securities Trust (the "Trust") at June 30, 1994, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the ten years in the period then ended, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities owned at June 30, 1994 by correspondence with the custodian, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP
1177 Avenue of the Americas
New York, New York
August 4, 1994

ACTIVE ASSETS GOVERNMENT SECURITIES TRUST

APPENDIX

THIS APPENDIX CONSTITUTES PART OF THE PROSPECTUSES OF THE ACTIVE ASSETS MONEY TRUST (THE "MONEY TRUST"), THE ACTIVE ASSETS TAX-FREE TRUST (THE "TAX-FREE TRUST"), THE ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST (THE "CALIFORNIA TAX-FREE TRUST") AND THE ACTIVE ASSETS GOVERNMENT SECURITIES TRUST (THE "GOVERNMENT SECURITIES TRUST"). THE MONEY TRUST, THE TAX-FREE TRUST, THE CALIFORNIA TAX-FREE TRUST AND THE GOVERNMENT SECURITIES TRUST ARE REFERRED TO IN THIS APPENDIX COLLECTIVELY AS THE "TRUSTS". UNLESS OTHERWISE INDICATED, THE INFORMATION SET FORTH HEREIN IS APPLICABLE TO EACH TRUST.

PURCHASE AND REDEMPTION OF SHARES

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PURCHASE OF SHARES

The shares of the Trusts are offered to participants in the Active Assets financial service program (non-participants see below). Persons subscribing to the program will have the free credit cash balances in their Active Assets securities account invested in shares of the Money Trust, the Tax-Free Trust, the California Tax-Free Trust or the Government Securities Trust or deposited in the Active Assets Insured Account (a Federal Deposit Insurance Corporation insured bank account), depending upon which investment vehicle has been designated by the participant. For further information consult the Dean Witter Client Agreement.

Purchases of shares of the Trusts by program participants will be made only pursuant to the Active Assets automatic purchase procedures described below.

Subscribers to Active Assets services have the option to change the designation of their Trust at any time by notifying their Dean Witter Account Executive.

The purchase price for shares of the Trusts is the net asset value per share next determined after receipt by a Trust of a purchase order, pursuant to the Active Assets program, in proper form. The Trusts anticipate that the net asset value will remain constant at $1.00 per share and that any fluctuations in value will be reflected in the daily dividend or in the number of outstanding shares in the shareholder's account rather than in the per share dollar value. The net asset value is determined at 12 noon, New York time, on each day that the New York Stock Exchange is open for business, immediately after the daily declaration of dividends or on each other day in which there is a sufficient degree of trading in the Trust's portfolio securities that the current net asset value of the Trust's shares might be materially affected by changes in the value of such portfolio securities, but only if on any such day the Trust is required by the provisions of the Active Assets program to purchase or redeem Trust shares or receives a request from a non-participant in the Active Assets program to purchase or redeem shares of the Trust. Shares purchased will receive the next dividend declared after such shares are issued which will be immediately prior to the 12 noon pricing on the following business day. The net asset value per share will not be determined on Good Friday and on such other federal and non-federal holidays as are observed by the New York Stock Exchange.

A purchase order will not be effective until Federal funds become available to the Trusts. Federal funds are a commercial bank's deposits in a Federal Reserve Bank and can be transferred from one member bank's account to that of another member bank on the same day and thus are considered to be immediately available funds. There are no minimum investment requirements for the Trusts (with the exception of non-participants in the Active Assets Program--see below) although the minimum requirement for entry in the Active Assets program is currently $10,000 in cash and/or securities. Dean Witter reserves the right to alter or

waive the conditions upon which an Active Assets account may be opened.

Free credit cash balances held in an Active Assets account will be automatically invested daily in shares of either the Money Trust, the Tax-Free Trust, the California Tax-Free Trust or the Government Securities Trust, if a Trust has been selected for investment by the participant, on each business day on which the New York Stock Exchange is open. Free credit cash balances will be invested in shares at the price next determined, which is 12 noon New York time, on the next business day following the credit of any such amounts to the Active Assets account. Free credit balances arising from a cash payment into an Active Assets account shall be so invested unless such payment is made after the cashiering deadline of the Dean Witter office in which the payment is made, in which case the resulting free credit balance shall be invested on the second following business day and the investor will not receive the daily dividend which would have been received had such balance been invested in the designated Trust. An Active Assets participant desiring to make such a cash payment should contact his or her Dean Witter Account Executive for information concerning the local office's cashiering deadline, which is dependent on such office's arrangements with its commercial banks.

Each Trust has entered into a Distribution Agreement with Dean Witter Distributors Inc. (the "Distributor"), an affiliate of InterCapital, which has its principal executive offices at Two World Trade Center, New York, New York 10048. The Distribution Agreements obligate the Distributor to pay certain expenses in connection with the offering of the shares of the Trusts, including costs involved in the distribution of prospectuses and periodic reports to investors, other supplementary sales literature and advertising costs. However, costs and expenses incurred by the Distributor may be reimbursed by the Trusts pursuant to the provisions of the respective Plans of Distribution pursuant to Rule 12b-1 (see page A-6).

From time to time, certain state administrative agencies may raise questions as to whether the operation of the Active Assets program constitutes banking under the laws of their state. In addition, legislation has been proposed in certain states which, if enacted, could require a modification of the Active Assets program in those states. The Distributor and Dean Witter are not banks and believe that the operation of the Active Assets program does not constitute banking under the laws of any state. The Distributor and Dean Witter intend to fully contest and resist any regulatory or legislative challenges to the Active Assets program. Final adverse rulings in any state that the Active Assets program constitutes unauthorized banking therein or the adoption of legislation by any state affecting the Active Assets program could force the Trusts to liquidate shares of residents in such state or to cease offering their shares in such state as part of the Active Assets program.

PURCHASE OF SHARES BY NON-PARTICIPANTS IN ACTIVE ASSETS PROGRAM

Shares of the Trusts may be purchased by investors maintaining brokerage accounts with Dean Witter who choose not to participate in the Active Assets program. Shareholders of the Trusts not participating in the Active Assets program will not be charged a program fee. The minimum initial purchase for non-participants is $5,000 and the minimum subsequent purchase is $1,000. Non-participants in the Active Assets program who are participating in other brokerage account programs with Dean Witter may have different initial and/or subsequent purchase minimum accounts, and may make share purchases automatically through their account programs. Dean Witter account holders should contact their account executive for further information concerning methods of purchase.

The Trusts have been created for the purpose of serving as investments for participants in the Active Assets program and, as such, do not in themselves offer such typical money market fund features as check writing and exchange privileges. There are other money market funds, including funds managed by InterCapital, which have investment objectives similar to the Trusts and which offer check writing and exchange privileges. Prior to making an investment in any such money market fund, an investor should obtain and read the prospectus.

REDEMPTION OF SHARES

Each Trust is required to redeem for cash all full and fractional shares of the Trust. The redemption price is the net asset value per share next determined after receipt by Dean Witter Trust Company (the "Transfer Agent") of instructions from Dean Witter in accordance with the automatic procedure set forth below (non-participants in the Active Assets program see below). Such instructions are delivered to the Transfer Agent prior to the determination of net asset value at 12 noon, New York time, on any day that the New York Stock Exchange is open for business, or on each other day in which there is a sufficient degree of trading in the Trust's portfolio securities that the current net asset value of the Trust's shares might be materially affected by changes in the value of such portfolio securities, but only if on any such day the Trust is required by the provisions of the Active Assets program to purchase or redeem Trust shares. Payment of the redemption proceeds will be made on the same day the redemption becomes effective. Shareholders will receive upon redemption all dividends declared and reinvested until the time of redemption.

Redemption will be automatically effected by Dean Witter to satisfy debit balances in the Securities Account created by activity therein or to satisfy debit balances created by Visa credit card purchases, cash advances or checks written against the Visa Account. Each Active Assets account will be automatically scanned for debits each business day that the New York Stock Exchange is open for business as of the close of business on that day, and after application of any free credit cash balances in the account to such debits, a sufficient number of Trust shares owned by the Active Assets participants will be redeemed at 12 noon the following business day to satisfy any remaining debits in either the Securities Account or the Visa Account. Margin loans will be utilized to satisfy debits remaining after the liquidation of all Trust shares in an Active Assets participant's account and shares may not be purchased until all debits and margin loans in the account are satisfied. Dean Witter (not the Trusts) may impose a fee for the use of the Visa credit card to obtain cash advances.

The right to receive payment with respect to any redemption may be suspended by each Trust for a period of up to seven days. Suspensions of more than seven days may not be made except (1) for any period (a) during which the New York Stock Exchange is closed other than customary weekend and holiday closings or (b) during which trading on the New York Stock Exchange is restricted; (2) for any period during which an emergency exists as a result of which (a) disposal by the Trust of securities owned by it is not reasonably practicable or (b) it is not reasonably practicable for the Trust to fairly determine the value of its net assets; or (3) for such other periods as the Securities and Exchange Commission may by order permit for the protection of security holders of the Trust. The Commission shall by rules and regulations determine the conditions under which (i) trading shall be deemed to be restricted and (ii) an emergency shall be deemed to exist within the meaning of clause (2) above. At various times the Trusts may be requested to redeem shares with respect to which good payment has not yet been received by the Distributor. A Trust may delay, or cause to be delayed, the payment of the redemption proceeds until such time as it has assured itself that good payment has been collected for the purchase of such shares. In addition, where the shares to be redeemed have been purchased by check (including a certified or bank cashier's check), automatic and manual redemptions may be delayed for the minimum time needed to verify that the check used for investment has been honored (not more than fifteen days from the time of receipt of the check).

The total value of a shareholder's investment in a Trust at the time of redemption may be more or less than his or her cost, depending on the value of the securities held by the Trust at such time and income earned.

If a participant wishes to reduce or eliminate his or her investment in the Trust shares component of the Active Assets program, he or she should first call the Active Assets information number shown on the cover page preceding the Active Assets Money Trust Prospectus, to ascertain the balance in his or her Trust Account. He or she may then withdraw an amount equal to the value of

such shares, less any charges pending in his or her Active Assets account, in any of the following ways:

(a) by writing a check against the Visa Account in such amount;

(b) by obtaining a cash advance from a Visa participating bank or branch thereof for such amount (which the bank may limit to $5,000 per account per day); or

(c) by calling his or her Dean Witter Account Executive and requesting a cash disbursement from the Active Assets program for such amount.

In any of the above methods, the Trust share balance at any time is subject to reduction due to prior debits against the participant's account. Accordingly, if payment is requested through the Visa Account check or the cash advance methods and if any other debits are paid by automatic redemption of Trust shares prior to the time the check or cash advance charge is presented for payment, then the Trust share balance will be reduced. If so, payment of the check or cash advance may be paid in part from the margin loan value of the Securities Account or may result in an overdraft. In addition, Dean Witter (not the Trusts) may impose a fee for the checkwriting service on certain Active Assets accounts.

Under the Active Assets program, both Dean Witter and Bank One have the right to terminate an Active Assets account for any reason. In such event, all shares held in a shareholder's account will be redeemed.

REDEMPTION OF SHARES BY NON-PARTICIPANTS IN ACTIVE ASSETS PROGRAM

Shareholders who are not participating in the Active Assets program should contact Dean Witter, through his or her account executive, on any day the New York Stock Exchange is open, to effect a redemption of shares of the Trust. All such redemption requests will be promptly forwarded to the Transfer Agent; redemption requests should not be sent directly to the Trusts or the Transfer Agent. If such requests are inadvertently sent to the Trust or Transfer Agent, they will be forwarded to the Distributor. Cash proceeds from the manual redemption of Trust shares ordinarily will be credited to the shareholder's Dean Witter brokerage account or, on request, will be mailed to the shareholder at his or her address of record. In certain instances, as where redemption requests are received in writing, such redemption requests will require written notices containing the signatures of all persons in whose name the shares are registered, or additional documents such as, but not limited to, trust instruments, death certificates, appointments as executor or administrator, or certificates of corporate authority. Non-participants in the Active Assets program who are participating in other brokerage account programs with Dean Witter may effect redemption of shares automatically, as provided for in their account program. Dean Witter account holders should contact their account executive for further information concerning methods of redemption.

HOW NET ASSET VALUE IS DETERMINED

The net asset value per share of each Trust, for the purpose of calculating the price at which shares are issued and redeemed, is determined by the Investment Manager as of 12 noon New York time on each day that the New York Stock Exchange is open for business, immediately after the daily declaration of dividends. Each Trust will also calculate such price on each other day in which there is a sufficient degree of trading in that Trust's portfolio securities, such that the current net asset value of the Trust's shares might be materially affected by changes in the value of such portfolio securities, but only if on any such day the Trust is required by the provisions of the Active Assets program to purchase or redeem Trust shares or receives a request from a non-participant in the Active Assets program to purchase or redeem Trust shares. The determination of net asset value is made by subtracting from the value of the assets of a Trust the amount of its liabilities, and dividing the remainder by the number of outstanding shares of the Trust.

The Trusts utilize the amortized cost method in valuing their portfolio securities, even though the portfolio securities may increase or decrease in market value, generally, in regards to changes in interest rates. The amortized cost method of
valua-

tion involves valuing a security at its cost adjusted by a constant amortization to maturity of any original issue discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. The purpose of this method of calculation is to facilitate the maintenance of a constant net asset value per share of $1.00, although there is no assurance that the $1.00 net asset value will be maintained.

CONFIRMATIONS

All purchases and redemptions of Trust shares and dividend reinvestments will be confirmed monthly to the shareholder (rounded to the nearest share) in the Active Assets Account Statement. Dean Witter has received an exemptive order from the Securities and Exchange Commission which permits it to omit sending out more frequent confirmations with respect to purchases and redemptions.

In the interest of economy and convenience and because of the operating procedures of the Trusts, certificates representing the Trusts' shares will not be physically issued. Shares are maintained by the Trusts on the register maintained by the Transfer Agent and the holders thereof will have the same rights of ownership with respect to such shares as if certificates had been issued.

THE TRUSTS AND THEIR MANAGEMENT
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Money Trust, Tax-Free Trust, California Tax-Free Trust and Government Securities Trust are all no-load, open-end diversified investment management companies. Money Trust, Tax-Free Trust and Government Securities Trust were organized under the laws of the Commonwealth of Massachusetts as business trusts on March 30, 1981. California Tax-Free Trust was organized under the laws of the Commonwealth of Massachusetts as a business trust on July 10, 1991.

InterCapital, located at Two World Trade Center, New York, New York 10048, is the Trusts' Investment Manager. The Investment Manager, which was incorporated in July, 1992, is a wholly-owned subsidiary of Dean Witter. Dean Witter is a wholly-owned subsidiary of Dean Witter, Discover & Co. ("DWDC"), a balanced financial services organization providing a broad range of nationally marketed credit and investment products.

InterCapital and its wholly-owned subsidiary, Dean Witter Services Company Inc., serve in various investment management, advisory, management and administrative capacities to eighty-six investment companies (the "Dean Witter Funds"), thirty of which are listed on the New York Stock Exchange, with combined assets of approximately $67.4 billion at June 30, 1994. The Investment Manager also manages portfolios of pension plans, other institutions and individuals which aggregated approximately $2 billion at such date.

The Trusts have retained the Investment Manager to provide administrative services, manage its business affairs and manage the investment of the Fund's assets, including the placing of orders for the purchase and sale of portfolio securities. InterCapital has retained Dean Witter Services Company Inc. to perform the aforementioned administrative services for the Fund.

The Trusts' Trustees review the various services provided by the Investment Manager to ensure that the Trusts' general investment policies and programs are being properly carried out and that administrative services are being provided to the Trusts in a satisfactory manner.

As full compensation for the services and facilities furnished to the Trusts and expenses of the Trusts assumed by the Investment Manager, the Trusts pay the Investment Manager monthly compensation calculated daily by applying a percentage rate to the daily net assets of each of the respective Trusts which declines as net assets of the Trusts reach specified levels (up to $3 billion). For the fiscal years ended June 30, 1994, the Trusts accrued total compensation to the Investment Manager amounting to 0.33% (Money Trust), 0.42% (Tax-Free Trust), 0.50% (California Tax-Free Trust) and 0.50% (Government Securities Trust) of the respective Trusts' average daily net assets and the Trusts' total expenses amounted to 0.51% (Money Trust), 0.56% (Tax-Free Trust), 0.68% (California Tax-Free Trust) and 0.66% (Government Securities Trust) of the respective Trusts' average daily net assets.

PLAN OF DISTRIBUTION

Each Trust has adopted a Plan of Distribution pursuant to Rule 12b-1 under the Act. Under the respective Plans, the Distributor has expanded the nature of its promotional activities on behalf of the respective Trusts and uses its best efforts to foster additional sales of Trust shares. The respective Plans provide that the Distributor bear the expense of all promotional and distribution related activities on behalf of the respective Trusts, except for expenses that the respective Trustees determine to reimburse, as described below. The following activities and services may be provided by the Distributor under the respective Plans: (1) compensation to sales representatives of Dean Witter and other broker-dealers; (2) sales incentives and bonuses to sales representatives and to marketing personnel in connection with promoting sales of shares of the Trusts; (3) expenses incurred in connection with promoting sales of shares of the Trusts; (4) preparing and distributing sales literature; and (5) providing advertising and promotional activities, including direct mail solicitation and television, radio, newspaper, magazine and other media advertisements. Reimbursements for these services are made in monthly payments by each Trust at the annual rate of up to 0.15 of 1% of the average daily net assets of each Trust. Such payments were made by Money Trust, Tax-Free Trust, California Tax-Free Trust and Government Securities Trust at the annual rate of 0.10 of 1%

of each Trust's average daily net assets for their respective fiscal years ended June 30, 1994. Dean Witter account executives are paid an annual residual commission, currently a gross residual of up to 0.10 of 1% of the current value of the respective accounts of which they are the account executive of record. In addition, some Dean Witter sales personnel will receive non-cash compensation in the form of trips to educational and/or business seminars and merchandise as special sales incentives. Expenses incurred by the Distributor pursuant to the Plans in any fiscal year will not be reimbursed by any Trust through payments accrued in any subsequent fiscal year.

Each Trust's expenses include: the Investment Management fee; the fee pursuant to the Plan of Distribution (see "Purchase of Fund Shares"); taxes; certain legal, transfer agent, custodian and auditing fees; and printing and other expenses relating to the Trust's operations which are not expressly assumed by the Investment Manager under its Investment Management Agreement with each Trust.

DIVIDENDS, DISTRIBUTIONS AND TAXES

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DIVIDENDS AND DISTRIBUTIONS

Each Trust declares dividends, payable on each day the New York Stock Exchange is open for business, of all of its daily net investment income (and, with respect to Money Trust and Government Securities Trust, net short-term capital gains, if any) to shareholders of record as of 12 noon New York time of the preceding business day. With respect to Tax-Free Trust and California Tax-Free Trust, dividends from net short-term capital gains, if any, will be paid periodically. The amount of dividend may fluctuate from day to day and may be

omitted on some days if net realized losses on portfolio securities exceed a Trust's net investment income. Dividends are automatically reinvested daily in additional full and fractional shares of a Trust at the net asset value per share determined at 12 noon, New York time on that day.

Each Trust intends to distribute dividends from net long-term capital gains, if any, at least once each year. A Trust may, however, elect to retain all or a portion of any net long-term capital gains in any year for reinvestment.

Dean Witter will send to each shareholder a monthly summary of his or her account, including information as to dividends reinvested, on the Dean Witter Transaction Statement.

TAXES

Because the Trusts currently intend to distribute all of their net investment income and net capital gains, if any, to shareholders and intend to otherwise comply with all the provisions of Subchapter M of the Internal Revenue Code, as amended (the "Code"), to qualify as regulated investment companies, it is not expected that the Trust will be required to pay any federal income tax.

To avoid being subject to a 31% federal withholding tax on taxable dividends, capital gains distributions and proceeds of redemptions, shareholders' taxpayer identification numbers must be furnished and certified as to accuracy.

MONEY TRUST AND GOVERNMENT SECURITIES TRUST. Distributions of net investment income and realized net short-term capital gains are taxable to shareholders as ordinary income, whether such distributions are taken in cash or reinvested in additional shares. Distributions of long-term capital gains, if any, are taxable as long-term capital gains, regardless of how long the shareholder has held a Trust's shares. No portion of such dividends or distributions will be eligible for the federal dividends received deduction for corporations. The Trusts advise their shareholders annually as to the federal income tax status of distributions paid during each calendar year.

TAX-FREE TRUST AND CALIFORNIA TAX-FREE TRUST. The Trusts intend to qualify to pay "exempt-interest dividends" to their shareholders by maintaining as of the close of each quarter of their taxable year, at least 50% of the value of their total assets in tax-exempt securities. If a Trust satisfies such requirement, dividends from net investment income to shareholders, whether taken in cash or reinvested in additional Trust shares, will be excludable from gross income for federal income tax purposes to the extent net interest income is represented by interest on tax-exempt securities. Exempt-interest dividends are included, however, in determining what portion, if any, of a person's Social Security benefits are subject to federal income tax.

The Code now subjects interest received on certain otherwise tax-exempt securities to an alternative minimum tax. This alternative minimum tax applies to interest received on "private activity bonds" (in general, bonds that benefit non-government entities) issued after August 7, 1986 which, although tax-exempt are used for purposes other than those generally performed by governmental units (e.g., bonds used for commercial or housing purposes). Income received on such bonds is classified as a "tax preference item", under the alternative minimum tax, for both individual and corporate investors. A portion of a Trust's investments may be made in such "private activity bonds," with the result that a portion of the exempt-interest dividends paid by a Trust will be an item of tax preference to shareholders subject to the alternative minimum tax. In addition, certain corporations which are subject to the alternative minimum tax may have to include a portion of exempt-interest dividends in calculating their alternative minimum taxable income in situations where the "adjusted current earnings" of the corporation exceeds its preadjustment alternative minimum taxable income.

Under California law, an investment company which qualifies as a regulated investment company

must have at least 50% of the value of its total assets invested in California state and local issues or in obligations of the United States which if held by an individual, would pay interest excludable from income (or in a combination thereof), at the end of each quarter of its taxable year in order to be eligible to pay dividends which will be exempt from California personal income tax.
Shareholders of California Tax-Free Trust who are California residents will not incur any federal or California income tax on the amount of exempt-interest dividends received by them from the Trust and derived from California state and local issues or certain United States issues whether taken in cash or reinvested in additional shares to the extent that such dividends are derived from California securities.

Within 60 days after the end of its fiscal year, the Trusts will mail to shareholders statements indicating the percentage of the dividend distributions for such fiscal year which constitutes exempt-interest dividends and the percentage, if any, that is taxable, and the percentage, if any, of the exempt-interest dividends which constitutes an item of tax preference. This percentage should be applied uniformly to any distributions made during the fiscal year to determine the proportion of dividends that is tax-exempt. The percentage may differ from the percentage of tax-exempt dividend distributions for any particular month.

Unlike federal law, no portion of the exempt-interest dividends will constitute an item of tax preference for California personal income tax purposes. Moreover, unlike federal law, an individual's Social Security benefits are not subject to California personal income tax, so that the receipt of California exempt-interest dividends (from the California Tax-Free Trust) will have no effect on an individual's California personal income tax.

Shareholders will normally be subject to federal and California personal income tax on dividends paid from interest income derived from taxable securities and on distributions of net capital gains, if any. For federal income tax purposes, distributions of long-term capital gains, if any, are taxable to shareholders as long-term capital gains, regardless of how long a shareholder has held a Trust's shares and regardless of whether the distribution is received in additional shares or cash. In addition, for California personal income tax purposes, the shareholders of the California Tax-Free Trust will not be subject to tax, or receive a credit for tax paid by the Trust, on undistributed capital gains, if any. With respect to the Tax-Free Trust, the exemption of interest income for federal income tax purposes does not necessarily result in exemption under the income or other tax laws of any state or local taxing authority. Thus, shareholders of the Trust may be subject to state and local taxes on exempt-interest dividends.

Distributions from investment income and long-term and short-term capital gains will not be excluded from taxable income in determining the California corporate income or franchise tax for corporate shareholders. Such distributions also may be includable in income subject to the alternative minimum tax. In addition, distributions from investment income and long-term and short-term capital gains may be subject to state taxes in states other than California and to local taxes.

Interest on indebtedness incurred by shareholders or related parties to purchase or carry shares of an investment company paying exempt-interest dividends, such as the Trust, will not be deductible by the investor for federal or California personal income tax purposes.

The foregoing relates to federal income taxation and to California personal income taxation as in effect as of the date of this Prospectus. Distributions from investment income and capital gains, including exempt-interest dividends, may be subject to California franchise taxes if received by a corporation doing business in California, to state taxes in states other than California and to local taxes.

Shareholders should consult their tax advisers as to the applicability of the above to their own tax situation.

CURRENT AND EFFECTIVE YIELD

From time to time the Trusts advertise their "yield" and "effective yield." Both yield figures are based on historical earnings and are not intended to indicate future performance. The "yield" of a Trust refers to the income generated by an investment in the Trust over a given seven-day period (which period will be stated in the advertisement). This income is then "annualized." That is, the amount of income generated by the investment during that seven-day period is assumed to be generated each seven-day period within a 365-day period and is shown as a percentage of the investment. The "effective yield" for a seven-day period is calculated similarly but, when annualized, the income earned by an investment in a Trust is assumed to be reinvested each week within a 365-day period. The "effective yield" will be slightly higher than the "yield" because of the compounding effect of this assumed reinvestment. The Tax-Free Trust and California Tax-Free Trust may also quote tax-equivalent yield, which is calculated by determining the pre-tax yield which, after being taxed at a stated rate, would be equivalent to the yield determined as described above.

GENERAL INFORMATION

VOTING RIGHTS

All shares of beneficial interest of a Trust are of $0.01 par value and are equal as to earnings, assets and voting privileges. There are no conversion, pre-emptive or other subscription rights. In the event of liquidation, each share of beneficial interest of a Trust is entitled to its portion of all of the Trust's assets after all debts and expenses have been paid. The shares do not have cumulative voting rights.

In accordance with each Trust's Declaration of Trust, the Trustees of a Trust will be elected by a majority shareholder vote at the first meeting of shareholders held following the initial offering of the shares of that Trust. The Trustees will be elected for unlimited terms at the first meeting of shareholders. The Trustees themselves have the power to alter the number and the terms of office of the Trustees (as provided for in the Declaration of Trust), and they may at any time lengthen or shorten their own terms or make their terms of unlimited duration and appoint their own successors, provided that always at least a majority of the Trustees has been elected by the shareholders of each Trust. Under certain circumstances the Trustees may be removed by action of the Trustees. The shareholders also have the right under certain circumstances to remove the Trustees. The voting rights of shareholders are not cumulative, so that holders of more than 50 percent of the shares voting can, if they choose, elect all Trustees being elected, while the holders of the remaining shares would be unable to elect any Trustees. The Trust is not required to hold Annual Meetings of Shareholders and in ordinary circumstances the Trust does not intend to hold such meetings. The Trustees may call Special Meetings of Shareholders for action by shareholder vote as may be required by the Act or the Declaration of Trust.

The Declaration of Trust permits the Trustees to authorize the creation of additional series of shares (the proceeds of which would be invested in separate, independently managed portfolios) and additional classes of shares within any series (which would be used to distinguish among the rights of different categories of shareholders, as might be required by future regulations or other unforeseen circumstances). However, the Trustees have not authorized any such additional series or classes of shares and the Trust has no present intention to add additional series or classes of shares. Trustees may call Special Meetings of Shareholders for action by shareholder vote as may be required by the Act or the Declaration of Trust.

Under Massachusetts law, shareholders of a business trust may, under certain circumstances, be held personally liable as partners for the obligations of a Trust. The Declaration of Trust contains an express disclaimer of shareholder liability for acts or obligations of a Trust and requires that notice of such disclaimer be given in each instrument entered into or executed by a Trust. The

Declaration of Trust provides for indemnification out of the Trust's property for any shareholder held personally liable for the obligations of the Trust. Thus, the risk of a shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Trust itself would be unable to meet its obligations. Given the nature of the Trusts' assets and operations, the possibility of a Trust being unable to meet its obligations is remote and, in the opinion of Massachusetts counsel to the Trusts, the risk to Trust shareholders is remote.

CUSTODIAN

The Bank of New York, 110 Washington Street, New York, New York 10286 is the Custodian of the Trusts' assets. The Custodian has no part in deciding the Trusts' investment policies or which securities are to be purchased or sold for the Trusts' portfolios. Any of the Trust's cash balances with the Custodian in excess of $100,000 are unprotected by Federal deposit insurance. Such balances may, at times, be substantial.

SHAREHOLDER INQUIRIES. All inquiries regarding the Trusts should be directed to the Trusts at the telephone number or at the address set forth on the front cover of these Prospectuses.

CUSTODIAN
THE BANK OF NEW YORK
110 WASHINGTON STREET
NEW YORK, NEW YORK 10286
TRANSFER AGENT AND
DIVIDEND DISBURSING AGENT
DEAN WITTER TRUST COMPANY
HARBORSIDE FINANCIAL CENTER
PLAZA TWO
JERSEY CITY, NEW JERSEY 07311
INDEPENDENT ACCOUNTANTS
PRICE WATERHOUSE LLP
1177 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036
INVESTMENT MANAGER
DEAN WITTER INTERCAPITAL INC.

NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THESE PROSPECTUSES OR IN THE STATEMENTS OF ADDITIONAL INFORMATION, IN CONNECTION WITH THE OFFER CONTAINED IN THESE PROSPECTUSES OR IN THE STATEMENTS OF ADDITIONAL INFORMATION AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE TRUSTS OR THE DISTRIBUTOR. THESE PROSPECTUSES AND THE STATEMENTS OF ADDITIONAL INFORMATION DO NOT CONSTITUTE AN OFFER BY THE TRUSTS OR BY THE DISTRIBUTOR TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL FOR THE TRUSTS OR THE DISTRIBUTOR TO MAKE SUCH OFFER IN SUCH JURISDICTION.

ACTIVE ASSETS
MONEY TRUST
ACTIVE ASSETS
TAX-FREE TRUST
ACTIVE ASSETS
CALIFORNIA TAX-FREE
TRUST
ACTIVE ASSETS
GOVERNMENT
SECURITIES TRUST

PROSPECTUSES
AUGUST 22, 1994

THE ENCLOSED PROSPECTUSES DESCRIBE FOUR FULLY MANAGED MONEY MARKET TRUSTS. SHARES OF THE TRUSTS ARE OFFERED DIRECTLY TO CLIENTS OF DEAN WITTER AND TO PARTICIPANTS IN THE ACTIVE ASSETS-R- ACCOUNT PROGRAM OF DEAN WITTER REYNOLDS INC.

INVESTORS SHOULD BE AWARE THAT THE ACTIVE ASSETS ACCOUNT SERVICE IS NOT A BANK ACCOUNT. AS WITH ANY INVESTMENT IN SECURITIES, THE VALUE OF A SHAREHOLDER'S

INVESTMENT IN THE TRUSTS MAY FLUCTUATE.

PRINCIPAL OFFICE OF THE TRUSTS
TWO WORLD TRADE CENTER

NEW YORK, NEW YORK 10048

[LOGO]

STATEMENTS OF ADDITIONAL INFORMATION
AUGUST 22, 1994

[LOGO]

Active Assets Money Trust (the "Money Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objectives are high current income, preservation of capital and liquidity. The Money Trust seeks to achieve its objectives by investing in a diversified portfolio of short-term money market instruments.

Active Assets Tax-Free Trust (the "Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objective is to provide as high a level of daily income exempt from federal personal income tax as is consistent with stability of principal and liquidity. The Tax-Free Trust seeks to achieve its objective by investing primarily in high quality tax-exempt securities with short-term maturities.

Active Assets California Tax-Free Trust (the "California Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objective is to provide as high a level of daily income exempt from federal and California personal income tax as is consistent with stability of principal and liquidity. The California Tax-Free Trust seeks to achieve its objective by investing primarily in high quality tax-exempt securities with short-term maturities.

Active Assets Government Securities Trust (the "Government Securities Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objectives are high current income, preservation of capital and liquidity. The Government Securities Trust seeks to achieve its objective by investing in U.S. Government securities, including a variety of securities which are issued or guaranteed by the United States Government, its agencies or instrumentalities.

Prospectuses for the Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust, all dated August 22, 1994, which provide the basic information you should know before investing in any of the aforementioned Trusts, may be obtained without charge from any of the Trusts at the address or telephone number listed below. These Statements of Additional Information are not Prospectuses. They contain information in addition to and more detailed than that set forth in the Prospectuses. They are intended to provide additional information regarding the activities and operations of the Trusts, and should be read in conjunction with the Prospectuses. They should be read with the information appearing in the Appendix hereto which is a part of these Statements of Additional Information.

Active Assets Money Trust
Active Assets Tax-Free Trust
Active Assets California Tax-Free Trust
Active Assets Government Securities Trust
Two World Trade Center
New York, New York 10048
(212) 392-2550

The shares of the Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust are offered to participants in the Active Assets Account program of Dean Witter Reynolds Inc. ("Dean Witter"). In addition, shares of the Trusts are offered to investors maintaining brokerage accounts with Dean Witter who are not subscribers to the Active Assets program. For further information, either consult the Dean Witter Client Agreement or consult your Dean Witter Account Executive.

Active Assets Money Trust

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APPENDIX

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INVESTMENT PRACTICES AND POLICIES

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REPURCHASE AGREEMENTS. As discussed in the Prospectus, when cash may be available for only a few days, it may be invested by the Trust in repurchase agreements until such time as it may otherwise be invested or used for payments of obligations of the Trust. These agreements, which may be viewed as a type of secured lending by the Trust, typically involve the acquisition by the Trust of debt securities from a selling financial institution such as a bank, savings and loan association or broker-dealer. The agreement provides that the Trust will sell back to the institution, and that the institution will repurchase, the underlying security ("collateral"), which is held by the Trust's Custodian, at a specified price and at a fixed time in the future, which is usually not more than seven days from the date of purchase. The Trust will accrue interest from the institution until the time when the repurchase is to occur. Although such date is deemed by the Trust to be the maturity date of a repurchase agreement, the maturities of securities subject to repurchase agreements are not subject to any limits and may exceed one year.

While repurchase agreements involve certain risks not associated with direct investments in debt securities, the Trust follows procedures designed to minimize such risks. These procedures include effecting repurchase transactions only with large, well capitalized and well established financial institutions, whose financial condition will be continually monitored. In addition, the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. Such collateral will consist of Government securities or "Eligible Securities" (as described below under the caption "How Net Asset Value is Determined") rated in the highest grade by a nationally recognized statistical rating organization (a "NRSRO") whose ratings qualify the collateral security as an Eligible Security. In the event of a default or bankruptcy by a selling financial institution, the Trust will seek to liquidate such collateral. However, the exercise of the Trust's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Trust could suffer a loss. It is the current policy of the Trust not to invest in repurchase agreements that do not mature within seven days if any such investment, together with any other illiquid asset held by the Trust, amount to more than 10% of its total assets. The Trust's investments in repurchase agreements may, at times, be substantial when, in the view of the Trust's investment manager, liquidity or other considerations warrant.

LENDING OF PORTFOLIO SECURITIES. Subject to Investment Restriction (2) below, the Trust may lend portfolio securities to brokers, dealers and financial institutions provided that cash equal to at least 100% of the market value (including accrued interest) of the securities loaned is deposited by the borrower with the Trust and is maintained each business day in a segregated account pursuant to applicable regulations. While such securities are on loan, the borrower will pay the Trust any income accruing thereon, and the Trust may invest the cash collateral in portfolio securities, thereby earning additional income. The Trust will not lend its portfolio securities if such loans are not permitted by the laws or regulations of any state in which its shares are qualified for sale and will not lend more than 10% of the value of its total assets. The creditworthiness of firms to which the Fund lends its portfolio securities will be monitored on an ongoing basis. Loans would be subject to termination by the Trust in the normal settlement time, currently two business days after notice, or by the borrower on one day's notice. Borrowed securities must be returned when the loan is terminated. Any gain or loss in the market price of the borrowed securities which occurs during the term of the loan inures to the Trust and its shareholders. The Trust may pay reasonable finders, borrowers, administrative, and custodial fees in connection with a loan. During its fiscal year ended June 30, 1994, the Trust did not lend any of its portfolio securities and it has no intention of doing so in the foreseeable future.

VARIABLE AND FLOATING RATE OBLIGATIONS. As stated in the Prospectus, the Trust may invest in variable and floating rate obligations. The interest rate payable on a variable rate obligation is adjusted at predesignated periodic intervals and, on floating rate obligations, whenever there is a change in the market rate of interest on which the interest rate payable is based. Other features may include the right whereby the Trust may demand prepayment of the principal amount of the obligation prior to its stated

maturity (a "demand feature") and the right of the issuer to prepay the principal amount prior to maturity. The principal benefit of a variable rate obligation is that the interest rate adjustment minimizes changes in the market value of the obligation. As a result, the purchase of variable rate and floating rate obligations should enhance the ability of the Trust to maintain a stable net asset value per share (see "How Net Asset Value is Determined") and to sell obligations prior to maturity at a price approximating the full principal amount of the obligations. The principal benefit to the Trust of purchasing obligations with a demand feature is that liquidity, and the ability of the Trust to obtain repayment of the full principal amount of an obligation prior to maturity, is enhanced. The payment of principal and interest by issuers of certain obligations purchased by the Trust may be guaranteed by letters of credit or other credit facilities offered by banks or other financial institutions. Such guarantees will be considered in determining whether an obligation meets the Trust's investment quality requirements.

The Trust will attempt to balance its objectives of high current income, preservation of capital and liquidity by investing in securities of varying maturities and risks. The Trust will not, however, invest in securities with an effective maturity of more than one year from the date of purchase (see "How Net Asset Value is Determined"). The amounts invested in obligations of various maturities of one year or less will depend on management's evaluation of the risks involved. Longer-term issues, while generally paying higher interest rates, are subject to greater fluctuations in value resulting from general changes in interest rates than shorter-term issues. Thus, when rates on new debt securities increase, the value of outstanding securities may decline, and vice versa. Such changes may also occur, to a lesser degree, with short-term issues. These changes, if experienced, may cause fluctuations in the amount of daily dividends and, in extreme cases, could cause the net asset value per share to decline (see "How Net Asset Value is Determined"). Longer-term issues also increase the risk that the issuer may be unable to pay an installment of interest or principal at maturity. In the event of unusually large redemption demands, such securities may have to be sold at a loss prior to maturity, or the Trust might have to borrow money and incur interest expenses. Either occurrence would adversely impact upon the amount of daily dividends and could result in a decline in the daily net asset value per share or the reduction by the Trust of shares held in a shareholder's account. The Trust will attempt to minimize these risks by investing in relatively longer-term securities when it appears to management that yields on such securities are not likely to increase substantially during the period of expected holding, and then only in securities which are readily marketable. However, there can be no assurance that the Trust will be successful in achieving this objective.

INVESTMENT RESTRICTIONS

In addition to the investment restrictions enumerated in the Prospectus, the investment restrictions listed below have been adopted as fundamental policies which cannot be changed without the approval of the holders of a "majority" of the outstanding shares of the Trust as defined in the Investment Company Act of 1940, as amended (the "Act"). Majority is defined in the Act as the lesser of (a) sixty-seven percent or more of the shares present at a meeting of shareholders, if the holders of more than fifty percent of the outstanding shares of the Trust are present or represented by proxy, or (b) more than fifty percent of the outstanding shares of the Trust.

These restrictions provide that the Trust may not:

1. Purchase any common stocks or other equity securities;

2. Make loans to others, except through the purchase of the debt obligations and repurchase agreements referred to under "Investment Practices and Policies" above and under "Investment Objectives and Policies" in the Prospectus and loans of portfolio securities, not in excess of 10% of the value of the Trust's total assets, made in accordance with guidelines of the Trustees, including maintaining collateral from the borrower equal at all times to the current market value of the securities loaned;

3. Purchase or sell real estate; however, the Trust may purchase marketable securities issued by companies which invest in real estate or interests therein;

4. Purchase securities on margin or sell short;

5. Purchase or sell commodities or commodity futures contracts, or oil, gas, or mineral exploration or development programs;

6. Purchase securities for which there are legal or contractual restrictions on resale (i.e. restricted securities), except for repurchase agreements;

7. Underwrite securities of other issuers;

8. Purchase warrants, or write, purchase or sell puts, calls, straddles, spreads or combinations thereof;

9. Participate on a joint or joint and several basis in any securities trading account;

10. Purchase the securities of any other investment company, except in connection with a merger, consolidation, reorganization or acquisition of assets;

11. Purchase securities of any issuer for the purpose of exercising control or management; and

12. Invest in securities of any issuer if, to the knowledge of the Trust, any officer, Trustee or director of the Trust or of the Investment Manager owns more than 1/2 of 1% of the outstanding securities of such issuer and such officers, Trustees and directors who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuer.

If a percentage restriction is adhered to at the time of an investment, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total or net assets will not be considered a violation of any of the foregoing restrictions.

HOW NET ASSET VALUE IS DETERMINED

As discussed in the Appendix to the Prospectus, the net asset value of the Trust is determined as of 12 noon New York time on each day that the New York Stock Exchange is open. The New York Stock Exchange currently observes the following holidays: New Year's Day; President's Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day.

The Trust utilizes the amortized cost method in valuing its portfolio securities for purposes of determining the net asset value of the shares of the Trust. The Trust utilizes the amortized cost method in valuing its portfolio securities even though the portfolio securities may increase or decrease in market value, generally, in connection with changes in interest rates. The amortized cost method of valuation involves valuing a security at its cost adjusted by a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Trust would receive if it sold the instrument. During such periods the yield to investors in the Trust may differ somewhat from that obtained in a similar company which uses mark to market values for all its portfolio securities. For example, if the use of amortized cost resulted in a lower (higher) aggregate portfolio value on a particular day, a prospective investor in the Trust would be able to obtain a somewhat higher (lower) yield than would result from investment in such a similar company and existing investors would receive less (more) investment income. The purpose of this method of calculation is to facilitate the maintenance of a constant net asset value per share of $1.00.

The Trust's use of the amortized cost method to value its portfolio securities is permitted pursuant to Rule 2a-7 of the Act (the "Rule") and is conditioned on its compliance with various conditions contained in the Rule including: (a) the Trustees are obligated, as a particular responsibility within the overall duty of

care owed to the Trust's shareholders, to establish procedures reasonably designed, taking into account current market conditions and the Trust's investment objectives, to stabilize the net asset value per share as computed for the purpose of distribution and redemption at $1.00 per share; (b)(i) the procedures include calculation, at such intervals as the Trustees determine are appropriate and as are reasonable in light of current market conditions, of the deviation, if any between net asset value per share using amortized cost to value portfolio securities and net asset value per share based upon available market quotations with respect to such portfolio securities; (ii) periodic review by the Trustees of the amount of deviation as well as methods used to calculate it; and (iii) maintenance of written records of the procedures, and the Trustees' considerations made pursuant to them and any actions taken upon such consideration; c) the Trustees will consider what steps should be taken, if any, in the event of a difference of more than 1/2 of 1% between the two methods of valuation; and (d) the Trustees should take such action as they deem appropriate (such as shortening the average portfolio maturity, realizing gains or losses, withholding dividends or reducing the number of the outstanding shares of the Trust) to eliminate or reduce to the extent reasonably practicable material dilution or other unfair results to investors or existing shareholders which might arise from differences between the two methods of valuation. Any reduction of outstanding shares will be effected by having each shareholder proportionately contribute to the Trust's capital the necessary shares that represent the amount of excess upon such determination. Each shareholder will be deemed to have agreed to such contribution in these circumstances by investment in the Trust. See "Dividends, Distributions and Taxes" for a discussion of the tax effect of such reduction.

Generally, for purposes of the procedures adopted under the Rule, the maturity of a portfolio instrument is deemed to be the period remaining (calculated from the trade date or such other date on which the Trust's interest in the instrument is subject to market action) until the date noted on the face of the instrument as the date on which the principal amount must be paid, or in the case of an instrument called for redemption, the date on which the redemption payment must be made.

A variable rate obligation that is subject to a demand feature is deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand. A floating rate instrument that is subject to a demand feature is deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

An Eligible Security is defined in the Rule to mean a security which: (a) has a remaining maturity of thirteen months or less; (b)(i) is rated in the two highest short-term rating categories by any two NRSRO that have issued a short-term rating with respect to the security or class of debt obligations of the issuer, or (ii) if only one NRSRO has issued a short-term rating with respect to the security, then by that NRSRO; (c) was a long-term security at the time of issuance whose issuer has outstanding a short-term debt obligation which is comparable in priority and security and has a rating as specified in clause (b) above; or (d) if no rating is assigned by any NRSRO as provided in clauses (b) and (c) above, the unrated security is determined by the Board to be of comparable quality to any such rated security. The Trust will limit its investments to securities that meet the requirements for Eligible Securities including the required ratings by S&P or Moody's, as set forth in the prospectus.

As permitted by the Rule, the Board has delegated to the Trust's Investment Manager, subject to the Board's oversight pursuant to guidelines and procedures adopted by the Board, the authority to determine which securities present minimal credit risks and which unrated securities are comparable in quality to rated securities.

Also, as required by the Rule, the Trust will limit its investments in securities, other than Government securities, so that, at the time of purchase: (a) except as further limited in (b) below with regard to certain securities, no more than 5% of its total assets will be invested in the securities of any one issuer; and (b) with respect to Eligible Securities that have received a rating in less than the highest category by any one of the NRSROs whose ratings are used to qualify the security as an Eligible Security, or determined

to be of comparable quality: (i) no more than 5% in the aggregate of the Trusts total assets in all such securities, and (ii) no more than the greater of 1% of total assets, or $1 million, in the securities on any one issuer.

The presence of a line of credit or other credit facility offered by a bank or other financial institution which guarantees the payment obligation of the issuer, in the event of a default in the payment of principal or interest of an obligation may be taken into account in determining whether an investment is an Eligible Security, provided that the guarantee itself is an Eligible Security.

The Rule further requires that the Trust limit its investments to U.S. dollar-denominated instruments which the Trustees determine present minimal credit risks and which are Eligible Securities. The Rule also requires the Trust to maintain a dollar-weighted average portfolio maturity (not more than 90 days) appropriate to its objective of maintaining a stable net asset value of $1.00 per share and precludes the purchase of any instrument with a remaining maturity of more than 397 days. Should the disposition of a portfolio security result in a dollar-weighted average portfolio maturity of more than 90 days, the Trust will invest its available cash in such a manner as to reduce such maturity to 90 days or less as soon as is reasonably practicable.

If the Board determines that it is no longer in the best interests of the Trust and its shareholders to maintain a stable price of $1 per share or if the Board believes that maintaining such price no longer reflects a market-based net asset value per share, the Board has the right to change from an amortized cost basis of valuation to valuation based on market quotations. The Trust will notify shareholders of any such change.

DIVIDENDS, DISTRIBUTIONS AND TAXES

As discussed in the Appendix to the Prospectus, the Trust intends to declare dividends payable on each day the New York Stock Exchange is open for business of all of its daily net investment income and net short-term capital gains, if any, to shareholders of record as of 12 noon New York time of the preceding business day. Net income, for dividend purposes, includes accrued interest and amortization of original issue and market discount, plus or minus any short-term gains or losses realized on sales of portfolio securities, less the amortization of market premium and the estimated expenses of the Trust. Net income will be calculated immediately prior to the determination of net asset value per share of the Trust.

Gains or losses on the sales of securities by the Trust will be long-term capital gains or losses if the securities have been held by the Trust for more than twelve months. Gains or losses on the sale of securities held for twelve months or less will be short-term capital gains or losses.

The Trustees may revise the above dividend policy, or postpone the payment of dividends, if the Trust should have or anticipate any large unexpected expense, loss or fluctuation in net assets which, in the opinion of the Trustees, might have a significant adverse effect on shareholders. On occasion, in order to maintain a constant $1 per share net asset value, the Trustees may direct that the number of outstanding shares be reduced in each shareholder's account. Such reduction may result in taxable income to a shareholder in excess of the net increase (i.e., dividends, less such reductions), if any, in the shareholder's account for a period. Furthermore, such reduction may be realized as a capital loss when the shares are liquidated.

The Trust has qualified and intends to remain qualified as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). If so qualified, the Trust will not be subject to federal income or excise taxes provided that it distributes all of its taxable net investment income and all of its net realized capital gains.

Shareholders will be subject to federal income tax on dividends paid from interest income derived from taxable securities and on distributions of realized net short-term capital gains. Such interest and realized net short-term capital gains dividends and distributions are taxable to the shareholder as ordinary dividend income regardless of whether the shareholder receives such distributions in additional shares or in cash. Since the Trust's income is expected to be derived entirely from interest rather than dividends, none of the Trust's dividends/distributions will be eligible for the federal dividends received deduction available to corporations.

The Code requires each regulated investment company to pay a nondeductible 4% excise tax to the extent the company does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined in general on an October 31 year end, plus certain undistributed amounts from previous years. The Trust anticipates that it will make sufficient timely distributions to avoid imposition of the excise tax.

Under present Massachusetts law, the Trust is not subject to any Massachusetts income tax during any fiscal year in which the Trust qualifies as a regulated investment company. The Trust might be subject to Massachusetts income taxes for any taxable year in which it does not so qualify as a regulated investment company.

The Trust may be subject to tax or taxes in certain states where it does business. Furthermore, in those states which have income tax laws, the tax treatment of the Trust and of shareholders with respect to distributions by the Trust may differ from Federal tax treatment.

Shareholders are urged to consult their own tax advisers regarding specific questions as to Federal, state or local taxes.

INFORMATION ON COMPUTATION OF YIELD

The Trust's annualized current yield, as may be quoted from time to time in advertisements and other communications to shareholders and potential investors, is computed by determining, for a stated seven-day period, the net change, exclusive of capital changes and including the value of additional shares purchased with dividends and any dividends declared therefrom (which reflect deductions of all expenses of the Trust such as management fees), in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period, and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by (365/7).

The Trust's annualized effective yield, as may be quoted from time to time in advertisements and other communications to shareholders and potential investors, is computed by determining (for the same stated seven-day period as for the current yield), the net change, exclusive of capital changes and including the value of additional shares purchased with dividends and any dividends declared therefrom (which reflect deductions of all expenses of the Trust such as management fees), in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period, and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then compounding the base period return by adding 1, raising the sum to a power equal to 365 divided by 7, and subtracting 1 from the result.

The yields quoted in any advertisement or other communication should not be considered a representation of the yields of the Trust in the future since the yield is not fixed. Actual yields will depend not only on the type, quality and maturities of the investments held by the Trust and changes in interest rates on such investments, but also on changes in the Trust's expenses during the period.

Yield information may be useful in reviewing the performance of the Trust and for providing a basis for comparison with other investment alternatives. However, unlike bank deposits or other investments which typically pay a fixed yield for a stated period of time, the Trust's yield fluctuates.

The Trust's current yield for the seven days ending June 30, 1994 was 3.80%. The effective annual yield on 3.80% is 3.86%, assuming daily compounding.

STATEMENTS OF ADDITIONAL INFORMATION
AUGUST 22, 1994 [LOGO]

Active Assets Money Trust (the "Money Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objectives are high current income, preservation of capital and liquidity. The Money Trust seeks to achieve its objectives by investing in a diversified portfolio of short-term money market instruments.

Active Assets Tax-Free Trust (the "Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objective is to provide as high a level of daily income exempt from federal personal income tax as is consistent with stability of principal and liquidity. The Tax-Free Trust seeks to achieve its objective by investing primarily in high quality tax-exempt securities with short-term maturities.

Active Assets California Tax-Free Trust (the "California Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objective is to provide as high a level of daily income exempt from federal and California personal income tax as is consistent with stability of principal and liquidity. The California Tax-Free Trust seeks to achieve its objective by investing primarily in high quality tax-exempt securities with short-term maturities.

Active Assets Government Securities Trust (the "Government Securities Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objectives are high current income, preservation of capital and liquidity. The Government Securities Trust seeks to achieve its objective by investing in U.S. Government securities, including a variety of securities which are issued or guaranteed by the United States Government, its agencies or instrumentalities.

Prospectuses for the Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust, all dated August 22, 1994, which provide the basic information you should know before investing in any of the aforementioned Trusts, may be obtained without charge from any of the Trusts at the address or telephone number listed below. These Statements of Additional Information are not Prospectuses. They contain information in addition to and more detailed than that set forth in the Prospectuses. They are intended to provide additional information regarding the activities and operations of the Trusts, and should be read in conjunction with the Prospectuses. They should be read with the information appearing in the Appendix hereto which is a part of these Statements of Additional Information.

Active Assets Money Trust
Active Assets Tax-Free Trust
Active Assets California Tax-Free Trust
Active Assets Government Securities Trust

Two World Trade Center
New York, New York 10048
(212) 392-2550

The shares of the Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust are offered to participants in the Active Assets Account program of Dean Witter Reynolds Inc. ("Dean Witter"). In addition, shares of the Trusts are offered to investors maintaining brokerage accounts with Dean Witter who are not subscribers to the Active Assets program. For further information, either consult the Dean Witter Client Agreement or consult your Dean Witter Account Executive.

Active Assets Tax-Free Trust

ACTIVE ASSETS TAX-FREE TRUST
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INVESTMENT PRACTICES AND POLICIES

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MUNICIPAL BONDS. Municipal Bonds, as referred to in the Prospectus, are debt obligations of states, cities, municipalities and municipal agencies (all of which are generally referred to as "municipalities") which generally have a maturity at the time of issuance of one year or more. They are issued to raise funds for various public purposes, such as construction of a wide range of public facilities, to refund outstanding obligations and to obtain funds for general operating expenses or to loan to other public institutions and facilities. In addition, certain types of industrial development bonds and pollution control bonds are issued by or on behalf of public authorities to provide funding for various privately operated facilities.

MUNICIPAL NOTES. Municipal Notes are short-term obligations of municipalities, generally with a maturity, at the time of issuance, ranging from six months to three years. The principal types of Municipal Notes include tax anticipation notes, bond anticipation notes, revenue anticipation notes and project notes. In addition, there are other types of Municipal Notes in which the Trust may invest. Notes sold in anticipation of collection of taxes, a bond sale, or receipt of other revenues are usually general obligations of the issuing municipality or agency. Project Notes are issued by local agencies and are guaranteed by the United States Department of Housing and Urban Development. Such notes are secured by the full faith and credit of the United States.

The two principal classifications of Municipal Bonds and Notes are "general obligation" and "revenue" bonds or notes. General obligation bonds and notes are secured by the issuer's pledge of its faith, credit, and taxing power for the payment of principal and interest. Issuers of general obligation bonds and notes include states, counties, cities, towns and other governmental units. Revenue bonds and notes are payable from the revenues derived from a particular facility or class of facilities or, in some cases, from specific revenue sources. Revenue bonds and notes and commercial paper are issued for a wide variety of purposes, including the financing of electric, gas, water and sewer systems and other public utilities; industrial development and pollution control facilities; single and multi-family housing units; public buildings and facilities; air and marine ports; transportation facilities such as toll roads, bridges and tunnels; and health and educational facilities such as hospitals and dormitories. They rely primarily on user fees to pay debt service although the principal revenue source is often supplemented by additional security features which are intended to enhance the creditworthiness of the issuer's obligations. In some cases, particularly in the instance of revenue bonds issued to finance housing and public buildings, a direct or implied "moral obligation" of a governmental unit may be pledged to the payment of debt service. In other cases, a special tax or other charge may augment user fees.

Obligations of issuers of Municipal Bonds and Municipal Notes are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Act, and laws, if any, which may be enacted by Congress or state legislatures to extend the time for payment of principal or interest, or both, or to impose other constraints upon enforcement of such obligations or upon municipalities to levy taxes. There is also the possibility that, as a result of litigation or other conditions, the power or ability of any one or more issuer to pay, when due, principal of and interest on its, or their, Municipal Bonds and Municipal Notes may be materially affected.

VARIABLE RATE AND FLOATING RATE OBLIGATIONS. As stated in the Prospectus, the Trust may invest in Municipal Bonds and Municipal Notes ("Municipal Obligations") of the type called "variable rate" and "floating rate" obligations.

The interest rate payable on a variable rate Municipal Obligation is adjusted either at predesignated periodic intervals and on floating rate Municipal Obligations, whenever there is a change in the market rate of interest on which the interest rate payable is based. Other features may include the right whereby the Trust may demand prepayment of the principal amount of the obligation prior to its stated maturity (a "demand feature") and the right of the issuer to prepay the principal amount prior to maturity. The principal benefit of a variable rate and a floating rate Municipal Obligation is that the interest rate adjustment minimizes changes in the market value of the obligation. As a result, the purchases of variable rate and floating rate Municipal Obligations could enhance the ability of the Trust to maintain a

stable net asset value per share (see "How Net Asset Value is Determined" in the Prospectus") and to sell Municipal Obligations prior to maturity at a price approximating the full principal amount of the obligation. The principal benefit to the Trust of purchasing Municipal Obligations with a demand feature is that liquidity, and the ability of the Trust to obtain repayment of the full principal amount of a Municipal Obligation prior to maturity, is enhanced. The payment of principal and interest by issuers of certain Municipal Obligations purchased by the Trust may be guaranteed by letters of credit or other credit facilities offered by banks or other financial institutions. Such guarantees will be considered in determining whether a Municipal Obligation meets the Trust's investment quality requirements.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. As stated in the Prospectus, the Trust may purchase tax-exempt securities on a when-issued or delayed delivery basis. When such transactions are negotiated, the price is fixed at the time of commitment, but delivery and payment can take place a month or more after the date of the commitment. While the Trust will only purchase securities on a when-issued or delayed delivery basis with the intention of acquiring the securities, the Trust may sell the securities before the settlement date, if it is deemed advisable. The securities so purchased or sold are subject to market fluctuation and no interest accrues to the purchaser during this period. At the time the Trust makes the commitment to purchase a Municipal Obligation on a when-issued or delayed delivery basis, it will record the transaction and thereafter reflect the value, each day, of the Municipal Obligation in determining its net asset value. The Trust will also establish a segregated account with its custodian bank in which it will maintain cash or cash equivalents or other Municipal Obligations equal in value to commitments for such when-issued or delayed delivery securities. The Trust does not believe that its net asset value or income will be adversely affected by its purchase of Municipal Obligations on a when-issued or delayed delivery basis.

REPURCHASE AGREEMENTS. When cash may be available for only a few days, it may be invested by the Trust in repurchase agreements until such time as it may otherwise be invested or used for payments of obligations of the Trust. These agreements, which may be viewed as a type of secured lending by the Trust, typically involve the acquisition by the Trust of debt securities from a selling financial institution such as a bank, savings and loan association or broker-dealer. The agreement provides that the Trust will sell back to the institution, and that the institution will repurchase, the underlying security ("collateral") at a specified price and at a fixed time in the future, which is usually not more than seven days from the date of purchase. The Trust will receive interest from the institution until the time when the repurchase is to occur. Although such date is deemed by the Trust to be the maturity date of a repurchase agreement, the maturities of securities subject to repurchase agreements are not subject to any limits and may exceed one year.

While repurchase agreements involve certain risks not associated with direct investments in debt securities, the Trust follows procedures designed to minimize such risks. These procedures include effecting repurchase transactions only with large, well capitalized and well established financial institutions, whose financial condition will be continuously monitored. In addition, the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. Such collateral will consist of Government securities or "Eligible Securities" (as described below under the caption "How Net Asset Value is Determined") rated in the highest grade by a nationally recognized statistical rating organization (a "NRSRO") whose ratings qualify the collateral as an Eligible Security. In the event of a default or bankruptcy by a selling financial institution, the Trust will seek to liquidate such collateral. However, the exercising of the Trust's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Trust could suffer a loss. It is the current policy of the Trust not to invest in repurchase agreements that do not mature within seven days if any such investment, together with any other illiquid assets held by the Trust, amount to more than 10% of its total assets. The Trust's investments in repurchase agreements may at times be substantial when, in the view of the Trust's investment manager, liquidity or other considerations warrant. However, during the fiscal year ended June 30, 1994, the Trust did not enter into any repurchase agreements and the Trust does not intend to enter into any repurchase agreements during the foreseeable future.

PUT OPTIONS. The Trust may purchase securities together with the right to resell them to the seller at an agreed upon price or yield within a specified period prior to the maturity date of such securities. Such a right to resell is commonly known as a "put," and the aggregate price which the Trust pays for securities with puts may be higher than the price which otherwise would be paid for the securities. Consistent with the Trust's investment objectives and subject to the supervision of the Trust's Trustees, the primary purpose of this practice is to permit the Trust to be fully invested in securities the interest on which is exempt from Federal income taxes while preserving the necessary flexibility and liquidity to purchase securities on a when-issued basis, to meet unusually large redemptions and to purchase, at a later date, securities other than those subject to the put. The Trust's policy is generally to exercise the puts on their expiration date, when the exercise price is higher than the current market price for the related securities. Puts may be exercised prior to the expiration date in order to fund obligations to purchase other securities or to meet redemption requests. These obligations may arise during periods in which proceeds from sales of Trust shares and from recent sales of portfolio securities are insufficient to meet such obligations or when the funds available are otherwise allocated for investment. In addition, puts may be exercised prior to their expiration date in the event the Investment Manager revises its evaluation of the creditworthiness of the issuer of the underlying security. In determining whether to exercise puts prior to their expiration date and in selecting which puts to exercise in such circumstances, the Investment Manager considers, among other things, the amount of cash available to the Trust, the expiration dates of the available puts, any future commitments for securities purchases, the yield, quality and maturity dates of the underlying securities, alternative investment opportunities and the desirability of retaining the underlying securities in the Trust's portfolio.

The Trust values securities which are subject to puts at their amortized cost and values the put, apart from the security, at zero. Thus, the cost of the put will be carried on the Trust's books as an unrealized loss from the date of acquisition and will be reflected in realized gain or loss when the put is exercised or expires. Since the value of the put is dependent on the ability of the put writer to meet its obligation to repurchase, the Trust's policy is to enter into put transactions only with municipal securities dealers who are approved by the Trust's Trustees. Each dealer will be approved on its own merits and it is the Trust's general policy to enter into put transactions only with those dealers which have been determined to present minimal credit risks. In connection with such determination, the Trustees will review, among other things, the ratings, if available, of equity and debt securities of such municipal securities dealers, their reputations in the municipal securities markets, the net worth of such dealers and their efficiency in consummating transactions. Bank dealers normally will be members of the Federal Reserve System, and other dealers will be members of the National Association of Securities Dealers, Inc. or members of a national securities exchange. The Trustees have directed the Investment Manager not to enter into put transactions with, or to exercise outstanding puts of, any municipal securities dealer which, in the judgment of the Investment Manager, ceases at any time to present a minimal credit risk. In the event that a dealer should default on its obligation to repurchase an underlying security, the Trust is unable to predict whether all or any portion of any loss sustained could be subsequently recovered from such dealer. During the fiscal year ended June 30, 1994, the Trust did not purchase any put options and it has no intention of purchasing such securities during the coming year.

In Revenue Ruling 82-144, the Internal Revenue Service stated that, under certain circumstances, a purchaser of tax-exempt obligations which are subject to puts will be considered the owner of the obligations for Federal income tax purposes. In connection therewith, the Trust has received an opinion of counsel to the effect that interest on Municipal Obligations subject to puts will be tax-exempt to the Trust.

INVESTMENT RESTRICTIONS

In addition to the investment restrictions enumerated in the Prospectus, the investment restrictions listed below have been adopted by the Trust as fundamental policies, except as otherwise indicated. Under the Act, a fundamental policy may not be changed without the vote of the holders of a majority of the outstanding voting securities of the Trust, as defined in the Investment Company Act of 1940, as amended (the "Act"). Such a majority is defined in the Act as the lesser of (a) 67% or more of the shares

present at a Meeting of Shareholders of the Trust, if the holders of more than 50% of the outstanding shares of the Trust are present or represented by proxy at the meeting or (b) more than 50% of the outstanding shares of the Trust. For purposes of the following restrictions and those contained in the Prospectus:

(a) an "issuer" of a security is the entity whose assets and revenues are committed to the payment of interest and principal on that particular security, provided that the guarantee of a security will be considered a separate security; (b) a "taxable security" is any security the interest on which is subject to federal income tax; and (c) all percentage limitations apply immediately after a purchase or initial investment, and any subsequent change in any applicable percentage resulting from market fluctuations or other changes in total or net assets does not require elimination of any security from the portfolio.

The restrictions provide that the Trust may not:

1. Invest in common stock;

2. Invest in securities of any issuer if, to the knowledge of the Trust, any officer, Trustee or director of the Trust or of the Investment Manager owns more than 1/2 of 1% of the outstanding securities of such issuer, and such officers, Trustees and directors who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuer;

3. Purchase or sell real estate or interests therein, although it may purchase securities secured by real estate or interests therein;

4. Purchase or sell commodities or commodity futures contracts;

5. Purchase oil, gas or other mineral leases, rights or royalty contracts, or exploration or development programs;

6. Write, purchase or sell puts, calls, or combinations thereof except that it may acquire rights to resell Municipal Obligations at an agreed upon price and at or within an agreed upon time;

7. Purchase securities of other investment companies, except in connection with a merger, consolidation, reorganization or acquisition of assets;

8. Pledge its assets or assign or otherwise encumber them except to secure borrowings effected within the limitations set forth in Investment Restriction 5, as disclosed in the Prospectus. To meet the requirements of regulations in certain states, the Trust, as a matter of operating policy but not as a fundamental policy, will limit any pledge of its assets to 10% of its net assets so long as shares of the Trust are being sold in those states;

9. Issue senior securities as defined in the Act except insofar as the Trust may be deemed to have issued a senior security by reason of: (a) entering into any repurchase agreement; (b) purchasing any securities on a when-issued or delayed delivery basis; or (c) borrowing money in accordance with restrictions described above;

10. Make loans of money or securities, except: (a) by the purchase of debt obligations in which the Trust may invest consistent with its investment objective and policies; and (b) by investment in repurchase agreements;

11. Make short sales of securities;

12. Purchase securities on margin, except for such short-term loans as are necessary for the clearance of purchases of portfolio securities;

13. Engage in the underwriting of securities, except insofar as the Trust may be deemed an underwriter under the Securities Act of 1933 in disposing of a portfolio security; and

14. Invest for the purpose of exercising control or management of any other issuer.

HOW NET ASSET VALUE IS DETERMINED

As discussed in the Appendix to the Prospectus, the net asset value of the Trust is determined as of 12 noon New York time on each day that the New York Stock Exchange is open. The New York Stock Exchange currently observes the following holidays: New Year's Day; President's Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day.

The Trust utilizes the amortized cost method in valuing its portfolio securities for purposes of determining the net asset value of the Trust's shares. The Trust utilizes the amortized cost method in valuing its portfolio securities even though the portfolio securities may increase or decrease in market value, generally, in connection with changes in interest rates. The amortized cost method of valuation involves valuing a security at its cost adjusted by a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Trust would receive it if sold the instrument. During such periods, the yield to investors in the Trust may differ somewhat from that obtained in a similar company which uses mark to market values for all its portfolio securities. For example, if the use of amortized cost resulted in a lower (higher) aggregate portfolio value on a particular day, a prospective investor in the Trust would be able to obtain a somewhat higher (lower) yield than would result from investment in such a similar company and existing investors would receive less (more) investment income. The purpose of this method of calculation is to facilitate the maintenance of a constant net asset value per share of $1.00.

The Trust's use of the amortized cost method to value its portfolio securities and the maintenance of the per share net asset value of $1.00 is permitted pursuant to Rule 2a-7 of the Act (the "Rule"), and is conditioned on its compliance with various conditions contained in the Rule including: (a) the Trust's Trustees are obligated, as a particular responsibility within the overall duty of care owed to the Trust's shareholders, to establish procedures reasonably designed, taking into account current market conditions and the Trust's investment objectives, to stabilize the net asset value per share as computed for the purpose of distribution and redemption at $1.00 per share; (b) (i) the procedures include calculation, at such intervals as are reasonable in light of current market conditions, of the deviation, if any between net asset value per share using amortized cost to value portfolio securities and net asset value per share based upon available market quotations with respect to such portfolio securities (for the purpose of determining market value, securities as to which the Trust has a "put" will be valued at the higher of market value or exercise price); (ii) periodic review by the Trustees of the amount of deviation as well as methods used to calculate it, and (iii) maintenance of written records of the procedures, the Trustees considerations made pursuant to them and any actions taken upon such consideration; the Trustees will consider what steps should be taken, if any, in the event of a difference of more than 1/2 of 1% between the two methods of valuation; and (d) the Trustees should take such action as they deem appropriate to eliminate or reduce, to the extent reasonably practicable, material dilution or other unfair results to investors or existing shareholders. Such action may include: selling portfolio instruments prior to maturity to realize capital gains or losses or to shorten the average portfolio maturity of the Trust; withholding dividends; utilizing a net asset value per share as determined by using available market quotations or reducing the number of its outstanding shares. Any reduction of outstanding shares will be effected by having each shareholder proportionately contribute to the Trust's capital a number of shares which represent the difference between the amortized cost valuation and market valuation of the portfolio. Each shareholder will be deemed to have agreed to such contribution by his or her investment in the Trust.

The Rule further requires that the Trust limit its investments to U.S. dollar-denominated instruments which the Trustees determine present minimal credit risks and which are Eligible Securities (as defined below). The Rule also requires the Trust to maintain a dollar-weighted average portfolio maturity (not more than 90 days) appropriate to its objective of maintaining a stable net asset value of $1.00 per share and precludes the purchase of any instrument with a remaining maturity of more than thirteen months.

Should the disposition of a portfolio security result in a dollar-weighted average portfolio maturity of more than 90 days, the Trust will invest its available cash in such a manner as to reduce such maturity to 90 days or less as soon as is reasonably practicable.

At the time the Trust makes the commitment to purchase a Municipal Obligation on a when-issued or delayed delivery basis, it will record the transaction and thereafter reflect the value, each day, of the Municipal Obligation in determining its net asset value. Repurchase agreements are valued at the face value of the repurchase agreement plus any accrued interest thereon to date.

Generally, for purposes of the procedures adopted under the Rule, the maturity of a portfolio instrument is deemed to be the period remaining (calculated from the trade date or such other date on which the Trust's interest in the instrument is subject to market action) until the date noted on the face of the instrument as the date on which the principal amount must be paid, or in the case of an instrument called for redemption, the date on which the redemption payment must be made.

A variable rate obligation that is subject to a demand feature is deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand. A floating rate instrument that is subject to a demand feature is deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

An Eligible Security is defined in the Rule to mean a security which: (a) has a remaining maturity of 397 days or less; (b)(i) is rated in the two highest short-term rating categories by any two NRSRO's that have issued a short-term rating with respect to the security or class of debt obligations of the issuer, or (ii) if only one NRSRO has issued a short-term rating with respect to the security, then by that NRSRO; (c) was a long-term security at the time of issuance whose issuer has outstanding a short-term debt obligation which is comparable in priority and security and has a rating as specified in clause (b) above; or (d) if no rating is assigned by any NRSRO as provided in clauses (b) and (c) above, the unrated security is determined by the Board to be of comparable quality to any such rated security. The Trust will limit its investments to securities that meet the requirements for Eligible Securities, as set forth in the prospectus.

As permitted by the Rule, the Board has delegated to the Trust's Investment Manager, subject to the Board's oversight pursuant to guidelines and procedures adopted by the Board, the authority to determine which securities present minimal credit risks and which unrated securities are comparable in quality to rated securities.

Also, as required by the Rule, the Trust will limit its investments in securities, other than Government securities, so that, at the time of purchase: (a) except as further limited in (b) below with regard to certain securities, no more than 5% of its total assets will be invested in the securities of any one issuer; and (b) with respect to Eligible Securities that have received a rating in less than the highest category by any one of the NRSROs whose ratings are used to qualify the security as an Eligible Security, or are determined to be of comparable quality: (i) no more than 5% in the aggregate of the Trusts total assets in all such securities, and (ii) no more than the greater of 1% of total assets, or $1 million, in the securities of any one issuer.

If the Board determines that it is no longer in the best interests of the Trust and its shareholders to maintain a stable price of $1 per share or if the Board believes that maintaining such price no longer reflects a market-based net asset value per share, the Board has the right to change from an amortized cost basis of valuation to valuation based on market quotations. The Trust will notify shareholders of any such changes.

The Trust will manage its portfolio in an effort to maintain a constant $1.00 per share price, but it cannot assure that the value of its shares will never deviate from the $1.00 price. Since dividends from net investment income are declared and reinvested on a daily basis, the net asset value per share, under ordinary circumstances, is likely to remain constant. Realized and unrealized gains and losses will not be distributed on a daily basis but will be reflected in the Trust's net asset value. The amount of such gains and losses will be considered by the Trustees in determining the action to be taken to maintain the

Trust's $1.00 per share net asset value. Such action may include distribution at any time of part or all of the then accumulated undistributed net realized capital gains, or reduction or elimination of daily dividends by an amount equal to part or all of the then accumulated net realized capital losses. However, if realized losses should exceed the sum of net investment income plus realized gains on any day, the net asset value per share on that day might decline below $1.00 per share. In such circumstances, the Trust may reduce or eliminate the payment of daily dividends for a period of time in an effort to restore the Trust's $1.00 per share net asset value. A decline in prices of securities could result in significant unrealized depreciation on a mark to market basis. In these circumstances, the Trust may reduce or eliminate the payment of dividends and utilize a net asset value per share as determined by using available market quotations or reduce the number of its outstanding shares.

DIVIDENDS, DISTRIBUTIONS AND TAXES
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As stated in the Appendix to the Prospectus, the Trust intends to declare dividends, payable on each day the New York Stock Exchange is open for business, of all of its net investment income to shareholders of record as of 12 noon New

York time of the preceding business day.

In computing interest income, the Trust will amortize any premiums and original issue discounts on securities owned. Capital gains or losses realized upon sale or maturity of such securities will be based on their amortized cost.

Gains or losses on the sales of securities by the Trust will be long-term capital gains or losses if the securities have been held by the Trust for more than twelve months. Gains or losses on the sale of securities held for twelve months or less will be short-term capital gains or losses.

At June 30, 1994, the Trust had capital loss carryovers of approximately $47,000 available through June 30, 2000. To the extent that this capital loss carryover is used to offset future gains, it is probable that the gains so offset will not be distributed to shareholders. Any net capital loss incurred after October 31 ("post-October losses") within the taxable year is deemed to arise on the first day of the fund's next taxable year. The Fund incurred and elected to defer a net capital loss of approximately $12,000 during its fiscal year ended June 30, 1994.

The Trustees may revise the dividend policy, or postpone the payment of dividends, if the Trust should have or anticipate any large unexpected expense, loss or fluctuation in net assets which, in the opinion of the Trustees, might have a significant adverse effect on shareholders. On occasion, in order to maintain a constant $1.00 per share net asset value, the Trustees may direct that the number of outstanding shares be reduced in each shareholder's account. Such reduction may result in taxable income, if any, to a shareholder in excess of the net increase (i.e., dividends, less such reductions), if any, in the shareholder's account for a period. Furthermore, such reduction may be realized as a capital loss when the shares are liquidated.

As discussed in the Prospectus, the Trust intends to invest a portion of its assets in certain "private activity bonds" issued after August 7, 1986. As a result, a portion of the exempt-interest dividends paid by the Trust will be an item of tax preference for taxable years beginning after December 31, 1986. Certain corporations which are subject to the alternative minimum tax may also have to include exempt-interest dividends in calculating their alternative minimum taxable income in situations where the "adjusted current earnings" of the corporation exceeds its preadjustment alternative minimum taxable income.

The Trust has qualified and intends to remain qualified as a regulated investment company under Subchapter M of the Code. If so qualified, the Trust will not be subject to federal income and excise tax on its net investment income and capital gains, if any, realized during any fiscal year in which it distributes such income and capital gains to its shareholders.

As discussed in the Prospectus, the Trust intends to qualify to pay "exempt-interest dividends" to its shareholders by maintaining, as of the close of each of its taxable years, at least 50% of its assets in tax-exempt securities. An exempt-interest dividend is that part of a dividend distribution made by the Trust which consists of interest received by the Trust on tax-exempt securities upon which the shareholder

incurs no federal income taxes. Exempt-interest dividends are included, however, in determining what portion, if any, of a person's Social Security benefits are subject to federal income tax and in certain circumstances may affect the determination of the supplemental premium applicable to Medicare eligible individuals.

Alternative minimum taxable income is generally equal to taxable income with certain adjustments and increased by certain "tax preference items" which may include a portion of the Trust's dividends as described above. In addition, the Code further provides that for taxable years beginning in 1990 and thereafter, corporations are subject to an alternative minimum tax based, in part, on 75% of any excess of "adjusted current earnings" over taxable income as adjusted for other tax preferences. Because an exempt-interest dividend paid by the Trust will be included in adjusted current earnings, a corporate shareholder may therefore be required to pay an increased alternative minimum tax as the result of receiving exempt-interest dividends paid by the Trust.

The Superfund Amendments and Reauthorization Act of 1986 (the "Superfund Act") imposes a deductible tax on a corporation's alternative minimum taxable income (computed without regard to the alternative tax net operating loss deduction) at a rate of $12 per $10,000 (0.12%) of alternative minimum taxable income in excess of $2,000,000. The tax will be imposed for taxable years beginning after December 31, 1986 and before January 1, 1996. The tax will be imposed even if the corporation is not required to pay an alternative minimum tax because the corporation's regular income tax liability exceeds its minimum tax liability. Exempt-interest dividends paid by the Trust that create alternative minimum tax preferences for corporate shareholders under the Code (as described above) may be subject to the tax.

Within 60 days after the end of its fiscal year, the Trust will mail to shareholders a statement indicating the percentage of the dividend distributions for such fiscal year which constitutes exempt-interest dividends and the percentage, if any, that is taxable, and to what extent the taxable portion is long-term capital gain, short-term capital gain or ordinary income. This percentage should be applied uniformly to all monthly distributions made during the fiscal year to determine the proportion of dividends that is tax-exempt. The percentage may differ from the percentage of tax-exempt dividend distributions for any particular month.

Shareholders will be subject to federal income tax on dividends paid from interest income derived from taxable securities and on distributions of realized net short-term capital gains. Such interest and realized net short-term capital gains dividends and distributions are taxable to the shareholder as ordinary dividend income regardless of whether the shareholder receives such distributions in additional shares or in cash. Distributions of long-term capital gains, if any, are taxable as long-term capital gains, regardless of how long the shareholder has held the Fund shares and regardless of whether the distribution is received in additional shares or cash. Since the Trust's income is expected to be derived entirely from interest rather than dividends, it is anticipated that none of such dividend distributions will be eligible for the federal dividends received deduction available to corporations.

Any loss on the sale or exchange of shares of the Trust which are held for 6 months or less is disallowed to the extent of the amount of any exempt-interest dividend paid with respect to such shares. Treasury Regulations may provide for a reduction in such required holding periods.

The Code requires each regulated investment company to pay a nondeductible 4% excise tax to the extent the company does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined in general on an October 31 year end, plus certain undistributed amounts from previous years. The required distributions, however, are based only on the taxable income of a regulated investment company such as the Trust, which pays exempt-interest dividends. The Trust anticipates that it will make sufficient timely distributions to avoid imposition of the excise tax.

Interest on indebtedness incurred or continued by a shareholder to purchase or carry shares of the Trust is not deductible. Furthermore, entities or persons who are "substantial users" (or related persons) of facilities financed by industrial development bonds should consult their tax advisers before purchas-

ing shares of the Trust. "Substantial user" is defined generally by Income Tax Regulation 1.103-11 (b) as including a "non-exempt person" who regularly uses in a trade or business a part of a facility financed from the proceeds of industrial development bonds.

From time to time, proposals have been introduced before Congress for the purpose of restricting or eliminating the federal income tax exemption for interest on municipal securities. Similar proposals may be introduced in the future. If such a proposal were to be enacted, the availability of tax-exempt municipal securities for investment by the Trust could be affected. If such legislation is enacted, the Trust may reevaluate its investment objective and policies.

The exemption of interest income for federal income tax purposes does not necessarily result in exemption under the income or other tax laws of any state or local taxing authority. Thus, shareholders of the Trust may be subject to state and local taxes on exempt-interest dividends. Shareholders should consult their tax advisers about the status of dividends from the Trust in their own states and localities. The Trust will report annually to shareholders the percentage of interest income received by the Trust during the preceding year on tax-exempt obligations, indicating, on a state-by-state basis, the source of such income.

Under present Massachusetts law, the Trust is not subject to any Massachusetts income tax during any fiscal year in which the Trust qualifies as a regulated investment company. The Trust might be subject to Massachusetts income taxes for any taxable year in which it does not so qualify as a regulated investment company.

Any dividends or capital gains distributions received by a shareholder from any investment company will have the effect of reducing the net asset value of the shareholder's stock in that fund by the exact amount of the dividends or capital gains distribution. Furthermore, capital gains distributions are, and some portion of the dividends may be, subject to income tax. If the net asset value of the shares should be reduced below a shareholder's cost as a result of the distribution of realized net long-term capital gains, such distribution would be a return of capital but nonetheless taxable at capital gains rates. Therefore, an investor should not purchase Trust shares immediately prior to a distribution record date and sell them immediately thereafter solely for the purpose of receiving the distribution.

INFORMATION ON COMPUTATION OF YIELD

The Trust's annualized current yield, as may be quoted from time to time in advertisements and other communications to shareholders and potential investors, is computed by determining, for a stated seven-day period, the net change, exclusive of capital changes and including the value of additional shares purchased with dividends and any dividends declared therefrom (which reflect deductions of all expenses of the Trust such as management fees), in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period, and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by (365/7).

The Trust's annualized effective yield, as may be quoted from time to time in advertisements and other communications to shareholders and potential investors, is computed by determining (for the same stated seven-day period as for the current yield), the net change, exclusive of capital changes and including the value of additional shares purchased with dividends and any dividends declared therefrom (which reflect deductions of all expenses of the Trust such as management fees), in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period, and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then compounding the base period return by adding 1, raising the sum to a power equal to 365 divided by 7, and subtracting 1 from the result.

The yields quoted in any advertisement or other communication should not be considered a representation of the yields of the Trust in the future since the yield is not fixed. Actual yields will depend not only on the type, quality and maturities of the investments held by the Trust and changes in interest rates on such investments, but also on changes in the Trust's expenses during the period.

Yield information may be useful in reviewing the performance of the Trust and for providing a basis for comparison with other investment alternatives. However, unlike bank deposits or other investments which typically pay a fixed yield for a stated period of time, the Trust's yield fluctuates.

Tax-equivalent yield is computed by dividing that portion of the current yield (calculated as described above) which is tax-exempt by 1 minus a stated tax rate and adding the quotient to that portion, if any, of the yield of the Trust that is not tax-exempt.

The Trust's current yield for the seven days ending June 30, 1994 was 2.27%. The effective annual yield on 2.27% is 2.29%, assuming daily compounding.

Based upon a Federal personal income tax bracket of 39.6%, the Trust's tax-equivalent yield for the seven days ending June 30, 1994 was 3.76%. Tax-equivalent yield is computed by dividing that portion of the current yield (calculated as described above) which is tax-exempt by 1 minus a stated tax rate and adding the quotient to that portion, if any, of the yield of the Trust that is not tax-exempt.

STATEMENTS OF ADDITIONAL INFORMATION
AUGUST 22, 1994 [LOGO]

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Active Assets Money Trust (the "Money Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objectives are high current income, preservation of capital and liquidity. The Money Trust seeks to achieve its objectives by investing in a diversified portfolio of short-term money market instruments.

Active Assets Tax-Free Trust (the "Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objective is to provide as high a level of daily income exempt from federal personal income tax as is consistent with stability of principal and liquidity. The Tax-Free Trust seeks to achieve its objective by investing primarily in high quality tax-exempt securities with short-term maturities.

Active Assets California Tax-Free Trust (the "California Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objective is to provide as high a level of daily income exempt from federal and California personal income tax as is consistent with stability of principal and liquidity. The California Tax-Free Trust seeks to achieve its objective by investing primarily in high quality tax-exempt securities with short-term maturities.

Active Assets Government Securities Trust (the "Government Securities Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objectives are high current income, preservation of capital and liquidity. The Government Securities Trust seeks to achieve its objective by investing in U.S. Government securities, including a variety of securities which are issued or guaranteed by the United States Government, its agencies or instrumentalities.

Prospectuses for the Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust, all dated August 22, 1994, which provide the basic information you should know before investing in any of the aforementioned Trusts, may be obtained without charge from any of the Trusts at the address or telephone number listed below. These Statements of Additional Information are not Prospectuses. They contain information in addition to and more detailed than that set forth in the Prospectuses. They are intended to provide additional information regarding the activities and operations of the Trusts, and should be read in conjunction with the Prospectuses. They should be read with the information appearing in the Appendix hereto which is a part of these Statements of Additional Information.

Active Assets Money Trust
Active Assets Tax-Free Trust
Active Assets California Tax-Free Trust
Active Assets Government Securities Trust

Two World Trade Center
New York, New York 10048
(212) 392-2550

The shares of the Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust are offered to participants in the Active Assets Account program of Dean Witter Reynolds Inc. ("Dean Witter"). In addition, shares of the Trusts are offered to investors maintaining brokerage accounts with Dean Witter who are not subscribers to the Active Assets program. For further information, either consult the Dean Witter Client Agreement or consult your Dean Witter Account Executive.

Active Assets California Tax-Free Trust

ACTIVE ASSETS CALIFORNIA TAX-FREE TRUST
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TAXABLE SECURITIES. As discussed in the Prospectus, the Trust may invest up to 20% of its total assets in taxable money market instruments, repurchase agreements and non-California tax-exempt securities. Investments in taxable money market instruments would generally be made under any one of the following circumstances: (a) pending investment proceeds of sale of Trust shares or of portfolio securities; (b) pending settlement of purchases of portfolio securities; and (c) to maintain liquidity for the purpose of meeting anticipated redemptions. Only those non-California tax-exempt securities which satisfy the standards established for California tax-exempt securities may be purchased by the Fund.

In addition, the Trust may temporarily invest more than 20% of its total assets in non-California tax-exempt securities and taxable money market instruments, or in short-term tax-exempt securities subject to the federal alternative minimum tax for individual shareholders, to maintain a "defensive" posture when, in the opinion of the Investment Manager, it is advisable to do so because of market conditions. The types of taxable money market instruments in which the Trust may invest are limited to the following short-term fixed-income securities (maturing in one year or less from the time of purchase): (i) obligations of the United States Government, its agencies, instrumentalities or authorities; (ii) commercial paper rated P-1 by Moody's Investors Services, Inc. ("Moody's") or A-1 by Standard & Poor's Corporation ("S&P"); (iii) certificates of deposit of domestic banks with assets of $1 billion or more; and (iv) repurchase agreements with respect to portfolio securities.

TAX-EXEMPT SECURITIES. As discussed in the Prospectus, at least 80% of the Trust's total assets will be invested in California tax-exempt securities (California Municipal Bonds, California Municipal Notes and California Municipal Commercial Paper). In regard to the Moody's and S&P ratings discussed in the Prospectus, it should be noted that the ratings represent the organizations' opinions as to the quality of the securities which they undertake to rate and the ratings are general and not absolute standards of quality. For a description of Municipal Bond, Municipal Note and Municipal Commercial Paper ratings by Moody's and S&P, see "Information with Respect to Securities Ratings" in the Appendix to this Statement of Additional Information.

The percentage and rating limitations discussed above and in the Prospectus apply at the time of acquisition of a security based upon the last previous determination of the Trust's net asset value; any subsequent change in any ratings by a rating service or change in percentages resulting from market fluctuations or other changes in total assets will not require elimination of any security from the Fund's portfolio.

The payment of principal and interest by issuers of certain Municipal Obligations purchased by the Trust may be guaranteed by letters of credit or other credit facilities offered by banks or other financial institutions. Such guarantees will be considered in determining whether a Municipal Obligation meets the Trust's investment quality requirements. In addition, some issues may contain provisions which permit the Trust to demand from the issuer repayment of principal at some specified period(s) prior to maturity.

MUNICIPAL BONDS. Municipal Bonds, as referred to in the Prospectus, are debt obligations of a state, its cities, municipalities and municipal agencies (all of which are generally referred to as "municipalities") which generally have a maturity at the time of issue of one year or more, and the interest from which is, in the opinion of bond counsel, exempt from federal income tax. In addition to these requirements, the interest from California Municipal Bonds must be, in the opinion of bond counsel, exempt from California personal income tax. They are issued to raise funds for various public purposes, such as construction of a wide range of public facilities, to refund outstanding obligations and to obtain funds for general operating expenses or to loan to other public institutions and facilities. In addition, certain types of industrial development bonds and pollution control bonds are issued by or on behalf of public authorities to provide funding for various privately operated facilities.

MUNICIPAL NOTES. Municipal Notes are short-term obligations of municipalities, generally with a maturity at the time of issuance ranging from six months to three years, the interest from which is, in the opinion of bond counsel, exempt from federal income tax. In addition to those requirements, the interest from California Municipal Notes must be, in the opinion of bond counsel, exempt from California personal income tax. The principal types of Municipal Notes include tax anticipation notes, bond anticipation notes, revenue anticipation notes and project notes, although there are other types of Municipal Notes in which the Trust may invest. Notes sold in anticipation of collection of taxes, a bond sale or receipt of other revenues are usually general obligations of the issuing municipality or agency. Project Notes are issued by local agencies and are guaranteed by the United States Department of Housing and Urban Development. Such notes are secured by the full faith and credit of the United States Government.

MUNICIPAL COMMERCIAL PAPER. Municipal Commercial Paper refers to short-term obligations of municipalities the interest from which is, in the opinion of bond counsel, exempt from federal income tax. In addition to those requirements, the interest from California Commercial Paper must be, in the opinion of bond counsel, exempt from California personal income tax. It may be issued at a discount and is sometimes referred to as Short-Term Discount Notes. Municipal Commercial Paper is likely to be used to meet seasonal working capital needs of a municipality or interim construction financing and to be paid from general revenues of the municipality or refinanced with long-term debt. In most cases Municipal Commercial Paper is backed by letters of credit, lending agreements, note repurchase agreements or other credit facility agreements offered by banks or other institutions.

The two principal classifications of Municipal Bonds, Notes and Commercial Paper are "general obligation" and "revenue" bonds, notes or commercial paper. General obligation bonds, notes or commercial paper are secured by the issuer's pledge of its faith, credit and taxing power for the payment of principal and interest. Issuers of general obligation bonds, notes or commercial paper include a state, its counties, cities, towns and other governmental units. Revenue bonds, notes or commercial paper are payable from the revenues derived from a particular facility or class of facilities or, in some cases, from specific revenue sources. Revenue bonds, notes or commercial paper are issued for a wide variety of purposes, including the financing of electric, gas, water and sewer systems and other public utilities; industrial development and pollution control facilities; single and multi-family housing units; public buildings and facilities; air and marine ports; transportation facilities such as toll roads, bridges and tunnels; and health and educational facilities such as hospitals and dormitories. They rely primarily on user fees to pay debt service, although the principal revenue source is often supplemented by additional security features which are intended to enhance the creditworthiness of the issuer's obligations. In some cases, particularly with respect to revenue bonds issued to finance housing and public buildings, a direct or implied "moral obligation" of a governmental unit may be pledged to the payment of debt service. In other cases, a special tax or other charge may augment user fees.

Issuers of these obligations are subject to the provisions of bankruptcy, insolvency and other laws affecting the rights and remedies of creditors, such as the Federal Bankruptcy Act, and laws, if any, which may be enacted by Congress or any state extending the time for payment of principal or interest, or both, or imposing other constraints upon enforcement of such obligations or upon municipalities to levy taxes. There is also the possibility that as a result of litigation or other conditions the power or ability of any one or more issuers to pay, when due, principal of and interest on its, or their, Municipal Bonds, Municipal Notes and Municipal Commercial Paper may be materially affected.

PORTFOLIO MANAGEMENT

VARIABLE RATE AND FLOATING RATE OBLIGATIONS. As stated in the Prospectus, the Trust may invest in Municipal Bonds and Municipal Notes ("Municipal Obligations") of the type called "variable rate" and "floating rate" obligations.

The interest rate payable on a variable rate obligation is adjusted either at predesignated periodic intervals and on floating rate Municipal Obligations whenever there is a change in the market rate of interest on which the interest rate payable is based. Other features may include the right whereby the

Trust may demand prepayment of the principal amount of the obligation prior to its stated maturity (a "demand feature") and the right of the issuer to prepay the principal amount prior to maturity. The principal benefit of a variable rate Municipal Obligation is that the interest rate adjustment minimizes changes in the market value of the obligation. As a result, the purchase of variable rate and floating rate Municipal Obligations could enhance the ability of the Trust to maintain a stable net asset value per share (see "How Net Asset Value is Determined' in the Prospectus). The principal benefit to the Trust of purchasing obligations with a demand feature is that liquidity, and the ability of the Trust to obtain repayment of the full principal amount of a Municipal Obligation prior to maturity, is enhanced.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. As stated in the Prospectus, the Trust may purchase tax-exempt securities on a when-issued or delayed delivery basis. When such transactions are negotiated, the price is fixed at the time of commitment, but delivery and payment can take place a month or more after the date of the commitment. While the Trust will only purchase securities on a when-issued or delayed delivery basis with the intention of acquiring the securities, the Trust may sell the securities before the settlement date, if it is deemed advisable. The securities so purchased or sold are subject to market fluctuation and no interest accrues to the purchaser during this period. At the time the Trust makes the commitment to purchase a Municipal Obligation on a when-issued or delayed delivery basis, it will record the transaction and thereafter reflect the value, each day, of the Municipal Obligation in determining its net asset value. The Trust will also establish a segregated account with its custodian bank in which it will maintain liquid assets such as cash, U.S. government securities or other appropriate high grade debt obligations equal in value to commitments for such when-issued or delayed delivery securities. The Trust does not believe that its net asset value or income will be adversely affected by its purchase of Municipal Obligations on a when-issued or delayed delivery basis.

REPURCHASE AGREEMENTS. When cash may be available for only a few days, it may be invested by the Trust in repurchase agreements until such time as it may otherwise be invested or used for payments of obligations of the Trust. These agreements, which may be viewed as a type of secured lending by the Trust, typically involve the acquisition by the Trust of debt securities from a selling financial institution such as a bank, savings and loan association or broker-dealer. The agreement provides that the Trust will sell back to the institution, and that the institution will repurchase, the underlying security ("collateral"), which is held by the Trust's Custodian, at a specified price and at a fixed time in the future, which is usually not more than seven days from the date of purchase. The Trust will accrue interest from the institution until the time when the repurchase is to occur. Although such date is deemed by the Trust to be the maturity date of a repurchase agreement, the maturities of securities subject to repurchase agreements are not subject to any limits and may exceed one year.

While repurchase agreements involve certain risks not associated with direct investments in debt securities, the Trust follows procedures designed to minimize such risks. These procedures include effecting repurchase transactions only with large, well capitalized and well established financial institutions, whose financial condition will be continually monitored. In addition, the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. Such collateral will consist of Government securities or "Eligible Securities" (as described under the caption "How Net Asset Value is Determined") rated in the highest grade by a nationally recognized statistical rating organization (a "NRSRO") whose ratings qualify the collateral as an Eligible Security. In the event of a default or bankruptcy by a selling financial institution, the Trust will seek to liquidate such collateral. However, the exercise of the Trust's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Trust could suffer a loss. It is the current policy of the Trust not to invest in repurchase agreements that do not mature within seven days if any such investment, together with any other illiquid asset held by the Trust, amount to more than 10% of its total assets. The Trust's investments in repurchase agreements may, at times, be substantial when, in the view of the Trust's investment manager, liquidity or other considerations warrant. The Trust has not to date and has no intention to enter into any repurchase agreements during the coming fiscal year.

PUT OPTIONS. The Trust may purchase securities together with the right to resell them to the seller at an agreed upon price or yield within a specified period prior to the maturity date of such securities. Such a right to resell is commonly known as a "put," and the aggregate price which the Trust pays for securities with puts may be higher than the price which otherwise would be paid for the securities. Consistent with the Trust's investment objectives and subject to the supervision of the Board of Trustees, the primary purpose of this practice is to permit the Trust to be fully invested in securities the interest on which is exempt from Federal and California personal income tax, while preserving the necessary flexibility and liquidity to purchase securities on a when-issued basis, to meet unusually large redemptions and to purchase at a later date securities other than those subject to the put. The Trust's policy is, generally, to exercise the puts on their expiration date, when the exercise price is higher than the current market price for the related securities. Puts may be exercised prior to the expiration date in order to fund obligations to purchase other securities or to meet redemption requests. These obligations may arise during periods in which proceeds from sales of Trust shares and from recent sales of portfolio securities are insufficient to meet such obligations or when the funds available are otherwise allocated for investment. In addition, puts may be exercised prior to their expiration date in the event the Investment Manager revises its evaluation of the creditworthiness of the issuer of the underlying security. In determining whether to exercise puts prior to their expiration date and in selecting which puts to exercise in such circumstances, the Investment Manager considers, among other things, the amount of cash available to the Trust, the expiration dates of the available puts, any future commitments for securities purchases, the yield, quality and maturity dates of the underlying securities, alternative investment opportunities and the desirability of retaining the underlying securities in the Trust's portfolio.

The Trust values securities which are subject to puts at their amortized cost and values the put, apart from the security, at zero. Thus, the cost of the put will be carried on the Trust's books as an unrealized loss from the date of acquisition and will be reflected in realized gain or loss when the put is exercised or expires. Since the value of the put is dependent on the ability of the put writer to meet its obligation to repurchase, the Trust's policy is to enter into put transactions only with municipal securities dealers who are approved by the Trust's Board of Trustees. Each dealer will be approved on its own merits and it is the Trust's general policy to enter into put transactions only with those dealers which are determined to present minimal credit risks. In connection with such determination, the Board of Trustees will review, among other things, the ratings, if available, of equity and debt securities of such municipal securities dealers, their reputations in the municipal securities markets, the net worth of such dealers and their efficiency in consummating transactions. Bank dealers normally will be members of the Federal Reserve System, and other dealers will be members of the National Association of Securities Dealers, Inc. or members of a national securities exchange. The Board has directed the Investment Manager not to enter into put transactions with, and to exercise outstanding puts of, any municipal securities dealer which, in the judgment of the Investment Manager, ceases at any time to present a minimal credit risk. In the event that a dealer should default on its obligation to repurchase an underlying security, the Trust is unable to predict whether all or any portion of any loss sustained could be subsequently recovered from such dealer. The Trust has not to date and has no intention to purchase put options during the coming fiscal year.

In Revenue Ruling 82-144, the Internal Revenue Service stated that, under certain circumstances, a purchaser of tax-exempt obligations which are subject to puts will be considered the owner of the obligations for Federal income tax purposes. In connection therewith, the Trust has received an opinion of counsel to the effect that interest on Municipal Obligations subject to puts will be tax-exempt to the Trust.

INVESTMENT RESTRICTIONS

In addition to the investment restrictions enumerated in the Prospectus, the investment restrictions listed below have been adopted by the Trust as fundamental policies, except as otherwise indicated. Under the Act, a fundamental policy may not be changed without the vote of the holders of a majority of the outstanding voting securities of the Trust, as defined in the Investment Company Act of 1940, as

amended (the "Act"). Such a majority is defined in the Act as the lesser of (a) 67% or more of the shares present at a Meeting of Shareholders of the Trust, if the holders of more than 50% of the outstanding shares of the Trust are present or represented by proxy at the meeting, or (b) more than 50% of the outstanding shares of the Trust. For purposes of the following restrictions and those recited in the Prospectus: (a) an "issuer" of a security is the entity whose assets and revenues are committed to the payment of interest and principal on that particular security, provided that the guarantee of a security will be considered a separate security; (b) a "taxable security" is any security the interest on which is subject to federal income tax; and (c) all percentage limitations apply immediately after a purchase or initial investment, and any subsequent change in any applicable percentage resulting from market fluctuations or other changes in total or net assets does not require elimination of any security from the portfolio.

The term "bank obligations" as referred to in Investment Restriction 3 in the Prospectus refers to short-term obligations (including certificates of deposit and bankers' acceptances) of banks (including domestic branches of foreign banks) subject to regulation by the U.S. Government and having total assets of $1 billion or more, and instruments secured by such obligations, not including obligations of foreign branches of domestic banks.

The Trust may not:

1. Invest in common stock.

2. Invest in securities of any issuer if, to the knowledge of the Trust, any officer or trustee of the Trust or any officer or director of the Investment Manager owns more than 1/2 of 1% of the outstanding securities of such issuer, and such officers, trustees and directors who own more than 1/2 of 1% own in the aggregate more than 5% of the outstanding securities of such issuer.

3. Purchase or sell real estate or interests therein, although it may purchase securities secured by real estate or interests therein.

4. Purchase or sell commodities or commodity futures contracts.

5. Purchase oil, gas or other mineral leases, rights or royalty contracts, or exploration or development programs.

6. Write, purchase or sell puts, calls, or combinations thereof except that it may acquire rights to resell Municipal Obligations at an agreed upon price and at or within an agreed upon time.

7. Purchase securities of other investment companies, except in connection with a merger, consolidation, reorganization or acquisition of assets.

8. Borrow money, except that the Trust may borrow from a bank or the Investment Manager for temporary or emergency purposes in amounts not exceeding 5% (taken at the lower of cost or current value) of the value of its total assets (not including the amount borrowed).

9. Pledge its assets or assign or otherwise encumber them except to secure borrowings effected within the limitations set forth in restriction (8). To meet the requirements of regulations in certain states, the Trust, as a matter of operating policy but not as a fundamental policy, will limit any pledge of its assets to 10% of its net assets so long as shares of the Trust are being sold in those states.

10. Issue senior securities as defined in the Act except insofar as the Trust may be deemed to have issued a senior security by reason of: (a) purchasing any securities on a when-issued or delayed delivery basis; or (b) borrowing money in accordance with restrictions described above.

11. Make loans of money or securities, except: (a) by the purchase of debt obligations in which the Trust may invest consistent with its investment objective and policies; and (b) by investment in repurchase agreements.

12. Make short sales of securities.

13. Purchase securities on margin, except for such short-term loans as are necessary for the clearance of purchases of portfolio securities.

14. Engage in the underwriting of securities, except insofar as the Trust may be deemed an underwriter under the Securities Act of 1933 in disposing of a portfolio security.

15. Invest for the purpose of exercising control or management of any other issuer.

SPECIAL CONSIDERATIONS RELATING TO CALIFORNIA TAX-EXEMPT SECURITIES

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The Trust will be affected by any political, economic or regulatory developments affecting the ability of California issuers to pay interest or repay principal on their obligations. Various developments regarding the California Constitution and State statutes which limit the taxing and spending authority of California governmental entities may impair the ability of California issuers to maintain debt service on their obligations. The following information constitutes only a brief summary and is not intended as a complete description.

In 1978, Proposition 13, an amendment to the California Constitution was approved, limiting real property valuation for property tax purposes and the power of local governments to increase real property tax revenues and revenues from other sources. Legislation adopted after Proposition 13 provided for assistance to local governments, including the redistribution of the then-existing surplus in the General Fund, reallocation of revenues to local governments, and assumption by the State of certain local government obligations. However, more recent legislation reduced such state assistance. There can be no assurance that any particular level of State aid to local governments will be maintained in future years. In NORDLINGER V. HAHN, the United States Supreme Court upheld certain provisions of Proposition 13 against claims that it violated the equal protection clause of the Constitution.

In 1979, an amendment was passed adding Article XIIIB to the State Constitution. As amended in 1990, Article XIIIB imposes an "appropriations limit" on the spending authority of the State and local government entities. In general, the appropriations limit is based on certain 1985-86 expenditures, adjusted annually to reflect changes in the cost of living, population and certain services provided by State and local government entities. "Appropriations limit" does not include appropriations for qualified capital outlay projects, certain increases in transportation-related taxes, and certain emergency appropriations.

If a government entity raises revenues beyond its "appropriations limit" in any year, a portion of the excess which cannot be appropriated within the following year's limit must be returned to the entity's taxpayers within two subsequent fiscal years, generally by a tax credit, refund or temporary suspension of tax rates or fee schedules. "Debt service" is excluded from these limitations, and is defined as "appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved [by the voters]." In addition, Article XIIIB requires the State Legislature to establish a prudent State reserve, and to require the transfer of 50% of excess revenue to the State School Fund; any amounts allocated to the State School Fund will increase the appropriations limit.

In June 1982, the voters of California passed two initiative measures to repeal the California gift and inheritance tax laws and to enact, in lieu thereof, California death taxes. California voters also passed an initiative measure to increase, for taxable years commencing on or after January 1, 1982, the amount to account for the effects of inflation. Decreases in State and local revenues in future fiscal years as a consequence of these initiatives may result in reductions in allocations of State revenues to California issuers or in the ability of California issuers to pay their obligations.

In 1986, California voters approved an initiative statute known as Proposition 62. This initiative (i) requires that any tax for general governmental purposes imposed by local governments be approved by resolution or ordinance adopted by a two-thirds vote of the governmental entity's legislative body and

by a majority vote of the electorate of the governmental entity, (ii) requires that any special tax (defined as tax levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (iii) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (iv) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by the Proposition 13 amendment, (v) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governments, (vi) requires that any tax imposed by a local government on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1989, (vii) requires that, in the event a local government fails to comply with the provisions of this measure, a reduction of the amount of property tax revenue allocated to such local government occurs in an amount equal to the revenues received by such entity attributable to the tax levied in violation of the initiative, and (vii) permits these provisions to be amended exclusively by the voters of the State of California.

In September 1988, the California Court of Appeals in CITY OF WESTMINSTER V. COUNTY OF ORANGE held that Proposition 62 is unconstitutional to the extent that it requires a general tax by a general city law enacted on or after August 1, 1985, and prior to the effective date of Proposition 62, to be subject to approval by a majority of voters. The Court held that the California Constitution prohibits the imposition of a requirement that local tax measures be submitted to the electorate by either referendum or initiative. It is not possible to predict the impact of this decision on charter cities, on special taxes or on new taxes imposed after the effective date of Proposition 62.

In 1988, State voters approved Proposition 87, which amended Article XVI of the State Constitution to authorize the State Legislature to prohibit redevelopment agencies from receiving any property tax revenues raised by increased property taxes to repay bonded indebtedness of local government which is not approved by voters on or before January 1, 1989. It is not possible to predict whether the State Legislature will enact such a prohibition, nor is it possible to predict the impact of Proposition 87 on redevelopment agencies and their ability to make payments on outstanding debt obligations.

In November 1988, California voters approved Proposition 98. This initiative requires that revenues in excess of amounts permitted to be spent and which would otherwise be returned by revision of tax rates or fee schedules, be transferred and allocated (up to a maximum of 40%) to the State School Fund and be expended solely for purposes of instructional improvement and accountability. No such transfer or allocation of funds will be required if certain designated state officials determine that annual student expenditures and class size meet certain criteria as set forth in Proposition 98. Any funds allocated to the State School Fund shall cause the appropriation limits to be annually increased for any such allocation made in the prior year. Proposition 98 also requires the State of California to provide a minimum level of funding for public schools and community colleges. The initiative permits the enactment of legislation, by on a two-thirds vote, to suspend the minimum funding requirement for one year.

In July 1991, California increased taxes by adding two new marginal tax rates, at 10% and 11%, effective for tax years 1991 through 1995. After 1995, the maximum personal income tax rate is scheduled to return to 9.3%, and the alternative minimum tax rate is scheduled to drop from 8.5% to 7%. In addition, legislation in July 1991 raised the sales tax by 1.25%. 0.5% was a permanent addition to counties, but with the money earmarked to trust funds to pay for health and welfare programs whose administration was transferred to counties. This tax increase will be cancelled if a court rules that such transfer and tax increase violate any constitutional requirements. 0.5% of the State tax rate was scheduled to expire on June 30, 1993, but was extended for six months for the benefit of counties and cities. On November 2, 1993, voters made this half-percent levy a permanent source of funding for local government.

On November 3, 1992, voters approved an initiative statute, Proposition 163, which exempts certain food products, including candy and other snack foods, from California's sales tax. The sales tax had been broadened to include those items as part of the 1991-92 budget legislation. The State Legislative Analyst estimates a resultant revenue reduction of $300-$330 million per year.

The State is a party to numerous legal proceedings, many of which normally occur in governmental operations. In addition, the State is involved in certain other legal proceedings that, if decided against the State, might require the State to make significant future expenditures or impair future revenue sources. Two such court cases may upset California's budgetary balance. In 1992-93 and 1993-94, the State met part of its Proposition 98 commitment to education through $1.8 billion in off-book loans. These loans were held to be illegal in a lower court decision, CALIFORNIA TEACHERS ASSOCIATION V. GOULD. If this decision is upheld on appeal, the schools will not be required to repay these loans, and the officially recognized 1994-95 year-end deficit would increase by $1.8 billion. In July, 1994, a federal appeals court invalidated the Bush Administration's approval of a 5.8% welfare benefits cut imposed in December, 1992. The ruling could also nullify a further 2.7% reduction approved in 1993 and a 2.3% reduction scheduled to go into effect in September, 1994. It has been estimated that, if the ruling is upheld on appeal, it could cost the State up to $175 million per year in additional welfare benefit payments.

California is the most populous state in the nation with a total population at the 1990 census of 29,976,000. Growth has been incessant since World War II, with population gains in each decade since 1950 of between 18% and 48%. During the last decade, population rose 20%. The State now comprises 12% of the nation's population and 13.3% of its total personal income. Its economy is broad and diversified with major concentrations in high technology research and manufacturing, aerospace and defense-related manufacturing, trade, real estate, and financial services.

Since 1990, California has faced the worst economic, fiscal and budget conditions since the 1930's. After experiencing strong growth throughout much of the 1980's, the State was adversely affected by the national recession and cutbacks in aerospace and defense spending, both of which have had a severe impact on the economy in Southern California. The State's tax revenue experience clearly reflects sharp declines in employment, income and retail sales on a scale not seen in over fifty years. Although the national economic recovery continued at a strong pace in the first quarter of 1994, California is still experiencing the effects of the recession. However, the State's budget for fiscal year 1994-95 assumes that the State will begin to recover from recessionary conditions in 1994, with a modest upturn in 1994 and continuing in 1995.

These economic difficulties have exacerbated the structural budget imbalance which has been evident since fiscal year 1985-1986. Since that time, budget shortfalls have become increasingly more difficult to solve. The State has recorded General Fund operating deficits in five of the past six fiscal years. Many of these problems have been attributable to the fact that the great population influx has produced increased demand for education and social services at a far greater pace than the growth in the State's tax revenues. Despite substantial tax increases, expenditure reductions and the shift of some expenditure responsibilities to local government, the budget condition remains problematic.

On July 8, 1994, the Governor signed into law a $57.5 billion budget which, among other things: (a) reduces welfare grants and aid to families and to the aged, blind and disabled, and (b) relies on the State's ability to obtain $2.8 billion in new reimbursement from the federal government for the State's cost of serving illegal immigrants. Although the State legislature has passed a standby measure which could trigger automatic budget reductions if the state's fiscal condition worsens over the next two years, the stability of the budget would be jeopardized if the state is unable to obtain the hoped-for federal funds.

The current budget includes General Fund spending of $40.9 billion, up 4.2% from the level of spending during the 1993-94 fiscal year. The budget also envisions General Fund spending climbing another 8.4% in the 1995-96 fiscal year. The budget forecasts levels of revenues and expenditures which will result in operating surpluses in both 1994-95 and 1995-96, leading to the elimination of an estimated $2.0 billion accumulated budget deficit by June 30, 1996.

Because of the State of California's continuing budget problems, the State's General Obligation bonds were downgraded in July 1994 from Aa to A1 by Moody's, to A from A+ by Standard & Poor's, and from AA to A by Fitch Investors Service, Inc. All three rating agencies expressed uncertainty in the State's ability to balance its budget by 1996.

On January 17, 1994, Northridge, California experienced an earthquake that registered 6.7 on the Richter Scale resulting in significant property damage to private and public facilities throughout Los Angeles and Ventura Counties, and to parts of Orange and San Bernardino Counties. The effected portions of the counties were declared to be federal and state disaster areas. The total damage is estimated to be between $13 billion and $20 billion. The cost to federal, state and local government is estimated to be $11.6 billion with the State's and local governments' share estimated to be $1.9 billion and $135 million, respectively. In mid-February 1994, Congress approved an earthquake relief package totaling about $8.6 billion, bringing total federal support to $9.5 billion. The California legislature approved $2 billion in bond refinancing in mid-March 1994 for earthquake recovery costs and seismic safety improvements. However, the bond issue was rejected by California voters in the June 1994 election. It now appears that the state will pay for its share of the recovery costs through a reallocation of existing funds and borrowing from the federal government.

The bipartisan Commission on State Finance believes that, although it may carry long-term implications for the City of Los Angeles, the earthquake will not derail the state's economic recovery.

The effect of these various constitutional and statutory amendments and budget developments upon the ability of California issuers to pay interest and principal on their obligations remains unclear and in any event may depend upon whether a particular California tax-exempt security is a general or limited obligation bond and on the type of security provided for the bond. It is possible that other measures affecting the taxing or spending authority of California or its political subdivisions may be approved or enacted in the future.

HOW NET ASSET VALUE IS DETERMINED

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As discussed in the Appendix to the Prospectus, the net asset value of the Trust is determined as of 12 noon New York time on each day that the New York Stock Exchange is open. The New York Stock Exchange currently observes the following holidays: New Year's Day; President's Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day.

The Trust utilizes the amortized cost method in valuing its portfolio securities for purposes of determining the net asset value of the Trust's shares. The Trust utilizes the amortized cost method in valuing its portfolio securities even though the portfolio securities may increase or decrease in market value, generally, in connection with changes in interest rates. The amortized cost method of valuation involves valuing a security at its cost adjusted by a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Trust would receive it if sold the instrument. During such periods, the yield to investors in the Trust may differ somewhat from that obtained in a similar company which uses mark to market values for all its portfolio securities. For example, if the use of amortized cost resulted in a lower (higher) aggregate portfolio value on a particular day, a prospective investor in the Trust would be able to obtain a somewhat higher (lower) yield than would result from investment in such a similar company and existing investors would receive less (more) investment income. The purpose of this method of calculation is to facilitate the maintenance of a constant net asset value per share of $1.00.

The Trust's use of the amortized cost method to value its portfolio securities and the maintenance of the per share net asset value of $1.00 is permitted pursuant to Rule 2a-7 of the Act (the "Rule"), and is conditioned on its compliance with various conditions contained in the Rule including: (a) the Trust's Trustees are obligated, as a particular responsibility within the overall duty of care owed to the Trust's shareholders, to establish procedures reasonably designed, taking into account current market conditions and the Trust's investment objectives, to stabilize the net asset value per share as computed for the purpose of distribution and redemption at $1.00 per share; (b) (i) the procedures include calculation, at such intervals as are reasonable in light of current market conditions, of the deviation, if any between net asset value per share using amortized cost to value portfolio securities and net asset value per share

based upon available market quotations with respect to such portfolio securities (for the purpose of determining market value, securities as to which the Trust has a "put" will be valued at the higher of market value or exercise price); (ii) periodic review by the Trustees of the amount of deviation as well as methods used to calculate it, and (iii) maintenance of written records of the procedures, the Trustees' considerations made pursuant to them and any actions taken upon such consideration; the Trustees will consider what steps should be taken, if any, in the event of a difference of more than 1/2 of 1% between the two methods of valuation; and (d) the Trustees should take such action as they deem appropriate to eliminate or reduce, to the extent reasonably practicable, material dilution or other unfair results to investors or existing shareholders. Such action may include: selling portfolio instruments prior to maturity to realize capital gains or losses or to shorten the average portfolio maturity of the Trust; withholding dividends; utilizing a net asset value per share as determined by using available market quotations or reducing the number of its outstanding shares. Any reduction of outstanding shares will be effected by having each shareholder proportionately contribute to the Trust's capital a number of shares which represent the difference between the amortized cost valuation and market valuation of the portfolio. Each shareholder will be deemed to have agreed to such contribution by his or her investment in the Trust.

The Rule further requires that the Trust limit its investments to U.S. dollar-denominated instruments which the Trustees determine present minimal credit risks and which are Eligible Securities (as defined below). The Rule also requires the Trust to maintain a dollar-weighted average portfolio maturity (not more than 90 days) appropriate to its objective of maintaining a stable net asset value of $1.00 per share and precludes the purchase of any instrument with a remaining maturity of more than 397 days. Should the disposition of a portfolio security result in a dollar-weighted average portfolio maturity of more than 90 days, the Trust will invest its available cash in such a manner as to reduce such maturity to 90 days or less as soon as is reasonably practicable.

At the time the Trust makes the commitment to purchase a Municipal Obligation on a when-issued or delayed delivery basis, it will record the transaction and thereafter reflect the value, each day, of the Municipal Obligation in determining its net asset value. Repurchase agreements are valued at the face value of the repurchase agreement plus any accrued interest thereon to date.

Generally, for purposes of the procedures adopted under the Rule, the maturity of a portfolio instrument is to be deemed the period remaining (calculated from the trade date or such other date on which the Trust's interest in the instrument is subject to market action) until the date noted on the face of the instrument as the date on which the principal amount must be paid, or in the case of an instrument called for redemption, the date on which the redemption payment must be made.

A variable rate obligation that is subject to a demand feature is deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand. A floating rate instrument that is subject to a demand feature is deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

An Eligible Security is defined in the Rule to mean a security which: (a) has a remaining maturity of thirteen months or less; (b) (i) is rated in the two highest short-term rating categories by any two NRSROs that have issued a short-term rating with respect to the security or class of debt obligations of the issuer, or (ii) if only one NRSRO has issued a short-term rating with respect to the security, then by that NRSRO; (c) was a long-term security at the time of issuance whose issuer has outstanding a short-term debt obligation which is comparable in priority and security and has a rating as specified in clause (b) above; or (d) if no rating is assigned by any NRSRO as provided in clauses (b) and (c) above, the unrated security is determined by the Board to be of comparable quality to any such rated security.

As permitted by the Rule, the Board has delegated to the Trust's Investment Manager, subject to the Board's oversight pursuant to guidelines and procedures adopted by the Board, the authority to determine which securities present minimal credit risks and which unrated securities are comparable in quality to rated securities.

Also, as required by the Rule, the Trust will limit its investments in securities, other than Government securities, so that, at the time of purchase: (a) except as further limited in (b) below with regard to certain securities, no more than 5% (10% if a guarantee) of its total assets will be invested in the securities of any one issuer; and (b) with respect to Eligible Securities that have received a rating in less than the highest category by any one of the NRSROs whose ratings are used to qualify the security as an Eligible Security, or determined to be of comparable quality: (i) no more than 5% will be invested in the aggregate of the Trust's total assets in all such securities, and (ii) no more than the greater of 1% of total assets, or $1 million, will be invested in the securities of any one issuer.

If the Board determines that it is no longer in the best interests of the Trust and its shareholders to maintain a stable price of $1 per share or if the Board believes that maintaining such price no longer reflects a market-based net asset value per share, the Board has the right to change from an amortized cost basis of valuation to valuation based on market quotations. The Trust will notify shareholders of any such changes.

The Trust will manage its portfolio in an effort to maintain a constant $1.00 per share price, but it cannot assure that the value of its shares will never deviate from the $1.00 price. Since dividends from net investment income are declared and reinvested on a daily basis, the net asset value per share, under ordinary circumstances, is likely to remain constant. Realized and unrealized gains and losses will not be distributed on a daily basis but will be reflected in the Trust's net asset value. The amount of such gains and losses will be considered by the Trustees in determining the action to be taken to maintain the Trust's $1.00 per share net asset value. Such action may include distribution at any time of part or all of the then accumulated undistributed net realized capital gains, or reduction or elimination of daily dividends by an amount equal to part or all of the then accumulated net realized capital losses. However, if realized losses should exceed the sum of net investment income plus realized gains on any day, the net asset value per share on that day might decline below $1.00 per share. In such circumstances, the Trust may reduce or eliminate the payment of daily dividends for a period of time in an effort to restore the Trust's $1.00 per share net asset value. A decline in prices of securities could result in significant unrealized depreciation on a mark to market basis. In these circumstances, the Trust may reduce or eliminate the payment of dividends and utilize a net asset value per share as determined by using available market quotations or reduce the number of its outstanding shares.

DIVIDENDS, DISTRIBUTIONS AND TAXES

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As stated in the Appendix to the Prospectus, the Trust intends to declare dividends, payable on each day the New York Stock Exchange is open for business, of all of its net investment income to shareholders of record as of 12 noon New York time of the preceding business day.

In computing interest income, the Trust will amortize any premiums and original issue discounts on securities owned. Capital gains or losses realized upon sale or maturity of such securities will be based on their amortized cost.

Gains or losses on the sales of securities by the Trust will be long-term capital gains or losses if the securities have been held by the Trust for more than twelve months. Gains or losses on the sale of securities held for twelve months or less will be short-term capital gains or losses.

At June 30, 1994, the Trust had a net capital loss carryover of approximately $16,000 which will be available through June 30, 2002 to offset future capital gains to the extent provided by regulations. Any net capital losses incurred after October 31 ("Post--October losses") within the taxable year are deemed to arise on the first business day of the Trust's next taxable year. The Trust incurred and elected to defer net capital losses of approximately $900 during its fiscal year ended June 30, 1994.

The Trustees may revise the dividend policy, or postpone the payment of dividends, if the Trust should have or anticipate any large unexpected expense, loss or fluctuation in net assets which, in the opinion of the Trustees, might have a significant adverse effect on shareholders. On occasion, in order to maintain a constant $1.00 per share net asset value, the Trustees may direct that the number of outstanding shares be reduced in each shareholder's account. Such reduction may result in taxable

income, if any, to a shareholder in excess of the net increase (i.e., dividends, less such reductions), if any, in the shareholder's account for a period. Furthermore, such reduction may be realized as a capital loss when the shares are liquidated.

As discussed in the Prospectus, the Trust intends to invest a portion of its assets in certain "private activity bonds" issued after August 7, 1986. As a result, a portion of the exempt-interest dividends paid by the Trust will be an item of tax preference for taxable years beginning after December 31, 1986. Certain corporations which are subject to the alternative minimum tax may also have to include exempt-interest dividends in calculating their alternative minimum taxable income in situations where the "adjusted current earnings" of the corporation exceeds its preadjustment alternative minimum taxable income.

The Trust has qualified and intends to remain qualified as a regulated investment company under Subchapter M of the Code. If so qualified, the Trust will not be subject to federal income and excise tax on its net investment income and capital gains, if any, realized during any fiscal year in which it distributes such income and capital gains to its shareholders.

As discussed in the Prospectus, the Trust intends to qualify to pay "exempt-interest dividends" to its shareholders by maintaining, as of the close of each of its taxable years, at least 50% of its assets in tax-exempt securities. An exempt-interest dividend is that part of a dividend distribution made by the Trust which consists of interest received by the Trust on tax-exempt securities upon which the shareholder incurs no federal income taxes. Exempt-interest dividends are included, however, in determining what portion, if any, of a person's Social Security benefits are subject to federal income tax and in certain circumstances may affect the determination of the supplemental premium applicable to Medicare eligible individuals.

Alternative minimum taxable income is generally equal to taxable income with certain adjustments and increased by certain "tax preference items" which may include a portion of the Trust's dividends as described above. In addition, the Code further provides that for taxable years beginning in 1990 and thereafter, corporations are subject to an alternative minimum tax based, in part, on 75% of any excess of "adjusted current earnings" over taxable income as adjusted for other tax preferences. Because an exempt-interest dividend paid by the Trust will be included in adjusted current earnings, a corporate shareholder may therefore be required to pay an increased alternative minimum tax as the result of receiving exempt-interest dividends paid by the Trust.

The Superfund Amendments and Reauthorization Act of 1986 (the "Superfund Act") imposes a deductible tax on a corporation's alternative minimum taxable income (computed without regard to the alternative tax net operating loss deduction) at a rate of $12 per $10,000 (0.12%) of alternative minimum taxable income in excess of $2,000,000. The tax will be imposed for taxable years beginning after December 31, 1986 and before January 1, 1996. The tax will be imposed even if the corporation is not required to pay an alternative minimum tax because the corporation's regular income tax liability exceeds its minimum tax liability. Exempt-interest dividends paid by the Trust that create alternative minimum tax preferences for corporate shareholders under the Code (as described above) may be subject to the tax.

Within 60 days after the end of its fiscal year, the Trust will mail to shareholders a statement indicating the percentage of the dividend distributions for such fiscal year which constitutes exempt-interest dividends and the percentage, if any, that is taxable, and to what extent the taxable portion is long-term capital gain, short-term capital gain or ordinary income. This percentage should be applied uniformly to all monthly distributions made during the fiscal year to determine the proportion of dividends that is tax-exempt. The percentage may differ from the percentage of tax-exempt dividend distributions for any particular month.

Shareholders will be subject to federal income tax on dividends paid from interest income derived from taxable securities and on distributions of realized net short-term capital gains. Such interest and realized net short-term capital gains dividends and distributions are taxable to the shareholder as ordinary dividend income regardless of whether the shareholder receives such distributions in additional shares or in cash. Distributions of long-term capital gains, if any, are taxable as long-term capital gains,

regardless of how long the shareholder has held the Fund shares and regardless of whether the distribution is received in additional shares or cash. Since the Trust's income is expected to be derived entirely from interest rather than dividends, it is anticipated that none of such dividend distributions will be eligible for the federal dividends received deduction available to corporations.

Any loss on the sale or exchange of shares of the Trust which are held for 6 months or less is disallowed to the extent of the amount of any exempt-interest dividend paid with respect to such shares. Treasury Regulations may provide for a reduction in such required holding periods.

The Code requires each regulated investment company to pay a nondeductible 4% excise tax to the extent the company does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined in general on an October 31 year end, plus certain undistributed amounts from previous years. The required distributions, however, are based only on the taxable income of a regulated investment company such as the Trust, which pays exempt-interest dividends. The Trust anticipates that it will make sufficient timely distributions to avoid imposition of the excise tax.

Interest on indebtedness incurred or continued by a shareholder to purchase or carry shares of the Trust is not deductible. Furthermore, entities or persons who are "substantial users" (or related persons) of facilities financed by industrial development bonds should consult their tax advisers before purchasing shares of the Trust. "Substantial user" is defined generally by Income Tax Regulation 1.103-11 (b) as including a "non-exempt person" who regularly uses in a trade or business a part of a facility financed from the proceeds of industrial development bonds.

From time to time, proposals have been introduced before Congress for the purpose of restricting or eliminating the federal income tax exemption for interest on municipal securities. Similar proposals may be introduced in the future. If such a proposal were to be enacted, the availability of tax-exempt municipal securities for investment by the Trust could be affected. If such legislation is enacted, the Trust may reevaluate its investment objective and policies.

The exemption of interest income for federal income tax purposes does not necessarily result in exemption under the income or other tax laws of any state or local taxing authority. Thus, shareholders of the Trust may be subject to state and local taxes on exempt-interest dividends. Shareholders should consult their tax advisers about the status of dividends from the Trust in their own states and localities. The Trust will report annually to shareholders the percentage of interest income received by the Trust during the preceding year on tax-exempt obligations, indicating, on a state-by-state basis, the source of such income.

Under present Massachusetts law, the Trust is not subject to any Massachusetts income tax during any fiscal year in which the Trust qualifies as a regulated investment company. The Trust might be subject to Massachusetts income taxes for any taxable year in which it does not so qualify as a regulated investment company.

To the extent that dividends are derived from interest on California tax-exempt securities and on certain U.S. government securities, such dividends will also be exempt from California personal income taxes. Under California law, a fund which qualifies as a regulated investment company must have at least 50% of its total assets invested in California state and local issues, and in U.S. obligations which, if held by an individual, would pay interest excludable from income or in a combination of such obligations at the end of each quarter of its taxable year in order to be eligible to pay dividends to California residents which will be exempt from California personal income taxes. Unlike federal law, California law provides that no portion of the exempt-interest dividends will constitute an item of tax preference for California personal income alternative minimum tax purposes. In addition, unlike federal law, the California personal income tax does not apply to any portion of an individual's Social Security benefits.

For California personal income tax purposes, distributions paid from capital gains are taxable as ordinary income. In addition, unlike federal law, the shareholders of the Trust will not be subject to tax, or receive a credit for taxes paid by the Trust, on undistributed capital gains, if any. Under the California Revenue and Taxation Code, interest on indebtedness incurred or continued to purchase or carry shares of an investment company paying exempt-interest dividends, such as the Trust, will not be deductible by the investor for state personal income tax purposes.

The foregoing relates to federal income taxation and to California personal income taxation as in effect as of the date of the Prospectus. Distributions from interest income and capital gains, including exempt-interest dividends, may be subject to California franchise taxes if received by a corporation doing business in California, to state taxes in states other than California and to local taxes.

Any dividends or capital gains distributions received by a shareholder from any investment company will have the effect of reducing the net asset value of the shareholder's stock in that fund by the exact amount of the dividends or capital gains distribution. Furthermore, capital gains distributions are, and some portion of the dividends may be, subject to income tax. If the net asset value of the shares should be reduced below a shareholder's cost as a result of the distribution of realized net long-term capital gains, such distribution would be a return of capital but nonetheless taxable at capital gains rates. Therefore, an investor should not purchase Trust shares immediately prior to a distribution record date and sell them immediately thereafter solely for the purpose of receiving the distribution.

INFORMATION ON COMPUTATION OF YIELD

The Trust's annualized current yield, as may be quoted from time to time in advertisements and other communications to shareholders and potential investors, is computed by determining, for a stated seven-day period, the net change, exclusive of capital changes and including the value of additional shares purchased with dividends and any dividends declared therefrom (which reflect deductions of all expenses of the Trust such as management fees), in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period, and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by (365/7).

The Trust's annualized effective yield, as may be quoted from time to time in advertisements and other communications to shareholders and potential investors, is computed by determining (for the same stated seven-day period as for the current yield), the net change, exclusive of capital changes and including the value of additional shares purchased with dividends and any dividends declared therefrom (which reflect deductions of all expenses of the Trust such as management fees), in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period, and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then compounding the base period return by adding 1, raising the sum to a power equal to 365 divided by 7, and subtracting 1 from the result.

The yields quoted in any advertisement or other communication should not be considered a representation of the yields of the Trust in the future since the yield is not fixed. Actual yields will depend not only on the type, quality and maturities of the investments held by the Trust and changes in interest rates on such investments, but also on changes in the Trust's expenses during the period.

Yield information may be useful in reviewing the performance of the Trust and for providing a basis for comparison with other investment alternatives. However, unlike bank deposits or other investments which typically pay a fixed yield for a stated period of time, the Trust's yield fluctuates.

Tax-equivalent yield is computed by dividing that portion of the current yield (calculated as described above) which is tax-exempt by 1 minus a stated tax rate and adding the quotient to that portion, if any, of the yield of the Trust that is not tax-exempt.

The Trust's current yield for the seven days ended June 30, 1994 was 2.02%. The effective annual yield on 2.02% is 2.04%, assuming daily compounding.

Based upon a combined Federal and California personal income tax bracket of 46.24%, the Trust's tax-equivalent yield for the seven days ended June 30, 1994 was 3.76%. Tax-equivalent yield is computed by dividing that portion of the current yield (calculated as described above) which is tax-exempt by 1 minus a stated tax rate and adding the quotient to that portion, if any, of the yield of the Trust that is not tax-exempt.

STATEMENTS OF ADDITIONAL INFORMATION
AUGUST 22, 1994 [LOGO]

Active Assets Money Trust (the "Money Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objectives are high current income, preservation of capital and liquidity. The Money Trust seeks to achieve its objectives by investing in a diversified portfolio of short-term money market instruments.

Active Assets Tax-Free Trust (the "Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objective is to provide as high a level of daily income exempt from federal personal income tax as is consistent with stability of principal and liquidity. The Tax-Free Trust seeks to achieve its objective by investing primarily in high quality tax-exempt securities with short-term maturities.

Active Assets California Tax-Free Trust (the "California Tax-Free Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objective is to provide as high a level of daily income exempt from federal and California personal income tax as is consistent with stability of principal and liquidity. The California Tax-Free Trust seeks to achieve its objective by investing primarily in high quality tax-exempt securities with short-term maturities.

Active Assets Government Securities Trust (the "Government Securities Trust" or the "Trust") is a no-load, diversified open-end management investment company whose investment objectives are high current income, preservation of capital and liquidity. The Government Securities Trust seeks to achieve its objective by investing in U.S. Government securities, including a variety of securities which are issued or guaranteed by the United States Government, its agencies or instrumentalities.

Prospectuses for the Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust, all dated August 22, 1994, which provide the basic information you should know before investing in any of the aforementioned Trusts, may be obtained without charge from any of the Trusts at the address or telephone number listed below. These Statements of Additional Information are not Prospectuses. They contain information in addition to and more detailed than that set forth in the Prospectuses. They are intended to provide additional information regarding the activities and operations of the Trusts, and should be read in conjunction with the Prospectuses. They should be read with the information appearing in the Appendix hereto which is a part of these Statements of Additional Information.

Active Assets Money Trust
Active Assets Tax-Free Trust
Active Assets California Tax-Free Trust
Active Assets Government Securities Trust

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New York, New York 10048
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The shares of the Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust are offered to participants in the Active Assets Account program of Dean Witter Reynolds Inc. ("Dean Witter"). In addition, shares of the Trusts are offered to investors maintaining brokerage accounts with Dean Witter who are not subscribers to the Active Assets program. For further information, either consult the Dean Witter Client Agreement or consult your Dean Witter Account Executive.

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INVESTMENT PRACTICES AND POLICIES

REPURCHASE AGREEMENTS. As discussed in the Prospectus, the Trust may enter into repurchase agreements with financial institutions. The Trust follows certain procedures, adopted by its Trustees, designed to minimize the risks inherent in such agreements. These procedures include effecting repurchase transactions only with large, well capitalized and well established financial institutions whose financial condition will be continuously monitored. In addition, the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. Such collateral will consist of Government securities or "Eligible Securities" (as described under the caption "How Net Asset Value is Determined") rated in the highest grade by a nationally recognized statistical rating organization (a "NRSRO") whose ratings qualify the collateral security as an "Eligible Security". In the event of a default or bankruptcy by a selling financial institution, the Trust will seek to liquidate such collateral. However, the exercising of the Trust's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Trust could suffer a loss. It is the current policy of the Trust not to invest in repurchase agreements that do not mature within seven days if any such investment, together with any other illiquid assets held by the Trust, amounts to more than 10% of its total assets. The Trust's investments in repurchase agreements may at times be substantial when, in the view of the Trust's investment manager, liquidity or other considerations warrant.

REVERSE REPURCHASE AGREEMENTS. The Trust may also use reverse repurchase agreements as part of its investment strategy, but to date has not entered into nor does it have any intention of entering into any such agreements. Reverse repurchase agreements involve sales by the Trust of portfolio assets concurrently with an agreement by the Trust to repurchase the same assets at a later date at a fixed price. Generally, the effect of such a transaction is that the Trust can recover all or most of the cash invested in the portfolio securities involved during the term of the reverse repurchase agreement, while it will be able to keep the interest income associated with those portfolio securities. Such transactions are only advantageous if the interest cost to the Trust of the reverse repurchase transaction is less than the cost of otherwise obtaining the cash. Opportunities to achieve this advantage may not always be available, and the Trust intends to use the reverse repurchase technique only when it will be to its advantage to do so. The Trust will establish a segregated account with its custodian bank in which it will maintain cash or cash equivalents or other portfolio securities equal in value to its obligations with respect to reverse repurchase agreements. Reverse repurchase agreements are considered borrowings by the Trust.

LENDING OF PORTFOLIO SECURITIES. Subject to investment restriction (11) below, the Trust may lend portfolio securities to brokers, dealers and financial institutions provided that cash equal to at least 100% of the market value of the securities loaned is deposited by the borrower with the Trust and is maintained each business day in a segregated account pursuant to applicable regulations. While such securities are on loan, the borrower will pay the Trust any income accruing thereon, and the Trust may invest the cash collateral in portfolio securities, thereby earning additional income. The Trust will not lend its portfolio securities if such loans are not permitted by the laws or regulations of any state in which its shares are qualified for sale and will not lend more than 10% of the value of its total assets. The creditworthiness of firms to which the Trust lends its portfolio securities will be monitored on an ongoing basis. Loans would be subject to termination by the Trust in the normal settlement time, currently two business days after notice, or by the borrower on one day's notice. Borrowed securities must be returned when the loan is terminated. Any gain or loss in the market price of the borrowed securities which occurs during the term of the loan inures to the Trust and its shareholders. The Trust may pay reasonable finders, borrowers, administrative, and custodial fees in connection with a loan. During its fiscal year ended June 30, 1994, the Trust did not lend any of its portfolio securities and it has no intention of doing so in the foreseeable future.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. As discussed in the Prospectus, from time to time, in the ordinary course of business, the Trust may purchase securities on a when-issued or delayed delivery basis--i.e., delivery and payment can take place a month or more after the date of the transaction. While the Trust will only purchase securities on a when-issued or delayed delivery basis with the intention of acquiring the securities, the Trust may sell the securities before the settlement date, if it is deemed advisable. The securities so purchased or sold are subject to market fluctuations and no interest accrues to the purchaser during this period. At the time the Trust makes the commitment to purchase securities on a when-issued or delayed delivery basis, it will record the transaction and thereafter reflect the value, each day, of such security in determining its net asset value. At the time of delivery of the securities, the value may be more or less than the purchase price. The Trust will also establish a segregated account with its custodian bank in which it will maintain cash or cash equivalents or other portfolio securities equal in value to commitments for such when-issued or delayed delivery securities.

The foregoing strategies, and those discussed in the Prospectus under the heading "Investment Objectives and Policies," may subject the Trust to the effects of interest rate fluctuations to a greater extent than would occur if such strategies were not used. While the strategies listed above may be used by the Trust if, in the opinion of the Investment Manager, they will be advantageous to the Trust, the Trust will be free to reduce or eliminate its activity in any of those areas without changing its fundamental investment policies. Certain provisions of the Internal Revenue Code, related regulations, and rulings of the Internal Revenue Service may also have the effect of reducing the extent to which the previously cited techniques may be used by the Trust, either individually or in combination. Furthermore, there is no assurance that any of these strategies or any other strategies and methods of investment available to the Trust will result in the achievement of its objectives.

The Trust will attempt to balance its objectives of security of principal, high current income and liquidity by investing in securities of varying maturities and risks. The Trust will not, however, invest in securities with an effective maturity of more than one year. The amounts invested in obligations of various maturities of one year or less will depend on management's evaluation of the risks involved. Longer-term U.S. Government issues, while generally paying higher interest rates, are subject to greater fluctuations in value resulting from general changes in interest rates than shorter-term issues. Thus, when rates on new securities increase, the value of outstanding securities may decline, and vice versa. Such changes may also occur, to a lesser degree, with short-term issues. These changes, if realized, may cause fluctuations in the amount of daily dividends and, in extreme cases, could cause the net asset value per share to decline. In the event of unusually large redemption demands, such securities may have to be sold at a loss prior to maturity, or the Trust might have to borrow money and incur interest expense. Either occurrence would adversely impact upon the amount of daily dividend and could result in a decline in daily net asset value per share or the redemption by the Trust of shares held in a shareholder's account. The Trust will attempt to minimize these risks by investing in relatively longer-term securities when it appears to management that yields on such securities are not likely to increase substantially during the period of expected holding, and then only in securities which are readily marketable. However, there can be no assurance that the Trust will be successful in achieving this objective.

INVESTMENT RESTRICTIONS

The Trust has adopted certain investment restrictions as fundamental policies which cannot be changed without the approval of the holders of a "majority" of the outstanding shares of the Trust as defined in the Investment Company Act of 1940, as amended (the "Act"). Majority is defined in the Act as the lesser of (a) sixty-seven percent or more of the shares present at a meeting of shareholders, if the holders of more than fifty percent of the outstanding shares of the Trust are present or represented by proxy, or (b) more than fifty percent of the outstanding shares of the Trust.

These restrictions provide that the Trust may not:

1. Purchase common stocks, preferred stocks, warrants, other equity securities, corporate bond debentures, state bonds, municipal bonds or industrial revenue bonds;

2. Borrow money, except from banks, for temporary or emergency purposes, including the meeting of redemption requests which might otherwise require the untimely disposition of securities. Borrowing in the aggregate, including reverse repurchase agreements, may not exceed 20%, and borrowing for purposes other than meeting redemptions may not exceed 5% of the value of the Trust's total assets (including the amount borrowed), less liabilities (not including the amount borrowed) at the time the borrowing is made;

3. Pledge, hypothecate, mortgage or otherwise encumber its assets, except in an amount up to 10% of the value of its net assets but only to secure borrowings for temporary or emergency purposes;

4. Sell securities short or purchase securities on margin;

5. Write or purchase put or call options;

6. Underwrite the securities of other issuers or purchase securities with contractual or other restrictions on resale;

7. Purchase or sell real estate, real estate investment trust securities, commodities or commodity contracts or oil and gas interests;

8. Make loans to others except through the purchase of qualified debt obligations, loans of portfolio securities and entry into repurchase agreements referred to under "Investment Practices and Policies" above and "Investment Objectives and Policies" in the Prospectus;

9. Issue senior securities as defined in the Act except insofar as the Trust may be deemed to have issued a senior security by reason of: (a) entering into any repurchase or reverse repurchase agreement; (b) borrowing money in accordance with restrictions described above; or (c) lending portfolio securities;

10. Invest in securities of other investment companies, except as they may be acquired as part of a merger, consolidation or acquisition of assets; and

11. Lend its portfolio securities in excess of 10% of its total assets, taken at value. Any loans of portfolio securities will be made according to guidelines established by the Trustees, including maintenance of collateral of the borrower equal at all times to the current market value of the securities loaned.

If a percentage restriction is adhered to at the time of an investment, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total or net assets will not constitute a violation of such restriction.

HOW NET ASSET VALUE IS DETERMINED

As discussed in the Appendix to the Prospectus, the net asset value of the Trust is determined as of 12 noon New York time on each day that the New York Stock Exchange is open. The New York Stock Exchange currently observes the following holidays: New Year's Day; President's Day; Good Friday; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day.

The Trust utilizes the amortized cost method in valuing its portfolio securities for purposes of determining the net asset value of the shares of the Trust. The Trust utilizes the amortized cost method in valuing its portfolio securities even though the portfolio securities may increase or decrease in market value, generally, in connection with changes in interest rates. The amortized cost method of valuation involves valuing a security at its cost adjusted by a constant amortization to maturity of any discount or

premium, regardless of the impact of fluctuating interest rates on the market value of the instrument. While this method provides certainty in valuation, it may result in periods during which value, as determined by amortized cost, is higher or lower than the price the Trust would receive if it sold the instrument. During such periods the yield to investors in the Trust may differ somewhat from that obtained in a similar company which uses mark to market values for all its portfolio securities. For example, if the use of amortized cost resulted in a lower (higher) aggregate portfolio value on a particular day, a prospective investor in the Trust would be able to obtain a somewhat higher (lower) yield than would result from investment in such a similar company and existing investors would receive less (more) investment income. The purpose of this method of calculation is to facilitate the maintenance of a constant net asset value per share of $1.00.

The Trust's use of the amortized cost method to value its portfolio securities and the maintenance of the per share net asset value of $1.00 is permitted pursuant to Rule 2a-7 of the Act (the "Rule"), and is conditioned on its compliance with various conditions including: (a) the Trustees are obligated, as a particular responsibility within the overall duty of care owed to the Trust's shareholders, to establish procedures reasonably designed, taking into account current market conditions and the Trust's investment objectives, to stabilize the net asset value per share as computed for the purpose of distribution and redemption at $1.00 per share; (b) (i) the procedures include calculation, at such intervals as the Trustees determine are appropriate and as are reasonable in light of current market conditions, of the deviation, if any between net asset value per share using amortized cost to value portfolio securities and net asset value per share based upon available of market quotations with respect to such portfolio securities; (ii) periodic review by the Trustees of the amount of deviation as well as methods used to calculate it; and (iii) maintenance of written records of the procedures, the Trustees' considerations made pursuant to them and any actions taken upon such considerations; (c) the Trustees should consider what steps should be taken, if any, in the event of a difference of more than 1/2 of 1% between the two methods of valuation; and (d) the Trustees should take such action as they deem appropriate (such as shortening the average portfolio maturity, realizing gains or losses or, as provided by the Declaration of Trust, reducing the number of the outstanding shares of the Trust) to eliminate or reduce to the extent reasonably practicable material dilution or other unfair results to investors or existing shareholders. Any reduction of outstanding shares will be effected by having each shareholder proportionately contribute to the Trust's capital the necessary shares that represent the amount of excess upon such determination. Each shareholder will be deemed to have agreed to such contribution in these circumstances by investment in the Trust. See "Dividends, Distributions and Taxes" for a discussion of the tax effect of such a reduction.

Generally, for purposes of the procedures adopted under the Rule, the maturity of a portfolio instrument is deemed to be the period remaining (calculated from the trade date or such other date on which the Trust's interest in the instrument is subject to market action) until the date noted on the face of the instrument as the date on which the principal amount must be paid, or in the case of an instrument called for redemption, the date on which the redemption payment must be made.

A variable rate obligation that is subject to a demand feature is deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand. A floating rate instrument that is subject to a demand feature is deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand.

An Eligible Security is defined in the Rule to mean a security which: (a) has a remaining maturity of thirteen months or less; (b) (i) is rated in the two highest short-term rating categories by any two NRSRO's that have issued a short-term rating with respect to the security or class of debt obligations of the issuer, or (ii) if only one NRSRO has issued a short-term rating with respect to the security, then by that NRSRO; (c) was a long-term security at the time of issuance whose issuer has outstanding a short-term debt obligation which is comparable in priority and security and has a rating as specified in clause (b) above; or (d) if no rating is assigned by any NRSRO as provided in clauses (b) and (c) above, the unrated security is determined by the Board to be of comparable quality to any such rated security.

As permitted by the Rule, the Board has delegated to the Trust's Investment Manager, subject to the Board's oversight pursuant to guidelines and procedures adopted by the Board, the authority to determine which securities present minimal credit risks and which unrated securities are comparable in quality to rated securities.

Also, as required by the Rule, the Trust will limit its investments in securities, other than Government securities, so that, at the time of purchase: (a) except as further limited in (b) below with regard to certain securities, no more than 5% of its total assets will be invested in the securities of any one issuer; and (b) with respect to Eligible Securities that have received a rating in less than the highest category by any one of the NRSROs whose ratings are used to qualify the security as an Eligible Security, or determined to be of comparable quality: (i) no more than 5% in the aggregate of the Trust's total assets in all such securities, and (ii) no more than the greater of 1% of total assets, or $1 million, in the securities of any one issuer.

If the Board determines that it is no longer in the best interests of the Trust and its shareholders to maintain a stable price of $1 per share or if the Board believes that maintaining such price no longer reflects a market-based net asset value per share, the Board has the right to change from an amortized cost basis of valuation to valuation based on market quotations. The Trust will notify shareholders of any such change.

The Rule further requires that the Trust limit its investments to instruments which the Trustees determine present minimal credit risks. The Rule also requires the Trust to maintain a dollar-weighted average portfolio maturity (not more than 90 days) appropriate to its objective of maintaining a stable net asset value of $1.00 per share and precludes the purchase of any instrument with a remaining maturity of more than one year. Should the disposition of a portfolio security result in a dollar-weighted average portfolio maturity of more than 90 days, the Trust is required to invest its available cash in such a manner as to reduce such maturity to 90 days or less as soon as reasonably practicable.

DIVIDENDS, DISTRIBUTIONS AND TAXES

As discussed in the Appendix to the Prospectus, the Trust intends to declare dividends payable on each day the New York Stock Exchange is open for business of all of its daily net investment income and net short-term capital gains, if any, to shareholders of record as of 12 Noon New York time of the preceding business day. Net income, for dividend purposes, includes accrued interest and amortization of original issue and market discount, plus or minus any short-term gains or losses realized on sales of portfolio securities, less the amortization of market premium and the estimated expenses of the Trust. Net income will be calculated immediately prior to the determination of net asset value per share of the Trust.

Gains or losses on the sales of securities by the Trust will be long-term capital gains or losses if the securities have been held by the Trust for more than twelve months. Gains or losses on the sale of securities held for twelve months or less will be short-term capital gains or losses.

The Trustees may revise the dividend policy, or postpone the payment of dividends, if the Trust should have or anticipate any large unexpected expense, loss or fluctuation in net assets which, in the opinion of the Trustees, might have a significant adverse effect on shareholders. On occasion, in order to maintain a constant $1.00 per share net asset value, the Trustees may direct that the number of outstanding shares be reduced in each shareholder's account. Such reduction may result in taxable income to a shareholder in excess of the net increase (i.e., dividends, less such reductions), if any, in the shareholder's account for a period. Furthermore, such reduction may be realized as a capital loss when the shares are liquidated.

The Trust has qualified and intends to remain qualified as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). If so qualified, the Trust will not be subject to federal income and excise taxes provided that it distributes all of its taxable net investment income and all of its net realized gains.

Shareholders will be subject to federal income tax on dividends paid from interest income derived from taxable securities and on distributions of realized net short-term capital gains. Such interest and realized net short-term capital gains dividends and distributions are taxable to the shareholder as ordinary dividend income regardless of whether the shareholder receives such distributions in additional shares or in cash. Since the Trust's income is expected to be derived entirely from interest rather than dividends, none of such dividends/distributions will be eligible for the federal dividends received deduction available to corporations.

The Code requires each regulated investment company to pay a nondeductible 4% excise tax to the extent the company does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined in general on an October 31 year end, plus certain undistributed amounts from previous years. The Trust anticipates that it will make sufficient timely distributions to avoid imposition of the excise tax.

Under present Massachusetts law, the Trust is not subject to any Massachusetts income tax during any fiscal year in which the Trust qualifies as a regulated investment company. The Trust might be subject to Massachusetts income taxes for any taxable year in which it does not so qualify as a regulated investment company.

The Trust may be subject to tax or taxes in certain states where it does business. Furthermore, in those states which have income tax laws, the tax treatment of the Trust and of shareholders with respect to distributions by the Trust may differ from Federal tax treatment.

Shareholders are urged to consult their own tax advisers regarding specific questions as to Federal, state or local taxes.

INFORMATION ON COMPUTATION OF YIELD

The Trust's annualized current yield, as may be quoted from time to time in advertisements and other communications to shareholders and potential investors, is computed by determining, for a stated seven-day period, the net change, exclusive of capital changes and including the value of additional shares purchased with dividends and any dividends declared therefrom (which reflect deductions of all expenses of the Trust such as management fees), in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period, and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then multiplying the base period return by (365/7).

The Trust's annualized effective yield, as may be quoted from time to time in advertisements and other communications to shareholders and potential investors, is computed by determining (for the same stated seven-day period as for the current yield), the net change, exclusive of capital changes and including the value of additional shares purchased with dividends and any dividends declared therefrom (which reflect deductions of all expenses of the Trust such as management fees), in the value of a hypothetical pre-existing account having a balance of one share at the beginning of the period, and dividing the difference by the value of the account at the beginning of the base period to obtain the base period return, and then compounding the base period return by adding 1, raising the sum to a power equal to 365 divided by 7, and subtracting 1 from the result.

The yields quoted in any advertisement or other communication should not be considered a representation of the yields of the Trust in the future since the yield is not fixed. Actual yields will depend not only on the type, quality and maturities of the investments held by the Trust and changes in interest rates on such investments, but also on changes in the Trust's expenses during the period.

Yield information may be useful in reviewing the performance of the Trust and for providing a basis for comparison with other investment alternatives. However, unlike bank deposits or other investments which typically pay a fixed yield for a stated period of time, the Trust's yield fluctuates.

The Trust's current yield for the seven days ended June 30, 1994 was 3.44%. The effective annual yield on 3.44% is 3.50%, assuming daily compounding.

APPENDIX

This Appendix constitutes part of the Statements of Additional Information of the Active Assets Money Trust (the "Money Trust"), the Active Assets Tax-Free Trust (the "Tax-Free Trust"), the Active Assets California Tax-Free Trust (the "California Tax-Free Trust") and the Active Assets Government Securities Trust (the "Government Securities Trust"). The Money Trust, the Tax-Free Trust, the California Tax-Free Trust and the Government Securities Trust are referred to in this Appendix collectively as the "Trusts". Unless otherwise indicated, the information set forth herein is applicable to each Trust.

INVESTMENT MANAGER

Dean Witter InterCapital Inc. (the "Investment Manager" or "InterCapital"), a Delaware corporation, whose address is Two World Trade Center, New York, New York 10048, is the Trusts' Investment Manager. InterCapital is a wholly-owned subsidiary of Dean Witter, Discover & Co. ("DWDC") a Delaware corporation. The daily management of the Trusts and research relating to the Trusts' portfolios is conducted by or under the direction of officers of the Trusts and of the Investment Manager, subject to review of investments by the Trusts' Trustees. In addition, Trustees of the Trusts provide guidance on economic factors and interest rate trends. Information as to these Trustees and Officers is contained under the caption "Trustees and Officers."

InterCapital also serves as investment manager (or investment advisor and administrator) of the following investment companies: Dean Witter Liquid Asset Fund Inc., InterCapital Income Securities Inc., Dean Witter High Yield Securities Inc., Dean Witter Tax-Free Daily Income Trust, Dean Witter Developing Growth Securities Trust, Dean Witter Tax-Exempt Securities Trust, Dean Witter American Value Fund, Dean Witter Dividend Growth Securities Inc., Dean Witter Natural Resource Development Securities Inc., Dean Witter U.S. Government Money Market Trust, Dean Witter Variable Investment Series, Dean Witter World Wide Investment Trust, Dean Witter Select Municipal Reinvestment Fund, Dean Witter U.S. Government Securities Trust, Dean Witter California Tax-Free Income Fund, Dean Witter New York Tax-Free Income Fund, Dean Witter Convertible Securities Trust, Dean Witter Federal Securities Trust, Dean Witter Value-Added Market Series, High Income Advantage Trust, High Income Advantage Trust II, Dean Witter Government Income Trust, Dean Witter Utilities Fund, Dean Witter Managed Assets Trust, Dean Witter California Tax-Free Daily Income Trust, Dean Witter Strategist Fund, Dean Witter World Wide Income Trust, High Income Advantage Trust III, Dean Witter Capital Growth Securities, Dean Witter European Growth Fund, Inc., Dean Witter New York Municipal Money Market Trust, Dean Witter Precious Metals and Minerals Trust, Dean Witter Global Short-Term Income Fund Inc., Dean Witter Pacific Growth Fund Inc., Dean Witter Multi-State Municipal Series Trust, InterCapital Insured Municipal Bond Trust, InterCapital Insured Municipal Trust, InterCapital Quality Municipal Investment Trust, Dean Witter Diversified Income Trust, InterCapital Quality Municipal Income Trust, InterCapital California Insured Municipal Income Trust, Dean Witter Global Dividend Growth Securities, Dean Witter Limited Term Municipal Trust, Dean Witter Health Sciences Trust, Dean Witter Retirement Series, Dean Witter Premier Income Trust, Dean Witter Short-Term U.S. Treasury Trust, InterCapital Quality Municipal Securities, InterCapital California Quality Municipal Securities, InterCapital New York Quality Municipal Securities, InterCapital Insured Municipal Income Trust, InterCapital Insured Municipal Securities, InterCapital Insured California Municipal Securities, Dean Witter Short-Term Bond Fund, Dean Witter Global Utilities Fund, Dean Witter National Municipal Trust, Dean Witter High Income Securities, Dean Witter International SmallCap Fund, Dean Witter Mid-Cap Growth Fund, Dean Witter Intermediate Income Securities, Municipal Income Trust, Municipal Income Trust II, Municipal Income Trust III, Municipal Income Opportunities Trust, Municipal Income Opportunities Trust II, Prime Income Trust, Municipal Income Opportunities Trust III and Municipal Premium Income Trust. The foregoing investment companies, together with the Trusts, are collectively referred to as the Dean Witter Funds. In addition, Dean Witter

Services Company Inc. ("DWSC"), a wholly-owned subsidiary of InterCapital, serves as manager for the following investment companies, for which TCW Funds Management, Inc. is the investment adviser: TCW/DW Core Equity Trust, TCW/DW North American Government Income Trust, TCW/DW Latin American Growth Fund, TCW/DW Term

Trust 2002, TCW/DW Income and Growth Fund, TCW/DW Small Cap Growth Fund, TCW/DW Balanced Fund, TCW/DW North American Intermediate Fund, TCW/DW Term Trust 2000 and TCW/DW Term Trust 2003 (the "TCW/DW Funds"). InterCapital also serves as: (i) sub-adviser to Templeton Global Opportunities Trust, an open-end investment company; (ii) administrator of The BlackRock Strategic Term Trust Inc., a closed-end investment company; and (iii) sub-administrator of MassMutual Participation Investors and Templeton Global Governments Income Trust, closed-end investment companies.

The Investment Manager also serves as an investment adviser for Dean Witter World Wide Investment Fund, an investment company organized under the laws of Luxembourg. The shares of this company may not be offered in the United States or purchased by American citizens outside the United States.

The Trusts have entered into separate Investment Management Agreements (the "Agreements") with the Investment Manager. Pursuant to the Agreements, the Trusts have retained the Investment Manager to manage the investment of each of the Trusts' assets, including the placing of orders for the purchase and sale of portfolio securities. The Investment Manager obtains and evaluates such information and advice relating to the economy, securities markets, and specific securities as it considers necessary or useful to continuously manage the assets of the Trusts in a manner consistent with their investment objectives and policies.

Under the terms of the Agreements, in addition to managing the Trusts' investments, the Investment Manager maintains certain of the Trusts' books and records and furnishes, at its own expense, such office space, facilities, equipment, clerical help and bookkeeping services as the Trusts may reasonably require in the conduct of business. In addition, the Investment Manager pays the salaries of all personnel, including officers of the Trusts who are employees of the Investment Manager. The Investment Manager also bears the cost of telephone service, heat, light, power and other utilities provided to the Trusts. Effective December 31, 1993, pursuant to a Services Agreement between InterCapital and DWSC, DWSC began to provide the administrative services to the Trusts which were previously performed directly by InterCapital. The foregoing internal reorganization did not result in any change in the nature or scope of the administrative services being provided to the Fund or any of the fees being paid by the Fund for the overall services being performed under the terms of the existing Management Agreement.

Expenses not expressly assumed by the Investment Manager under any of the Agreements or by Dean Witter Distributors Inc. ("Distributors or the Distributor"), the Distributor of the Trusts' shares (see "Plan and Agreement of Distribution" below and in the Prospectus), will be paid by the Trusts. The expenses borne by the Trusts include, but are not limited to: charges and expenses of any registrar, custodian, stock transfer and dividend disbursing agent; brokerage commissions; taxes; engraving and printing share certificates, if any; registration costs of the Trusts and their shares under federal and state securities laws; the cost and expense of printing, including typesetting, and distributing prospectuses and statements of additional information of the Trusts and supplements thereto to the Trusts' shareholders; all expenses of shareholders' and Trustees' meetings and of preparing, printing and mailing of proxy statements and reports to shareholders; fees and travel expenses of Trustees or members of any advisory board or committee who are not employees of the Investment Manager or any corporate affiliate of the Investment Manager; all expenses incident to any dividend, withdrawal or redemption options; charges and expenses of any outside service used for pricing of the Trusts' portfolio securities; fees and expenses of legal counsel, including counsel to the Trustees who are not interested persons of the Trusts or of the Investment Manager and independent accountants; membership dues of industry associations; interest on Trust borrowings; postage; insurance premiums on property or personnel (including officers and trustees) of the Trusts which inure to the Trusts' benefit; extraordinary expenses (including, but not limited to, legal claims and liabilities and litigation costs and any indemnification relating thereto); and all other costs of the Trusts' operation.

As full compensation for the services and facilities furnished to the Trusts and Trust expenses assumed by the Investment Manager, the Trusts each pay the Investment Manager monthly compensation calculated daily by applying the following annual rates to the net assets of the respective Trust, determined as of the close of each business day: 0.50% of the portion of the daily net assets not exceeding $500 million; 0.425% of the portion of the daily net assets exceeding $500 million but not exceeding $750 million; 0.375% of the portion of the daily net assets exceeding $750 million but not exceeding $1 billion; 0.35% of the portion of the daily net assets exceeding $1 billion but not exceeding $1.5 billion; 0.325% of the portion of the daily net assets exceeding $1.5 billion but not exceeding $2 billion; 0.3% of the portion of the daily net assets exceeding $2 billion but not exceeding $2.5 billion; 0.275% of the portion of the daily net assets exceeding $2.5 billion but not exceeding $3 billion; and 0.25% of the portion of the daily net assets exceeding $3 billion. The Money Trust accrued to the Investment Manager compensation in the amounts of $12,693,259, $12,588,084 and $13,025,495 during the fiscal years ended June 30, 1992, June 30, 1993 and June 30, 1994, respectively. The Tax-Free Trust accrued to the Investment Manager compensation in the amounts of $5,854,412, $5,846,579 and $6,138,744 for the fiscal years ended June 30, 1992, June 30, 1993 and June 30, 1994, respectively. The California Tax-Free Trust accrued to the Investment Manager compensation in the amounts of $256,945, $908,488 and $1,328,271 for the fiscal period ended June 30, 1992 and the fiscal years ended June 30, 1993 and June 30, 1994, respectively. The Government Securities Trust accrued to the Investment Manager compensation in the amounts of $2,810,187, $2,699,656 and $2,594,882 for the fiscal years ended June 30, 1992, June 30, 1993 and June 30, 1994, respectively.

Under the Agreements, total operating expenses of each Trust, exclusive of taxes, interest, brokerage fees and extraordinary expenses (to the extent permitted by applicable state securities laws and regulations), are subject to applicable limitations under rules and regulations of states where each Trust is authorized to sell its shares. Therefore, such expenses are effectively subject to the most restrictive of such limitations as the same may be amended from time to time. Presently, the most restrictive limitation is as follows: 2 1/2% of the first $30,000,000 of average daily net assets, 2% of the next $70,000,000 of average daily net assets and 1 1/2% of any excess over $100,000,000 of average daily net assets. Under the Agreements, if in any fiscal year such operating expenses exceed this limitation, the Investment Manager will reimburse the Trust(s) for the amount of such excess. Such amount, if any, will be calculated daily and credited on a monthly basis. During the fiscal years ended June 30, 1992, June 30, 1993 and June 30, 1994 the expenses of Money Trust, Tax-Free Trust, California Tax-Free Trust and Government Securities Trust did not exceed this limitation or the then existing most restrictive limitation.

The Agreements provide that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations thereunder, the Investment Manager is not liable to the Trusts or any of their investors for any act or omission by the Investment Manager or for any losses sustained by the Trusts or their investors. The Agreements in no way restrict the Investment Manager from acting as investment manager or adviser to others.

The Agreements between Money Trust, Tax-Free Trust and Government Securities Trust and the Investment Manager were initially approved by the Trustees on January 18, 1983 and were approved by the shareholders of the respective Trusts on March 17, 1983 and March 18, 1983. Pursuant to their terms, these Agreements remained in effect until October 31, 1984 and were continued from year to year thereafter, as the continuance of each Agreement was approved at least annually by the vote of a majority, as defined in the Investment Company Act of 1940 (the "Act"), of the outstanding voting securities of the Trust or by the Trustees of the Trust, provided that in either event such continuance was approved annually by the vote of a majority of the Trustees who were not parties to the Agreement or "interested persons" (as defined in the Act) of any such party ("the Independent Trustees"), which vote was cast in person at a meeting called for the purpose of voting on such approval.

At their meeting held on April 29, 1992, which was specifically called for the purpose of voting on the approval of the continuance of the Agreements, the Trustees, including a majority of the non-interested Trustees as described above, voted to continue the current Agreements until April 30, 1993. These Agreements may be terminated at any time, without penalty, on thirty days' notice, by the Trustees of the Trust, by the holders of a majority, as defined in the Act, of the Trust's shares, or by the Investment Manager. These Agreements will automatically terminate in the event of their assignment (as defined in the Act).

At their meetings held on October 30, 1992, the Trustees, including all of the Independent Trustees, of Money Trust, Tax-Free Trust and Government Securities Trust approved the assumption of the rights and duties of Dean Witter (InterCapital's predecessor as the Trust's Investment Manager) under the Agreements by InterCapital, upon the internal reorganization of Dean Witter

Reynolds Inc. ("Dean Witter") (which reorganization took place in January, 1993). At the same meetings, the Trustees approved new investment management agreements to take effect upon the spin-off by Sears, Roebuck and Co. ("Sears") of its remaining shares of DWDC. This spin-off was consummated on June 30, 1993, whereupon the new agreements took effect. The new investment management agreements are substantially identical in all material respects to the Agreements. The approvals of the Trustees were subsequently ratified by the shareholders of Money Trust, Tax-Free Trust Government Securities Trust at Special Meetings held on January 12, 1993. Subsequently, at their meetings held on April 8, 1994, the Trustees approved the continuance of the Agreements until April 30, 1995.

The Agreement between California Tax-Free Trust and the Investment Manager was approved by the Trustees on July 18, 1991 and by Dean Witter as the sole shareholder on October 4, 1991. Under its terms, this Agreement remained in effect until April 30, 1993, and will continue in effect from year to year thereafter, provided continuance of each Agreement is approved at least annually by the vote of a majority, as defined in the Act, of the outstanding voting securities of the Trust or by the Trustees of the Trust, provided that in either event such continuance is approved annually by the vote of a majority of the Independent Trustees of the California Tax-Free Trust, which vote must be cast in person at a meeting called for the purpose of voting on such approval. This Agreement may, be terminated at any time, without penalty, on thirty day's notice, by the Trustees of the California Tax-Free Trust, by the holders of a majority, as defined in the Act, of the California Tax-Free Trust's shares, or by the Investment Manager. The Agreement will automatically terminate in the event of its assignment (as defined in the Act).

At its meeting held on October 30, 1992, the Trustees of California Tax-Free Trust, including all of the Independent Trustees, approved the assumption by InterCapital of Dean Witter's rights and duties under the Agreement (which assumption took place upon the reorganization referred to above, and a new investment management agreement identical in all material respects to the Agreement) to take effect upon the spin-off described above. At their Special Meeting held on January 13, 1993, the shareholders of California Tax-Free Trust approved the Agreement's continuation as well as the aforementioned assumption of rights and duties and the new investment management agreement (which went into effect on June 30, 1993). Subsequently, at their meetings held on April 8, 1994, the Trustees approved the continuance of the Agreement until April 30, 1995.

The Investment Manager has paid the organizational expenses of the California Tax-Free Trust incurred prior to the offering of its shares. The California Tax-Free Trust has reimbursed the Investment Manager for such expenses in an amount of approximately $46,500. The California Tax-Free Trust has deferred and is amortizing the reimbursed expenses on the straight line method over a period not to exceed five years from the date of commencement of its operations.

PLAN OF DISTRIBUTION

As discussed in the Prospectus, each Trust has entered into a Distribution Agreement with Dean Witter Distributors Inc. (the "Distributor") in connection with the continuous offering of the shares of the Trust. The Distribution Agreements obligate the Distributor to pay certain expenses in connection with the offering of the shares of the Trust, including costs involved in the distribution of prospectuses and periodic reports to investors, the cost of other supplementary sales literature and advertising costs.

The Distributor has entered into selected dealer agreements with Dean Witter, which through its own sales organization sells shares of the Trusts. The Distributor, a Delaware corporation, is an indirect wholly-owned subsidiary of DWDC. The Trustees who are not, and were not at the time they voted, interested persons of the Trusts, as defined in the Act (the "Independent Trustees"), approved, at their meeting held on October 30, 1992, Distribution Agreements appointing the Distributor as exclusive distributor of the Trusts' shares and providing for the Distributor to bear distribution expenses not borne by the Trusts. At the same meeting, the Trustees of the Trusts, including all of the Independent Trustees,

approved new Distribution Agreements between the Trusts and the Distributor, to take effect upon the spin-off by Sears. The new Distribution Agreements are substantively identical to the current Distribution Agreements in all material respects, except for the dates of effectiveness. By their terms, the Distribution Agreements have initial terms ending April 30, 1994, and provide that they will remain in effect from year to year thereafter if approved by the Trustees. At their meetings held on April 8, 1994, the Trustees, including all of the Independent Trustees, voted to approve the continuance of the

Distribution Agreements until April 30, 1995.

As discussed in the Appendix to the Prospectuses, the Trusts have each adopted a Plan of Distribution (the "Plan") pursuant to Rule 12b-1 under the Act. The adoptions of the Plans of Money Trust, Tax-Free Trust, and Government Securities Trust were made on March 21, 1983. These respective Plans were initially approved by the Trustees of the respective Trusts on January 18, 1983 and by the respective Trust's shareholders on March 17, 1983 and March 18, 1983. The Plan of California Tax-Free Trust was adopted by the Trustees of the Trust on July 18, 1991 and by DWR, as sole shareholder, on October 4, 1991, whereupon it went into effect. On April 29, 1992, the Trustees approved continuance of these Plans until April 30, 1993. In all instances, the vote of the respective Trustees included a majority of the Trustees who are not and were not at the time of their votes interested persons of the Trust and who have and had no direct or indirect financial interest in the operation of the Plan (the "Independent 12b-1 Trustees"), cast in person at meetings called for the purpose of voting on such Plans and Agreements. The California Tax-Free Trust has undertaken, in its Registration Statement, to seek subsequent shareholder approval of the Plan at its first Annual or Special Meeting of Shareholders held after the effective date of the Registration Statement of which this Statement of Additional Information is a part.

At their meetings held on October 30, 1992, the Trustees of the Trusts, including all of the Independent 12b-1 Trustees, approved certain amendments to the Plan which took effect in January, 1993 and were designed to reflect the fact that upon the reorganization referred to above the share distribution activities theretofore performed for the Trusts by Dean Witter were assumed by the Distributor, and Dean Witter's sales activities are now being performed pursuant to the terms of a selected dealer agreement between the Distributor and Dean Witter. The amendments provide that payments under the Plans will be made to the Distributor rather than to Dean Witter, as before the amendment, and that the Distributor in turn is authorized to make payments to Dean Witter, its affiliates or other selected broker-dealers (or direct that the Trusts pay such entities directly). The Distributor is also authorized to retain part of such payments as compensation for its own distribution-related expenses. This amended Plan was approved by the shareholders of California Tax-Free Trust at their meeting held on January 13, 1993.

Under the respective Plans, the Distributor has expanded the nature of its promotional activities on behalf of the respective Trusts and used its best efforts to foster additional sales of Trust shares. The respective Plans provide that the Distributor bears the expense of all promotional and distribution related activities on behalf of the respective Trusts, except for expenses that the respective Trustees determine to reimburse, as described below. The following activities and services may be provided by the Distributor under the respective Plans: (1) compensation to sales representatives of the Distributor and other broker-dealers; (2) sales incentives and bonuses to sales representatives and to marketing personnel in connection with promoting sales of shares; (3) expenses incurred in connection with promoting sales of shares of the Trust; (4) preparing and distributing sales literature; and (5) providing advertising and promotional activities, including direct mail solicitation and television, radio, newspaper, magazine and other media advertisements.

Dean Witter account executives are paid an annual residual commission, currently a gross residual of up to 0.10% of the current value of the respective accounts for which they are the account executives of record. The "gross residual" is a charge which reflects residual commissions paid by Dean Witter to its account executives and Dean Witter's expenses associated with the servicing of shareholder's accounts, including the expenses of operating Dean Witter's branch offices in connection with the

servicing of shareholder's accounts, which expenses include lease costs, the salaries and employee benefits of operations and sales support personnel, utility costs, communications costs and the costs of stationery and supplies and other expenses relating to branch office serving of shareholder accounts.

Each Trust is authorized to reimburse the Distributor for specific expenses the Distributor incurs or plans to incur in promoting the distribution of the respective Trust's shares. Reimbursement is made through monthly payments in such amounts determined in advance of each fiscal quarter by the respective Trustees, including a majority of the Independent Trustees. The amount of each monthly payment may in no event exceed an amount equal to a payment at the annual rate of .15 of 1% of the Trust's average daily net assets during the month. No interest or other financing charges will be incurred by Dean Witter for which reimbursement payments under the Plan will be made. In making quarterly determinations of the amounts that may be expended by each Trust, the Distributor provides, and the respective Trustees review, a quarterly budget of projected incremental distribution expenses to be incurred on behalf of each

Trust, together with a report explaining the purposes and anticipated benefits of incurring such expenses. The respective Trustees determine which particular expenses, and the portions thereof, that may be borne by each Trust, and in making such determination shall consider the scope of the Distributor's commitment to promoting the distribution of the respective Trusts' shares.

Money Trust, Tax-Free Trust, California Tax-Free Trust and Government Securities Trust accrued $3,816,058, $1,444,689, $261,619 and $515,023, respectively, to the Distributor pursuant to the Plans for the fiscal year ended June 30, 1994. Based upon the total amounts spent by the Distributor during the period, it is estimated that the amounts paid by the Trusts to the Distributor for distribution were spent in approximately the following ways: for the Money Trust: (i) advertising -- $-0-; (ii) printing and mailing of prospectuses to other than current shareholders -- $-0-; (iii) compensation to underwriters -- $-0-; (iv) compensation to dealers -- $-0-; (v) compensation to sales personnel - -- $-0-; and (vi) other, which includes to Dean Witter for expenses substantially all of which relate to compensation of sales personnel -- $3,816,058; for the Tax-Free Trust: (i) advertising -- $-0-; (ii) printing and mailing of prospectuses to other than current shareholders -- $-0-; (iii) compensation to underwriters -- $-0-; (iv) compensation to dealers -- $-0-; (v) compensation to sales personnel -- $-0-; and (vi) other, which includes to Dean Witter for expenses substantially all of which relate to compensation of sales personnel -- $1,444,689; for the California Tax-Free Trust: (i) advertising -- $-0-; (ii) printing and mailing of prospectuses to other than current shareholders -- $-0-; (iii) compensation to underwriters -- $-0-; (iv) compensation to dealers -- $-0-; (v) compensation to sales personnel -- $-0-; and (vi) other, which includes to Dean Witter for expenses substantially all of which relate to compensation of sales personnel --$261,619; and for Government Securities Trust: (i) advertising -- $-0-; (ii) printing and mailing of prospectuses to other than current shareholders -- $-0-; (iii) compensation to underwriters -- $-0-; (iv) compensation to dealers -- $-0-; (v) compensation to sales personnel -- $-0-; and (vi) other, which includes to Dean Witter for expenses substantially all of which relate to compensation of sales personnel -- $515,023.

Under each Plan, the Distributor will use its best efforts in rendering services to the respective Trusts, but in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations, the Distributor will not be liable to any of such Trusts or any of its shareholders for any error of judgment or mistake of law or for any act of omission or for any losses sustained by any of such Trusts or their shareholders.

The respective Plans of Money Trust, Tax-Free Trust and Government Securities Trust remained in effect until December 31, 1984, and the Plan of California Tax-Free Trust remained in effect until April 30, 1992, and such Plans will remain in effect from year to year thereafter, provided such continuances are approved annually by a vote of the Trustees, including a majority of the Independent 12b-1 Trustees. Any amendment to increase materially the maximum amount authorized to be spent under each Plan must be approved by the shareholders of each Trust, and all material amendments to each Plan must be approved by the Trustees in the manner described above. Each Plan may be terminated at any time, without payment of any penalty, by vote of a majority of the Independent 12b-1 Trustees or by a vote of the holders of a majority of the outstanding voting securities of each Trust (as defined in the Act) on not

more than 30 days written notice to any other party to the Plan. The authority to make reimbursement payments to the Distributor automatically terminates in the event of an assignment (as defined in the Act); however, the Trustees' authority under each Plan to utilize its proceeds to finance the distribution of Trust shares would continue. After such an assignment, the Trusts' authority to make payments to their Distributor would resume, subject to certain conditions. So long as the Plans are in effect, the selection or nomination of the Independent Trustees is committed to the discretion of the Independent 12b-1 Trustees.

Under each Plan, the Distributor provides the respective Trust, for review by its Trustees, and the Trustees review, promptly after the end of each fiscal quarter, a written report regarding the incremental distribution expenses incurred by the Distributor on behalf of each Trust during such fiscal quarter, which report includes (1) an itemization of the types of expenses and the purposes therefor; (2) the amounts of such expenses; and (3) a description of the benefits derived by each Trust. In the Trustees' quarterly review of the Plans they consider their continued appropriateness and the level of compensation provided therein.

Pursuant to the Plans of all Trusts, the Distributor provided the Trustees, at their Meetings held on April 8, 1994, with all the information the Trustees deemed necessary to make an informed determination on whether each Plan should be continued. In making their determination to continue each of the Plans until April 30, 1994, the Trustees, including all of the Independent 12b-1 Trustees, arrived at the conclusion that the Plans had benefited each of the Trusts. This conclusion was based upon the Distributor's belief that the expenditures made pursuant to the Plans had tended to arrest the decline of the Trusts' assets by meeting the competitive efforts of other, similar financial products, and had encouraged the account executives employed by Dean Witter to increase their efforts in selling shares of the Trusts. The Trustees, including the Independent 12b-1 Trustees, also concluded that, in their judgment, there is a reasonable likelihood that the Plans will continue to benefit each of the Trusts and their shareholders.

No interested person of the Trusts nor any Trustee of the Trusts who is not an interested person of the Trusts, as defined in the Act, had any direct or indirect financial interest in the operation of the Plans except to the extent that the Distributor or certain of its employees may be deemed to have such an interest as a result of benefits derived from the successful operation of the Plans or as a result of receiving a portion of the amounts expended thereunder by the Trusts.

TRUSTEES AND OFFICERS
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The Trustees and Executive Officers of the Trusts, their principal business occupations during the last five years and their affiliations, if any, with InterCapital, the Dean Witter Funds and the TCW/DW Funds, are shown below.

<TABLE>
<CAPTION>

NAME, POSITION WITH TRUSTS AND ADDRESS	PRINCIPAL OCCUPATIONS DURING LAST FIVE YEARS
<S>	<C>
Jack F. Bennett .... Trustee 141 Taconic Road Greenwich, Connecticut	Retired; Director or Trustee of the Dean Witter Funds; formerly Senior Vice President and Director of Exxon Corporation (1975--January 31, 1989) and Under Secretary of the U.S. Treasury for Monetary Affairs (1974-1975); Director of Philips Electronics N.V., Tandem Computers, Inc. and Massachusetts Mutual Insurance Co.; director or trustee of various not-for-profit and business organizations.

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NAME, POSITION WITH TRUSTS AND ADDRESS	PRINCIPAL OCCUPATIONS DURING LAST FIVE YEARS
<S>	<C>
Michael Bozic .... Trustee c/o Hills Stores Inc. 15 Dan Road Canton, Massachusetts	President and Chief Executive Officer of Hills Department Stores (since May, 1991); formerly Chairman and Chief Executive Officer (January, 1987-August, 1990) and President and Chief Operating Officer (August, 1990-February, 1991) of the Sears Merchandise Group of Sears, Roebuck and Co.; Director or Trustee of the Dean Witter Funds; Director of Harley Davidson Credit Inc., the United Negro College Fund and Domain Inc. (home decor retailer).
Charles A. Fiumefreddo* ...... Chairman, Trustee, President and Chief Executive Officer Two World Trade Center New York, New York	Chairman, Chief Executive Officer and Director of InterCapital, Distributors and DWSC; Executive Vice President and Director of Dean Witter; Chairman, Trustee or Director, President and Chief Executive Officer of the Dean Witter Funds; Chairman, Chief Executive Officer and Trustee of the TCW/DW Funds; formerly Executive Vice President and Director of DWDC; Chairman and Director of Dean Witter Trust Company ("DWTC"); (since October, 1989); Director of various DWDC subsidiaries and affiliates; formerly Executive Vice President and Director of DWDC (until February, 1993).
Edwin J. Garn .... Trustee 2000 Eagle Gate Tower Salt Lake City, Utah	Director or Trustee of the Dean Witter Funds; formerly United States Senator (R-Utah) (1974-1992) and Chairman, Senate Banking Committee (1980-1986); formerly Mayor of Salt

	Lake City, Utah (1971-1974); formerly Astronaut, Space Shuttle Discovery (April 12-19, 1985); Vice Chairman, Huntsman Chemical Corporation (since January, 1993); Member of the board of various civic and charitable organizations.
John R. Haire .... Trustee 439 East 51st Street New York, New York	Chairman of the Audit Committee and Chairman of the Committee of Independent Directors or Trustees and Director or Trustee of the Dean Witter Funds; Trustee of the TCW/DW Funds; formerly President, Council for Aid to Education (1978-October 1989) and Chairman and Chief Executive Officer of Anchor Corporation, an Investment Adviser (1964-1978); Director of Washington National Corporation (insurance) and Bowne & Co., Inc. (printing).
Dr. John E. Jeuck .... Trustee 70 East Cedar Street Chicago, Illinois	Retired; Director or Trustee of the Dean Witter Funds; formerly Robert Law Professor of Business Administration, Graduate School of Business, University of Chicago (until July, 1989); Business Consultant.

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NAME, POSITION WITH TRUSTS AND ADDRESS	PRINCIPAL OCCUPATIONS DURING LAST FIVE YEARS
<S>	<C>
Dr. Manuel H. Johnson .... Trustee 7521 Old Dominion Drive Maclean, Virginia	Senior Partner, Johnson Smick International, Inc., a consulting firm (since June, 1985); Koch Professor of International Economics and Director of the Center for Global Market Studies at George Mason University (since September, 1990); Co-Chairman and a founder of the Group of Seven Council (G7C), an international economic commission (since September, 1990); Director or Trustee of the Dean Witter Funds; Trustee of the TCW/DW Funds; Director of Greenwich Capital Markets Inc. (broker-dealer); formerly Vice Chairman of the Board of Governors at the Federal Reserve System (February, 1986-August 1990) and Assistant Secretary of the U.S. Treasury (1982-1986).
Paul Kolton .... Trustee 9 Hunting Ridge Road Stamford, Connecticut	Director or Trustee of the Dean Witter Funds; Chairman of the Audit Committee and Committee of Independent Trustees and Trustee of the TCW/DW Funds; formerly Chairman of the Financial Accounting Standards Advisory Council and Chairman and Chief Executive Officer of the American Stock Exchange; Director of UCC Investors Holding Inc. (Uniroyal Chemical Company, Inc.); director and/or trustee of various not-for-profit organizations.
Michael E. Nugent .... Trustee 1465 Roosevelt Place Pelham Manor, New York	General Partner, Triumph Capital, L.P., a private investment partnership (since April, 1988); Director or Trustee of the Dean Witter Funds; Trustee of the TCW/DW Funds; formerly Vice President, Bankers Trust Company and BT Capital Corporation (September, 1984-March 1988); Director of various business organizations.
Philip J. Purcell* .... Trustee Two World Trade Center New York, New York	Chairman of the Board of Directors and Chief Executive Officer of DWDC, Dean Witter and Novus Credit Services Inc.; Director of InterCapital, DWSC and Distributors; Director or Trustee of the Dean Witter Funds; Director and/or officer of various DWDC subsidiaries.
John L. Schroeder .... Trustee Northgate 3A Alger Court Bronxville, New York	Executive Vice President and Chief Investment Officer of the Home Insurance Company (since August, 1991); Director or Trustee of the Dean Witter Funds; Director of Citizens Utilities Company; formerly Chairman and Chief Investment Officer of Axe-Houghton Management and the Axe-Houghton Funds (April, 1983-June, 1991) and President of USF&G Financial

Services, Inc. (June 1990-June, 1991).

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NAME, POSITION WITH TRUSTS AND ADDRESS	PRINCIPAL OCCUPATIONS DURING LAST FIVE YEARS
<S>	<C>
Edward R. Telling* .... Trustee Sears Tower Chicago, Illinois	Retired; Director or Trustee of the Dean Witter Funds; formerly Chairman of the Board of Directors and Chief Executive Officer (until December 31, 1985) and President (from January, 1981-March, 1982 and from February, 1984-August, 1984) of Sears, Roebuck and Co.; formerly Director of Sears, Roebuck and Co.
Sheldon Curtis .... Vice President, Secretary and General Counsel Two World Trade Center New York, New York	Senior Vice President, Secretary and General Counsel of InterCapital and DWSC; Senior Vice President and Secretary of Dean Witter Trust Company (since October, 1989); Senior Vice President, Assistant Secretary and Assistant General Counsel of Dean Witter Distributors Inc.; Assistant Secretary of DWDC and Dean Witter; Vice President, Secretary and General Counsel of the Dean Witter Funds and the TCW/DW Funds.
Patricia A. Cuddy .... Vice President Two World Trade Center New York, New York	Vice President of InterCapital (since June, 1994); Vice President of various Dean Witter Funds; formerly Senior Vice President of various investment companies managed by Dreyfus Corporation.
Jonathan R. Page .... Vice President Two World Trade Center New York, New York	Senior Vice President of InterCapital; Vice President of various Dean Witter funds.
Katherine H. Stromberg .... Vice President Two World Trade Center New York, New York	Vice President of InterCapital since October, 1991. Previously Vice President and Investment Officer of Kidder Peabody Asset Management for over five years.
Thomas F. Caloia .... Treasurer Two World Trade Center New York, New York	First Vice President (since May, 1991) and Assistant Treasurer of InterCapital and Treasurer of the Dean Witter Funds and the TCW/DW Funds; previously Vice President of InterCapital.

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*Denotes Trustees who are "Interested persons" of the Trusts, as defined in the Act.

In addition, Robert M. Scanlan, President and Chief Operating Officer of InterCapital and DWSC, Executive Vice President of DWTC and Distributors and Director of DWTC, David A. Hughey, Executive Vice President and Chief Administrative Officer of InterCapital, DWSC and Distributors and President and Director of DWTC, Edmund C. Puckhaber, Executive Vice President of InterCapital and James F. Willison, Senior Vice President of InterCapital are Vice Presidents of the Fund. Barry Fink and Marilyn Cranney, First Vice Presidents and Assistant General Counsels of InterCapital and Lawrence S. Lafer, Lou Ann D. McInnis and Ruth Rossi, Vice Presidents and Assistant General Counsels of InterCapital are Assistant Secretaries of the Funds.

The Trust pays each Trustee who is not an employee, or retired employee, of the Investment Manager or an affiliated company an annual fee of $1,200 ($1,600 prior to December 31, 1993) plus $50 for each meeting of the Board of Trustees or any Committee of the Board of Trustees attended by the Trustee (the Trust pays the Chairman of the Audit Committee an additional fee of $1,000, ($1,200 prior to December 31, 1993) inclusive of the Committee meeting fee, and pays the Chairman of the Committee of the Independent Trustees an additional annual fee of $2,400, in each case inclusive of the Committee meeting fees). Each Trust also reimburses such Trustees for travel and other out-of-pocket expenses

incurred by them in connection with attending such meetings. Trustees and officers of the Trust who are or have been employed by the Investment Manager or an affiliated company receive no compensation or expense reimbursement from the Trusts. Each Trust has adopted a retirement program under which a Trustee who is not an "interested person" of the Trust and who retires after a minimum required period of service would be entitled to retirement payments upon reaching the eligible retirement age (normally, after attaining age 72) based upon length of service and computed as a percentage of one-fifth of the total compensation earned by such Trustee for service to the Trust in the five-year period prior to the date of the Trustee's retirement, subject to a maximum amount per year. For the fiscal year ended June 30, 1994, Money Trust, Tax-Free Trust, California Tax-Free Trust and Government Securities Trust each accrued a total of $32,025, $32,099, $26,082 and $31,760, respectively, in Trustees' fees, expenses and benefits under the above-described retirement program. As of July 31, 1993, the aggregate amount of shares owned in each Trust by the Trusts' officers and Trustees as a group was less than 1 percent of the shares of each Trust outstanding.

PORTFOLIO TRANSACTIONS AND BROKERAGE

The Investment Manager is responsible for decisions to buy and sell securities for the Trusts and arranges for the execution of portfolio security transactions on behalf of the Trusts. Purchases of portfolio securities are made from dealers, underwriters and issuers; sales, if any, prior to maturity, are made to dealers and issuers. The Trusts do not normally incur any brokerage commission expense on such transactions. Money market instruments are generally traded on a "net" basis with dealers acting as principal for their own accounts without a stated commission, although the price of the security usually includes a profit to the dealer. Securities purchased in underwritten offerings include a fixed amount of compensation to the underwriter, generally referred to as the underwriter's concession or discount. When securities are purchased or sold directly from or to an issuer, no commissions or discounts are paid. No brokerage commissions were paid on any transactions entered into by the Trusts during the fiscal year ended June 30, 1994.

The policy of the Trusts regarding purchases and sales of securities for their respective portfolios is that primary consideration will be given to obtaining the most favorable price and efficient execution of transactions with those dealers who the Investment Manager believes provide the most favorable prices and are capable of providing efficient executions. If the Investment Manager believes such price and execution can be obtained from more than one dealer, it may give consideration to placing portfolio transactions with those dealers who also furnish research and other services to the Trusts or the Investment Manager. Such services may include but are not limited to, any one or more of the following: information as to the availability of securities for purchases or sale; statistical or factual information or opinions pertaining to investments; wire services; and appraisals or evaluations of portfolio securities.

The information and services received by the Investment Manager from dealers may be of benefit to the Investment Manager in the management of accounts of some or all of its other clients and may not in all cases benefit the Trusts directly. While the receipt of such information and services are useful and important in supplementing its own research and facilities, the Investment Manager believes the value of such services is not determinable and does not significantly reduce its expenses. The Trusts do not reduce the management fee they pay to the Investment Manager by any amount that may be attributable to the value of such services.

Pursuant to an order of the Securities and Exchange Commission, the Trusts may effect principal transactions in certain money market instruments with Dean Witter. The Trusts will limit their transactions with Dean Witter to U.S. Government and Government Agency Securities, Bank Money Instruments (I.E., Certificates of Deposit and Banker's Acceptances) and Commercial Paper (not including Tax-Exempt Municipal Paper). Such transactions will be effected with Dean Witter only when the price available from Dean Witter is better than that available from other dealers.

While the Trusts do not anticipate that they will incur any brokerage commissions, consistent with the policy described above, brokerage transactions in securities listed on exchanges or admitted to

unlisted trading privileges may be effected through Dean Witter. In order for Dean Witter to effect portfolio transactions for any of the Trusts, the commissions, fees or other remuneration received by Dean Witter must be reasonable and fair compared to the commissions, fees or other remuneration paid to other brokers in connection with comparable transactions involving similar securities being purchased or sold on an exchange during a comparable period of time. This standard would allow Dean Witter to receive no more than the remuneration which would be expected to be received by an unaffiliated broker in a commensurate arm's-length transaction. Furthermore, the Trustees of the Trust, including a majority of the Trustees who are not "interested" Trustees, have adopted procedures which are reasonably designed to provide that any commissions, fees or other remuneration paid to Dean Witter are consistent with the foregoing standard.

GENERAL INFORMATION

As discussed in the Prospectus, the shareholders of the Trusts are entitled to a full vote for each full share held. The Trustees have been elected by the shareholders of the Trusts. The Trustees themselves have the power to alter the number and the terms of office of the Trustees, and they may at any time lengthen their own terms or make their terms of unlimited duration and appoint their own successors, provided that always at least a majority of the Trustees has been elected by the shareholders of the Trust. Under certain circumstances a Trustee may be removed by action of the Trustees. The shareholders also have the right under certain circumstances to remove the Trustees. The voting rights of shareholders are not cumulative, so that holders of more than 50 percent of the shares voting can, if they choose, elect all Trustees being selected, while the holders of the remaining shares would be unable to elect any Trustees.

The Declarations of Trust permit the Trustees to authorize the creation of additional series of shares (the proceeds of which would be invested in separate, independently managed portfolios) and additional classes of shares within any series (which would be used to distinguish among the rights of different categories of shareholders, as might be required by future regulations or other unforeseen circumstances). However, the Trustees have not authorized any such additional series or classes of shares.

The Declarations of Trust further provide that no Trustee, officer, employee or agent of the Trusts is liable to any Trust or to a shareholder, nor is any Trustee, officer, employee or agent liable to any third persons in connection with the affairs of any Trust, except as such liability may arise from his/her or its own bad faith, willful misfeasance, gross negligence, or reckless disregard of his/her or its duties. It also provides that all third persons shall look solely to a Trust's property for satisfaction of claims arising in connection with the affairs of that Trust. With the exceptions stated, the Declarations of Trust provide that a Trustee, officer, employee or agent is entitled to be indemnified against all liability in connection with the affairs of any Trust.

The Trusts shall be of unlimited duration subject to the provisions in the Declarations of Trust concerning termination by action of the shareholders.

CUSTODIAN AND TRANSFER AGENT

The Bank of New York, 110 Washington Street, New York, New York 10286 is the Custodian of the Trusts' assets. The Custodian has no part in deciding the Trusts' investment policies or which securities are to be purchased or sold for the Trusts' portfolios. Any of the Trust's cash balances with the Custodian in excess of $100,000 are unprotected by Federal deposit insurance. Such balances may, at times, be substantial.

Dean Witter Trust Company, Harborside Financial Center, Plaza Two, Jersey City, New Jersey 07311 is the Transfer Agent of the Trust's shares, Dividend Disbursing Agent for payment of dividends and distributions on Trust shares, and Agent for shareholders under various investment plans described herein, Dean Witter Trust Company is an affiliate of Dean Witter InterCapital Inc., the Trusts' Investment

Manager, and of Dean Witter Distributors Inc., the Trusts' Distributor. As Transfer Agent and Dividend Disbursing Agent, Dean Witter Trust Company's responsibilities include maintaining shareholder accounts; disbursing cash dividends and reinvesting dividends; processing account registration changes; handling purchase and redemption transactions; mailing prospectuses and reports; mailing and tabulating proxies; processing share certificate transactions; and maintaining shareholder records and lists. For these services Dean Witter Trust Company receives a per shareholder account fee.

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP serves as the independent accountants of the Trusts. The independent accountants are responsible for auditing the annual financial statements of the Trusts.

REPORTS TO SHAREHOLDERS

The Trusts will send to shareholders, at least semiannually, reports showing the Trusts' portfolios and other information. An annual report, containing financial statements audited by independent accountants, will be sent to shareholders each year.

The Trusts' fiscal years end on June 30. The financial statements of the Trusts must be audited at least once a year by independent accountants whose selection is approved annually by the Trusts' Trustees.

LEGAL COUNSEL

Sheldon Curtis, Esq., who is an officer and the General Counsel of the Investment Manager, is an officer and the General Counsel of the Trusts.

EXPERTS

The financial statements of the Trusts included in the Prospectuses have been so included and incorporated by reference in these Statements of Additional Information in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

REGISTRATION STATEMENT

These Statements of Additional Information and the Prospectuses do not contain all of the information set forth in the Registration Statements the Trusts have filed with the Securities and Exchange Commission. The complete Registration Statements may be obtained from the Securities and Exchange Commission upon payment of the fees prescribed by the rules and regulations of the Commission.

The Declaration of Trust establishing each Trust, a copy of which is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the Trust refer to the Trustees under the Declaration of Trust collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of such Trust shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of said Trusts but that the Trust Estate only shall be liable.

INFORMATION WITH RESPECT TO SECURITIES RATINGS

CORPORATE AND TAX-EXEMPT BOND RATINGS:

The four highest ratings of Moody's Investors Service, Inc. ("Moody's") for tax-exempt and corporate bonds are Aaa, Aa, A and Baa, all of which are considered investment grade. Bonds rated Aaa are judged to be of the "best quality". The rating of Aa is assigned to bonds which are of "high quality by all standards", but as to which margins of protection or other elements make long-term risks appear somewhat larger than Aaa rated bonds. The Aaa and Aa rated bonds comprise what are generally known as "high grade bonds". Bonds which are rated A by Moody's possess many favorable investment attributes and are considered "upper medium grade obligations". Factors giving security to principal and interest of A-rated bonds are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future. Bonds rated Baa are considered as "medium grade" obligations. They are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well. Moody's applies numerical modifiers, 1, 2 and 3 in each rating classification for Aa and below. The modifier 1 indicates that the security ranks in the higher end of its category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its category. The foregoing ratings are sometimes presented in parentheses preceded with a "con" indicating that the bonds are rated conditionally. Bonds, the security for which depends upon the completion of some act or the fulfillment of some condition, are rated conditionally. These are bonds secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operation experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. Such parenthetical rating denotes the probable credit stature upon completion of construction or elimination of the basis of the condition.

The four highest ratings of Standard & Poor's Corporation ("Standard & Poor's") for tax-exempt and corporate bonds are AAA, AA, A, and BBB all of which are considered investment grade. Bonds rated AAA bear the highest rating assigned by Standard & Poor's to a debt obligation, and the rating indicates an extremely strong capacity to pay principal and interest. Bonds rated AA also qualify as high quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from AAA issues only in small degree. Bonds rated A have strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. The BBB rating, which is the lowest "investment grade" security rating by Standard & Poor's, indicates an adequate capacity to pay principal and interest. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay principal and interest for bonds in this category than for bonds in the A category. The ratings for AA and below may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories. The foregoing ratings are sometimes followed by a "p", which 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 or risk of default upon failure of such completion.

TAX-EXEMPT NOTES

The two highest ratings of Moody's for Notes are MIG 1 and MIG 2. Notes bearing the designation MIG 1 are judged to be of the best quality, enjoying strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for refinancing, or

both. Notes bearing the designation MIG 2 are judged to be of high quality, with margins of protection ample although not so large as in the preceding group. The ratings of Standard & Poor's for Notes are the same as for Bonds, although somewhat different criteria is applied.

The three highest ratings of Standard & Poor's for Notes are SP-1+, SP-1 and SP-2. Notes designated SP-1+ are determined to possess overwhelming safety characteristics regarding capacity to pay principal and interest. Notes designated SP-1 are determined to possess very strong or strong capacity to pay principal and interest. Notes designated SP-2 are determined to possess satisfactory capacity to pay principal and interest.

COMMERCIAL PAPER

Moody's and Standard & Poor's ratings grades for commercial paper and short-term Municipal Obligations, set forth below, are applied to short-term Municipal Obligations as well as taxable commercial paper.

Moody's ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months. Moody's employs the following three designations, all judged to be investment grade, to indicate the relative repayment capacity of rated issuers: Prime-1, Highest Quality; Prime-2, Higher Quality; and Prime-3, High Quality.

Standard & Poor's ratings are a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. The rating is not a recommendation to purchase or sell a security. The ratings are based upon current information furnished by the issuer or obtained by S&P from other sources it considers reliable. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of such information.

Ratings are graded into four categories, ranging from "A" for the highest quality obligations to "D" for the lowest. Issues assigned A ratings are regarded as having the greatest capacity for timely payment. Issues in this category are further refined with the designation 1, 2 and 3 to indicate the relative degree of safety. The "A-1+" and "A-1" designations indicate that the degree of safety regarding timely payment is very strong.

VARIABLE RATE DEMAND OBLIGATIONS

In addition to the Bond or MIG ratings of variable rate obligations with a demand feature, Moody's may assign a second rating to the demand feature itself. Such ratings are designated as VMIG, or if the demand feature is not rated, as NR. Short-term ratings on issues with demand features are differentiated by use of the VMIG symbol to reflect such characteristics as payment upon periodic demand, rather than fixed maturity dates and payment relying on external liquidity. The two highest ratings for the demand feature are VMIG 1 and VMIG 2. These ratings reflect Moody's judgements regarding the quality of the demand features which are identical to the criteria involved in assigning the ratings MIG 1 and MIG 2, respectively, to tax-exempt Notes as discussed above.