

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### **MERRILL LYNCH INSTITUTIONAL TAX EXEMPT FUND**

CIK: **725741** | IRS No.: **222509978** | State of Incorpor.: **MA** | Fiscal Year End: **1130**  
Type: **N-30D** | Act: **40** | File No.: **811-03827** | Film No.: **94502180**

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*ADMINISTRATIVE OFFICES  
800 SCUDDERS MILL ROAD  
PLAINSBORO NJ 08536  
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Dear Shareholder:

We are pleased to provide you with this Annual Report for Merrill Lynch Institutional Tax-Exempt Fund. For the year ended November 30, 1993, the Fund's net yield was 2.12%. For the three-month period then-ended the Fund's net annualized yield was 2.15%. The seven-day net annualized yield at November 30, 1993 was 2.02%.

During the three-month period ended November 30, 1993, national economic data once again portrayed an ambiguous picture for inflation and economic growth. Data released in September indicated a favorable inflation environment, thus causing yields to fall. However, statistics released in October and November began to show an accelerating pace of economic growth for the final months of 1993. As a result, yields on short-term U.S. Treasury bills rose over concerns of a tighter monetary policy by the Federal Reserve Board and ended the November quarter approximately 20 basis points (0.20%) higher than their levels at the onset of the quarter. Consequently, yields on the one-year U.S. Treasury bill closed the quarter at 3.57%, even though the Federal Funds rate remained unchanged at about 3.00%.

Yields in the short-term tax-exempt market, unlike those in the taxable market, closed the period substantially lower than their August 31, 1993 levels. Short-term tax-exempt yields rose in September as supply out-paced demand, but fell dramatically in October and November as assets of the money fund industry rose substantially and new-issue volume began to abate. New-issue supply for the quarter was \$9.3 billion, a 64% decrease from the \$25.5 billion brought to market in the previous period. Additionally, assets of the tax-exempt money fund industry closed the quarter at approximately \$107 billion, a substantial increase over the \$101.5 billion level for August 31, 1993. Consequently, interest rates on short-term tax-exempt securities fell 55-65 basis points (0.55%-0.65%) by November quarter-end.

The Fund's average portfolio maturity was in the 70-day range at the beginning of the November quarter and was reduced to the 50-day range in September to take advantage of higher interest rates on short-term variable rate instruments. The portfolio's maturity was extended again to the 70-day range in the beginning of October as municipal securities represented an excellent relative value when compared to taxable alternatives. For instance, with the increase in yields from new issuance at the beginning of the quarter, one-year municipal notes traded at yields that were 90% of the one-year U.S. Treasury bill, as compared to the more historical relationship of 75% - 80%. Additionally, short-term municipal securities now offer substantially more value after the new higher marginal tax rates went into effect with the ratification of President Clinton's Federal budget reconciliation bill. For these reasons and the anticipated reduction in supply that traditionally takes place in the upcoming quarter, we expect to maintain a relatively aggressive average portfolio maturity in the 80-day range in the coming months.

Diversification and credit quality remain paramount in importance to the Fund, and we will continue to monitor the ever-changing marketplace. We thank you for your continued support of Merrill Lynch Institutional Tax-Exempt Fund, and we look forward to serving your investment needs in the future.

Sincerely,

[Signature of Robert W. Crook]

Robert W. Crook  
President and Trustee

Peter J. Hayes  
Vice President and Portfolio Manager  
December 22, 1993

ADMINISTRATOR & DISTRIBUTOR  
Merrill Lynch Funds Distributor, Inc.  
One Financial Center  
Boston, Massachusetts 02111-2646

INVESTMENT ADVISER  
Fund Asset Management, Inc.  
P.O. Box 9011  
Princeton, New Jersey 08543-9011

CUSTODIAN & TRANSFER AGENT  
State Street Bank and Trust Company  
P.O. Box 8500  
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LEGAL COUNSEL  
Rogers & Wells  
200 Park Avenue  
New York, New York 10166

AUDITORS  
Deloitte & Touche  
125 Summer Street  
Boston, Massachusetts 02110-1617

This report is not authorized for use as an offer of sale or a solicitation of an offer to buy shares of the Fund unless accompanied or preceded by the Fund's current prospectus. Past performance results shown in this report should not be considered a representation of future performance since interest rates on short-term obligations fluctuate. An investment in the Fund is neither insured nor guaranteed by the U.S. Government and there can be no assurance that the Fund will be able to maintain a stable \$1.00 net asset value.

Merrill Lynch Institutional  
Tax-Exempt Fund  
One Financial Center  
Boston, Mass. 02111-2646

Merrill Lynch Institutional

Tax-Exempt Fund

Annual Report

November 30, 1993

Merrill Lynch Institutional Tax-Exempt Fund

Schedule of Investments

November 30, 1993

<TABLE>

<CAPTION>

	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<S>	<C>
Alabama 5.2%	\$ 7,100,000	Alabama Special Care Facilities Financing Authority, Mobile Hospital Revenue VRDN 2.50% due 06/01/2014 (a)	\$ 7,100,000
	6,400,000	Birmingham, Alabama Medical Clinic Board Revenue (University of Alabama Health Services Project) DDN 1.90% due 12/01/2026 (a)	6,400,000
	1,100,000	McIntosh, Alabama IDB Solid Waste Disposal Revenue (Ciba-Geigy Corp. Project) VRDN 2.35% due 07/01/2004 (a)	1,100,000
Arizona 1.2%	3,225,000	Arizona State Transportation Board Highway Revenue Bond 2.60% due 07/01/1994	3,225,000
California 11.4%	5,000,000	California Higher Education Loan Authority. Inc Student Loan Revenue FXRDN: 2.80% due 07/01/1994	5,000,000
	2,500,000	2.70% due 07/01/1994	2,500,000
	8,150,000	California State RAN 3.50% due 06/28/1994	8,184,840
	2,000,000	California State GO/VRDN 2.42% due 06/28/1994 (a)	2,000,000
	2,000,000	Los Angeles, California M/F Revenue (Beverly Park Apartments) DDN 2.30% due 08/01/2018 (a)	2,000,000
	11,950,000	Los Angeles County, California TRAN 3.00% due 06/30/1994	11,979,527
Connecticut 0.3%	900,000	Connecticut State Special Tax Obligation Revenue VRDN 2.45% due 12/01/2010 (a)	900,000
District of Columbia 2.1%	5,815,000	District of Columbia General Fund Recovery GO/DDN 2.00% due 06/01/2003 (a)	5,815,000
Florida 4.5%	3,875,000	Dade County, Florida Aviation Revenue VRDN 2.50% due 10/01/2007 (a)	3,875,000
	3,200,000	Pinellas County, Florida Health Facilities Authority Revenue (Pooled Hospital Loan Program) DDN 2.00% due 12/01/2015 (a)	3,200,000

Portfolio Abbreviations for Merrill Lynch Institutional Tax-Exempt Fund

BAN Bond Anticipation Notes

DDN Daily Demand Notes  
 FXRDN Fixed Rate Demand Notes  
 GO General Obligation  
 IDA Industrial Development Authority  
 IDB Industrial Development Board  
 M/F Multi-Family  
 PCR Pollution Control Revenue  
 RAN Revenue Anticipation Notes  
 S/F Single Family  
 TRAN Tax Revenue Anticipation Notes  
 VRDN Variable Rate Demand Notes

See Notes to Financial Statements.

Merrill Lynch Institutional Tax-Exempt Fund  
 Schedule of Investments Continued  
 November 30, 1993

	Face Amount	Issue	Value (Note 1a)
Florida (continued)	5,600,000	Sarasota County, Florida Health Facilities Authority Hospital Revenue (Venice Hospital Project) DDN 2.00% due 12/01/2022 (a)	5,600,000
Georgia 0.7%	2,000,000	Georgia State Housing & Finance Authority Revenue VRDN 2.55% due 06/01/2025 (a)	2,000,000
Illinois 5.9%	3,000,000 2,800,000	Chicago, Illinois GO 2.50% due 03/31/1994 Chicago, Illinois O'Hare International Airport Revenue (American Air Project) DDN 2.00% due 12/01/2017 (a)	2,996,006 2,800,000
	5,250,000	Illinois Health Facilities Authority Revenue (Carle Foundation Project) VRDN 2.25% due 01/01/2022 (a)	5,250,000
	5,400,000	Illinois State Toll Highway Authority Priority VRDN 2.45% due 01/01/2010 (a)	5,400,000
Indiana 5.0%	5,000,000	Indiana Health Facilities Finance Authority Hospital Revenue (Daughters of Charity National Health Systems) VRDN 2.50% due 11/01/2022 (a)	5,000,000
	9,000,000	Indiana Secondary Market Educational Loan Revenue VRDN 2.35% due 12/01/2014 (a)	9,000,000
Iowa 3.0%	8,500,000	Iowa Finance Authority Solid Waste Disposal Revenue (Cedar River Paper Company Project) DDN 2.05% due 07/01/2023 (a)	8,500,000
Louisiana 0.4%	1,100,000	Saint Charles Parish, Louisiana PCR DDN 2.25% due 10/01/2022 (a)	1,100,000
Maine 1.3%	3,500,000	Maine State Housing Authority Mortgage Purchase Series GO 4.60% due 01/03/1994	3,505,669
Massachusetts 8.4%	13,800,000	Massachusetts Bay Transportation Authority GO 3.25% due 09/30/1994	13,840,866

3,000,000	Massachusetts State GO/DDN 1.75% due 12/01/1997 (a)	3,000,000
4,600,000	Massachusetts State Housing Finance Agency Housing Revenue VRDN 2.30% due 10/02/2002 (a)	4,600,000
2,000,000	Massachusetts State Housing Finance Agency Housing S/F Revenue FXRDN 3.30% due 12/01/1993	2,000,000

See Notes to Financial Statements.

Merrill Lynch Institutional Tax-Exempt Fund  
Schedule of Investments Continued  
November 30, 1993

	Face Amount	Issue	Value (Note 1a)
Mississippi 0.4%	\$ 1,200,000	Perry County, Mississippi PCR (Leaf River Forest Project) DDN 1.90% due 03/01/2002 (a)	\$ 1,200,000
Nevada 1.8%	5,000,000	Clark County, Nevada Airport Improvement Revenue VRDN 2.25% due 07/01/2012 (a)	5,000,000
New Hampshire 6.8%	6,800,000	New Hampshire Higher Educational & Health Facilities Authority Revenue VRDN 2.20% due 12/01/2025 (a)	6,800,000
	5,000,000	New Hampshire Higher Educational & Health Facilities Authority Revenue FXRDN 2.75% due 06/01/1994	5,000,000
	7,200,000	New Hampshire State Business Finance Authority PCR (New England Power Company Project) FXRDN 2.95% due 07/01/1994	7,200,000
New Jersey 3.0%	3,375,000	Camden County, New Jersey BAN 2.75% due 02/23/1994	3,377,251
	5,000,000	Hudson County, New Jersey Improvement Authority Solid Waste Resource Recovery Revenue VRDN 2.35% due 12/01/2019 (a)	5,000,000
New York 3.5%	2,000,000	Nassau County, New York IDA Civic Facilities Revenue (Cold Spring Harbor Laboratory Project) DDN 1.85% due 07/01/2019 (a)	2,000,000
	4,600,000	New York City DDN 2.15% due 08/01/2017 (a)	4,600,000
	3,100,000	New York State TRAN 2.75% due 12/31/1994	3,100,908
North Carolina 6.0%	9,000,000	North Carolina Medical Care Commission Hospital Revenue (Moses H. Cone Memorial Hospital Project) DDN 2.25% due 10/01/2023 (a)	9,000,000
	7,600,000	Wake County, North Carolina Industrial Facilities & PCR (North Carolina Power & Light Company) VRDN 2.45% due 09/01/201 5 (a)	7,600,000
Pennsylvania	3,000,000	Allegheny County, Pennsylvania Hospital	

9.5%		Development Authority Revenue (Presbyterian University Hospital) VRDN 2.20% due 03/01/2020 (a)	3,000,000
	1,000,000	Delaware County, Pennsylvania IDA Revenue (Scott Paper Co.) VRDN 2.20% due 12/01/2018 (a)	1,000,000
	2,400,000	Geisinger, Pennsylvania Health System Authority Revenue DDN 1.90% due 07/01/2022 (a)	2,400,000
	4,000,000	Northampton County, Pennsylvania IDA Revenue (Glendon Energy Co.) FXRDN 3.00% due 04/01/1994	4,000,000

See Notes to Financial Statements.

Merrill Lynch Institutional Tax-Exempt Fund  
Schedule of Investments Continued  
November 30, 1993

	Face Amount	Issue	Value (Note 1a)
Pennsylvania (continued)	\$ 5,100,000	Pennsylvania State Higher Educational Facilities Authority College & University Revenue (Carnegie-Mellon) VRDN 2.20% due 11/01/2015 (a)	\$ 5,100,000
	4,200,000	Pennsylvania State Higher Educational Facilities Authority College & University Revenue (Temple 11.90% due 10/01/2009 (a)	4,200,000
	3,100,000	Philadelphia, Pennsylvania IDA (Institute Cancer Research Project) DDN 1.90% due 07/01/2013 (a)	3,100,000
	3,600,000	Washington County, Pennsylvania Higher Education Authority Revenue VRDN 2.30% due 11/01/2005 (a)	3,600,000
South Carolina 2.9%	2,000,000	South Carolina State GO 6.50% due 02/01/1994 South Carolina State Housing Finance & Development Authority (Homeownership Mortgage Purchase Program) FXRDN:	2,013,073
	3,000,000	3.20% due 12/01/1993	3,000,000
	3,000,000	2.80% due 09/01/1994	3,000,000
Tennessee 0.7%	2,000,000	Bradley County, Tennessee IDB Industrial Revenue (Olin Corp. Project) DDN 1.90% due 02/01/2017 (a)	2,000,000
Texas 9.5%	1,000,000	Dallas, Texas Waterworks & Sewer Systems Revenue BAN 2.40% due 04/01/1994	1,000,000
	1,100,000	Harris County, Texas Health Facilities Development Corp., (St. Lukes Episcopal Hospital) DDN 1.90% due 02/15/2016 (a)	1,100,000
	2,000,000	Harris county, Texas Industrial Development Corp. PCR (Exxon Project) DDN 1.85% due 03/01/2024 (a)	2,000,000

2,600,000	Harris county, Texas Toll Road VRDN 2.30% due 08/01/2015 (a)	2,600,000
	Houston, Texas Health Facilities Development Corp. Revenue (Methodist Hospital Project) DDN:	
7,000,000	1.90% due 12/01/2015 (a)	7,000,000
3,000,000	1.90% due 12/01/2021 (a)	3,000,000
1,100,000	Panhandle-Plains Texas Higher Education Authority Student Loan Revenue FXRDN 2.90% due 09/01/1994	1,100,000
8,500,000	Texas State TRAN 3.25% due 08/31/1994	8,538,978
Virginia 1.9%	300,000 Peninsula Port Authority, Virginia (Shell Oil Project) DDN 1.85% due 12/01/2005 (a)	300,000

See Notes to Financial Statements.

Merrill Lynch Institutional Tax-Exempt Fund  
Schedule of Investments Continued  
November 30, 1993

	Face Amount	Issue	Value (Note 1a)
Virginia (continued)	\$ 5,000,000	Virginia State Housing Development Authority FXRDN 2.90% due 11/04/1994	\$ 5,000,000
Wisconsin 4.0%	11,100,000	Wisconsin State Health & Educational Facilities Authority Revenue (Daughters of Charity National Health Systems) VRDN 2.50% due 11/01/2022 (a)	11,100,000
		Total Investments (Cost \$276,902,118*)-99.4%	276,902,118
		Other Assets Less Liabilities 0.6%	1,794,403
		Net Assets-Equivalent to \$1.00 Per Share on 278,687,767 Shares of beneficial Interest Outstanding-100.0%	\$278,696,521

<FN>

(a) The interest rate is subject to change periodically based on a certain index. The rates shown are those in effect at November 30, 1993. For variable rate demand instruments, the next coupon date on which the interest is to be adjusted is deemed the maturity date for valuation.

\*Cost for Federal income tax purposes.

</TABLE>

See Notes to Financial Statements.

Merrill Lynch Institutional Tax-Exempt Fund  
Statement of Assets and Liabilities  
November 30, 1993

<TABLE>

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Assets:



Investments, at amortized cost and value (Note 1)	\$276,902,118
Cash	9,573,609
Interest receivable	1,403,632
Prepaid expenses	43,372
 Total assets	 287,922,731
 Liabilities:	
Payable for investments purchased	9,095,920
Accrued investment advisory fee (Note 2)	56,750
Accrued expenses	37,239
Dividends payable (Note 4)	36,301
 Total liabilities	 9,226,210
 Net Assets: (Equivalent to \$1.00 per share, offering and redemption price, based on 278,687,767 shares of beneficial interest outstanding.)	 \$278,696,521

Merrill Lynch Institutional Tax-Exempt Fund  
Statement of Operations  
For the Year Ended November 30, 1993

	<C>	<C>
Investment Income:		
Income:		
Interest and discount earned		\$7,167,928
Expenses:		
Investment advisory fee (Note 2)	\$1,247,564	
Registration fees	157,846	
Accounting and custodian services	89,369	
Dividend and transfer agency fees	84,334	
Legal and audit fees	74,352	
Trustees' fees (Note 5)	36,128	
Printing and shareholder reports	25,861	
Insurance	5,870	
Miscellaneous	2,966	
Total expenses	1,724,290	
Waived investment advisory fee (Note 2)	(460,377)	1,263,913
Net investment income		5,904,015
Net realized loss from investment transactions		(106,427)
Net increase in net assets resulting from operations		\$5,797,588

See Notes to Financial Statements.

Merrill Lynch Institutional Tax-Exempt Fund  
Statements of Changes in Net Assets

<TABLE>  
<CAPTION>

<S>	Year Ended November 30,	
	<C> 1993	<C> 1992
Increase (Decrease) in Net Assets:		
Operations:		
Net investment income	\$ 5,904,015	\$ 8,453,637
Net realized loss from investment transactions	(106,427)	(11,633)
Increase in net assets resulting from operations	5,797,588	8,442,004
Dividends to shareholders (Note 4)	(5,898,152)	(8,441,261)
Capital share transactions (Note 3)	(50,456,626)	(47,901,509)
Net decrease in net assets	(50,557,190)	(47,900,766)
Net Assets:		
Beginning of year	329,253,711	377,154,477
End of year, including undistributed net investment income of \$221,830 and \$215,967 and accumulated capital losses of \$ 213,076 and \$106,649 respectively (Note 4)	\$278,696,521	\$329,253,711

Merrill Lynch Institutional Tax-Exempt Fund  
Financial Highlights

<TABLE>  
<CAPTION>

<S>	Year Ended November 30,				
	<C> 1993	<C> 1992	<C> 1991	<C> 1990	<C> 1989
Net asset value, beginning of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net investment income	.02	.03	.04	.05	.06
Dividends from net investment income	(.02)	(.03)	(.04)	(.05)	(.06)
Net asset value, end of period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return	2.14%	2.74%	4.33%	5.55%	6.16%
Ratios/Supplemental Data:					
Net assets, end of period (000)	\$278,697	\$329,254	\$377,154	\$310,344	\$281,839
Ratio of operating expenses to average net assets (before waiver*)	.62%	.61%	.61%	.63%	.63%
Ratio of operating expenses to average net assets (after waiver*)	.45%	.53%	.54%	.56%	.55%
Ratio of net investment income to average net assets (before waiver*)	1.96%	2.67%	4.21%	5.36%	5.92%
Ratio of net investment income to average net assets (after waiver*)	2.13%	2.75%	4.28%	5.43%	6.00%

<FN>

\* The investment advisor has voluntarily waived a portion of its fee throughout each period.

</TABLE>

See Notes to Financial Statements.

### 1. Significant Accounting Policies

The Fund is registered under the Investment Company Act of 1940 as a diversified, open-end management company. The following is a summary of significant accounting policies consistently followed by the Fund. These policies are in conformity with generally accepted accounting principles.

(a) investments are carried at amortized cost which approximates market.

For the purpose of valuation, the maturity of a variable rate demand instrument is deemed to be the next coupon date on which the interest rate is to be adjusted. In the case of a floating rate instrument, the remaining maturity would be the demand notice payment period.

(b) It is the Fund'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. Therefore no Federal income tax provision is required.

(c) Realized gains and losses on investments are computed on the basis of identified cost of the security sold.

(d) Security transactions are accounted for on the date the securities are purchased or sold (the trade date). Interest income (after adjustment for amortization of premium or discount) is recorded as earned.

### 2. Investment Advisory Fees and Other Transactions with Affiliates

Fund Asset Management, Inc., a wholly-owned subsidiary of Merrill Lynch Asset Management, Inc., (doing business as Merrill Lynch Asset Management) which is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc., provides investment advisory and corporate administrative services to the Fund for a fee, subject to certain limitations, computed daily and payable monthly, at an annual rate of .45% of the Fund's net assets up to and including \$1,500,000,000, plus .425% of net assets over \$1,500,000,000 up to and including \$2,000,000,000, plus .40% of net assets over \$2,000,000,000. For the year ended November 30, 1993, the investment adviser voluntarily waived a portion of its fee, amounting to \$460,377.

All officers and certain trustees of the Fund are affiliated with Merrill Lynch & Co., Inc.

### 3. Shares of Beneficial Interest

The Declaration of Trust permits the Trustees to issue an unlimited number of shares of beneficial interest (\$.10 par value) of a single class. At November 30, 1993, capital paid-in aggregated \$278,687,767. Transactions in shares at a constant net asset value of \$1.00 per share were as follows:

	Year Ended November 30,	
	1993	1992
Shares sold	3,279,737,452	2,872,273,028
Shares issued to shareholders in reinvestment of dividends and distributions	5,105,388	7,799,962
Total	3,284,842,840	2,880,072,990
Shares redeemed	3,335,299,466	2,927,974,499

#### 4. Distributions

The Fund declares dividends daily, pays dividends monthly and automatically reinvests such dividends in additional Fund shares at net asset value, unless shareholders request payment in cash. Dividends are declared from a total of net investment income except for discounts earned other than original issue discounts. Net realized capital gains, if any, are normally distributed annually, after deducting prior years' loss carryovers. The Fund may distribute capital gains more frequently than annually in order to maintain the Fund's net asset value at \$1.00 per share.

At November 30, 1993, the Fund had net capital loss carryovers of \$105,210 of which \$2,689 expire in 1995, \$78 expire in the year 2000 and \$102,443 expire in 2001.

#### 5. Trustees' Fees

Each Trustee who is not affiliated with the Fund or its adviser is paid an annual fee of \$6,000.

#### INDEPENDENT AUDITORS' REPORT

To the Trustees and Shareholders of  
Merrill Lynch Institutional Tax-Exempt Fund:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Merrill Lynch Institutional Tax-Exempt Fund as of November 30, 1993, the related statement of operations for the year then ended, the statements of changes in net assets for the years ended November 30, 1993 and 1992, and the financial highlights for each of the years in the five-year period ended November 30, 1993. These financial statements and the financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and the financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at November 30, 1993 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Merrill Lynch Institutional Tax-Exempt Fund at November 30, 1993, the results of its operations, the changes in its net assets, and its financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

Deloitte & Touche

Boston, Massachusetts

December 22, 1993