FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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FILER

MERRILL LYNCH MULTI STATE LTD MATURITY MUN SERIES TRUST

CIK:**872478**| State of Incorp.:**NJ** | Fiscal Year End: **1231**
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Business Address
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6092823355

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 17, 1994

SECURITIES ACT FILE NO. 33-50417
INVESTMENT COMPANY ACT FILE NO. 811-6282

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-1A
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933 [X]

PRE-EFFECTIVE AMENDMENT NO. [_]

POST-EFFECTIVE AMENDMENT NO. 1 [X]
AND/OR
REGISTRATION STATEMENT UNDER
THE INVESTMENT COMPANY ACT OF 1940 [X]

[X]
AMENDMENT NO. 9
(Check appropriate box or boxes)

MERRILL LYNCH MULTI-STATE LIMITED MATURITYMUNICIPAL SERIES TRUST
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

800 SCUDDERS MILL ROAD PLAINSBORO, NEW JERSEY	08536
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (609) 282-2800

ARTHUR ZEIKEL
MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST
800 SCUDDERS MILL ROAD, PLAINSBORO, NEW JERSEY
MAILING ADDRESS: BOX 9011, PRINCETON, NEW JERSEY 08543-9011
(NAME AND ADDRESS OF AGENT FOR SERVICE)

COPIES TO:

COUNSEL FOR THE TRUST:	PHILIP L. KIRSTEIN, ESQ.
BROWN & WOOD	
ONE WORLD TRADE CENTER	FUND ASSET MANAGEMENT INC.
	BOX 9011
NEW YORK, NEW YORK 10048-0557	PRINCETON, NEW JERSEY 08543-9011
ATTENTION: THOMAS R. SMITH, JR., ESQ.	

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

[X] Immediately upon filing pursuant to paragraph (b), or

[_] on (date) pursuant to paragraph (b), or

[_] 60 days after filing pursuant to paragraph (a), or

[_] on (date) pursuant to paragraph (a) of Rule 485

THE REGISTRANT HAS REGISTERED AN INDEFINITE NUMBER OF ITS CLASS A AND CLASS B SHARES OF BENEFICIAL INTEREST UNDER THE SECURITIES ACT OF 1933 PURSUANT TO RULE 24F-2 UNDER THE INVESTMENT COMPANY ACT OF 1940. NO SHARES OF BENEFICIAL INTEREST WERE SOLD PURSUANT TO SUCH RULE DURING REGISTRANT'S MOST RECENT FISCAL YEAR ENDED JULY 31, 1993 (PRIOR TO COMMENCEMENT OF OPERATIONS). THEREFORE, PURSUANT TO PARAGRAPH (B)(2) OF RULE 24F-2, THE NOTICE REQUIRED BY SUCH RULE NEED NOT BE FILED FOR SUCH FISCAL YEAR.

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST
REGISTRATION STATEMENT ON FORM N-1A
CROSS REFERENCE SHEET

	N-1A ITEM NO.	LOCATION
PART A		
Item 1.	Cover Page........................	Cover Page
Item 2.	Synopsis	Fee Table
Item 3.	Condensed Financial Information...	Financial Highlights (unaudited)
Item 4.	General Description of Registrant.	Cover Page; Investment Objectives and Policies; Additional Information
Item 5.	Management of the Fund............	Fee Table; Investment Objectives and Policies; Management of the Trust; Portfolio Transactions; Inside Back Cover Page
Item 5A.	Management's Discussion of Fund Performance.......................	Not Applicable
Item 6.	Capital Stock and Other Securities........................	Cover Page; Additional Information
Item 7.	Purchase of Securities Being Offered	Cover Page; Fee Table; Alternative Sales Arrangements; Purchase of Shares; Shareholder Services; Additional Information; Inside Back Cover Page
Item 8.	Redemption or Repurchase..........	Fee Table; Alternative Sales Arrangements; Purchase of Shares; Redemption of Shares
Item 9.	Pending Legal Proceedings.........	Not Applicable
PART B		
Item 10.	Cover Page........................	Cover Page
Item 11.	Table of Contents.................	Back Cover Page
Item 12.	General Information and History...	Not Applicable
Item 13.	Investment Objectives and Policies..........................	Investment Objectives and Policies; Investment Restrictions
Item 14.	Management of the Fund............	Management of the Trust
Item 15.	Control Persons and Principal Holders of Securities............	Management of the Trust; General Information
Item 16.	Investment Advisory and Other Services..........................	Management of the Trust; Purchase of Shares; General Information
Item 17.	Brokerage Allocation and Other Practices.........................	Portfolio Transactions
Item 18.	Capital Stock and Other Securities........................	General Information--Description of Series and Shares
Item 19.	Purchase, Redemption and Pricing of Securities Being Offered.......	Purchase of Shares; Redemption of Shares; Determination of Net Asset Value; Shareholder Services
Item 20.	Tax Status........................	Distributions and Taxes
Item 21.	Underwriters......................	Purchase of Shares
Item 22.	Calculation of Performance Data...	Performance Data
Item 23.	Financial Statements..............	Financial Statements (unaudited); Statements of Assets and Liabilities (audited)
PART C		

Information required to be included in Part C is set forth under the appropriate Item, so numbered, in Part C to this Registration Statement.

PROSPECTUS

May 17, 1994

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND	MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND	MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND	MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND	MERRILL LYNCH PENNSYLVANIA LIMITED MATURITYMUNICIPAL BOND FUND

BOX 9011, PRINCETON, NEW JERSEY 08543-9011--PHONE NO. (609) 282-2800

Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") consists of eight separate series: Merrill Lynch Arizona Limited Maturity Municipal Bond Fund (the "Arizona Fund"), Merrill Lynch California Limited Maturity Municipal Bond Fund (the "California Fund"), Merrill Lynch Florida Limited Maturity Municipal Bond Fund (the "Florida Fund"), Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund (the "Massachusetts Fund"), Merrill Lynch Michigan Limited Maturity Municipal Bond Fund (the "Michigan Fund"), Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund (the "New Jersey Fund"), Merrill Lynch New York Limited Maturity Municipal Bond Fund (the "New York Fund"), and Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund (the "Pennsylvania Fund"). Each series of the Trust is referred to herein as a "Fund". Each Fund seeks to provide shareholders with as high a level of income exempt from Federal income taxes and personal income taxes imposed by the designated state (and, in certain instances, state intangible personal property taxes and local personal income taxes) as is consistent with prudent investment management. Under normal market conditions, each Fund invests primarily in a portfolio of intermediate-term investment grade obligations of the designated state or its political subdivisions, agencies or instrumentalities, or certain other jurisdictions, that pay interest exempt, in the opinion of bond counsel to the issuer, from Federal income taxes and personal income taxes of the designated state and, where applicable, local personal income taxes in the designated state. The obligations in which the Funds invest have remaining maturities of between one and ten years, and it is anticipated that, depending on market conditions, the dollar weighted average maturity of each Fund's portfolio will not exceed five years. The Funds may invest in certain tax-exempt securities classified as "private activity bonds" that may subject certain investors in the Funds to an alternative minimum tax. At times, a Fund may seek to hedge its portfolio through the use of futures and options transactions. There can be no assurance that the investment objective of any Fund will be realized.

(continued on following page)

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.

This Prospectus is a concise statement of information about the Trust and each Fund that is relevant to making an investment in a Fund. This Prospectus should be retained for future reference. A statement containing additional information about the Trust and each Fund, dated May 17, 1994 (the "Statement of Additional Information"), has been filed with the Securities and Exchange Commission and is available, without charge, by calling or by writing the Trust at the above telephone number or address. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.

FUND ASSET MANAGEMENT--MANAGER
MERRILL LYNCH FUNDS DISTRIBUTOR, INC.-- DISTRIBUTOR

(continued from prior page)

Each Fund offers two classes of shares which may be purchased at a price equal to the next determined net asset value per share, plus in both cases a sales charge which, at the election of the purchaser, may be imposed (i) at the time of purchase (the "Class A shares") or (ii) on a deferred basis (the "Class B shares"). The deferred charges to which the Class B shares are subject shall consist of a contingent deferred sales charge which may be imposed on redemptions made within one year of purchase and an ongoing account maintenance fee and distribution fee. These alternatives permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. Investors should understand that the purpose and function of the deferred sales charge with respect to the Class B shares of a Fund are the same as those of the initial sales charge with respect to the Class A shares of that Fund. Investors also should understand that over time the deferred charges related to Class B shares of a Fund may exceed the initial sales charge with respect to Class A shares of that Fund. See "Alternative Sales Arrangements" on page 5.

Each Class A share and Class B share of a Fund represents an identical interest in the investment portfolio of that Fund and has the same rights, except that (i) Class B shares bear the expenses of the account maintenance fee and distribution fee of that Fund and certain other costs resulting from the deferred sales charge arrangement, which will cause Class B shares to have a higher expense ratio and to pay lower dividends than Class A shares, and (ii) Class B shares have exclusive voting rights with respect to the account maintenance fee and distribution fee of that Fund. The two classes also have different exchange privileges.

Shares may be purchased directly from Merrill Lynch Funds Distributor, Inc. (the "Distributor"), Box 9011, Princeton, New Jersey 08543-9011 [(609) 282-2800], or from securities dealers which have entered into selected dealer agreements with the Distributor, including Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). The minimum initial purchase is $1,000 and the minimum subsequent purchase is $50. Merrill Lynch may charge its customers a processing fee (presently $4.85) for confirming purchases and repurchases. Purchases and redemptions directly through the Trust's Transfer Agent are not subject to the processing fee. See "Purchase of Shares" and "Redemption of Shares".

UNLESS OTHERWISE INDICATED, THE INFORMATION SET FORTH IN THIS PROSPECTUS IS APPLICABLE TO EACH FUND. MANAGEMENT OF THE TRUST HAS CONSIDERED THE POSSIBILITY THAT THE USE OF A COMBINED PROSPECTUS MAY SUBJECT A FUND OR FUNDS TO LIABILITY FOR AN ALLEGED MISSTATEMENT RELATING TO ANOTHER FUND OR FUNDS. MANAGEMENT BELIEVES THIS POSSIBILITY IS REMOTE.

EACH FUND HAS QUALIFIED ITS SHARES FOR SALE UNDER THE SECURITIES LAWS OF CERTAIN STATES, AND SHARES OF A FUND MAY BE PURCHASED ONLY IN JURISDICTIONS IN WHICH SUCH SHARES ARE QUALIFIED FOR PURCHASE. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING OF SHARES OF ANY FUND IN ANY STATE OR JURISDICTION IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE. AN INVESTOR CONSIDERING PURCHASING SHARES OF A FUND SHOULD CONSULT HIS OR HER MERRILL LYNCH FINANCIAL CONSULTANT TO DETERMINE WHETHER SHARES OF SUCH FUND ARE AVAILABLE FOR PURCHASE IN HIS OR HER STATE.

FEE TABLE

A general comparison of the sales arrangements and other nonrecurring and recurring expenses applicable to Class A shares and Class B shares follows:

<TABLE>
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	ALL FUNDS	
	CLASS A SHARES INITIAL SALES CHARGE ALTERNATIVE ("CLASS A")	CLASS B SHARES DEFERRED SALES CHARGE ALTERNATIVE ("CLASS B")
<S>	<C>	<C>
Shareholder Transaction Expenses:		
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price)..................	1.00%(a)	None
Sales Charge Imposed on Dividend Reinvestments .	None	None
Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, whichever is lower)	None	1.0% during the first year, decreasing to 0.0% after the first year(b)
Exchange Fee	None	None

</TABLE>

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	ARIZONA FUND		CALIFORNIA FUND		FLORIDA FUND		MASSACHUSETTS FUND		MICHIGAN FUND		NEW JERSEY FUND	
	CLASS A	CLASS B	CLASS A	CLASS B	CLASS A	CLASS B	CLASS A	CLASS B	CLASS A	CLASS B	CLASS A	CLASS B
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Annual Fund Operating Expenses (as a												

percentage of average net assets):												
Management Fees(c).........	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%
Rule 12b-1 Fees.	None	0.35%	None	0.35%	None	0.35%	None	0.35%	None	0.35%	None	0.35%
Other Expenses..	1.51%	1.52%	0.85%	0.85%	0.46%	0.47%	0.90%	0.93%	1.88%	1.89%	0.89%	0.98%
Total Fund Operating Expenses..	1.86%	2.22%	1.20%	1.55%	0.81%	1.17%	1.25%	1.63%	2.23%	2.59%	1.24%	1.68%

<CAPTION>

	NEW YORK FUND		PENNSYLVANIA FUND	
	CLASS A	CLASS B	CLASS A	CLASS B
<S>	<C>	<C>	<C>	<C>
Annual Fund Operating Expenses (as a percentage of average net assets):				
Management Fees(c).........	0.35%	0.35%	0.35%	0.35%
Rule 12b-1 Fees.	None	0.35%	None	0.35%
Other Expenses..	0.99%	0.99%	1.06%	1.06%
Total Fund Operating Expenses..	1.34%	1.69%	1.41%	1.76%

</TABLE>

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(a) Reduced for purchases of $100,000 and over, decreasing to 0.30% for purchases of $500,000 and over. Certain purchasers of Class A shares investing $1,000,000 or more, in lieu of a front-end sales load, may be assessed a contingent deferred sales charge on redemptions within the first year of such investment. See "Purchase of Shares--Initial Sales Charge Alternative--Class A Shares"--page 25.

(b) See "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares"--page 26.

(c) See "Management of the Trust--Management and Advisory Arrangements"--page 21.

EXAMPLE:

<TABLE>
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	CUMULATIVE EXPENSES PAID FOR THE PERIOD INDICATED											
	ARIZONA FUND				CALIFORNIA FUND				FLORIDA FUND			
	1 YEAR	3 YEARS	5 YEARS	10 YEARS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	1 YEAR	3 YEARS	5 YEARS	10 YEARS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
An investor in each Fund would pay the following expenses on a $1,000 investment including, for Class A shares, the maximum $10 front-end sales charge and assuming (1) the operating expense ratios set forth above for Class A shares and Class B shares of that Fund, (2) a 5% annual return throughout the period and (3) redemption at the end of the period:												

Class A	$28.70	$67.89	$109.58	$225.80	$22.11	$47.71	$75.31	$154.00	$18.19	$35.60	$54.51	$109.16
Class B	$32.51	$69.42	$118.98	$255.44	$25.77	$48.95	$84.47	$184.55	$21.92	$37.16	$64.37	$142.04
An investor would pay the following expenses on the same $1,000 investment assuming no redemption at the end of the period:												
Class A	$28.70	$67.89	$109.58	$225.80	$22.11	$47.71	$75.31	$154.00	$18.19	$35.60	$54.51	$109.16
Class B	$22.51	$69.42	$118.98	$255.44	$15.77	$48.95	$84.47	$184.55	$11.92	$37.16	$64.37	$142.04

</TABLE>

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CUMULATIVE EXPENSES PAID FOR THE PERIOD INDICATED

<S>	MASSACHUSETTS FUND			
	1 YEAR	3 YEARS	5 YEARS	10 YEARS
	<C>	<C>	<C>	<C>
An investor in each Fund would pay the following expenses on a $1,000 investment including, for Class A shares, the maximum $10 front-end sales charge and assuming (1) the operating expense ratios set forth above for Class A shares and Class B shares of that Fund, (2) a 5% annual return throughout the period and (3) redemption at the end of the period:				
Class A	$22.61	$49.26	$77.94	$159.62
Class B	$26.57	$51.42	$88.65	$193.28
An investor would pay the following expenses on the same $1,000 investment assuming no redemption at the end of the period:				
Class A	$22.61	$49.26	$77.94	$159.62
Class B	$16.57	$51.42	$88.65	$193.28

</TABLE>

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CUMULATIVE EXPENSES PAID FOR THE PERIOD INDICATED

<S>	MICHIGAN FUND				NEW JERSEY FUND				NEW YORK FUND			
	1 YEAR	3 YEARS	5 YEARS	10 YEARS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	1 YEAR	3 YEARS	5 YEARS	10 YEARS
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
An investor in each Fund would pay the following expenses on a $1,000 investment including, for Class A shares, the maximum $10 front-end sales charge and assuming (1) the operating expense ratios set forth												

above for Class A shares and Class B shares of that Fund, (2) a 5% annual return throughout the period and (3) redemption at the end of the period:												
Class A	$32.38	$79.03	$128.29	$263.89	$22.51	$48.95	$77.42	$158.50	$23.51	$52.03	$82.67	$169.65
Class B	$36.21	$80.55	$137.53	$292.45	$27.08	$52.96	$91.26	$198.70	$27.18	$53.26	$91.78	$199.78
An investor would pay the following expenses on the same $1,000 investment assuming no redemption at the end of the period:												
Class A	$32.38	$79.03	$128.29	$263.89	$22.51	$48.95	$77.24	$158.50	$23.51	$52.03	$82.67	$169.65
Class B	$26.21	$80.55	$137.53	$292.45	$17.08	$52.96	$91.26	$198.70	$17.18	$53.26	$91.78	$199.78

</TABLE>

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CUMULATIVE EXPENSES PAID FOR THE PERIOD INDICATED

<S>	PENNSYLVANIA FUND			
	1 YEAR	3 YEARS	5 YEARS	10 YEARS
An investor in each Fund would pay the following expenses on a $1,000 investment including, for Class A shares, the maximum $10 front-end sales charge and assuming (1) the operating expense ratios set forth above for Class A shares and Class B shares of that Fund, (2) a 5% annual return throughout the period and (3) redemption at the end of the period:				
Class A	$24.21	$54.18	$86.34	$177.39
Class B	$27.89	$55.41	$95.41	$207.31
An investor would pay the following expenses on the same $1,000 investment assuming no redemption at the end of the period:				
Class A	$24.21	$54.18	$86.34	$177.39
Class B	$17.89	$55.41	$95.41	$207.31

</TABLE>

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that shareholders in the Funds will bear directly or indirectly. The expenses set forth under "Other Expenses" are based on estimated amounts through the end of each Fund's first fiscal year on an annualized basis. The Example set forth above assumes reinvestment of all dividends and distributions and utilizes a 5% annual rate of return as mandated by Securities and Exchange Commission regulations. THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR ANNUAL RATES OF RETURN, AND ACTUAL EXPENSES OR ANNUAL RATES OF RETURN MAY BE MORE OR LESS THAN THOSE ASSUMED FOR PURPOSES OF THE EXAMPLE. Class B shareholders of any Fund who hold their shares for an extended period of time may pay more in Rule

12b-1 distribution fees than the economic equivalent of the maximum front-end sales charges permitted under the Rules of Fair Practice of the National Association of Securities Dealers, Inc. Merrill Lynch may charge its customers a processing fee (presently $4.85) for confirming purchases and repurchases. Purchases and redemptions directly through the Trust's Transfer Agent are not subject to the processing fee. See "Purchase of Shares" and "Redemption of Shares".

ALTERNATIVE SALES ARRANGEMENTS

Shares of each Fund may be purchased at a price equal to the next determined net asset value per share, plus in both cases a sales charge which, at the election of the purchaser, may be imposed either (i) at the time of the purchase (the "initial sales charge alternative"), or (ii) on a deferred basis (the "deferred sales charge alternative").

Class A Shares. An investor who elects the initial sales charge alternative acquires Class A shares. Although Class A shares incur a sales charge when they are purchased, they enjoy the benefit of not being subject to the ongoing account maintenance fees and distribution fees to which Class B shares are subject or any sales charge when they are redeemed. Certain purchasers of Class A shares qualify for reduced initial sales charges. See "Purchase of Shares".

Class B Shares. An investor who elects the deferred sales charge alternative acquires Class B shares. Class B shares do not incur a sales charge when they are purchased, but they are subject to ongoing account maintenance fees and distribution fees and a sales charge if they are redeemed within one year of purchase. Class B shares enjoy the benefit of permitting all of the investor's dollars to work from the time the investment is made. The ongoing account maintenance fees and distribution fees paid by Class B shares will cause such shares to have a higher expense ratio and to pay lower dividends than those related to Class A shares. Payment of the distribution fee is subject to certain limits as set forth under "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares."

As an illustration, investors who qualify for significantly reduced sales charges might elect the initial sales charge alternative because similar sales charge reductions are not available for purchases under the deferred sales charge alternative. Moreover, shares acquired under the initial sales charge alternative would not be subject to ongoing account maintenance fees and distribution fees. However, because initial sales charges are deducted at the time of purchase, such investors would not have all of their funds invested initially. Investors not qualifying for reduced initial sales charges who expect to maintain their investment for an extended period of time also might elect the initial sales charge alternative because over time the accumulated continuing account maintenance and distribution fees may exceed the initial sales charge. Again, however, such investors must weigh this consideration against the fact that not all of their funds will be invested initially. Furthermore, the ongoing account maintenance and distribution fees will be offset to the extent any return is realized on the additional funds initially invested under the deferred sales charge alternative. However, there can be no assurance as to the return, if any, which will be realized on such additional funds. Certain other investors might determine it to be more advantageous to have all of their funds invested initially, although remaining subject to continued account maintenance fees and distribution fees and, for a one-year period of time, a contingent deferred sales charge.

The distribution expenses incurred by the Distributor and dealers (primarily Merrill Lynch) in connection with the sale of the shares will be paid, in the case of the Class A shares, from the proceeds of the initial sales charge. In the case of the Class B shares, such distribution expenses will be paid from the proceeds of the ongoing distribution fee and, if applicable, the contingent deferred sales charge incurred upon redemption within one year of purchase. Sales personnel may receive different compensation for selling Class A shares or Class B shares. Investors should understand that the purpose and function of the deferred sales charges with respect to the Class B shares of a Fund are the same as those of the initial sales charge with respect to the Class A shares of that Fund.

Dividends paid by the Funds with respect to Class A shares and Class B shares, to the extent any dividends are paid, will be calculated in the same manner at the same time on the same day and will be in the same amount, except that account maintenance and distribution fees and any incremental transfer agency costs relating to Class B shares will be borne exclusively by that class. See "Additional Information--Determination of Net Asset Value". Class A shareholders and Class B shareholders of the Funds have an exchange privilege for Class A shares and Class B shares, respectively, of certain other mutual funds sponsored by Merrill Lynch. Class A shareholders and Class B shareholders of the Funds also may exchange their shares for shares of certain money market funds sponsored by Merrill Lynch. See "Shareholder Services--Exchange Privilege".

The Trustees of the Trust have determined that currently no conflict of interest exists between the Class A shares and Class B shares. On an ongoing basis, the Trustees of the Trust, pursuant to their fiduciary duties under the Investment Company Act of 1940, as amended (the "1940 Act") and state laws, will seek to assure that no such conflict arises.

The alternative sales arrangements permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. Investors should determine whether under their particular circumstances it is more advantageous to incur an initial sales charge and not be subject to ongoing charges, or to have the entire initial purchase price invested in a Fund with the investment thereafter being subject to ongoing account maintenance charges and distribution charges. To assist investors in making this determination, the Fee Table on pages 3-4 sets forth the charges applicable to each class of shares and a discussion of relevant factors in making such determination is set forth under "Purchase of Shares--Alternative Sales Arrangements" on page 24.

FINANCIAL HIGHLIGHTS (UNAUDITED)

The financial information in the table below has not been audited. Unaudited financial statements for the period November 26, 1993 (commencement of operations) to January 31, 1994, are included in the Statement of Additional Information. The following per share data and ratios have been derived from information provided in the financial statements.

<TABLE>
<CAPTION>

FOR THE PERIOD NOVEMBER 26, 1993+ TO JANUARY 31, 1994

	ARIZONA LIMITED MATURITY		CALIFORNIA LIMITED MATURITY		FLORIDA LIMITED MATURITY		MASSACHUSETTS LIMITED MATURITY	
Increase (Decrease) in Net Asset Value:	CLASS A	CLASS B	CLASS A	CLASS B	CLASS A	CLASS B	CLASS A	CLASS B
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:								
Net asset value, beginning of period..........	$10.00	$10.00	$10.00	$ 10.00	$ 10.00	$ 10.00	$10.00	$10.00
Investment income--net...	.06	.05	.06	.05	.05	.05	.06	.05
Realized and unrealized gain on investments--net.....................	.08	.08	.11	.11	.07	.07	.05	.05
Total from investment operations................	.14	.13	.17	.16	.12	.12	.11	.10
Less dividends:								
Investment income--net..	(.06)	(.05)	(.06)	(.05)	(.05)	(.05)	(.06)	(.05)
Total dividends..........	(.06)	(.05)	(.06)	(.05)	(.05)	(.05)	(.06)	(.05)
Net asset value, end of period..................	$10.08	$10.08	$10.11	$10.11	$10.07	$10.07	$10.05	$10.05
TOTAL INVESTMENT RETURN:**								
Based on net asset value per share...............	1.41%++	1.35%++	1.69%++	1.63%++	1.28%++	1.22%++	1.13%++	1.07%++
RATIOS TO AVERAGE NET ASSETS:								
Expenses, excluding distribution fees and net of reimbursement........	.00%	.00%	.00%	.00%	.00%	.00%	.00%	.00%
Expenses, net of reimbursement	.00%	.35%*	.00%	.35%*	.00%	.35%*	.00%	.35%*
Expenses.................	1.86%*	2.22%*	1.20%*	1.55%*	.81%*	1.17%*	1.25%*	1.63%*
Investment income--net...	3.11%*	2.77%*	3.06%*	2.71%*	3.06%*	2.65%*	3.43%*	2.96%*
SUPPLEMENTAL DATA:								
Net assets, end of period (in thousands)..........	$1,867	$4,532	$3,914	$11,042	$20,565	$17,749	$5,504	$7,679
Portfolio turnover.......	44.78%	44.78%	.00%	.00%	1.98%	1.98%	.00%	.00%

</TABLE>

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* Annualized.

** Total investment returns exclude the effects of sales loads.

\+ Commencement of Operations.

++ Aggregate total investment return.

<TABLE>
<CAPTION>

FOR THE PERIOD NOVEMBER 26, 1993+ TO JANUARY 31, 1994

	MICHIGAN LIMITED MATURITY		NEW JERSEY LIMITED MATURITY		NEW YORK LIMITED MATURITY		PENNSYLVANIA LIMITED MATURITY	
<S>	CLASS A <C>	CLASS B <C>	CLASS A <C>	CLASS B <C>	CLASS A <C>	CLASS B <C>	CLASS A <C>	CLASS B <C>
INCREASE (DECREASE) IN NET ASSET VALUE:								
PER SHARE OPERATING PERFORMANCE:								
Net asset value, beginning of period...............	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
Investment income--net....	.06	.05	.05	.05	.06	.05	.05	.05
Realized and unrealized gain on investments--net.	.08	.08	.06	.07	.10	.10	.07	.07
Total from investment operations..............	.14	.13	.11	.12	.16	.15	.12	.12
Less dividends:								
Investment income--net..	(.06)	(.05)	(.05)	(.05)	(.06)	(.05)	(.05)	(.05)
Total dividends..........	(.06)	(.05)	(.05)	(.05)	(.06)	(.05)	(.05)	(.05)
Net asset value, end of period..................	$ 10.08	$ 10.08	$ 10.06	$ 10.07	$ 10.10	$ 10.10	$ 10.07	$ 10.07
TOTAL INVESTMENT RETURN:**								
Based on net asset value per share...............	1.43%++	1.37%++	1.17%++	1.21%++	1.64%++	1.58%++	1.26%++	1.20%++
RATIOS TO AVERAGE NET ASSETS:								
Expenses, excluding distribution fees and net of reimbursement........	.00%	.00%	.00%	.00%	.00%	.00%	.00%	.00%
Expenses, net of reimbursement...........	.00%	.35%*	.00%	.35%*	.00%	.35%*	.00%	.35%*
Expenses.................	2.23%*	2.59%*	1.24%*	1.68%*	1.34%*	1.69%*	1.41%*	1.76%*
Investment income--net....	3.22%*	2.86%*	3.12%*	2.60%*	3.34%*	2.95%*	2.95%*	2.54%*
SUPPLEMENTAL DATA:								
Net assets, end of period (in thousands)..........	$ 3,182	$ 2,512	$ 5,028	$ 7,205	$ 4,280	$ 8,521	$ 904	$ 10,121
Portfolio turnover........	68.74%	68.74%	29.55%	29.55%	25.84%	25.84%	18.07%	18.07%

</TABLE>

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* Annualized.

** Total investment returns exclude the effects of sales loads.

\+ Commencement of Operations.

++ Aggregate total investment return.

INVESTMENT OBJECTIVES AND POLICIES

The investment objective of each Fund is to provide shareholders with as high a level of income exempt from Federal income taxes, the designated state's personal income taxes and, where applicable, local personal income taxes, as is consistent with prudent investment management. Each Fund seeks to achieve its objective while providing investors with the opportunity to invest in a portfolio of securities consisting primarily of intermediate-term investment grade obligations issued by or on behalf of the designated state or its political subdivisions, agencies or instrumentalities, and obligations of other qualifying issuers, such as issuers located in Puerto Rico, the Virgin Islands and Guam. Such obligations pay interest exempt, in the opinion of bond counsel to the issuer, from Federal income taxes, the designated state's personal income taxes and, in certain instances, local personal income taxes. Obligations that pay interest exempt from Federal income taxes are referred to herein as "Municipal Bonds." Obligations that pay interest exempt from Federal income taxes, the designated state's personal income taxes and, where applicable, local personal income taxes, and obligations that would not subject shareholders to intangible personal property taxes in the designated state are referred to herein as "State Municipal Bonds". Unless otherwise indicated, references to Municipal Bonds shall be deemed to include State Municipal Bonds. Each Fund will maintain at all times, except during temporary defensive periods, at least 65% of its total assets invested in its respective State Municipal Bonds; the New Jersey Fund will maintain at least 80% of its total assets invested in New Jersey State Municipal Bonds. The investment objective of each Fund as set forth in this paragraph is a fundamental policy of that Fund and may not be changed without shareholder approval. At times, a Fund may seek to hedge its portfolio through the use of futures transactions to reduce volatility in the net asset value of Fund shares.

Each Fund will invest only in Municipal Bonds with remaining maturities of between one and ten years. It is anticipated that, depending on market conditions, the dollar weighted average maturity of each Fund's portfolio will not exceed five years. For purposes of these investment policies, a bond will be treated as having a maturity earlier than its stated maturity date if such bond has technical features which, in the judgment of Fund Asset Management, L.P. (the "Manager"), will result in the bond being valued in the market as though it has such earlier maturity. Interest rates on shorter-term Municipal Bonds may fluctuate more widely from time to time than interest rates on longer-term Municipal Bonds. However, because of their limited maturities, the market value of the Municipal Bonds held by each Fund can be expected to fluctuate less as a result of changes in interest rates.

Municipal Bonds may include several types of bonds. The risks and special considerations involved in investments in Municipal Bonds vary with the types of instruments being acquired. Investments in Non-Municipal Tax-Exempt Securities, as defined herein, may present similar risks, depending on the particular product. See "Description of Municipal Bonds". The interest on Municipal Bonds may bear a fixed rate or be payable at a variable or floating rate. The Funds also may invest in variable rate demand obligations and participations therein, described below, and short-term tax-exempt municipal obligations such as tax anticipation notes. The Municipal Bonds purchased by the Funds primarily will be what are commonly referred to as "investment grade" securities, which are obligations rated at the time of purchase within the four highest quality ratings as determined by either Moody's Investors Service, Inc. ("Moody's") (currently Aaa, Aa, A and Baa), Standard & Poor's Corporation ("Standard & Poor's") (currently AAA, AA, A and BBB) or Fitch Investors Service, Inc. ("Fitch") (currently AAA, AA, A and BBB). If Municipal Bonds are unrated, such securities will possess creditworthiness comparable, in the opinion of the Manager, to investment grade obligations. Municipal Bonds rated in the fourth highest rating category, while considered investment grade, have certain speculative characteristics and are more likely to be downgraded to non-investment grade than obligations rated in one of the top three rating categories. See Appendix I--"Ratings

of Municipal Bonds"--in the Statement of Additional Information for more information regarding ratings of debt securities. An issue of rated Municipal Bonds may cease to be rated or its rating may be reduced below investment grade subsequent to its purchase by a Fund. If an obligation is downgraded below investment grade, the Manager will consider factors such as price, credit risk, market conditions, financial condition of the issuer, interest rates and any state or local tax limitations to determine whether to continue to hold the obligation in a Fund's portfolio.

Each Fund may invest up to 20% of its total assets in Municipal Bonds that are rated below Baa by Moody's or below BBB by Standard & Poor's or Fitch. Such securities, sometimes referred to as "high yield" or "junk" bonds, are predominantly speculative with respect to the capacity to pay interest and repay principal in accordance with the terms of the security and generally involve a greater volatility of price than securities in higher rating categories. The market prices of high-yielding, lower-rated securities may fluctuate more than higher-rated securities and may decline significantly in periods of general economic difficulty, which may follow periods of rising interest rates. In purchasing such securities, a Fund will rely on the Manager's judgment, analysis and experience in evaluating the creditworthiness of the issuer of such securities. The Manager will take into consideration, among other things, the issuer's financial resources, its sensitivity to economic conditions and trends, its operating history, the quality of its management and regulatory matters. See "Investment Objectives and Policies" in the Statement of Additional Information for a more detailed discussion of the pertinent risk factors involved in investing in "high yield" or "junk" bonds and Appendix I--"Ratings of Municipal Bonds"--in the Statement of Additional Information for additional information regarding ratings of debt securities. None of the Funds intends to purchase debt securities that are in default or which the Manager believes will be in default.

Certain Municipal Bonds may be entitled to the benefits of letters of credit or similar credit enhancements issued by financial institutions. In such instances, the Trustees and the Manager will take into account in assessing the quality of such bonds not only the creditworthiness of the issuer of such bonds but also the creditworthiness of the financial institution. Certain instruments in which the Funds may invest may be characterized as derivative instruments. See "Indexed and Inverse Floating Obligations" and "Financial Futures Contracts and Options Thereon".

Each Fund's investments also may include variable rate demand obligations ("VRDOs") and VRDOs in the form of participation interests ("Participating VRDOs") in variable rate tax-exempt obligations held by a financial institution. The VRDOs in which the Funds will invest are tax-exempt obligations which contain a floating or variable interest rate adjustment formula and an unconditional right of demand on the part of the holder thereof to receive payment of the unpaid principal balance plus accrued interest on a short notice period not to exceed seven days. Participating VRDOs provide the Funds with a specified undivided interest (up to 100%) of the underlying obligation and the right to demand payment of the unpaid principal balance plus accrued interest on the Participating VRDOs from the financial institution on a specified number of days' notice, not to exceed seven days. There is, however, the possibility that because of a default or insolvency, the demand feature of VRDOs or Participating VRDOs may not be honored. The Trust has been advised by its counsel that the Funds should be entitled to treat the income received on Participating VRDOs as interest from tax-exempt obligations.

VRDOs that contain an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest on a notice period exceeding seven days may be deemed illiquid securities. A VRDO with a demand notice period exceeding seven days therefore will be subject to each Fund's restriction on illiquid investments unless, in the judgement of the Trustees, such VRDO is liquid. The Trustees may

adopt guidelines and delegate to the Manager the daily function of determining and monitoring liquidity of such VRDOs. The Trustees, however, will retain sufficient oversight and be ultimately responsible for such determinations.

The Funds ordinarily do not intend to realize investment income not exempt from Federal income taxes, state personal income taxes and, where applicable, local personal income taxes, or to hold investments that would subject shareholders to intangible personal property taxes in the designated state. However, to the extent that suitable Municipal Bonds of a designated state are not available for investment by the Fund in that state, the Fund may purchase Municipal Bonds issued by other states or their agencies or instrumentalities, the interest on which is exempt, in the opinion of bond counsel to the issuer, from Federal, but not state, taxation. The Funds also may invest in securities not issued by or on behalf of a state or territory or by an agency or instrumentality thereof, if the Manager nevertheless believes such securities to be exempt from Federal income taxation ("Non-Municipal Tax-Exempt Securities"). Non-Municipal Tax-Exempt Securities may include securities issued by other investment companies that invest in municipal bonds, to the extent such investments are permitted by the 1940 Act. Other Non-Municipal Tax-Exempt Securities could include trust certificates or other derivative instruments evidencing interests in one or more intermediate-term municipal securities.

Under normal circumstances, except when acceptable securities are unavailable as determined by the Manager, each Fund will invest at least 65% of its total assets in State Municipal Bonds; except that under normal circumstances the New Jersey Fund will invest at least 80% of its total assets in New Jersey State Municipal Bonds. For temporary defensive purposes or to provide liquidity, each Fund has the authority to invest as much as 35% (20% in the case of the New Jersey Fund) of its total assets in tax-exempt or taxable money market obligations with maturities of one year or less (such short-term obligations being referred to herein as "Temporary Investments"), except that taxable Temporary Investments shall not exceed 20% of a Fund's net assets. The Temporary Investments, VRDOs and Participating VRDOs in which the Funds may invest also will be in the following rating categories at the time of purchase: MIG-1/VMIG-1 through MIG-4/VMIG-4 for notes and VRDOs and Prime-1 through Prime-3 for commercial paper (as determined by Moody's), SP-1+ through SP-2 for notes and A-1+ through A-3 for VRDOs and commercial paper (as determined by Standard & Poor's), or F-1+ through F-3 for notes, VRDOs and commercial paper (as determined by Fitch) or, if unrated, of comparable quality in the opinion of the Manager. Each Fund at all times will have at least 80% of its net assets invested in securities the interest on which is exempt from Federal taxation. However, interest received on certain otherwise tax-exempt securities which are classified as "private activity bonds" (in general, bonds that benefit non-governmental entities), may be subject to a Federal alternative minimum tax. The percentage of each Fund's net assets invested in "private activity bonds" will vary during the year. See "Distributions and Taxes". In addition, each Fund reserves the right to invest temporarily a greater portion of its assets in Temporary Investments for defensive purposes when, in the judgment of the Manager, market conditions warrant. The investment objective of each Fund is a fundamental policy of that Fund which may not be changed without a vote of a majority of the outstanding shares of the Fund. Each Fund's hedging strategies, which are described in more detail under "Financial Futures Contracts and Options Thereon", are not fundamental policies and may be modified by the Trustees of the Trust without the approval of the Fund's shareholders.

POTENTIAL BENEFITS

Investment in shares of a Fund offers several benefits. Each Fund offers investors the opportunity to receive income exempt from Federal income taxes, the designated state's personal income taxes and, where

applicable, local personal income taxes, by investing in a professionally managed portfolio consisting primarily of intermediate-term State Municipal Bonds. Shares of certain Funds also may be exempt from intangible personal property taxes in the designated state. Each Fund also provides liquidity because of its redemption features and relieves the investor of the burdensome administrative details involved in managing a portfolio of tax-exempt securities. The benefits of investing in each Fund are at least partially offset by the expenses involved in operating an investment company. Such expenses primarily consist of the management fee and operational costs, and in the case of Class B shares of a Fund, the account maintenance costs and distribution costs for that Fund.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Each Fund ordinarily will invest at least 65% (80% in the case of the New Jersey Fund) of its total assets in its respective State Municipal Bonds and, therefore, it is more susceptible to factors adversely affecting issuers of Municipal Bonds in such state than is a tax-exempt mutual fund that is not concentrated in issuers of State Municipal Bonds to this degree. Because each Fund's portfolio will be comprised primarily of intermediate-term, investment grade securities, each Fund is expected to be less subject to market and credit risks than a fund that invests in longer-term or lower quality State Municipal Bonds. Set forth below are special considerations and risk factors specific to each Fund. The Manager does not believe that the current economic conditions described below for each state will have a significant adverse effect on the related Fund's ability to invest in investment grade State Municipal Bonds.

The Arizona Fund. Economic activity in Arizona, as in many other industrially developed states, tends to be more cyclical than in some other states and in the nation as a whole. However, diversification of the State's economy has helped enable the State to maintain a moderate rate of growth. The ultimate effect of the Chapter 11 bankruptcies of three of the State's major employers cannot be predicted at this time. See Appendix A, "Economic and Financial Conditions in Arizona", in the Statement of Additional Information.

The California Fund. Since the start of the 1990-91 fiscal year, the State of California has faced the worst economic, fiscal and budget conditions since the 1930's. In 1992, the State of California's bond rating was lowered to A+ by Standard & Poor's and AA by Fitch. Moody's also lowered the State of California's long-term rating to Aa and no assurance can be given that such ratings will not be lowered in the future. Forecasts anticipate stabilization of the economy and a modest recovery in 1995, but pre-recession job levels are not expected to be reached until 1998. See Appendix B, "Economic and Financial Conditions in California", in the Statement of Additional Information.

The Florida Fund. As of the date of this Prospectus, no state personal income tax is imposed in Florida; however, the Florida Fund seeks to provide its shareholders both with income exempt from Federal income taxes and with shares exempt from Florida intangible personal property taxes. See "Distributions and Taxes--Taxes--State" in the Statement of Additional Information. On August 23, 1992, Hurricane Andrew swept across southern Florida causing extensive property damage. It is not possible to determine what long-term effect, if any, such damage will have on Florida's growth rate, unemployment, tourism, general revenues or other vital statistics or on the ability of state government or affected local governments to pay the interest on, or repay the principal of any Florida State Municipal Bonds in which the Florida Fund may invest or the ratings of such Florida State Municipal Bonds. See Appendix C, "Economic and Financial Conditions in Florida", in the Statement of Additional Information.

The Massachusetts Fund. The Commonwealth of Massachusetts is experiencing a significant economic slowdown. Moreover, spending by the government of the Commonwealth exceeded revenues in each of the

five fiscal years commencing fiscal 1987. The operating losses in fiscal 1989 and fiscal 1990 totalled $672 million and $1.251 billion, respectively, and were covered primarily through deficit borrowings. The Commonwealth experienced an operating loss in fiscal 1991 of $21.2 million, but because of a positive closing fund balance of $237.1 million after applying proceeds of borrowing that financed the fiscal 1990 deficit, no deficit borrowing was required to close out fiscal 1991. In fiscal 1992, revenues exceeded spending and the Commonwealth ended fiscal 1992 with positive fund balances of $549.4 million. The budgeted operating funds of the Commonwealth ended fiscal 1993 with a surplus of revenues and other sources over expenditures and other uses, and with aggregate ending fund balances of the Commonwealth of approximately $562.5 million. As of the date of this Prospectus and according to the Executive Office for Administration and Finance of the Commonwealth, fiscal 1994 is expected to end with an operating loss of $180.5 million but with positive budgetary fund balances totaling approximately $382 million, to be achieved through the use of the prior year ending fund balances. Fitch, Standard & Poor's and Moody's have upgraded their ratings of Massachusetts' general obligation bonds from A, BBB and Baa, respectively, to A+, A+ and A, respectively. Ratings have been lowered on short-term debt and some state agency obligations. From time to time, the rating agencies may further change their ratings in response to budgetary matters or other economic indicators. See Appendix D, "Economic and Financial Conditions in Massachusetts", in the Statement of Additional Information.

The Michigan Fund. In recent years, the State of Michigan has reported its financial results in accordance with generally accepted accounting principles. For each of the five fiscal years ending with the fiscal year ended September 30, 1989, the State reported positive year-end fund balances and positive cash balances in the combined General Fund/School Aid Fund. For the fiscal years ended September 30, 1990 and 1991, the State reported negative year-end General Fund balances of $310.3 million and $169.4 million, respectively, but ended the 1992 fiscal year with its General Fund in balance. The State reported a balance in the General Fund as of September 30, 1993 of $26.0 million after a transfer of $283 million to the Budget Stabilization Fund described below. In each of the last three fiscal years, the State has undertaken mid-year actions to address projected year-end budget deficits, including expenditure cuts and deferrals and one time expenditures or revenue recognition adjustments. In the 1991 through 1993 fiscal years, the State experienced deteriorating cash balances which necessitated short-term borrowings and the deferral of certain scheduled cash payments. The State borrowed $700 million for cash flow purposes in the 1992 fiscal year and $900 million in the 1993 fiscal year. The State has a Budget Stabilization Fund which had an accrued balance of $20.1 million as of September 30, 1992, and, after a transfer of $283 million on an accrual basis upon completion of the State's financial reports, an ending balance of $303 million as of September 30, 1993. In May, 1986, Moody's raised the State's general obligation bond rating to A1. In October, 1989, Standard & Poor's raised its rating on the State's general obligation bonds to AA. The State's economy could continue to be affected by changes in the auto industry, notably consolidations and plant closings resulting from competitive pressures and overcapacity. See Appendix E, "Economic and Financial Conditions in Michigan", in the Statement of Additional Information.

The New Jersey Fund. On November 2, 1993, Christine Todd Whitman was elected to replace James Florio as Governor of the State. As a matter of public record, Governor Whitman during her campaign publicized her intention to reduce taxes in the State. Effective January 1, 1994, New Jersey's personal income tax rates were cut by 5% for all taxpayers. At this time the effect of this tax reduction cannot be evaluated. Although New Jersey's economy expanded during the late 1980's, its manufacturing sector experienced a downward economic trend and continued decreasing employment. Since 1987, a decline in construction demand and in the rate of growth in consumer spending set the stage for the current recession. New Jersey is

reliant on Federal assistance and ranks high among the states in the amount of Federal aid received. On June 4, 1992, Standard & Poor's placed New Jersey's general obligation bonds on CreditWatch with negative implications. On July 6, 1992, Standard & Poor's removed New Jersey's general obligation bonds from CreditWatch and reaffirmed its AA+ rating of such bonds but with negative long-term implications. On August 24, 1992, Moody's lowered its rating on New Jersey's general obligation bonds to AA-1 from AAA. See Appendix F, "Economic and Financial Conditions in New Jersey", in the Statement of Additional Information.

The New York Fund. New York State, New York City and other New York public bodies have, in recent years, encountered serious financial difficulties which could have an adverse effect with respect to the performance of the New York Fund. Currently, Moody's, Standard & Poor's and Fitch rate New York City's general obligation bonds Baal, A- and A-, respectively, and Moody's and Standard & Poor's rate New York State's general obligation bonds A and A-, respectively. See Appendix G, "Economic and Financial Conditions in New York", in the Statement of Additional Information.

The Pennsylvania Fund. Many different social, environmental and economic factors may affect the financial condition of Pennsylvania and its political subdivisions. From time to time Pennsylvania and certain of its political subdivisions have encountered financial difficulties which have adversely affected their respective credit standings. For example, the financial condition of the City of Philadelphia had impaired its ability to borrow and resulted in its obligations generally being downgraded by the major rating services (Moody's and Standard & Poor's), in some cases below investment grade. Other factors which may negatively affect economic conditions in Pennsylvania include adverse changes in employment rates, Federal revenue sharing or laws with respect to tax-exempt financing. Currently, Pennsylvania's general obligation bonds are rated AA- by Standard & Poor's and Fitch and A1 by Moody's. See Appendix H, "Economic and Financial Conditions in Pennsylvania" in the Statement of Additional Information.

DESCRIPTION OF MUNICIPAL BONDS

Municipal Bonds include debt obligations issued by or on behalf of a state or its agencies, instrumentalities, municipalities or political subdivisions to obtain funds for various public purposes, including construction and equipping of a wide range of public facilities (including water, sewer, gas, electricity, solid waste disposal, health care, transportation, education and housing facilities), refunding of outstanding obligations and obtaining of funds for general operating expenses and loans to other public institutions and facilities. In addition, certain types of industrial development bonds or private activity bonds are issued by or on behalf of public authorities to finance or refinance various privately operated facilities, including certain facilities for the local furnishing of electric energy or gas, sewage facilities, solid waste disposal facilities and other specialized facilities. For purposes of this Prospectus, such obligations are referred to as Municipal Bonds if the interest paid thereon is exempt, in the opinion of bond counsel to the issuer, from Federal income taxes. Such obligations are referred to herein as State Municipal Bonds if such obligations pay interest exempt, in the opinion of bond counsel to the issuer, from Federal income taxes, the designated state's personal income taxes and, where applicable, local personal income taxes, and would not subject shareholders to intangible personal property taxes in the designated state. Such bonds may be "private activity bonds" as discussed below.

The two principal classifications of Municipal Bonds are "general obligation" bonds and "revenue" bonds, which latter category includes industrial development bonds ("IDBs") and private activity bonds. General obligation bonds are secured by the issuer's pledge of its faith, credit and taxing power for the repayment of principal and the payment of interest. The taxing power of any governmental entity may be limited, however, by provisions of state constitutions or laws, and an entity's creditworthiness will depend on many factors, including potential erosion of the tax base due to population declines, natural disasters, declines

in the state's industrial base or inability to attract new industries, economic limits on the ability to tax without eroding the tax base, state legislative proposals or voter initiatives to limit ad valorem real property taxes and the extent to which the entity relies on Federal or state aid, access to capital markets or other factors beyond the state or entity's control. Accordingly, the capacity of the issuer of a general obligation bond as to the timely payment of interest and the repayment of principal when due is affected by the issuer's maintenance of its tax base.

Revenue bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source such as payments from the user of the facility being financed; accordingly, the timely payment of interest and the repayment of principal in accordance with the terms of the revenue or special obligation bond is a function of the economic viability of such facility or such revenue source. A Fund will not invest more than 10% of its total assets (taken at market value at the time of each investment) in revenue bonds where the entity supplying the revenues from which the issuer is paid, including predecessors, has a record of less than three years of continuous business operations. Investments involving entities with less than three years of continuous business operations may pose somewhat greater risks due to the lack of a substantial operating history for such entities. The Manager believes, however, that such investments will not adversely affect the Funds, particularly given each Fund's limitations on such investments.

The Funds may purchase IDBs or private activity bonds. IDBs or private activity bonds are tax-exempt securities issued by states, municipalities or public authorities to provide funds, usually through a loan or lease arrangement, to a private entity for the purpose of financing construction or improvement of a facility to be used by the entity. Such bonds are secured primarily by revenues derived from loan repayments or lease payments due from the entity which may or may not be guaranteed by a parent company or otherwise secured. Neither IDBs nor private activity bonds are secured by a pledge of the taxing power of the issuer of such bonds. Therefore, an investor should be aware that repayment of such bonds depends on the revenues of a private entity and be aware of the risks that such an investment may entail. Continued ability of an entity to generate sufficient revenues for the repayment of principal and the payment of interest on such bonds will be affected by many factors including the size of the entity, capital structure, demand for its products or services, competition, general economic conditions, governmental regulation and the entity's dependence on revenues for the operation of the particular facility being financed. Each Fund also may invest in so-called "moral obligation" bonds. If an issuer of such bonds is unable to meet its obligations, repayment of such bonds becomes a moral commitment, but not a legal obligation, of the issuer. Each Fund also may purchase obligations of state and local housing authorities the proceeds of which are used to purchase single-family mortgage loans or to finance the construction of multi-family housing projects. Economic developments, including fluctuations in interest rates, increasing construction and operating costs, and reductions in Federal housing subsidy programs may adversely affect the revenues of housing authorities. Furthermore, adverse economic conditions may result in an increasing rate of default of mortgagors on the underlying mortgage loans. Single-family mortgage revenue bonds also are subject to extraordinary mandatory redemption at par at any time, in whole or in part, from the proceeds derived from prepayments of underlying mortgage loans and from the unused proceeds of the issue within a stated period which may be within one year of the date of issue.

Municipal Lease Obligations. Also included within the general category of Municipal Bonds are participation certificates issued by government authorities or entities to finance the acquisition or construction of equipment, land and/or facilities. The certificates represent participations in a lease, an installment purchase contract or a conditional sales contract (hereinafter collectively called "lease obligations") relating

to such equipment, land or facilities. Although lease obligations do not constitute general obligations of the issuer for which the issuer's unlimited taxing power is pledged, a lease obligation frequently is backed by the issuer's covenant to budget for, appropriate and make the payments due under the lease obligation. However, certain lease obligations contain "non-appropriation" clauses which provide that the issuer has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. Although "non-appropriation" lease obligations are secured by the leased property, disposition of the property in the event of foreclosure might prove difficult. These securities represent a type of financing that has not yet developed the depth of marketability associated with more conventional securities. Certain investments in lease obligations may be illiquid. A Fund may not invest in illiquid lease obligations if such investments, together with other illiquid investments, would exceed 15% of the Fund's net assets. A Fund, however, may invest without regard to such limitation in lease obligations which the Manager, pursuant to guidelines which have been adopted by the Board of Trustees and subject to the supervision of the Board, determines to be liquid. The Manager will deem lease obligations liquid if they are publicly offered and have received an investment grade rating of Baa or better by Moody's, or BBB or better by Standard & Poor's or Fitch. Unrated lease obligations, or those rated below investment grade, will be considered liquid if the obligations come to the market through an underwritten public offering and at least two dealers are willing to give competitive bids. In reference to the latter, the Manager, among other things, also must review the creditworthiness of the municipality obligated to make payment under the lease obligation and make certain specified determinations based on such factors as the existence of a rating or credit enhancement such as insurance, the frequency of trades or quotes for the obligation and the willingness of dealers to make a market in the obligation.

Federal tax legislation has limited the types and volume of bonds the interest on which qualifies for a Federal income tax exemption. As a result, this legislation and legislation which may be enacted in the future may affect the availability of Municipal Bonds for investment by the Funds.

WHEN-ISSUED SECURITIES AND DELAYED DELIVERY TRANSACTIONS

The Funds may purchase or sell Municipal Bonds on a delayed delivery basis or on a when-issued basis at fixed purchase terms. These transactions arise when securities are purchased or sold by a Fund with payment and delivery taking place in the future. The purchase will be recorded on the date a Fund enters into the commitment and the value of the obligation thereafter will be reflected in the calculation of the Fund's net asset value. The value of the obligation on the delivery date may be more or less than its purchase price. A separate account of each Fund will be established with its respective custodian consisting of cash, cash equivalents or high grade, liquid municipal securities having a market value at all times at least equal to the amount of the forward commitment.

INDEXED AND INVERSE FLOATING OBLIGATIONS

The Funds may invest in Municipal Bonds the return on which is based on a particular index of value or interest rates. For example, a Fund may invest in Municipal Bonds that pay interest based on an index of Municipal Bond interest rates or based on the value of gold or some other product. The principal amount payable upon maturity of certain Municipal Bonds also may be based on the value of an index. To the extent a Fund invests in these types of Municipal Bonds, the Fund's return on such Municipal Bonds will be subject to risk with respect to the value of the particular index. Also, a Fund may invest in so-called "inverse floating obligations" or "residual interest bonds" on which the interest rates typically vary inversely with a short-term floating rate (which may be reset periodically by a dutch auction, a remarketing agent, or by reference to a

short-term tax-exempt interest rate index). The Funds may purchase original issue inverse floating rate bonds in both the primary and secondary markets and also may purchase in the secondary market synthetically-created inverse floating rate bonds evidenced by custodial or trust receipts. Generally, interest rates on inverse floating rate bonds will decrease when short-term rates increase, and will increase when short-term rates decrease. Such securities have the effect of providing a degree of investment leverage, since they may increase or decrease in value in response to changes, as an illustration, in market interest rates at a rate which is a multiple (typically two) of the rate at which fixed-rate, long-term, tax-exempt securities increase or decrease in response to such changes. As a result, the market values of such securities generally will be more volatile than the market values of fixed-rate, tax-exempt securities. To seek to limit the volatility of these securities, a Fund may purchase inverse floating obligations with shorter term maturities or which contain limitations on the extent to which the interest rate may vary. The Manager believes that indexed and inverse floating obligations represent a flexible portfolio management instrument for a Fund which allows the Manager to vary the degree of investment leverage relatively efficiently under different market conditions. Certain investments in such obligations may be illiquid. A Fund may not invest in such illiquid obligations if such investments, together with other illiquid investments, would exceed 15% of that Fund's net assets.

CALL RIGHTS

Each Fund may purchase, either directly from the issuer or from a third party, a Municipal Bond issuer's contractual right to call all or a portion of such Municipal Bond for mandatory tender for purchase (a "Call Right"). A Fund purchasing a Call Right may or may not own the related Municipal Bond. A holder of a Call Right may exercise such right to require a mandatory tender for the purchase of related Municipal Bonds, subject to certain conditions. A Call Right that is not exercised prior to the maturity of the related Municipal Bond will expire without value. The economic effect of holding both the Call Right and the related Municipal Bond is identical to holding a Municipal Bond as a non-callable security. Certain investments in such obligations may be illiquid. A Fund may not invest in such illiquid obligations if such investments, together with other illiquid investments, would exceed 15% of that Fund's net assets.

FINANCIAL FUTURES CONTRACTS AND OPTIONS THEREON

Each Fund is authorized to purchase and sell certain exchange-traded financial futures contracts ("financial futures contracts") and options thereon. The purchase or sale of an option on a financial futures contract is analogous to the purchase or sale of an option on an individual security. Financial futures contracts and options thereon are used solely for the purposes of hedging a Fund's investments in Municipal Bonds against declines in value and hedging against increases in the cost of securities it intends to purchase. However, a Fund's transactions involving financial futures contracts or options thereon (which options may include both puts and calls) will be in accordance with its investment policies and limitations. A financial futures contract obligates the seller of a contract to deliver and the purchaser of a contract to take delivery of the type of financial instrument covered by the contract, or in the case of index-based financial futures contracts to make and accept a cash settlement, at a specific future time for a specified price. A sale of financial futures contracts or options thereon may provide a hedge against a decline in the value of portfolio securities because such depreciation may be offset, in whole or in part, by an increase in the value of the position in the financial futures contracts. A purchase of financial futures contracts or options thereon may provide a hedge against an increase in the cost of securities intended to be purchased, because such appreciation may be offset, in whole or in part, by an increase in the value of the position in the financial futures contracts or options thereon. Distributions, if any, of net long-term capital gains from certain transactions in futures or options

are taxable at long-term capital gains rates for Federal income tax purposes, regardless of the length of time the shareholder has owned Fund shares. See "Distributions and Taxes--Taxes".

Each Fund may deal in financial futures contracts traded on the Chicago Board of Trade based on The Bond Buyer Municipal Bond Index, a price-weighted measure of the market value of 40 large, recently issued tax-exempt bonds. There can be no assurance, however, that a liquid secondary market will exist to terminate any particular financial futures contract or option thereon at any specific time. If it is not possible to close a financial futures position or the related option entered into by a Fund, the Fund would continue to be required to make daily cash payments of variation margin in the event of adverse price movements. In such a situation, if the Fund has insufficient cash, it may have to sell portfolio securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. The inability to close financial futures contracts or related option positions also could have an adverse impact on a Fund's ability to hedge effectively. There is also the risk of loss by a Fund of margin deposits in the event of bankruptcy of a broker with whom the Fund has an open position in a financial futures contract or option thereon.

Each Fund may purchase and sell financial futures contracts on U.S. Government securities and write and purchase put and call options on such financial futures contracts as a hedge against adverse changes in interest rates as described more fully in the Statement of Additional Information. With respect to U.S. Government securities, currently there are financial futures contracts based on long-term U.S. Treasury bonds, U.S. Treasury notes, Government National Mortgage Association ("GNMA") Certificates and three-month U.S. Treasury bills.

Subject to policies adopted by the Trustees, the Funds also may enter into other financial futures transactions, such as financial futures contracts or options on other municipal bond indices which may become available, if the Manager of the Funds and the Trustees of the Trust should determine that there is normally a sufficient correlation between the prices of such financial futures contracts or options thereon and the Municipal Bonds in which a Fund invests to make such hedging appropriate.

Utilization of financial futures contracts and options thereon involves the risk of imperfect correlation in movements in the price of financial futures contracts or options thereon and movements in the price of the security which is the subject of the hedge. If the price of the financial futures contract or option thereon moves more or less than the price of the security that is the subject of the hedge, a Fund will experience a gain or loss which will not be completely offset by movements in the price of such security. There is a risk of imperfect correlation where the securities underlying financial futures contracts or options thereon have different maturities, ratings or geographic mixes than the security being hedged. In addition, the correlation may be affected by additions to or deletions from the index which serves as a basis for a financial futures contract or option thereon. Finally, in the case of financial futures contracts on U.S. Government securities and options on such financial futures contracts, the anticipated correlation of price movements between the U.S. Government securities underlying the financial futures or options, and Municipal Bonds may be adversely affected by economic, political, legislative or other developments which have a disparate impact on the respective markets for such securities.

Under regulations of the Commodity Futures Trading Commission, the futures trading activities described herein will not result in a Fund being deemed to be a "commodity pool," as defined under such regulations, provided that the Fund adheres to certain restrictions. In particular, a Fund may purchase and sell financial futures contracts and options thereon (i) for bona fide hedging purposes, and (ii) for non-hedging purposes, if the aggregate initial margin and premiums required to establish positions in such contracts and options does not exceed 5% of the liquidation value of the Fund's portfolio assets after taking into account

unrealized profits and unrealized losses on any such contracts and options. As stated above, each Fund intends to engage in options and futures transactions only for hedging purposes. Margin deposits may consist of cash or securities acceptable to the broker and the relevant contract market.

When a Fund purchases a financial futures contract, or writes a put option or purchases a call option thereon, it will maintain an amount of cash, cash equivalents (e.g., high grade commercial paper and daily tender adjustable notes) or short-term, high-grade, fixed-income securities in a segregated account with the Fund's custodian, so that the amount so segregated plus the amount of initial and variation margin held in the account of its broker equals the market value of the financial futures contract or option thereon, thereby ensuring that the use of such financial futures contract or option is unleveraged. It is not anticipated that transactions in financial futures contracts or options thereon will have the effect of increasing portfolio turnover.

Although certain risks are involved in options and futures transactions, the Manager believes that, because the Funds will engage in financial futures transactions only for hedging purposes, the futures portfolio strategies of the Funds will not subject the Funds to certain risks frequently associated with speculation in futures transactions. The Funds must meet certain Federal income tax requirements under the Internal Revenue Code of 1986, as amended (the "Code"), in order to qualify for the special tax treatment afforded regulated investment companies, including a requirement that less than 30% of its gross income be derived from the sale or other disposition of securities held for less than three months. Additionally, each Fund is required to meet certain diversification requirements under the Code.

The liquidity of a secondary market in a financial futures contract or related option may be adversely affected by "daily price fluctuation limits" established by commodity exchanges which limit the amount of fluctuation in a financial futures contract price during a single trading day. Once the daily limit has been reached in the contract, no trades may be entered into at a price beyond the limit, thus preventing the liquidation of open futures positions. Prices in the past have reached or exceeded the daily limit on a number of consecutive trading days.

The successful use of financial futures contracts and options thereon also depends on the ability of the Manager to forecast correctly the direction and extent of interest rate movements within a given time frame. To the extent these rates remain stable during the period in which a financial futures contract or related option is held by a Fund or move in a direction opposite to that anticipated, the Fund may realize a loss on the hedging transaction which is not fully or partially offset by an increase in the value of portfolio securities. As a result, a Fund's total return for such period may be less than if it had not engaged in the hedging transaction. Furthermore, each Fund only will engage in hedging transactions from time to time and may not necessarily be engaging in hedging transactions when movements in interest rates occur.

Reference is made to the Statement of Additional Information for further information on financial futures contracts and certain options thereon.

REPURCHASE AGREEMENTS AND PURCHASE AND SALE CONTRACTS

As Temporary Investments, the Funds may invest in securities pursuant to repurchase agreements or purchase and sale contracts. Repurchase agreements and purchase and sale contracts may be entered into only with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities. Under such agreements, the bank or the primary dealer agrees, upon entering into the contract, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period. In the

case of repurchase agreements, the prices at which the trades are conducted do not reflect accrued interest on the underlying obligations; whereas, in the case of purchase and sale contracts, the prices take into account accrued interest. Such agreements usually cover short periods, such as under one week. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser. In the case of a repurchase agreement, a Fund will require the seller to provide additional collateral if the market value of the securities falls below the repurchase price at any time during the term of the repurchase agreement; a Fund does not have the right to seek additional collateral in the case of purchase and sale contracts. In the event of default by the seller under the repurchase agreement construed to be a collateralized loan, the underlying securities are not owned by a Fund but only constitute collateral for the seller's obligation to pay the repurchase price. Therefore, a Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the collateral. A purchase and sale contract differs from a repurchase agreement in that the contract arrangements stipulate that the securities are owned by a Fund. In the event of a default under such a repurchase agreement or under a purchase and sale contract, instead of the contractual fixed rate of return, the rate of return to a Fund shall be dependent upon intervening fluctuations of the market value of such security and the accrued interest on the security. In such event, a Fund would have rights against the seller for breach of contract with respect to any losses arising from market fluctuations following the failure of the seller to perform. A Fund may not invest in repurchase agreements or purchase and sale contracts maturing in more than seven days if such investments, together with all other illiquid investments, would exceed 15% of that Fund's net assets.

Certain Funds may be subject to state and local restrictions which prohibit certain types of investments and investment strategies, including some of the investments and investment strategies discussed herein.

INVESTMENT RESTRICTIONS

Each Fund has adopted a number of restrictions and policies relating to the investment of the Fund's assets and its activities, which are fundamental policies of the Fund and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities, as defined in the 1940 Act. Among the more significant restrictions, a Fund may not: (i) purchase any securities other than securities referred to under "Investment Objectives and Policies" herein; (ii) purchase securities of other investment companies, except in connection with certain specified transactions and with respect to investments of up to 10% of the Fund's total assets in securities of closed-end investment companies; (iii) borrow amounts in excess of 20% of its total assets taken at market value (including the amount borrowed), and then only from banks as a temporary measure for extraordinary or emergency purposes [No Fund will purchase securities while borrowings are outstanding]; (iv) mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness any securities owned or held by the Fund except in connection with certain specified transactions; (v) invest in securities which cannot be readily resold because of legal or contractual restrictions or which are not readily marketable, including individually negotiated loans that constitute illiquid investments and illiquid lease obligations, and in repurchase agreements and purchase and sale contracts maturing in more than seven days, if, regarding all such securities taken together, more than 15% of its net assets (taken at market value at the time of each investment) would be invested in such securities; (vi) invest more than 10% of its total assets (taken at market value at the time of each investment) in revenue bonds where the entity supplying the revenues from which the issue is to be paid, and the guarantor of the obligation, including predecessors, each has a record of less than three years' continuous business operation; and (vii) invest more than 25% of its total assets (taken at market value at the time of each investment) in securities of issuers in any particular industry (other than U.S. Government securities or Government agency securities, Municipal Bonds and Non-Municipal Tax-Exempt Securities).

Each Fund is classified as non-diversified within the meaning of the 1940 Act, which means that the Fund is not limited by the 1940 Act in the proportion of its assets that it may invest in obligations of a single issuer. However, each Fund's investments will be limited so as to qualify as a "regulated investment company" for purposes of the Code. See "Distributions and Taxes--Taxes". To qualify, among other requirements, the Trust will limit each Fund's investments so that, at the close of each quarter of the taxable year, (i) not more than 25% of the market value of the Fund's total assets will be invested in the securities of a single issuer, and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets will be invested in the securities of a single issuer and the Fund will not own more than 10% of the outstanding voting securities of a single issuer. [For purposes of this restriction, each Fund will regard each state and each political subdivision, agency or instrumentality of such state and each multi-state agency of which such state is a member and each public authority which issues securities on behalf of a private entity as a separate issuer, except that if the security is backed only by the assets and revenues of a non-government entity then the entity with the ultimate responsibility for the payment of interest and principal may be regarded as the sole issuer.] These tax-related limitations may be changed by the Trustees of the Trust to the extent necessary to comply with changes to the Federal tax requirements. A Fund which elects to be classified as "diversified" under the 1940 Act must satisfy the foregoing 5% and 10% requirements with respect to 75% of its total assets. To the extent that a Fund assumes large positions in the obligations of a small number of issuers, that Fund's total return may fluctuate to a greater extent than that of a diversified company as a result of changes in the financial condition or in the market's assessment of the issuers.

Investors are referred to the Statement of Additional Information for a complete description of each Fund's investment restrictions.

MANAGEMENT OF THE TRUST

TRUSTEES

The Trustees of the Trust consist of six individuals, five of whom are not "interested persons" of the Trust as defined in the 1940 Act. The Trustees are responsible for the overall supervision of the operations of the Trust and the Funds and perform the various duties imposed on the directors or trustees of investment companies by the 1940 Act.

The Trustees are:

Arthur Zeikel*--President and Chief Investment Officer of the Manager and of Merrill Lynch Investment Management, L.P. (doing business as Merrill Lynch Asset Management ("MLAM")); President and Director of Princeton Services, Inc.; Executive Vice President of Merrill Lynch & Co., Inc. since 1990; Executive Vice President of Merrill Lynch since 1990 and a Senior Vice President thereof from 1985 to 1990; Director of the Distributor.

Kenneth S. Axelson--Former Executive Vice President and Director, J.C. Penney Company, Inc.

Herbert I. London--John M. Olin Professor of Humanities, New York University.

Robert R. Martin--Former Chairman and Chief Executive Officer, Kinnard Investments, Inc.

Joseph L. May--Attorney in private practice.

Andre F. Perold--Professor, Harvard Business School.

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*Interested person, as defined in the 1940 Act, of the Trust.

MANAGEMENT AND ADVISORY ARRANGEMENTS

Fund Asset Management, L.P. (the "Manager"), which is an affiliate of MLAM and is owned and controlled by Merrill Lynch & Co., Inc., acts as the manager for the Trust and provides each Fund with management services. The Manager or MLAM acts as the investment adviser for over 90 other registered investment companies. MLAM also offers portfolio management and portfolio analysis services to individuals and institutions. As of April 30, 1994, the Manager and MLAM had a total of approximately $162.3 billion in investment company and other portfolio assets under management, including accounts of certain affiliates of the Manager.

Subject to the direction of the Trustees, the Manager is responsible for the actual management of each Fund's portfolio and constantly reviews each Fund's holdings in light of its own research analysis and that from other relevant sources. The responsibility for making decisions to buy, sell or hold a particular security rests with the Manager. The Manager performs certain of the other administrative services and provides all the office space, facilities, equipment and necessary personnel for management of the Funds.

Vincent R. Giordano, Kenneth A. Jacob and Peter J. Hayes are the Portfolio Managers for each Fund. Vincent R. Giordano has been a Portfolio Manager of the Manager and of MLAM since 1977 and a Senior Vice President of the Manager and of MLAM since 1984. Kenneth A. Jacob has been a Portfolio Manager and Vice President of the Manager and of MLAM since 1984. Peter J. Hayes has been a Portfolio Manager and Vice President of the Manager and of MLAM since 1989.

Pursuant to separate management agreements between the Manager and the Trust on behalf of each Fund (each a "Management Agreement"), the Manager is entitled to receive from each Fund a monthly fee based upon the average daily net assets of that Fund at the annual rate of 0.35% of the average daily net assets of that Fund.

Each Management Agreement obligates the related Fund to pay certain expenses incurred in that Fund's operations, including, among other things, the management fee, legal and audit fees, unaffiliated Trustees' fees and expenses, registration fees, custodian and transfer agency fees, accounting and pricing costs, and certain of the costs of printing proxies, shareholder reports, prospectuses and statements of additional information. Accounting services are provided to the Trust by the Manager, and each Fund reimburses the Manager for its proportionate costs in connection with such services. The Manager may waive all or a portion of its management fee for any Fund and may assume voluntarily all or a portion of each Fund's expenses.

TRANSFER AGENCY SERVICES

Financial Data Services, Inc. (the "Transfer Agent"), which is a wholly-owned subsidiary of Merrill Lynch & Co., Inc., acts as the Trust's transfer agent pursuant to a transfer agency, dividend disbursing agency and shareholder servicing agency agreement (the "Transfer Agency Agreement"). Pursuant to the Transfer Agency Agreement, the Transfer Agent is responsible for the issuance, transfer and redemption of shares of each Fund and the opening and maintenance of shareholder accounts. Pursuant to the Transfer Agency Agreement, each Fund pays the Transfer Agent an annual fee of $10.00 per Class A shareholder account and $12.00 per Class B shareholder account, and the Transfer Agent is entitled to reimbursement from the Fund for out-of-pocket expenses incurred by the Transfer Agent on behalf of such Fund under the Transfer Agency Agreement.

PURCHASE OF SHARES

Merrill Lynch Funds Distributor, Inc. (the "Distributor"), an affiliate of MLAM, the Manager and Merrill Lynch, acts as the Distributor of Class A shares and Class B shares of each Fund. Class A shares and Class B shares of each Fund are offered continuously for sale by the Distributor and other eligible securities dealers (including Merrill Lynch). Shares of the Funds may be purchased from securities dealers or by mailing a purchase order directly to the Transfer Agent. The minimum initial purchase for both Class A shares and Class B shares of each Fund is $1,000 and the minimum subsequent purchase is $50.

Each Fund is offering its shares at a public offering price equal to the next determined net asset value per share plus sales charges which, at the option of the purchaser, may be imposed either at the time of purchase (the "initial sales charge alternative") or on a deferred basis (the "deferred sales charge alternative"), as described below. The applicable offering price for purchase orders is based upon the net asset value of the respective Fund next determined after receipt of the purchase orders by the Distributor. As to purchase orders received by securities dealers prior to 4:15 P.M., New York time, which includes orders received after the determination of net asset value on the previous day, the applicable offering price will be based on the net asset value determined as of 4:15 P.M. on the day the order is placed with the Distributor, provided the order is received by the Distributor prior to 4:30 P.M., New York time, on that day. If the purchase orders are not received by the Distributor prior to 4:30 P.M., New York time, such orders shall be deemed received on the next business day. Any order may be rejected by the Distributor or the Trust. The Trust or the Distributor may suspend the continuous offering of a Fund's shares at any time in response to conditions in the securities markets or otherwise and thereafter may resume such offering from time to time. Neither the Distributor nor the dealers are permitted to withhold placing orders to benefit themselves by a price change. Merrill Lynch may charge its customers a processing fee (presently $4.85) to confirm a sale of shares to such customers. Purchases directly through the Trust's Transfer Agent are not subject to the processing fee.

On November 26, 1993, the Funds completed the subscription offerings of their shares. The following table sets forth the number of Class A shares and Class B shares each Fund issued and the net proceeds to each Fund for its Class A shares and Class B shares, respectively. The table also sets forth the amount of sales charges received by the Distributor in connection with the subscription offerings of each Fund, all of which was paid to Merrill Lynch as selected dealer.

<TABLE>
<CAPTION>

	CLASS A			CLASS B*	
	NUMBER OF SHARES ISSUED	NET PROCEEDS TO FUND	SALES CHARGES	NUMBER OF SHARES ISSUED	NET PROCEEDS TO FUND
<S>	<C>	<C>	<C>	<C>	<C>
Arizona Fund...........	162,043	$1,620,430	$11,793	350,307	$ 3,503,070
California Fund.........	283,614	$2,836,140	$18,213	774,739	$ 7,747,390
Florida Fund...........	946,744	$9,467,440	$50,879	1,366,642	$13,666,420
Massachusetts Fund......	238,858	$2,388,580	$13,330	611,474	$ 6,114,740
Michigan Fund..........	231,349	$2,313,490	$17,462	213,316	$ 2,133,160
New Jersey Fund.........	65,906	$ 659,060	$ 5,007	603,447	$ 6,034,470
New York Fund..........	273,822	$2,738,220	$11,506	798,422	$ 7,984,220
Pennsylvania Fund.......	44,042	$ 440,420	$ 3,708	784,259	$ 7,842,590

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* A sales charge is not imposed at the time of purchase on Class B shares. See "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares"--page 26.

Each Fund issues two classes of shares: Class A shares are sold to investors choosing the initial sales charge alternative and Class B shares are sold to investors choosing the deferred sales charge alternative. Each class of shares represents an interest in the same portfolio of investments of the respective Fund, has the same rights and is identical to the other class in all respects, except that Class B shares of a Fund bear the expenses of the deferred sales arrangements, any expenses (including incremental transfer agency costs) resulting from such sales arrangements and the expenses paid by the account maintenance fee of that Fund and have exclusive voting rights with respect to the Rule 12b-1 distribution plan pursuant to which the account maintenance and distribution fees of that Fund are paid. The two classes also have different exchange privileges. See "Shareholder Services-- Exchange Privilege". The net income attributable to Class B shares of a Fund and the dividends payable on Class B shares of that Fund will be reduced by the amount of the account maintenance and distribution fees and incremental transfer agency costs relating to Class B shares of that Fund; accordingly, the net asset value of the Class B shares of that Fund will be reduced by such amount to the extent the Fund has undistributed net income. Sales personnel may receive different compensation for selling Class A shares or Class B shares. Investors are advised that only Class A shares may be available for purchase through securities dealers, other than Merrill Lynch, that are eligible to sell shares.

ALTERNATIVE SALES ARRANGEMENTS

The alternative sales arrangements of each Fund permit investors to choose the method of purchasing shares that is most beneficial given the amount of their purchase, the length of time the investor expects to hold his or her shares and other relevant circumstances. AN INVESTOR SHOULD DETERMINE WHETHER UNDER HIS OR HER PARTICULAR CIRCUMSTANCES IT IS MORE ADVANTAGEOUS TO INCUR AN INITIAL SALES CHARGE AND NOT BE SUBJECT TO ONGOING CHARGES, AS DISCUSSED BELOW, OR TO HAVE THE ENTIRE INITIAL PURCHASE PRICE INVESTED IN A FUND WITH THE INVESTMENT THEREAFTER BEING SUBJECT TO ONGOING CHARGES.

As an illustration, investors who qualify for significantly reduced sales charges, as described below, might elect the initial sales charge alternative because similar sales charge reductions are not available for purchases under the deferred sales charge alternative. Moreover, shares acquired under the initial sales charge alternative would not be subject to ongoing account maintenance and distribution fees as described below. However, because initial sales charges are deducted at the time of purchase, such investors would not have all of their funds invested initially.

Investors not qualifying for reduced initial sales charges who expect to maintain their investment for an extended period of time also might elect the initial sales charge alternative because over time the accumulated continuing account maintenance and distribution fees may exceed the initial sales charge. Again, however, such investors must weigh this consideration against the fact that not all of their funds will be invested initially. Furthermore, the ongoing account maintenance fees and distribution fees will be offset to the extent that any return is realized on the additional funds initially invested under the deferred alternative. Another factor that may be applicable under certain circumstances is that the payment of the Class B distribution fee and contingent deferred sales charge ("CDSC") for each Fund is subject to certain limits as set forth below under "Deferred Sales Charge Alternative--Class B Shares".

Certain other investors might determine it to be more advantageous to have all of their funds invested initially, although remaining subject to continued account maintenance and distribution fees and, for a one-year period of time, a CDSC as described below. For example, an investor subject to the 1.0% initial sales charge will have to hold his investment at least approximately three years for the 0.15% account maintenance fee and 0.20% distribution fee to exceed the initial sales charge of Class A shares. This example does not

take into account the time value of money which further reduces the impact of the ongoing account maintenance and distribution fees on the investment, fluctuations in the net asset value, the effect of the return on the investment over this period of time or the effect of any limits that may be imposed upon the payment of the distribution fee and the CDSC.

INITIAL SALES CHARGE ALTERNATIVE--CLASS A SHARES

The public offering price of Class A shares of each Fund for purchasers choosing the initial sales charge alternative is the next determined net asset value plus varying sales charges (i.e., sales loads), as set forth below.

<TABLE>
<CAPTION>

AMOUNT OF PURCHASE	SALES CHARGE AS PERCENTAGE* OF OFFERING PRICE	SALES CHARGE AS PERCENTAGE* OF THE NET AMOUNT INVESTED	DISCOUNT TO SELECTED DEALERS AS PERCENTAGE* OF THE OFFERING PRICE
<S>	<C>	<C>	<C>
Less than $100,000........	1.00%	1.01%	.95%
$100,000 but less than $250,000.................	.75	.76	.70
$250,000 but less than			

$500,000................	.50	.50	.45
$500,000 and over**.......	.30	.30	.27

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* Rounded to the nearest one-hundredth percent.

** A purchase of $1 million or more in a single transaction by an investor (other than an employer sponsored retirement or savings plan, such as a tax qualified retirement plan under Section 401 of the Code, a deferred compensation plan under Section 403(b) and Section 457 of the Code, other deferred compensation arrangements, VEBA plans and non-qualified After Tax Savings and Investment programs maintained on the Merrill Lynch Group Employee Services system, herein referred to as "Employer Sponsored Retirement or Savings Plans"), or any purchase by a TMASM Managed Trust, of Class A shares of a Fund may not be subject to an initial sales charge. Purchases for which the initial sales charge is waived will be subject instead to a CDSC of 0.20% of the dollar amount of the purchase if the shares are redeemed within one year after purchase.

Initial sales charges may be waived for shareholders purchasing $1 million or more in a single transaction (other than an employer sponsored retirement or savings plan, such as a tax qualified retirement plan under Section 401 of the Code, a deferred compensation plan under Section 403(b) and Section 457 of the Code, other deferred compensation arrangements, VEBA plans and non-qualified After Tax Savings and Investment programs maintained on the Merrill Lynch Group Employee Services system, herein referred to as "Employer Sponsored Retirement or Savings Plans"), or a purchase by a TMASM Managed Trust, of Class A shares of a Fund. In addition, purchases of Class A shares of the Funds made in connection with a single investment of $1 million or more under the Merrill Lynch Mutual Fund Adviser Program will not be subject to an initial sales charge. Purchases described in this paragraph will be subject to a CDSC of 0.20% if the shares are redeemed within one year after purchase.

The Distributor may reallow discounts to selected dealers and retain the balance over such discounts. At times the Distributor may reallow the entire sales charge to such dealers. Since securities dealers selling Class A shares of a Fund will receive a concession equal to most of the sales charge, they may be deemed to be underwriters under the Securities Act of 1933, as amended.

Reduced Initial Sales Charges. Sales charges are reduced under a Right of Accumulation and a Letter of Intention. Class A shares of each Fund are offered at net asset value to Trustees of the Trust, to directors or trustees of certain other Merrill Lynch-sponsored investment companies, to an investor who has a business

relationship with a financial consultant who joined Merrill Lynch from another investment firm within six months prior to the date of purchase if certain conditions set forth in the Statement of Additional Information are met, and to directors and employees of Merrill Lynch & Co., Inc. and its subsidiaries. Also, Class A shares may be offered at net asset value in connection with the acquisition of assets of other investment companies. No initial sales charges are imposed upon Class A shares issued as a result of the automatic reinvestment of dividends or capital gains distributions. Class A shares are offered to TMASM Managed Trusts to which Merrill Lynch Trust Company provides discretionary trustee services at net asset value plus a reduced sales charge. Class A shares of each Fund are offered at net asset value to certain Employer Sponsored Retirement or Savings Plans, provided such plans meet the required minimum number of eligible employees or required amount of assets advised by the Fund's investment adviser or any of its affiliates. Class A shares of each Fund also are offered at net asset value to shareholders of certain closed-end funds advised by the Manager or MLAM who wish to reinvest the net proceeds from a sale of their closed-end fund shares of common stock in shares of a Fund, provided certain conditions are met. Thus, for example, Class A shares of a Fund are offered at net asset value to shareholders of Merrill Lynch Senior Floating Rate Fund, Inc. (formerly known as Merrill Lynch Prime Fund, Inc.) ("Senior Floating Rate Fund") who wish to reinvest the net proceeds from a sale of certain of their shares of common stock of Senior Floating Rate Fund in shares of that Fund. In order to exercise this investment option, Senior Floating Rate Fund shareholders must sell their Senior Floating Rate Fund shares to Senior Floating Rate Fund in connection with a tender offer conducted by Senior Floating Rate Fund and reinvest the proceeds immediately in that Fund. This investment option is available only with respect to the proceeds of Senior Floating Rate Fund shares as to which no Early Withdrawal Charge (as defined in the Senior Floating Rate Fund prospectus) is applicable. Purchase orders from Senior Floating Rate Fund shareholders wishing to exercise this investment option will be accepted only on the day that the related Senior Floating Rate Fund tender offer terminates and will be effected at the net asset value of that Fund at such day. Class A shares of that Fund may be purchased at net asset value, without a sales charge, by programs associated with professional athletic players' associations which have invested in the aggregate more than $10 million in Merrill Lynch-sponsored investment companies. Additional information concerning these reduced initial charges is set forth in the Statement of Additional Information.

DEFERRED SALES CHARGE ALTERNATIVE--CLASS B SHARES

Investors choosing the deferred sales charge alternative purchase Class B shares at net asset value per share without the imposition of a sales charge at the time of purchase. The Class B shares are being sold without an initial sales charge so that each Fund will receive the full amount of the investor's purchase payment. Merrill Lynch compensates its financial consultants for selling Class B shares at the time of purchase from its own funds. The proceeds of the CDSCs and the ongoing distribution fee of a Fund discussed below are used to defray Merrill Lynch's distribution expenses of that Fund, including compensating its financial consultants. The proceeds from the ongoing account maintenance fee of a Fund are used to compensate Merrill Lynch for providing continuing account maintenance activities in connection with that Fund.

Proceeds from the CDSCs of a Fund are paid to the Distributor and are used in whole or in part by the Distributor to defray the expenses of dealers (including Merrill Lynch) related to providing distribution-related services to that Fund in connection with the sale of its Class B shares, such as the payment of compensation to financial consultants for selling Class B shares of that Fund. Payments by a Fund to the Distributor of the distribution fee under the distribution plan for that Fund described below also may be used in whole or in part by the Distributor for this purpose. The combination of the CDSC and the ongoing

distribution fee facilitates the ability of a Fund to sell its Class B shares without a sales charge being deducted at the time of purchase. Class B shareholders of a Fund who exercise the exchange privilege described under "Shareholder Services--Exchange Privilege" will continue to be subject to that Fund's CDSC schedule, if such schedule is higher than the deferred sales charge schedule relating to the Class B shares acquired as a result of the exchange.

CDSC. Class B shares of a Fund which are redeemed within one year of purchase may be subject to a CDSC at the rates set forth below charged as a percentage of the dollar amount subject thereto. The charge will be assessed on an amount equal to the lesser of the current market value or the cost of the shares being redeemed. Accordingly, no CDSC will be imposed on increases in net asset value above the initial purchase price. In addition, no CDSC will be assessed on shares derived from reinvestment of dividends or capital gains distributions.

The following table sets forth the rates of the CDSC for all Funds:

<TABLE>
<CAPTION>

YEAR SINCE PURCHASE PAYMENT MADE	CDSC AS PERCENTAGE OF DOLLAR AMOUNT SUBJECT TO CHARGE
<S>	<C>
0-1	1.0%
1 and thereafter	None

</TABLE>

In determining whether a CDSC is applicable to a redemption, the calculation will be made in the manner that results in the lowest applicable rate being charged. Therefore, it will be assumed that the redemption is first of shares until such time as the CDSC is no longer applicable or shares acquired pursuant to reinvestment of dividends or distributions and then of shares held longest during the one-year period. The charge will not be applied to dollar amounts representing an increase in the net asset value since the time of purchase. A transfer of shares from a shareholder's account to another account will be assumed to be made in the same order as a redemption.

Distribution Plans. Pursuant to separate distribution plans adopted by the Trust on behalf of each Fund under Rule 12b-1 under the 1940 Act (each a "Distribution Plan"), each Fund pays the Distributor an ongoing account maintenance fee and distribution fee relating to its Class B shares, which are accrued daily and paid monthly, at the annual rates of 0.15% and 0.20%, respectively, of the average daily net assets of the Class B shares of that Fund. Pursuant to sub-agreements with the Distributor, Merrill Lynch also provides account maintenance and distribution services to each Fund. The ongoing account maintenance fee charged by each Fund compensates the Distributor and Merrill Lynch for providing account maintenance services to Class B shareholders of that Fund.The ongoing distribution fee charged by each Fund compensates the Distributor and Merrill Lynch for providing distribution services and bearing certain distribution-related expenses of that Fund, including payments to financial consultants for selling Class B shares of that Fund.

Each Distribution Plan is designed to permit an investor to purchase Class B shares of a Fund through dealers without the assessment of a front-end sales charge and at the same time permit the dealer to compensate its financial consultants in connection with the sale of such Class B shares. In this regard, the purpose and function of the ongoing distribution fee under a Fund's Distribution Plan and the CDSC are the same as those of the initial sales charge with respect to the Class A shares of the Fund in that the deferred sales charges provide for the financing of the distribution of that Fund's Class B shares.

The payments under each Distribution Plan are based on a percentage of average daily net assets of Class B shares of the related Fund regardless of the amount of expenses incurred, and, accordingly, distribution-related revenues may be more or less than distribution-related expenses. Information with respect to the distribution-related revenues and expenses of each Fund is presented to the Trustees for their consideration in connection with their deliberations as to the continuance of each Distribution Plan. This information is presented separately for each Fund and annually as of December 31 of each year on a "fully allocated accrual" basis and quarterly on a "direct expense and revenue/cash" basis. On the fully allocated accrual basis, a Fund's revenues consist of the account maintenance fees, distribution fees, the CDSCs and certain other related revenues of that Fund, and expenses consist of financial consultant compensation, branch office and regional operation center selling and transaction processing expenses, advertising, sales promotion and market expenses, corporate overhead and interest expense of that Fund. On the direct expense and revenue/cash basis, revenues consist of the account maintenance fees, distribution fees and CDSCs of that Fund, and the expenses consist of financial consultant compensation of that Fund.

The Trust has no obligation with respect to distribution-related expenses incurred by the Distributor and Merrill Lynch, respectively, in connection with the Class B shares of any Fund, and there is no assurance that the Trustees of the Trust will approve the continuance of any Distribution Plan from year to year. However, the Distributor intends to seek annual continuation of all of the Distribution Plans. In their review of each Fund's Distribution Plan, the Trustees will not be asked to take into consideration expenses incurred in connection with the distribution of Class A shares of that Fund, of Class A or Class B shares of any other Fund or of shares of other funds for which the Distributor acts as distributor. The account maintenance fee, the distribution fee and the CDSC in the case of Class B shares of a Fund will not be used to subsidize the sale of Class A shares of that Fund.

Limitations on the Payment of Deferred Sales Charges. The maximum sales charge rule in the Rules of Fair Practice of the National Association of Securities Dealers, Inc. imposes a limitation on certain asset-based sales charges such as each Fund's distribution fee and the CDSC, but not the account maintenance fee. As applicable to each Fund, the maximum sales charge rule limits the aggregate of distribution fee payments and CDSCs payable by each Fund to (1) 6.25% of eligible gross sales of Class B shares of that Fund (defined to exclude shares issued pursuant to dividend reinvestments and exchanges) plus (2) interest on the unpaid balance at the prime rate plus 1% (the unpaid balance being the maximum amount payable minus amounts received from the payment of the distribution fee and the CDSC of that Fund). The Distributor has voluntarily agreed to waive interest charges on the unpaid balance in excess of 0.50% of eligible gross sales. Consequently, the maximum amount payable to the Distributor in connection with each Fund (referred to as the "voluntary maximum") is 6.75% of eligible gross sales of that Fund. The Distributor retains the right to stop waiving the interest charges at any time. To the extent a Fund's payments would exceed the voluntary maximum, such Fund will not make further payments of the distribution fee and any CDSCs will be paid to the Fund rather than to the Distributor; however, such Fund will continue to make payments of the account maintenance fee. In certain circumstances the amount payable pursuant to the voluntary maximum may exceed the amount payable under the NASD formula. In such circumstances payments in excess of the amount payable under the NASD formula will not be made.

The following table sets forth comparative information as of March 31, 1994, with respect to the Class B shares of each of the Funds indicating the maximum allowable payments that can be made under the NASD

maximum sales charge rule and the Distributor's voluntary maximum for the fiscal period ended March 31, 1994.
<TABLE>
<CAPTION>

DATA CALCULATED AS OF MARCH 31, 1994

(IN THOUSANDS)

	ELIGIBLE GROSS SALES(1)	ALLOWABLE AGGREGATE SALES CHARGES	ALLOWABLE INTEREST ON UNPAID BALANCE(2)	MAXIMUM AMOUNT PAYABLE	AMOUNTS PREVIOUSLY PAID TO DISTRIBUTOR(3)	AGGREGATE UNPAID BALANCE	ANNUAL DISTRIBUTION FEE AT CURRENT NET ASSET LEVEL(4)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Arizona Fund							
Under NASD Rule as Adopted..............	$ 4,200	$ 262	$ 6	$ 268	$ 4	$ 264	$ 9
Under Distributor's Voluntary Waiver......	$ 4,200	$ 262	$21	$ 283	$ 4	$ 279	$ 9
California Fund							
Under NASD Rule as Adopted..............	$ 9,840	$ 615	$14	$ 629	$ 9	$ 620	$22
Under Distributor's Voluntary Waiver......	$ 9,840	$ 615	$49	$ 664	$ 9	$ 655	$22
Florida Fund							
Under NASD Rule as Adopted..............	$17,926	$ 1,120	$25	$1,145	$16	$1,129	$36
Under Distributor's Voluntary Waiver......	$17,926	$ 1,120	$90	$1,120	$16	$1,194	$36
Massachusetts Fund							
Under NASD Rule as Adopted..............	$ 8,085	$ 505	$11	$ 516	$ 9	$ 507	$17
Under Distributor's Voluntary Waiver......	$ 8,085	$ 505	$40	$ 545	$ 9	$ 537	$17
Michigan Fund							
Under NASD Rule as Adopted..............	$ 2,450	$ 153	$ 4	$ 157	$ 2	$ 155	$ 5
Under Distributor's Voluntary Waiver......	$ 2,450	$ 153	$12	$ 165	$ 2	$ 164	$ 5
New Jersey Fund							
Under NASD Rule as Adopted..............	$ 7,554	$ 472	$10	$ 482	$ 6	$ 476	$15
Under Distributor's Voluntary Waiver......	$ 7,554	$ 472	$38	$ 510	$ 6	$ 504	$15
New York Fund							
Under NASD Rule as Adopted..............	$ 8,791	$ 549	$13	$ 562	$11	$ 551	$18
Under Distributor's Voluntary Waiver......	$ 8,791	$ 549	$44	$ 593	$11	$ 582	$18
Pennsylvania Fund							
Under NASD Rule as Adopted..............	$ 8,754	$ 547	$13	$ 560	$ 7	$ 553	$20
Under Distributor's Voluntary Waiver......	$ 8,754	$ 547	$44	$ 591	$ 7	$ 584	$20

</TABLE>

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(1) Purchase price of all eligible Class B shares sold since November 26, 1993 (commencement of operations) other than shares acquired through dividend reinvestment and the exchange privilege.

(2) Interest is computed on a monthly basis based upon the prime rate, as reported in The Wall Street Journal, plus 1.0%, as permitted under the NASD Rule.

(3) Consists of CDSC payments, distribution fee payments and accruals.

(4) Provided to illustrate the extent to which the current level of distribution fee payments (not including any CDSC payments) is amortizing the unpaid balance. No assurance can be given that payments of the distribution fee will reach either the voluntary maximum or the NASD maximum.

REDEMPTION OF SHARES

The Trust is required to redeem for cash all full and fractional shares of the Funds upon receipt of a written request in proper form. The redemption price is the net asset value per share next determined after the initial receipt of proper notice of redemption. Except for any CDSC which may be applicable to Class B shares of a Fund, there will be no charge for redemption if the redemption request is sent directly to the Transfer Agent. Shareholders liquidating their holdings will receive upon redemption all dividends reinvested through the date of redemption. The value of shares at the time of redemption may be more or less than the shareholder's cost, depending on the market value of the securities held by a Fund at such time.

REDEMPTION

A shareholder wishing to redeem shares of a Fund may do so by tendering the shares directly to the Transfer Agent, Financial Data Services, Inc., Transfer Agency Mutual Fund Operations, P.O. Box 45289, Jacksonville, Florida 32232-5289. Redemption requests delivered other than by mail should be delivered to Financial Data Services, Inc., Transfer Agency Mutual Fund Operations, 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484. Proper notice of redemption in the case of shares deposited with the Transfer Agent may be accomplished by a written letter requesting redemption. Proper notice of redemption in the case of shares of a Fund for which certificates have been issued may be accomplished by a written letter as noted above accompanied by certificates for the shares to be redeemed. Redemption requests should not be sent to the Trust or any Fund. The notice in either event requires the signature(s) of all persons in whose name(s) the shares are registered, signed exactly as such name(s) appear(s) on the Transfer Agent's register. The signature(s) on the redemption request must be guaranteed by an "eligible guarantor institution" as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, the existence and validity of which may be verified by the Transfer Agent through the use of industry publications. Notarized signatures are not sufficient. In certain instances, the Transfer Agent may require additional documents such as, but not limited to, trust instruments, death certificates, appointments as executor or administrator, or certificates of corporate authority. For shareholders redeeming directly with the Transfer Agent, payments will be mailed within seven days of receipt of a proper notice of redemption.

At various times the Trust may be requested to redeem shares of a Fund for which it has not yet received good payment (e.g., cash, Federal funds or certified check drawn on a United States bank). The Trust may delay or cause to be delayed the mailing of a redemption check until such time as it has assured itself that good payment has been collected for the purchase of such Fund shares, which may take up to 10 days.

REPURCHASE

The Trust also will repurchase shares of a Fund through a shareholder's listed securities dealer. The Trust normally will accept orders to repurchase Fund shares by wire or telephone from dealers for their customers at the net asset value next computed after receipt of the order by the dealer, provided that the request for repurchase is received by the dealer prior to the close of business on the New York Stock Exchange on the day received and is received by a Fund from such dealer not later than 4:30 P.M., New York time, on the same day.

Dealers have the responsibility of submitting such repurchase requests to the Trust not later than 4:30 P.M., New York time, in order to obtain that day's closing price. The repurchase arrangements are for the convenience of shareholders and do not involve a charge by the Trust (other than the applicable CDSC in the case of Class B shares); securities firms which do not have selected dealer agreements with the Distributor, however, may impose a charge on the shareholder for transmitting the notice of repurchase to the Trust. Merrill Lynch may charge its customers a processing fee (presently $4.85) to confirm a repurchase of shares

of such customers. Redemptions directly through a Fund's Transfer Agent are not subject to the processing fee. The Trust reserves the right to reject any order for repurchase, which right of rejection might adversely affect shareholders seeking redemption through the repurchase procedure. However, a shareholder whose order for repurchase is rejected by the Trust may redeem Fund shares as set forth above.

REINSTATEMENT PRIVILEGE--CLASS A SHARES

Shareholders who have redeemed their Class A shares of a Fund have a one-time privilege to reinstate their accounts by purchasing Class A shares of that Fund at net asset value without a sales charge up to the dollar amount redeemed. The reinstatement privilege may be exercised by sending a notice of exercise along with a check for the amount to be reinstated to the Transfer Agent within 30 days after the date the request for redemption was accepted by the Transfer Agent or the Distributor. The reinstatement will be made at the net asset value per share next determined after the notice of reinstatement is received and cannot exceed the amount of the redemption proceeds. The reinstatement is a one-time privilege and may be exercised by the Class A shareholder only the first time such shareholder makes a redemption.

SHAREHOLDER SERVICES

The Trust offers a number of shareholder services and investment plans designed to facilitate investment in shares of the Funds. Full details as to each of such services and instructions as to how to participate in the various services or plans, or to change options with respect thereto can be obtained from the Trust by calling the telephone number on the cover page hereof or from the Distributor or Merrill Lynch. Included in such services are the following:

Investment Account. Each shareholder whose account (an "Investment Account") is maintained at the Transfer Agent has an Investment Account and will receive quarterly statements from the Transfer Agent. These quarterly statements will serve as transaction confirmations for automatic investment purchases and the reinvestment of income dividends, and long-term capital gain distributions. The quarterly statements will also show any other activity in the account since the preceding statement. Shareholders will receive separate transaction confirmations for each purchase or sale transaction other than automatic investment purchases and the reinvestment of income dividends, and long-term capital gain distributions. A shareholder may make additions to his or her Investment Account at any time by mailing a check directly to the Transfer Agent. Shareholders also may maintain their accounts through Merrill Lynch. Upon the transfer of shares out of a Merrill Lynch brokerage account, an Investment Account in the transferring shareholder's name may be opened at the Transfer Agent. Shareholders considering transferring their Class A shares of a Fund from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the Class A shares are to be transferred will not take delivery of shares of the Fund, a shareholder either must redeem the Class A shares so that the cash proceeds can be transferred to the account at the new firm or such shareholder must continue to maintain an Investment Account at the Transfer Agent for those Class A shares. Shareholders interested in transferring their Class B shares of a Fund from Merrill Lynch and who do not wish to have an Investment Account maintained for such shares at the Transfer Agent may request their new brokerage firm to maintain such shares in an account registered in the name of the brokerage firm for the benefit of the shareholder. If the new brokerage firm is willing to accommodate the shareholder in this manner, the shareholder must request that he or she be issued certificates for his or her shares and then must turn the certificates over to the new firm for re-registration as described in the preceding sentence.

Exchange Privilege. Shareholders of the Funds have an exchange privilege with certain other mutual funds sponsored by Merrill Lynch. There is currently no limitation on the number of times a shareholder may exercise the exchange privilege. The exchange privilege may be modified or terminated in accordance with the rules of the Securities and Exchange Commission (the "Commission"). Class A shareholders of a Fund may exchange their shares ("outstanding Class A shares") for Class A shares of another fund ("new Class A shares") on the basis of relative net asset value per Class A share, plus an amount equal to the difference, if any, between the sales charge previously paid on the outstanding Class A shares and the sales charge payable at the time of the exchange on the new Class A shares. However, a Fund's exchange privilege is modified with respect to purchases of Class A shares under the Merrill Lynch Mutual Fund Adviser Program. First, the initial allocation of assets is made under the program. Then, any subsequent exchange under the program of Class A shares of another fund for Class A shares of a Fund will be made solely on the basis of the relative net asset values of the shares being exchanged. Therefore, there will not be a charge for any difference between the sales charge previously paid on the shares of the other fund and the sales charge payable on the shares of a Fund being acquired in the exchange under this program.

Class B shareholders of a Fund may exchange their shares ("outstanding Class B shares") for Class B shares of another fund ("new Class B shares") on the basis of relative net asset value per share, without the payment of any CDSC that otherwise might be due upon the redemption of the outstanding Class B shares. Class B shareholders of a Fund exercising the exchange privilege will continue to be subject to that Fund's CDSC schedule if such schedule is higher than the deferred sales charge schedule relating to the new Class B shares. In addition, Class B shares of a Fund acquired through use of the exchange privilege will be subject to that Fund's CDSC schedule if such schedule is higher than the deferred sales charge schedule relating to the Class B shares of the fund from which the exchange has been made. For purposes of computing the CDSC that may be payable upon a disposition of the new Class B shares, the holding period for the outstanding Class B shares is "tacked" to the holding period of the new Class B shares. Class A shareholders and Class B shareholders of the Funds also may exchange their shares for shares of certain money market funds, but in the case of an exchange from Class B shares the period of time that shares are held in a money market fund will not count toward satisfaction of the holding period requirement for purposes of reducing the CDSC. Exercise of the exchange privilege is treated as a sale for Federal income tax purposes. The exchange privilege is available only in states where the exchange legally may be made. For further information, see "Shareholder Services--Exchange Privilege" in the Statement of Additional Information.

Automatic Reinvestment of Dividends and Capital Gains Distributions. All dividends and capital gains distributions are reinvested automatically in full and fractional shares of a Fund, without a sales charge, at the net asset value per share of that Fund at the close of business on the monthly payment date for such dividends and distributions. A shareholder, at any time, by written notification or by telephone (1-800-MER-FUND) to the Transfer Agent, may elect to have subsequent dividends or both dividends and capital gains distributions paid in cash, rather than reinvested, in which event payment will be mailed monthly. No deferred sales charge will be imposed upon redemption of shares issued as a result of the automatic reinvestment of dividends or capital gains distributions.

Systematic Withdrawal and Automatic Investment Plans. A Class A shareholder of a Fund may elect to receive systematic withdrawal payments from his or her Investment Account through automatic payment by check or through automatic payment by direct deposit to his or her bank account on either a monthly or quarterly basis. A Class A shareholder whose shares are held within a CMA(R), CBA(R) or Retirement Account may elect to have shares redeemed on a monthly, bimonthly, quarterly, semiannual or annual basis through the Systematic Redemption Program, subject to certain conditions. Regular additions of both Class A shares

and Class B shares may be made to an investor's Investment Account by prearranged charges of $50 or more to his or her regular bank account. A Fund's Automatic Investment Program is not available to shareholders whose shares are held in a brokerage account with Merrill Lynch. Alternatively, an investor who maintains a CMA(R) account may arrange to have periodic investments made in a Fund in that CMA(R) account or in certain related accounts in amounts of $100 or more through the CMA(R) Automatic Investment Program.

PORTFOLIO TRANSACTIONS

Subject to the policies established by the Trustees or the Trust, the Manager is primarily responsible for the execution of the Fund's portfolio transactions. Municipal Bonds and other securities in which the Funds invest are traded primarily in the over-the-counter market. Where possible, the Trust deals directly with the dealers who make a market in the securities involved except in those circumstances where better prices and execution are available elsewhere. It is the policy of the Trust to obtain the best net results in conducting portfolio transactions for the Funds, taking into account such factors as price (including the applicable dealer spread), the size, type and difficulty of the transactions involved, the firm's general execution and operations facilities, and the firm's risk in positioning the securities involved and the provision of supplemental investment research by the firm. While reasonably competitive spreads or commissions are sought, the Funds will not necessarily be paying the lowest spread or commission available. The sale of shares of the Funds may be taken into consideration as a factor in the selection of brokers or dealers to execute portfolio transactions for the Funds. The portfolio securities of the Funds generally are traded on a principal basis and normally do not involve either brokerage commissions or transfer taxes. The cost of portfolio securities transactions of the Funds primarily consists of dealer or underwriter spreads. Under the 1940 Act, persons affiliated with the Trust, including Merrill Lynch, are prohibited from dealing with the Trust or any Fund as principals in the purchase and sale of securities unless such trading is permitted by an exemptive order issued by the Commission. The Trust has obtained an exemptive order permitting it and each Fund to engage in certain principal transactions with Merrill Lynch involving high quality short-term municipal securities, subject to certain conditions. In addition, the Trust may not purchase securities, including Municipal Bonds, for the Funds during the existence of any underwriting syndicate of which Merrill Lynch is a member except pursuant to procedures approved by the Trustees of the Trust which comply with rules adopted by the Commission. An affiliated person of the Trust may serve as its broker in over-the-counter transactions conducted for the Funds on an agency basis only.

DISTRIBUTIONS AND TAXES

DISTRIBUTIONS

The net investment income of each Fund is declared as dividends following the normal close of trading on the New York Stock Exchange (currently 4:00 P.M.) prior to the determination of the net asset value on that day. The net investment income of each Fund for dividend purposes consists of interest earned on portfolio securities, less expenses, in each case computed since the most recent determination of the net asset value. Expenses of each Fund, including the management fees and Class B account maintenance fees and distribution fees of that Fund, are accrued daily. Dividends of net investment income of a Fund are declared daily and reinvested monthly in the form of additional full and fractional shares of that Fund at net asset value unless the shareholder elects to receive such dividends in cash. Shares will accrue dividends as long as they are issued and outstanding. Shares are issued and outstanding from the settlement date of a purchase order to the day prior to the settlement date of a redemption order.

All net realized long- or short-term capital gains of a Fund, if any, are declared and distributed to that Fund's shareholders at least annually. Capital gains distributions will be reinvested automatically in shares of a Fund unless the shareholder elects to receive such distributions in cash.

The per share dividends and distributions on Class B shares of a Fund will be lower than per share dividends and distributions on Class A shares of that Fund as a result of the account maintenance, distribution and transfer agency fees applicable with respect to the Class B shares. See "Additional Information--Determination of Net Asset Value".

See "Shareholder Services" for information as to how to elect either dividend reinvestment or cash payments. Portions of dividends and distributions which are taxable to shareholders as described below are subject to income tax whether they are reinvested in shares of a Fund or received in cash.

TAXES

Federal. The Trust intends to continue to qualify each Fund for the special tax treatment afforded regulated investment companies ("RICs") under the Internal Revenue Code of 1986, as amended (the "Code"). If a Fund so qualifies, in any taxable year in which it distributes at least 90% of its taxable net income and 90% of its tax-exempt net income, the Fund (but not its shareholders) will not be subject to Federal income tax to the extent that it distributes its net investment income and net realized capital gains. The Trust intends to cause each Fund to distribute substantially all of such income.

To the extent that the dividends distributed to Fund shareholders are derived from interest income exempt from Federal tax and are properly designated as "exempt-interest dividends" by the Trust, they will be excludable from a shareholder's gross income for Federal income tax purposes. Exempt-interest dividends are included, however, in determining the portion, if any, of a person's social security and railroad retirement benefits subject to Federal income taxes. Persons who may be "substantial users" (or "related persons" of substantial users) of facilities financed by industrial development bonds or private activity bonds held by a Fund should consult their tax advisers before purchasing Fund shares. The Trust will inform shareholders annually as to the portion of each Fund's distributions which constitutes exempt-interest dividends and which is exempt from Federal income tax. Interest on indebtedness incurred or continued to purchase or carry Fund shares is not deductible for Federal income tax purposes to the extent attributable to exempt-interest dividends.

To the extent that a Fund's distributions are derived from interest on its taxable investments or from an excess of net short-term capital gains over net long-term capital losses ("ordinary income dividends"), such distributions are considered ordinary income for Federal income tax purposes. Such distributions are not eligible for the dividends received deduction for corporations. Distributions, if any, of net long-term capital gains from the sale of securities or from certain transactions in futures or options ("capital gain dividends") are taxable at long-term capital gains rates for Federal income tax purposes, regardless of the length of time the shareholder has owned Fund shares. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gains to such holder (assuming the shares are held as a capital asset). Under the Revenue Reconciliation Act of 1993, all or a portion of each Fund's gain from the sale or redemption of tax-exempt obligations purchased at a market discount will be treated as ordinary income rather than capital gain. This rule may increase the amount of ordinary income dividends received by shareholders. Any loss upon the sale or exchange of shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received by the shareholder. In addition, such loss will be disallowed to the extent of

any exempt-interest dividends received by the shareholder. If a Fund pays a dividend in January which was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by its shareholders on December 31 of the year in which such dividend was declared.

The Code subjects interest received on certain otherwise tax-exempt securities to an alternative minimum tax. The alternative minimum tax applies to interest received on "private activity bonds" issued after August 7, 1986. Private activity bonds are bonds which, although tax-exempt, are used for purposes other than those generally performed by governmental units and which benefit non-governmental entities (e.g., bonds used for industrial development or housing purposes). Income received on such bonds is classified as an item of "tax preference", which could subject investors in such bonds, including shareholders of a Fund, to an alternative minimum tax. Each Fund will purchase such "private activity bonds" and the Trust will report to shareholders within 60 days after each Fund's taxable year-end the portion of its dividends declared during the year which constitutes an item of tax preference for alternative minimum tax purposes. The Code further provides that corporations are subject to an alternative minimum tax based, in part, on certain differences between taxable income as adjusted for other tax preferences and the corporation's "adjusted current earnings" which more closely reflect a corporation's economic income. Because an exempt-interest dividend paid by a Fund will be included in adjusted current earnings, a corporate shareholder may be required to pay alternative minimum tax on exempt-interest dividends paid by such Fund.

The Revenue Reconciliation Act of 1993 has added new marginal tax brackets of 36% and 39.6% for individuals and has created a graduated structure of 26% and 28% for the alternative minimum tax applicable to individual taxpayers. These rate increases may affect an individual investor's after-tax return from an investment in one of the Funds in this Prospectus as compared with such investor's return from taxable investments.

Under certain Code provisions some shareholders may be subject to a 31% withholding tax on certain ordinary income dividends and on capital gain dividends and redemption payments ("backup withholding"). Generally, shareholders subject to backup withholding will be those for whom no certified taxpayer identification number is on file with the Trust or who, to the Trust's knowledge, have furnished an incorrect number. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such investor is not otherwise subject to backup withholding.

The Code provides that every person required to file a tax return must include for information purposes on such return the amount of exempt-interest dividends received from all sources (including each Fund), during the taxable year.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative or administrative action either prospectively or retroactively.

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

State. The State Municipal Bonds in which each Fund will invest consist of obligations with remaining maturities of between one and ten years which are issued by or on behalf of the designated state or its political subdivisions, agencies or instrumentalities, and obligations of other qualifying issuers, such as issuers located

in Puerto Rico, the Virgin Islands and Guam. State Municipal Bonds pay interest which is exempt, in the opinion of bond counsel to the issuer, from Federal income taxes, personal income taxes in the designated state and, in certain instances, franchise and local personal income taxes. In certain states, State Municipal Bonds are exempt from intangible personal property taxes in the designated state.

Exempt-interest dividends paid by a Fund and attributable to interest income from State Municipal Bonds of a designated state generally will be exempt from income taxation to shareholders otherwise subject to personal income taxation by such designated state. Shareholders subject to income taxation by states other than the Fund's designated state will realize a lower after-tax rate of return than shareholders in that state since the dividends distributed by a Fund generally will not be exempt, to any significant degree, from income taxation by any state other than that Fund's designated state. The Trust will inform shareholders annually as to the portion of a Fund's distributions which constitutes exempt-interest dividends and the portion which is not subject to state and, if applicable, city income or franchise taxes. Interest on indebtedness incurred or continued to purchase or carry Fund shares generally will not be deductible for state personal income tax purposes to the extent attributable to interest income exempt from personal income taxation by the designated state.

The foregoing description relates generally to state personal income tax issues; investors should consult with their tax advisers with respect to such taxes and any state or local personal income taxes not described above as well as to the availability of any exemptions from state or local personal income taxes. Additional considerations relating to income taxation in the various states is set forth under "Distributions and Taxes" in the Statement of Additional Information.

PERFORMANCE DATA

From time to time each Fund may include its average annual total return, yield and tax equivalent yield for various specified time periods in advertisements or information furnished to present or prospective shareholders. Average annual total return, yield and tax equivalent yield are computed in accordance with formulas specified by the Commission.

Average annual total return quotations for the specified periods will be computed by finding the average annual compounded rates of return (based on net investment income and any realized and unrealized capital gains or losses on portfolio investments over such periods) that would equate the initial amount invested to the redeemable value of such investment at the end of each period. Average annual total return is computed assuming all dividends and distributions are reinvested and taking into account all applicable recurring and nonrecurring expenses, including the maximum sales charge in the case of Class A shares of a Fund and the CDSC that would be applicable to a complete redemption of the investment at the end of the specified period in the case of Class B shares of that Fund. Dividends paid by each Fund with respect to its Class A shares and Class B shares, to the extent any dividends are paid, will be calculated in the same manner at the same time on the same day and will be in the same amount, except that account maintenance charges and distribution charges and any incremental transfer agency costs relating to Class B shares will be borne exclusively by that Class. Each Fund will include performance data for both Class A shares and Class B shares of that Fund in any advertisement or information including performance data of that Fund.

The Funds also may quote total return and aggregate total return performance data for various specified time periods. Such data will be calculated substantially as described above, except that (1) the rates of return

calculated will not be average annual rates, but rather, actual annual, annualized or aggregate rates of return and (2) the maximum applicable sales charges will not be included with respect to annual or annualized rates of return calculations. Aside from the impact on the performance data calculations of including or excluding the maximum applicable sales charges, actual annual or annualized total return data generally will be lower than average annual total return data since the average annual rates of return reflect compounding and aggregate total return data generally will be higher than average annual total return data since the aggregate rates of return reflect compounding over a longer period of time. In advertisements distributed to investors whose purchases are subject to reduced sales charges in the case of Class A shares or waiver of the CDSC in the case of Class B shares (such as investors in certain retirement plans), the performance data may take into account the reduced, and not the maximum, sales charge or may not take into account the CDSC and therefore may reflect greater total return since, due to the reduced sales charges or waiver of the CDSC, a lower amount of expenses is deducted. See "Purchase of Shares". A Fund's total return may be expressed either as a percentage or as a dollar amount in order to illustrate such total return on a hypothetical $1,000 investment in the Fund at the beginning of each specified period.

Yield quotations will be computed based on a 30-day period by dividing (a) the net income based on the yield of each security earned during the period by (b) the average daily number of shares outstanding during the period that were entitled to receive dividends multiplied by the maximum offering price per share on the last day of the period. Tax equivalent yield quotations will be computed by dividing (a) the part of the Fund's yield that is tax-exempt by (b) one minus a stated tax rate and (c) adding the result to that part, if any, of the Fund's yield that is not tax-exempt.

The following sets forth the yield for the Class A shares and Class B shares of each of the Funds for the 30-day period ended February 28, 1994. The table also sets forth the tax-equivalent yield (based on a Federal income tax rate of 28%) for the Class A shares and Class B shares of each of the Funds for the same period.

<TABLE>
<CAPTION>

	CLASS A		CLASS B	
	30-DAY YIELD	TAX-EQUIVALENT YIELD	30-DAY YIELD	TAX-EQUIVALENT YIELD
<S>	<C>	<C>	<C>	<C>
Arizona Fund..................	2.89%	4.01%	2.57%	3.57%
California Fund...............	3.14%	4.36%	3.50%	4.86%
Florida Fund..................	3.32%	4.61%	3.01%	4.18%
Massachusetts Fund............	3.66%	5.08%	3.35%	4.65%
Michigan Fund.................	3.30%	4.58%	2.97%	4.13%
New Jersey Fund...............	3.17%	4.40%	2.87%	3.99%
New York Fund.................	3.22%	4.47%	2.90%	4.03%

Pennsylvania Fund............	2.94%	4.08%	2.62%	3.64%

</TABLE>

Total return, yield and tax-equivalent yield figures are based on a Fund's historical performance and are not intended to indicate future performance. A Fund's total return and yield will vary depending on market conditions, the securities comprising the Fund's portfolio, the Fund's operating expenses and the amount of realized and unrealized net capital gain or losses during the period. The value of an investment in a Fund will fluctuate and an investor's shares, when redeemed, may be worth more or less than their original cost. Investors' tax-equivalent yields may differ from those listed above because of the application of state and local income and intangibles taxes and Federal income tax rates which are higher or lower than 28%.

On occasion, a Fund may compare its performance to performance data published by Lipper Analytical Services, Inc., Morningstar Publications, Inc. ("Morningstar") and CDA Investment Technology, Inc., or to data contained in publications such as Money Magazine, U.S. News & World Report, Business Week, Forbes Magazine and Fortune Magazine. From time to time, a Fund may include its Morningstar risk-adjusted performance ratings in advertisements or supplemental sales literature. As with other performance data, performance comparisons should not be considered representative of a Fund's relative performance for any future period.

ADDITIONAL INFORMATION

DETERMINATION OF NET ASSET VALUE

The net asset value of each Fund is determined by the Manager once daily as of 4:15 P.M., New York time, on each day during which the New York Stock Exchange is open for trading. The net asset value per share is computed by dividing the sum of the value of the securities held by a Fund plus any cash or other assets minus all liabilities by the total number of shares outstanding at such time, rounded to the nearest cent. Expenses, including the fees payable to the Manager and the Distributor, are accrued daily.

The net asset value per share of the Class A shares of a Fund and the net asset value per share of the Class B shares of that Fund are expected to be equivalent. Under certain circumstances, however, the per share net asset value of the Class B shares of a Fund may be lower than the per share net asset value of the Class A shares of that Fund, reflecting the daily expense accruals of the account maintenance and distribution fees (and incremental transfer agency costs) applicable with respect to the Class B shares. Even under those circumstances, the per share net asset value of the two classes eventually will tend to converge immediately after the payment of dividends, which will differ by approximately the amount of the expense accrual differential between the classes.

ORGANIZATION OF THE TRUST

The Trust is an unincorporated business trust organized on February 14, 1991 under the laws of Massachusetts. The Trust is an open-end management investment company comprised of separate series ("Series"), each of which is a separate portfolio offering shares to selected groups of purchasers. Each of the Series is managed independently in order to provide to shareholders who are residents of the state to which such Series relates as high a level of income exempt from Federal and applicable state and local personal income taxes as is consistent with prudent investment management. The Trustees are authorized to create an unlimited number of Series and, with respect to each Series, to issue an unlimited number of full and fractional shares of beneficial interest of $.10 par value of different classes. Shareholder approval is not required for the authorization of additional Series or classes of a Series of the Trust. At the date of this Prospectus, the shares of each Fund are divided into Class A shares and Class B shares. Both Class A shares and Class B shares represent an interest in the same assets of a Fund and have identical voting, dividend, liquidation and other rights and the same terms and conditions except that expenses related to the account maintenance and distribution of the Class B shares are borne solely by such class and Class B shares have exclusive voting rights with respect to matters relating to such expenditures. See "Purchase of Shares". The Trust has received an order from the Commission permitting the issuance and sale of two classes of shares, and the issuance and sale of any additional classes by any Series will require an additional order from the Commission. There is no assurance that such an additional order will be granted.

Shareholders are entitled to one vote for each full share and to fractional votes for fractional shares held in the election of Trustees (to the extent hereinafter provided) and on other matters submitted to the vote of shareholders. All shares of the Trust have equal voting rights, except that only shares of the respective Series are entitled to vote on matters concerning only that Series and, as noted above, only Class B shares of a Series will have exclusive voting rights with respect to matters relating to the account maintenance and distribution expenses being borne solely by such class. There normally will be no meeting of shareholders for the purpose of electing Trustees unless and until such time as less than a majority of the Trustees holding office have been elected by shareholders, at which time the Trustees then in office will call a shareholders' meeting for the election of Trustees. Shareholders, in accordance with the terms of the Declaration of Trust, may cause a meeting of shareholders to be held for the purpose of voting on the removal of Trustees. Also, the Trust will be required to call a special meeting of shareholders of a Series in accordance with the requirements of the 1940 Act to seek approval of new management and advisory arrangements, of a material increase in distribution fees or of a change in the fundamental policies, objectives or restrictions of a Series. Except as set forth above, the Trustees shall continue to hold office and appoint successor Trustees. Each issued and outstanding share is entitled to participate equally in dividends and distributions declared by the respective Series and in net assets of such Series upon liquidation or dissolution remaining after satisfaction of outstanding liabilities except that, as noted above, expenses related to the distribution of the Class B shares of a Series will be borne solely by such class. The obligations and liabilities of a particular Series are restricted to the assets of that Series and do not extend to the assets of the Trust generally. The shares of each Series, when issued, will be fully-paid and non-assessable by the Trust.

SHAREHOLDER REPORTS

Only one copy of each shareholder report and certain shareholder communications will be mailed to each identified shareholder regardless of the number of accounts such shareholder has. If a shareholder wishes to receive separate copies of each report and communication for each of the shareholder's related accounts, the shareholder should notify in writing:

Financial Data Services, Inc.
Attn: Document Evaluation Unit
P.O. Box 45290
Jacksonville, FL 32232-5290

The written notification should include the shareholder's name, address, tax identification number and Merrill Lynch, Pierce, Fenner & Smith Incorporated and/or mutual fund account numbers. Shareholders having any questions regarding this matter should call their Merrill Lynch financial consultant or Financial Data Services, Inc. at 800-637-3863.

SHAREHOLDER INQUIRIES

Shareholder inquiries may be addressed to the Trust at the address or telephone number set forth on the cover page of this Prospectus.

The Declaration of Trust establishing the Trust, dated February 14, 1991, a copy of which together with all amendments thereto (the "Declaration") is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "Merrill Lynch Multi-State Limited Maturity Municipal Series Trust" refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Trust shall be held to any personal liability, nor shall resort be had to such person's private property for the satisfaction of any obligation or claim of the Trust, but the "Trust Property" (as defined in the Declaration) only shall be liable.

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MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST--
AUTHORIZATION FORM

---

1. SHARE PURCHASE APPLICATION

I, being of legal age, wish to purchase [_] Class A shares or [_] Class B shares (choose one) of the following fund (choose one)* and establish an Investment Account as described in the Prospectus:

[_] Merrill Lynch Arizona Limited Maturity Municipal Bond Fund

[_] Merrill Lynch Michigan Limited Maturity Municipal Bond Fund
[_] Merrill Lynch California Limited Maturity Municipal Bond Fund
[_] Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund
[_] Merrill Lynch Florida Limited Maturity Municipal Bond Fund
[_] Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund
[_] Merrill Lynch New York Limited Maturity Municipal Bond Fund

*THE FUND SELECTED ABOVE IS HEREIN REFERRED TO AS THE "FUND".

[_] Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund

Basis for establishing an Investment Account:

A. I enclose a check for $ . . . . payable to Financial Data Services, Inc., as an initial investment (minimum $1,000) (subsequent investment $50 or more). I understand that this purchase will be executed at the applicable offering price next to be determined after this Application is received by you.

B. I already own shares of the following Merrill Lynch mutual funds that would qualify for the cumulative quantity discount as outlined in the Statement of Additional Information:

1. ....   4. ....

2. ....   5. ....

3. ....   6. ....

(Please list all funds. Use a separate sheet of paper if necessary.)

Until you are notified by me in writing, the following options with respect to dividends and distributions are elected:

Distribution Options	Elect One [_] reinvest dividends	Elect One [_] reinvest capital gains
	[_] pay dividends in cash	[_] pay capital gains in cash

If no election is made, dividends and capital gains will be reinvested automatically at net asset value without a sales charge.

(Please Print)

Name ....
First Name Initial Last Name

Name of Co-Owner (if any) .... Social Security No. or Taxpayer Identification No.
First Name Initial Last Name

Address ....

.... 19. .
(Zip Code) Date

Occupation ....   Name and Address of Employer..................................

....

Under penalty of perjury, I certify (1) that the number set forth above is my correct Social Security No. or Taxpayer Identification No. and (2) that I am not subject to backup withholding (as discussed under "Distributions and Taxes--Taxes" in the Prospectus) either because I have not been notified that I am subject thereto as a result of a failure to report all interest or dividends, or the Internal Revenue Service (the "IRS") has notified me that I am no longer subject thereto.

INSTRUCTION: YOU MUST STRIKE OUT THE LANGUAGE IN (2) ABOVE IF YOU HAVE BEEN NOTIFIED THAT YOU ARE SUBJECT TO BACKUP WITHHOLDING DUE TO UNDER-REPORTING, AND IF YOU HAVE NOT RECEIVED A NOTICE FROM THE IRS THAT BACKUP WITHHOLDING HAS BEEN TERMINATED. THE UNDERSIGNED AUTHORIZES THE FURNISHING OF THIS CERTIFICATION TO OTHER MERRILL LYNCH-SPONSORED MUTUAL FUNDS.

SIGNATURE OF OWNER ....   SIGNATURE OF CO-OWNER (IF ANY) ....

In the case of co-owners, a joint tenancy with right of survivorship will be presumed unless otherwise specified.

- ---

2. LETTER OF INTENTION--CLASS A SHARES ONLY (SEE TERMS AND CONDITIONS IN THE STATEMENT OF ADDITIONAL INFORMATION)

..............., 19...

Gentlemen: Date of initial purchase

Although I am not obligated to do so, I intend to purchase shares of the Fund selected in item 1 above or any other investment company with an initial sales charge or deferred sales charge for which the Merrill Lynch Funds Distributor, Inc. acts as a distributor over the next 13-month period which will equal or exceed:

[_] $100,000 [_] $250,000 [_] $500,000

Each purchase will be made at the then reduced offering price applicable to the amount checked above, as described in the Merrill Lynch Multi-State Limited Maturity Municipal Series Trust prospectus.

I agree to the terms and conditions of the Letter of Intention. I hereby irrevocably constitute and appoint Merrill Lynch Funds Distributor, Inc. my attorney, with full power of substitution, to surrender for redemption any or all shares of the Fund held as security.

By ....

Signature of Owner — Signature (If registered in joint names, both must sign)

In making purchases under this letter, the following are the related accounts on which reduced offering prices are to apply:

(1) Name .... (2) Name ....

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST--
AUTHORIZATION FORM

3.SYSTEMATIC WITHDRAWAL PLAN--CLASS A SHARES ONLY (SEE TERMS AND CONDITIONS IN THE STATEMENT OF ADDITIONAL INFORMATION)

Minimum Requirements: $10,000 for monthly disbursements, $5,000 for quarterly, of shares in the Fund selected in item 1 above at cost or current offering price.

Begin systematic withdrawal on . . . . , 19. .
[date]

Withdrawals to be made either (check one) [_] Monthly [_] Quarterly. Quarterly withdrawals are made on the 24th day of March, June, September and December.

Specify withdrawal amount (check one): [_] $ . . . . or [_] . . . . .% of the current value of Class A shares in the account

Specify withdrawal method: [_] check or [_] direct deposit to bank account (CHECK ONE AND COMPLETE PART (A) OR (B) BELOW):

(A) I HEREBY AUTHORIZE PAYMENT BY CHECK

Draw checks payable (check one)
[_] as indicated in item 1.
[_] to the order of ....

Mail to (check one)
[_] the address indicated in item 1.
[_] Name (Please Print) ....

Address ....

Signature of Owner..................

Signature of Co-Owner (if any).......

(B) I HEREBY AUTHORIZE PAYMENT BY DIRECT DEPOSIT TO BANK ACCOUNT and (if necessary) debit entries and adjustments for any credit entries made in error to my account

Specify type of account (check one): [_] checking [_] savings

I agree that this authorization will remain in effect until I provide written notification to Financial Data Services, Inc. amending or terminating this service.

Name on your Account ....

Bank ....

Bank # ....

Account # ...

Bank Address ....

Signature of Depositor ... Date .....

Signature of Depositor (if joint account) ....

NOTE: IF AUTOMATIC DIRECT DEPOSIT IS ELECTED, YOUR BLANK, UNSIGNED CHECK MARKED "VOID" OR A DEPOSIT SLIP FROM YOUR SAVINGS ACCOUNT SHOULD ACCOMPANY THIS APPLICATION.

---

4. APPLICATION FOR AUTOMATIC INVESTMENT PLAN

I hereby request that Financial Data Services, Inc. draw a check or an automated clearing house ("ACH") debit on my checking account as described below each month to purchase [_] Class A shares or [_] Class B shares of the Fund selected in item 1 above to the terms set forth below.

FINANCIAL DATA SERVICES, INC. — AUTHORIZATION TO HONOR CHECKS OR ACH DEBITS

You are hereby authorized to draw a check or an ACH debit each month on my bank account for investment in the Fund as indicated below:

Amount of each check or ACH debit $ ....

Account No. ....

Please date and invest checks or draw ACH debits on the 20th of each month beginning ....

(Month)

or as soon thereafter as possible.

I agree that you are preparing these checks or drawing these debits voluntarily at my request and that you shall not be liable for any loss arising from any delay in preparing or failure to prepare any such check or debit. If I change banks or desire to terminate or suspend this program, I agree to notify you promptly in writing.

I further agree that if a check or debit is not honored upon presentation, Financial Data Services, Inc. is authorized to discontinue immediately the Automatic Investment Plan and to liquidate sufficient shares held in my account to offset the purchase made with the returned check or dishonored debit.

.... Date

.... Signature of Depositor

.... Signature of Depositor (If joint account, both must sign)

DRAWN BY FINANCIAL DATA SERVICES, INC.

To ....Bank (Investor's Bank)

Bank Address ....

City .... State .... Zip Code.....

As a convenience to me, I hereby request and authorize you to pay and charge to my account checks or ACH debits drawn on my account by and payable to Financial Data Services, Inc. I agree that your rights in respect to each such check or debit shall be the same as if it were a check drawn on you and signed personally by me. This authority is to remain in effect until revoked personally by me in writing. Until you receive such notice, you shall be fully protected in honoring any such check or debit. I further agree that if any such check or debit be dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability.

.... Date

.... Signature of Depositor

.... Bank Account Number

.... Signature of Depositor (If joint account, both must sign)

NOTE: IF AUTOMATIC INVESTMENT PLAN IS ELECTED, YOUR BLANK, UNSIGNED CHECK MARKED "VOID" SHOULD ACCOMPANY THIS APPLICATION.

---

5. FOR DEALER ONLY

Branch Office, Address, Stamp

^ ^

^ ^

This form when completed should be mailed to:

Merrill Lynch Multi-State Limited Maturity Municipal Series Trust c/o Financial Data Services, Inc. Transfer Agency Mutual Fund Operations P.O. Box 45289Jacksonville, FL 32232-5289

We hereby authorize Merrill Lynch Funds Distributor, Inc. to act as our agent in connection with transactions under this authorization form and agree to notify the Distributor of any purchases made under a Letter of Intention or Systematic Withdrawal Plan. We guarantee the shareholder's Signature.

....

Dealer Name and Address

By ....

Authorized Signature of Dealer

Branch-Code   F/C No.   .... F/C Last Name

Dealer's Customer A/C No.

MANAGER

Fund Asset Management, L.P.
Administrative Offices:
800 Scudders Mill Road
Plainsboro, New Jersey

Mailing Address:
Box 9011
Princeton, New Jersey 08543-9011

DISTRIBUTOR

Merrill Lynch Funds Distributor, Inc.
Administrative Offices:
800 Scudders Mill Road
Plainsboro, New Jersey
Mailing Address:
Box 9011
Princeton, New Jersey 08543-9011

CUSTODIAN

The Bank of New York
110 Washington Street
New York, New York 10286

TRANSFER AGENT

Financial Data Services, Inc.
Administrative Offices:
Transfer Agency Mutual Fund Operations
4800 Deer Lake Drive East
Jacksonville, Florida 32246-6484
Mailing Address:
P.O. Box 45289
Jacksonville, Florida 32232-5289

INDEPENDENT AUDITORS

Deloitte & Touche
117 Campus Drive
Princeton, New Jersey 08540

COUNSEL

Brown & Wood
One World Trade Center
New York, New York 10048-0557

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE TRUST, THE MANAGER OR THE DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING IN ANY STATE IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE.

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Distributor:
Merrill Lynch
Funds Distributor, Inc.

This Prospectus should be
retained for future reference.

Principal Office of the Trust:
800 Scudders Mill Road

Plainsboro, New Jersey 08536-9011

Code # 16925-0594

Prospectus

[ART]

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

MERRILL LYNCH MULTI-STATE LIMITED
MATURITY MUNICIPAL SERIES TRUST

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND

May 17, 1994

STATEMENT OF ADDITIONAL INFORMATION

MAY 17, 1994

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND	MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND	MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND	MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND
MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND	MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND

BOX 9011, PRINCETON, NEW JERSEY 08543-9011--PHONE NO. (609) 282-2800

Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust"), an open-end management investment company organized as a Massachusetts business trust, consists of eight separate series: Merrill Lynch Arizona Limited Maturity Municipal Bond Fund (the "Arizona Fund"), Merrill Lynch California Limited Maturity Municipal Bond Fund (the "California Fund"), Merrill Lynch Florida Limited Maturity Municipal Bond Fund (the "Florida Fund"), Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund (the "Massachusetts Fund"), Merrill Lynch Michigan Limited Maturity Municipal Bond Fund (the "Michigan Fund"), Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund (the "New Jersey Fund"), Merrill Lynch New York Limited Maturity Municipal Bond Fund (the "New York Fund"), and Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund (the "Pennsylvania Fund")(together, the "Funds"). The investment objective of each Fund is to provide shareholders with as high a level of income exempt from Federal income taxes and personal income taxes imposed by the designated state (and, in certain instances, local personal income taxes) as is consistent with prudent investment management. Under normal market conditions, each Fund invests primarily in a portfolio of intermediate-term investment grade obligations of the designated state or its political subdivisions, agencies or instrumentalities, or certain other jurisdictions, that pay interest exempt, in the opinion of bond counsel to the issuer, from Federal income taxes and personal income taxes of the designated state and, where applicable, local personal income taxes. There can be no assurance that the investment objective of any Fund will be realized.

Each Fund offers two classes of shares which may be purchased at a price equal to the next determined net asset value per share, plus in both cases a sales charge which, at the election of the purchaser, may be imposed (i) at the time of purchase (the "Class A shares"), or (ii) on a deferred basis (the "Class B shares"). These alternatives permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. Investors should understand that the purpose and function of the deferred sales charge with respect to the Class B shares are the same as the purpose and function of the initial sales charge with respect to the Class A shares. Each Class A share and Class B share represents an identical interest in the investment portfolio of a Fund and has the same rights, except that Class B shares bear the expenses of the account maintenance and distribution fees and certain other costs resulting from the deferred sales charge arrangement of that Fund and have exclusive voting rights with respect to the account maintenance and distribution fees. The two classes also have different exchange privileges.

The Statement of Additional Information of the Trust and each Fund is not a prospectus and should be read in conjunction with the prospectus of the Trust and each Fund, dated May 17, 1994 (the "Prospectus"), which has been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or by writing the Trust at the above telephone number or address. This Statement of Additional Information has been incorporated by reference into the Prospectus. Capitalized terms used but not defined herein have the same meanings as in the Prospectus.

FUND ASSET MANAGEMENT--MANAGER
MERRILL LYNCH FUNDS DISTRIBUTOR, INC.--DISTRIBUTOR

The date of this Statement of Additional Information is May 17, 1994

INVESTMENT OBJECTIVES AND POLICIES

The investment objective of each Fund is to provide shareholders with as high a level of income exempt from Federal income taxes, the designated state's personal income taxes and, where applicable, local personal income taxes, as is consistent with prudent investment management. Each Fund seeks to achieve its objective by investing primarily in a portfolio of intermediate-term investment grade obligations issued by or on behalf of the designated state or its political subdivisions, agencies or instrumentalities, and obligations of other qualifying issuers, such as issuers located in Puerto Rico, the Virgin Islands and Guam. Such obligations pay interest exempt, in the opinion of bond counsel to the issuer, from Federal income taxes, the designated state's personal income taxes, and, in certain instances, local personal income taxes. Obligations that pay interest exempt from Federal income taxes are referred to herein as "Municipal Bonds". Obligations that pay interest exempt from Federal income taxes, the designated state's personal income taxes and, where applicable, local personal income taxes, and obligations that would not subject shareholders to intangible personal property taxes in the designated state are referred to herein as "State Municipal Bonds". Unless otherwise indicated, references to Municipal Bonds shall be deemed to include State Municipal Bonds. Each Fund anticipates that at all times, except during temporary defensive periods, it will maintain at least 65% of its total assets invested in its respective State Municipal Bonds; the New Jersey Fund will maintain at least 80% of its total assets invested in New Jersey State Municipal Bonds. At times, a Fund may seek to hedge its portfolio through the use of futures transactions to reduce volatility in the net asset value of Fund shares. Reference is made to "Investment Objectives and Policies" in the Prospectus for a discussion of the investment objective and policies of each Fund.

Each Fund will invest only in Municipal Bonds with remaining maturities of between one and ten years. It is anticipated that, depending on market conditions, the dollar weighted average maturity of each Fund's portfolio will not exceed five years. For purposes of these investment policies, an obligation will be treated as having a maturity earlier than its stated maturity date if such obligation has technical features which, in the judgment of Fund Asset Management, L.P. (the "Manager") will result in the obligation being valued in the market as though it has such earlier maturity. Interest rates on shorter-term Municipal Bonds may fluctuate more widely from time to time than interest rates on longer-term Municipal Bonds. However, because of their limited maturities, the market value of the Municipal Bonds held by each Fund can be expected to fluctuate less as a result of changes in interest rates.

Municipal Bonds may include general obligation bonds of a state and its political subdivisions, revenue bonds of utility systems, highways, bridges, port and airport facilities, colleges, hospitals, housing facilities, etc., and industrial development bonds or private activity bonds. The interest on such obligations may bear a fixed rate or be payable at a variable or floating rate. The Municipal Bonds purchased by each Fund will be primarily what are commonly referred to as "investment grade" securities, which are obligations rated at the time of purchase within the four highest quality ratings as determined by either Moody's Investors Service, Inc. ("Moody's") (currently Aaa, Aa, A and Baa), Standard & Poor's Corporation ("Standard & Poor's") (currently AAA, AA, A and BBB) or Fitch Investors Service, Inc. ("Fitch") (currently AAA, AA, A and BBB). If unrated, such securities will possess creditworthiness comparable, in the opinion of the Manager, to investment grade obligations.

Certain Municipal Bonds may be entitled to the benefits of letters of credit or similar credit enhancements issued by financial institutions. In such instances, the Trustees and the Manager will take into account in assessing the quality of such obligations not only the creditworthiness of the issuer of such obligations but also the creditworthiness of the financial institution. In evaluating the creditworthiness of the financial institution, the Trustees and the Manager will consider factors such as whether the letter of credit or similar credit enhancement being issued is conditional or unconditional.

The Funds ordinarily do not intend to realize investment income not exempt from Federal income taxes, the designated state's personal income taxes and, where applicable, local personal income taxes, or to hold investments that would subject shareholders to intangible personal property taxes in the designated state.

However, to the extent that suitable State Municipal Bonds are not available for investment by a Fund, a Fund may purchase Municipal Bonds issued by other states or their agencies or instrumentalities, the interest income on which is exempt, in the opinion of bond counsel to the issuer, from Federal but not the designated state's taxation. Each Fund also may invest in securities not issued by or on behalf of a state or territory or by an agency or instrumentality thereof, if the Fund nevertheless believes such securities to be exempt from Federal income taxation ("Non-Municipal Tax-Exempt Securities"). Non-Municipal Tax-Exempt Securities may include securities issued by other investment companies that invest in municipal bonds, to the extent permitted by applicable law. Other Non-Municipal Tax-Exempt Securities could include trust certificates or other instruments evidencing interests in one or more long-term municipal securities.

Except when acceptable securities are unavailable as determined by the Manager, each Fund, under normal circumstances, will invest at least 65% (80% in the case of the New Jersey Fund) of its total assets in its respective State Municipal Bonds. For temporary defensive purposes or to provide liquidity, each Fund has the authority to invest as much as 35% (20% in the case of the New Jersey Fund) of its total assets in tax-exempt or taxable money market obligations with maturities of one year or less (such short-term obligations being referred to herein as "Temporary Investments"), except that taxable Temporary Investments shall not exceed 20% of a Fund's net assets. Each Fund at all times will have at least 80% of its net assets invested in securities exempt from Federal income taxation. However, interest received on certain otherwise tax-exempt securities which are classified as "private activity bonds" (in general, bonds that benefit non-governmental entities) may be subject to an alternative minimum tax. Each Fund may purchase such private activity bonds. See "Distributions and Taxes". In addition, each Fund reserves the right to invest temporarily a greater portion of its assets in Temporary Investments for defensive purposes, when, in the judgment of the Manager, market conditions warrant. The investment objective of each Fund set forth in this paragraph is a fundamental policy of the Fund which may not be changed without a vote of a majority of the outstanding shares of the Fund. A Fund's hedging strategies are not fundamental policies and may be modified by the Trustees of the Trust without the approval of the Fund's shareholders.

Municipal Bonds at times may be purchased or sold on a delayed delivery basis or on a when-issued basis. These transactions arise when securities are purchased or sold by a Fund with payment and delivery taking place in the future, often a month or more after the purchase. The payment obligation and the interest rate are each fixed at the time the buyer enters into the commitment. A Fund only will make commitments to purchase such securities with the intention of actually acquiring the securities, but a Fund (subject to any state or local personal income tax limitations) may sell these securities prior to the settlement date if it is deemed advisable. Purchasing Municipal Bonds on a when-issued basis involves the risk that the yields available in the market when the delivery takes place actually may be higher than those obtained in the transaction itself; if yields so increase, the value of the when-issued obligations generally will decrease. Each Fund will maintain a separate account at its custodian bank consisting of cash, cash equivalents or high-grade, liquid municipal securities or Temporary Investments (valued on a daily basis) equal at all times to the amount of the when-issued commitment.

The Funds may invest in Municipal Bonds the return on which is based on a particular index of value or interest rates. For example, the Funds may invest in Municipal Bonds that pay interest based on an index of Municipal Bond interest rates or based on the value of gold or some other product. The principal amount payable upon maturity of certain Municipal Bonds also may be based on the value of an index. To the extent the Funds invest in these types of Municipal Bonds, their return on such Municipal Bonds will be subject to risk with respect to the value of the particular index. Also, the Funds may invest in so-called "inverse floating obligations" or "residual interest bonds" on which the interest rates typically vary inversely with a short-term floating rate (which may be reset periodically by a dutch auction, by a remarketing agent or by reference to a short-term tax-exempt interest rate index). The Funds may purchase original issue inverse floating rate bonds in both the primary and secondary markets and also may purchase in the secondary market synthetically-created inverse floating rate bonds evidenced by custodial or trust receipts. Generally, interest rates on inverse floating rate bonds will decrease when short-term rates increase, and will increase when short-term rates decrease. Such securities have the effect of providing a degree of investment leverage, since they may increase

or decrease in value in response to changes, as an illustration, in market interest rates at a rate which is a multiple (typically two) of the rate at which fixed-rate, long-term, tax-exempt securities increase or decrease in response to such changes. As a result, the market values of such securities generally will be more volatile than the market values of fixed-rate, tax-exempt securities. To seek to limit the volatility of these securities, the Funds may purchase inverse floating obligations with shorter term maturities or which contain limitations on the extent to which the interest rate may vary. The Manager believes that indexed and inverse floating obligations represent a flexible portfolio management instrument for the Funds which allows the Manager to vary the degree of investment leverage relatively efficiently under different market conditions. Certain investments in such obligations may be illiquid. A Fund may not invest in such illiquid obligations if such investments, together with other illiquid investments, would exceed 15% of that Fund's net assets.

The Funds may purchase a Municipal Bond issuer's right to call all or a portion of such Municipal Bond for mandatory tender for purchase (a "Call Right"). A holder of a Call Right may exercise such right to require a mandatory tender for the purchase of related Municipal Bonds, subject to certain conditions. A Call Right that is not exercised prior to the maturity of the related Municipal Bond will expire without value. The economic effect of holding both the Call Right and the related Municipal Bond is identical to holding a Municipal Bond as a non-callable security. Certain investments in such obligations may be illiquid. A Fund may not invest in such illiquid obligations if such investments, together with other illiquid investments, would exceed 15% of that Fund's net assets.

A Fund may invest up to 20% of its total assets in Municipal Bonds which are rated below Baa by Moody's or below BBB by Standard & Poor's or Fitch or which, in the Manager's judgment, possess similar credit characteristics ("high yield securities"). See Appendix I--"Ratings of Municipal Bonds"--for additional information regarding ratings of debt securities. The Manager considers the ratings assigned by Standard & Poor's, Moody's or Fitch as one of several factors in its independent credit analysis of issuers.

High yield securities are considered by Standard & Poor's, Moody's and Fitch to have varying degrees of speculative characteristics. Consequently, although high yield securities can be expected to provide higher yields, such securities may be subject to greater market price fluctuations and risk of loss of principal than lower yielding, higher rated debt securities. Investments in high yield securities will be made only when, in the judgment of the Manager, such securities provide attractive total return potential relative to the risk of such securities, as compared to higher quality debt securities. The Funds generally will not invest in debt securities in the lowest rating categories (those rated CC or lower by Standard & Poor's or Fitch or Ca or lower by Moody's) unless the Manager believes that the financial condition of the issuer or the protection afforded the particular securities is stronger than otherwise would be indicated by such low ratings.

Issuers or obligors of high yield securities may be highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risks associated with acquiring the securities of such issuers or obligors generally are greater than is the case with higher rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers or obligors of high yield securities may be more likely to experience financial stress, especially if such issuers or obligors are highly leveraged. During periods of economic recession, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt obligations also may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of high yield securities because such securities may be unsecured and may be subordinated to other creditors of the issuer.

High yield securities frequently have call or redemption features that would permit an issuer to repurchase the security from a Fund. If a call were exercised by the issuer during a period of declining interest rates, a Fund likely would have to replace such called security with a lower yielding security, thus decreasing the net investment income to the Fund and dividends to shareholders.

The Funds may have difficulty disposing of certain high yield securities because there may be a thin trading market for such securities. Because not all dealers maintain markets in all high yield securities, there is no established secondary market for many of these securities, and the Funds anticipate that such securities could be sold only to a limited number of dealers or institutional investors. To the extent that a secondary trading market for high yield securities does exist, it generally is not as liquid as the secondary market for higher rated securities. Reduced secondary market liquidity may have an adverse impact on market price and a Fund's ability to dispose of particular issues when necessary to meet the Fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for certain securities also may make it more difficult for a Fund to obtain accurate market quotations for purposes of valuing the Fund's portfolio. Market quotations generally are available on many high yield securities only from a limited number of dealers and may not necessarily represent firm bids of such dealers or prices for actual sales.

It is expected that a significant portion of the high yield securities acquired by a Fund will be purchased upon issuance, which may involve special risks because the securities so acquired are new issues. In such instances the Fund may be a substantial purchaser of the issue and therefore have the opportunity to participate in structuring the terms of the offering. Although this may enable a Fund to seek to protect itself against certain of such risks, the considerations discussed herein would nevertheless remain applicable.

Adverse publicity and investor perceptions, which may not be based on fundamental analysis, also may decrease the value and liquidity of high yield securities, particularly in a thinly traded market. Factors adversely affecting the market value of high yield securities are likely to affect adversely a Fund's net asset value. In addition, a Fund may incur additional expenses to the extent that it is required to seek recovery upon a default on a portfolio holding or participate in the restructuring of the obligation.

DESCRIPTION OF MUNICIPAL BONDS AND OTHER INVESTMENTS

Set forth below is a description of the Municipal Bonds and other instruments in which each Fund may invest. A more complete discussion concerning futures and options transactions and Municipal Bonds is set forth under "Investment Objectives and Policies" in the Prospectus. Information with respect to ratings assigned to tax-exempt obligations which the Funds may purchase is set forth in Appendix I to this Statement of Additional Information.

DESCRIPTION OF MUNICIPAL BONDS

Municipal Bonds include debt obligations issued to obtain funds for various public purposes, including construction of a wide range of public facilities, refunding of outstanding obligations and obtaining of funds for general operating expenses and loans to other public institutions and facilities. In addition, certain types of industrial development bonds or private activity bonds are issued by or on behalf of public authorities to finance or refinance various privately owned or operated facilities, including certain facilities for the local furnishing of electric energy or gas, sewage facilities, solid waste disposal facilities and other specialized facilities. For purposes of this Statement of Additional Information, such obligations are referred to as Municipal Bonds if the interest paid thereon, in the opinion of bond counsel to the issuer, is excluded from gross income for Federal income tax purposes. Such obligations are referred to herein as State Municipal Bonds if the interest paid thereon is exempt, in the opinion of bond counsel to the issuer, from Federal income taxes, the designated state's personal income taxes and, where applicable, local personal income taxes, and if the Fund's investment in such obligations would not subject Fund shareholders to intangible personal property taxes in the designated state. Other types of industrial development bonds or private activity bonds, the proceeds of which are used for the construction, equipment or improvement of privately operated industrial or commercial facilities, may constitute Municipal Bonds, although the current Federal tax laws place substantial limitations on the size of such issues.

The two principal classifications of Municipal Bonds are "general obligation" bonds and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of faith, credit and taxing power for the

repayment of principal and the payment of interest. Revenue bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special or limited tax or other specific revenue source such as payments from the user of the facility being financed. Industrial development bonds ("IDBs") and private activity bonds, are in most cases revenue bonds and generally do not constitute the pledge of the credit or taxing power of the issuer of such bonds. Generally, the repayment of the principal of and the payment of interest on such bonds depends solely on the ability of the user of the facility financed by the bonds to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment, unless a line of credit, bond insurance or other security is furnished. The Funds may invest in Municipal Bonds that are so-called "moral obligation" bonds, which normally are issued by special purpose public authorities and are payable from specific revenue sources. Under a moral obligation bond, if the issuer thereof is unable to meet its obligations from such sources, the repayment of the bond becomes a moral commitment, but not a legal obligation, of the state or municipality in question.

Municipal Lease Obligations. Also included within the general category of Municipal Bonds are participation certificates issued by government authorities or entities to finance the acquisition or construction of equipment, land and/or facilities. The certificates represent participations in a lease, an installment purchase contract or a conditional sales contract (hereinafter collectively called "lease obligations") relating to such equipment, land or facilities. Although lease obligations do not constitute general obligations of the issuer for which the issuer's unlimited taxing power is pledged, a lease obligation frequently is backed by the issuer's covenant to budget for, appropriate and make the payments due under the lease obligation. However, certain lease obligations contain "non-appropriation" clauses which provide that the issuer has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. Certain investments in lease obligations may be illiquid. A Fund may not invest in illiquid lease obligations if such investments, together with all other illiquid investments, would exceed 15% of the Fund's net assets. A Fund, however, may invest without regard to such limitation in lease obligations which the Manager, pursuant to the guidelines which have been adopted by the Board of Trustees and subject to the supervision of the Board of Trustees, determines to be liquid. The Manager will deem lease obligations liquid if they are publicly offered and have received an investment grade rating of Baa or better by Moody's, or BBB or better by Standard & Poor's or Fitch. Unrated lease obligations, or those rated below investment grade, will be considered liquid if the obligations come to the market through an underwritten public offering and at least two dealers are willing to give competitive bids. In reference to the latter, the Manager, among other things, also must review the creditworthiness of the municipality obligated to make payment under the lease obligation and make certain specified determinations based on such factors as the existence of a rating or credit enhancement such as insurance, the frequency of trades or quotes for the obligation and the willingness of dealers to make a market in the obligation.

Yields on Municipal Bonds are dependent on a variety of factors, including the general condition of the money market and of the municipal bond market, the size of a particular offering, the financial condition of the issuer, the general conditions of the Municipal Bond market, the maturity of the obligation, and the rating of the issue. The ability of a Fund to achieve its investment objective also is dependent on the continuing ability of the issuers of the bonds in which the Fund invests to meet their obligations for the payment of interest and repayment of principal when due. There are variations in the risks involved in holding Municipal Bonds, both within a particular classification and between classifications, depending on numerous factors. Furthermore, the rights of owners of Municipal Bonds and the obligations of the issuer of such Municipal Bonds may be subject to applicable bankruptcy, insolvency and similar laws and court decisions affecting the rights of creditors generally and to general equitable principles, which may limit the enforcement of certain remedies.

DESCRIPTION OF TEMPORARY INVESTMENTS AND VARIABLE RATE DEMAND OBLIGATIONS

The Fund may invest in Temporary Investments subject to the limitations set forth under "Investment Objectives and Policies". The tax-exempt money market securities may include municipal notes, municipal

commercial paper, municipal bonds with a remaining maturity of less than one year, variable rate demand notes and participations therein. Municipal notes include tax anticipation notes, bond anticipation notes and grant anticipation notes. Anticipation notes are sold as interim financing in anticipation of tax collection, bond sales, government grants or revenue receipts. Municipal commercial paper refers to short-term unsecured promissory notes generally issued to finance short-term credit needs. The taxable money market securities in which the Fund may invest as Temporary Investments consist of U.S. Government securities, U.S. Government agency securities, domestic bank or savings institution certificates of deposit and bankers' acceptances, short-term corporate debt securities such as commercial paper, and repurchase agreements. These Temporary Investments must have a stated maturity not in excess of one year from the date of purchase.

The Funds also may invest in variable rate demand obligations ("VRDOs"). VRDOs are tax-exempt obligations which contain a floating or variable interest rate adjustment formula and an unconditional right of demand on the part of the holder thereof to receive payment of the unpaid principal balance plus accrued interest upon a short notice period not to exceed seven days. There is, however, the possibility that because of default or insolvency the demand feature of VRDOs and Participating VRDOs, described below, may not be honored. The interest rates are adjustable at intervals (ranging from daily to up to one year) to some prevailing market rate for similar investments, such adjustment formula being calculated to maintain the market value of the VRDOs at approximately the par value of the VRDOs on the adjustment date. The adjustments typically are set at a rate determined by the remarketing agent or based upon the prime rate of a bank or some other appropriate interest rate adjustment index. The Funds may invest in all types of tax-exempt instruments currently outstanding or to be issued in the future which satisfy the short-term maturity and quality standards of the Funds.

The Funds also may invest in VRDOs in the form of participation interests ("Participating VRDOs") in variable rate tax-exempt obligations held by a financial institution, typically a commercial bank. Participating VRDOs provide the Funds with a specified undivided interest (up to 100%) of the underlying obligation and the right to demand payment of the unpaid principal balance plus accrued interest on the Participating VRDOs from the financial institution upon a specified number of days' notice, not to exceed seven days. In addition, a Participating VRDO is backed by an irrevocable letter of credit or guaranty of the financial institution. The Funds would have an undivided interest in the underlying obligation and thus participate on the same basis as the financial institution in such obligation except that the financial institution typically retains fees out of the interest paid on the obligation for servicing the obligation, providing the letter of credit and issuing the repurchase commitment. The Trust has been advised by its counsel that the Funds should be entitled to treat the income received on Participating VRDOs as interest from tax-exempt obligations.

VRDOs that contain an unconditional right of demand to receive payment of the unpaid principal balance plus accrued interest on a notice period exceeding seven days may be deemed to be illiquid securities. A VRDO with a demand notice period exceeding seven days therefore will be subject to a Fund's restriction on illiquid investments unless, in the judgment of the Trustees, such VRDO is liquid. The Trustees may adopt guidelines and delegate to the Manager the daily function of determining and monitoring liquidity of such VRDOs. The Trustees, however, will retain sufficient oversight and will be ultimately responsible for such determination.

The Trust has established the following standards with respect to money market securities and VRDOs in which the Funds invest. Commercial paper investments at the time of purchase must be rated A-1+ through A-3 by Standard & Poor's, Prime-1 through Prime-3 by Moody's or F-1+ through F-3 by Fitch or, if not rated, issued by companies having an outstanding debt issue rated at least A by Standard & Poor's, Fitch or Moody's. Investments in corporate bonds and debentures (which must have maturities at the date of purchase of one year or less) must be rated at the time of purchase at least A by Standard & Poor's, Moody's or Fitch. Notes and VRDOs at the time of purchase must be rated SP-1+/A-1 through SP-2/A-3 by Standard & Poor's, MIG-1/VMIG-1 through MIG-4/VMIG-4 by Moody's or F-1+ through F-3 by Fitch.

Temporary Investments, if not rated, must be of comparable quality to securities rated in the above rating categories in the opinion of the Manager. A Fund may not invest in any security issued by a commercial bank or a savings institution unless the bank or institution is organized and operating in the United States, has total assets of at least one billion dollars and is a member of the Federal Deposit Insurance Corporation (the "FDIC"), except that up to 10% of a Fund's total assets may be invested in certificates of deposit of small institutions if such certificates are insured fully by the FDIC.

REPURCHASE AGREEMENTS AND PURCHASE AND SALE CONTRACTS

As Temporary Investments, the Funds may invest in securities pursuant to repurchase agreements or purchase and sale contracts. Repurchase agreements and purchase and sale contracts may be entered into only with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities. Under such agreements, the bank or the primary dealer agrees, upon entering into the contract, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period. In the case of repurchase agreements, the prices at which the trades are conducted do not reflect accrued interest on the underlying obligations; whereas, in the case of purchase and sale contracts, the prices take into account accrued interest. Such agreements usually cover short periods, such as under one week. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser. In the case of a repurchase agreement, a Fund will require the seller to provide additional collateral if the market value of the securities falls below the repurchase price at any time during the term of the repurchase agreement; a Fund does not have the right to seek additional collateral in the case of purchase and sale contracts. In the event of default by the seller under a repurchase agreement construed to be a collateralized loan, the underlying securities are not owned by a Fund but only constitute collateral for the seller's obligation to pay the repurchase price. Therefore, a Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the collateral. A purchase and sale contract differs from a repurchase agreement in that the contract arrangements stipulate that the securities are owned by a Fund. In the event of a default under such a repurchase agreement or under a purchase and sale contract, instead of the contractual fixed rate of return, the rate of return to a Fund will depend on intervening fluctuations of the market value of such security and the accrued interest on the security. In such event, a Fund would have rights against the seller for breach of contract with respect to any losses arising from market fluctuations following the failure of the seller to perform. A Fund may not invest in repurchase agreements or purchase and sale contracts maturing in more than seven days if such investments, together with all other illiquid investments, would exceed 15% of that Fund's net assets. While the substance of purchase and sale contracts is similar to repurchase agreements, because of the different treatment with respect to accrued interest and additional collateral, management believes that purchase and sale contracts are not repurchase agreements as such term is understood in the banking and brokerage community.

In general, for Federal income tax purposes, repurchase agreements are treated as collateralized loans secured by the securities "sold". Therefore, amounts earned under such agreements will not be considered tax-exempt interest. The treatment of purchase and sale contracts is less certain. However, it is likely that income from such arrangements also will not be considered tax-exempt interest.

FINANCIAL FUTURES CONTRACTS AND OPTIONS

Reference is made to the discussion concerning futures and options transactions under "Investment Objectives and Policies" in the Prospectus. Set forth below is additional information concerning these transactions.

As described in the Prospectus, each Fund may purchase and sell exchange-traded financial futures contracts ("financial futures contracts") and options thereon to hedge its portfolio of Municipal Bonds against declines in the value of such securities and to hedge against increases in the cost of securities a Fund intends to purchase. However, any transactions involving financial futures or options (which options may include

both puts and calls) will be in accordance with a Fund's investment policies and limitations. To hedge its portfolio, a Fund may take an investment position in a financial futures contract or option thereon which will move in the opposite direction from the portfolio position being hedged. While a Fund's use of hedging strategies is intended to moderate capital changes in portfolio holdings and thereby reduce volatility of the net asset value of Fund shares, each Fund anticipates that its net asset value will fluctuate. Set forth below is information concerning financial futures contracts and options thereon.

Description of Financial Futures Contracts. A financial futures contract is an agreement between two parties to buy and sell a security, or in the case of an index-based futures contract, to make and accept a cash settlement for a set price on a future date. A majority of transactions in financial futures contracts, however, do not result in the actual delivery of the underlying instrument or cash settlement, but are settled through liquidation, i.e., by entering into an offsetting transaction. Financial futures contracts have been designed by boards of trade which have been designated "contracts markets" by the Commodity Futures Trading Commission (the "CFTC").

The purchase or sale of a financial futures contract differs from the purchase or sale of a security in that no price or premium is paid or received. Instead, an amount of cash or securities acceptable to the broker and the relevant contract market, which varies, but is generally about 5% of the contract amount, must be deposited with the broker. This amount is known as "initial margin" and represents a "good faith" deposit assuring the performance of both the purchaser and seller under the financial futures contract. Subsequent payments to and from the broker, called "variation margin", are required to be made on a daily basis as the price of the financial futures contract fluctuates making the long and short positions in the financial futures contract more or less valuable, a process known as "mark to the market". At any time prior to the settlement date of the financial futures contract, the position may be closed out by taking an opposite position which will operate to terminate the position in the financial futures contract. A final determination of variation margin is then made, additional cash is required to be paid to or released by the broker, and the purchaser realizes a loss or gain. In addition, a nominal commission is paid on each completed sale transaction.

The Funds may deal in financial futures contracts based on a long-term municipal bond index developed by the Chicago Board of Trade (the "CBT") and The Bond Buyer (the "Municipal Bond Index"). The Municipal Bond Index is comprised of 40 tax-exempt municipal revenue bonds and general obligation bonds. Each bond included in the Municipal Bond Index must be rated A or higher by Moody's or Standard & Poor's and must have a remaining maturity of 19 years or more. Twice a month new issues satisfying the eligibility requirements are added to, and an equal number of old issues are deleted from, the Municipal Bond Index. The value of the Municipal Bond Index is computed daily according to a formula based on the price of each bond in the Municipal Bond Index, as evaluated by six dealer-to-dealer brokers.

The Municipal Bond Index financial futures contract is traded only on the CBT. Like other contract markets, the CBT assures performance under financial futures contracts through a clearing corporation, a nonprofit organization managed by the exchange membership which also is responsible for handling daily accounting of deposits or withdrawals of margin.

As described in the Prospectus, the Funds may purchase and sell financial futures contracts on U.S. Government securities as a hedge against adverse changes in interest rates as described below. With respect to U.S. Government securities, currently there are financial futures contracts based on long-term U.S. Treasury bonds, U.S. Treasury notes, Government National Mortgage Association ("GNMA") Certificates and three-month U.S. Treasury bills. The Funds may purchase and write call and put options on financial futures contracts on U.S. Government securities in connection with their hedging strategies.

Subject to policies adopted by the Trustees, the Funds also may enter into other financial futures contracts and options thereon, such as financial futures contracts or options on other municipal bond indices which may become available if the Manager and the Trustees should determine that there is normally a

sufficient correlation between the prices of such financial futures contracts or options thereon and the Municipal Bonds in which the Funds invest to make such hedging appropriate.

Financial Futures Strategies. A Fund may sell a financial futures contract (i.e., assume a short position) in anticipation of a decline in the value of its investments in Municipal Bonds resulting from an increase in interest rates or otherwise. The risk of decline could be reduced without employing futures as a hedge by selling such Municipal Bonds and either reinvesting the proceeds in securities with shorter maturities or by holding assets in cash. This strategy, however, entails increased transaction costs in the form of dealer spreads and typically would reduce the average yield of a Fund's portfolio securities as a result of the shortening of maturities. The sale of financial futures contracts provides an alternative means of hedging against declines in the value of a Fund's investments in Municipal Bonds. As such values decline, the value of a Fund's positions in the financial futures contracts will tend to increase, thus offsetting all or a portion of the depreciation in the market value of the Fund's Municipal Bond investments which are being hedged. While a Fund will incur commission expenses in selling and closing out financial futures positions, commissions on financial futures contracts are lower than transaction costs incurred in the purchase and sale of Municipal Bonds. In addition, the ability of a Fund to trade in the standardized contracts available in the financial futures contract markets may offer a more effective defensive position than a program to reduce the average maturity of the portfolio securities due to the unique and varied credit and technical characteristics of the municipal debt instruments available to a Fund. Employing financial futures contracts as a hedge also may permit a Fund to assume a defensive posture without reducing the yield on its investments beyond any amounts required to engage in financial futures contract trading.

When the Funds intend to purchase Municipal Bonds, the Funds may purchase financial futures contracts as a hedge against any increase in the cost of such Municipal Bonds, resulting from an increase in interest rates or otherwise, that may occur before such purchases can be effected. Subject to the degree of correlation between the Municipal Bonds and the financial futures contracts, subsequent increases in the cost of Municipal Bonds should be reflected in the value of the financial futures contracts held by the Funds. As such purchases are made, an equivalent amount of financial futures contracts will be closed out. Due to changing market conditions and interest rate forecasts, however, a financial futures contract position may be terminated without a corresponding purchase of portfolio securities.

Call Options on Financial Futures Contracts. The Funds also may purchase and sell exchange-traded call and put options on financial futures contracts on U.S. Government securities. The purchase of a call option on a financial futures contract is analogous to the purchase of a call option on an individual security. Depending on the pricing of the option compared to either the futures contract on which it is based, or the price of the underlying debt securities, it may or may not be less risky than ownership of the financial futures contract or underlying debt securities. Like the purchase of a financial futures contract, a Fund will purchase a call option on financial futures contracts to hedge against a market advance when such Fund is not fully invested.

The writing of a call option on a financial futures contract constitutes a partial hedge against declining prices of the securities which are deliverable upon exercise of the financial futures contract. If the futures price at expiration is below the exercise price, a Fund will retain the full amount of the option premium which provides a partial hedge against any decline that may have occurred in such Fund's portfolio holdings.

Put Options on Financial Futures Contracts. The purchase of a put option on a financial futures contract is analogous to the purchase of a protective put option on portfolio securities. A Fund will purchase put options on financial futures contracts to hedge such Fund's portfolio against the risk of rising interest rates.

The writing of a put option on a financial futures contract constitutes a partial hedge against increasing prices of the securities which are deliverable upon exercise of the financial futures contract. If the futures price at expiration is higher than the exercise price, a Fund will retain the full amount of the option premium which

provides a partial hedge against any increase in the price of Municipal Bonds which such Fund intends to purchase.

The writer of an option on a financial futures contract is required to deposit initial and variation margin pursuant to requirements similar to those applicable to financial futures contracts. Premiums received from the writing of an option will be included in initial margin. The writing of an option on a financial futures contract involves risks similar to those relating to financial futures contracts.

The Trust has received an order from the Securities and Exchange Commission (the "Commission") exempting it from the provisions of Section 17(f) and Section 18(f) of the Investment Company Act of 1940, as amended (the "1940 Act"), in connection with its strategy of investing in financial futures contracts. Section 17(f) relates to the custody of securities and other assets of an investment company and may be deemed to prohibit certain arrangements between the Trust and commodities brokers with respect to initial and variation margin. Section 18(f) of the 1940 Act prohibits an open-end investment company such as the Trust from issuing a "senior security" other than a borrowing from a bank. The staff of the Commission in the past has indicated that a financial futures contract may be a "senior security" under the 1940 Act.

Restrictions on Use of Financial Futures Transactions. Regulations of the CFTC applicable to each Fund require that all of a Fund's financial futures transactions constitute bona fide hedging transactions and that a Fund purchase and sell futures contracts and options thereon (i) for bona fide hedging purposes, and (ii) for non-hedging purposes, if the aggregate initial margin and premiums required to establish positions in such contracts and options does not exceed 5% of the liquidation value of the Fund's portfolio assets after taking into account unrealized profits and unrealized losses on any such contracts and options. Each Fund intends to engage in options and futures transactions only for hedging purposes. Margin deposits may consist of cash or securities acceptable to the broker and the relevant contract market.

When a Fund purchases a financial futures contract or a call option with respect thereto or writes a put option on a futures contract, an amount of cash, cash equivalents or short-term, high-grade, fixed-income securities will be deposited in a segregated account with the Fund's custodian so that the amount so segregated, plus the amount of initial and variation margin held in the account of its broker, equals the market value of the financial futures contract or related option, thereby ensuring that the use of such futures transaction is unleveraged.

Risk Factors in Financial Futures Contracts and Options Thereon. Investment in financial futures contracts and options thereon involves the risk of imperfect correlation between movements in the price of the financial futures contract and the price of the security being hedged. The hedge will not be fully effective when there is imperfect correlation between the movements in the prices of two financial instruments. For example, if the price of a financial futures contract moves more than the price of the hedged security, a Fund will experience either a loss or gain on the financial futures contract which is not offset completely by movements in the price of the hedged securities. To compensate for imperfect correlations, a Fund may purchase or sell financial futures contracts or options thereon in a greater dollar amount than the hedged securities if the volatility of the hedged securities is historically greater than the volatility of the futures transaction. Conversely, a Fund may purchase or sell fewer financial futures contracts or options thereon if the volatility of the price of the hedged securities is historically less than that of the futures transaction.

The particular municipal bonds comprising the index underlying the Municipal Bond Index financial futures contract may vary from the Municipal Bonds held by a Fund. As a result, a Fund's ability to hedge effectively all or a portion of the value of its Municipal Bonds through the use of financial futures contracts or options thereon will depend in part on the degree to which price movements in the index underlying the financial futures contract correlate with the price movements of the Municipal Bonds held by a Fund. The correlation may be affected by disparities in the average maturity, ratings, geographical mix or structure of a Fund's investments as compared to those comprising the Municipal Bond Index, and general economic or political factors. In addition, the correlation between movements in the value of the Municipal Bond Index

may be subject to change over time as additions to and deletions from the Municipal Bond Index alter its structure. The correlation between financial futures contracts on U.S. Government securities or options thereon and the Municipal Bonds held by a Fund may be affected adversely by similar factors and the risk of imperfect correlation between movements in the prices of financial futures contracts or options thereon and the prices of the Municipal Bonds held by a Fund may be greater.

Each Fund expects to liquidate a majority of the financial futures contracts it enters into through offsetting transactions on the applicable contract market. There can be no assurance, however, that a liquid secondary market will exist for any particular financial futures contract at any specific time. Thus, it may not be possible to close out a futures position. In the event of adverse price movements, a Fund would continue to be required to make daily cash payments of variation margin. In such situations, if a Fund has insufficient cash, it may be required to sell portfolio securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. The inability to close out financial futures positions also could have an adverse impact on a Fund's ability to hedge effectively its investments in Municipal Bonds. A Fund will enter into a financial futures position only if, in the judgment of the Manager, there appears to be an actively traded secondary market for such financial futures contracts or options thereon.

The successful use of transactions in financial futures and related options also depends on the ability of the Manager to forecast correctly the direction and extent of interest rate movements within a given time frame. To the extent interest rates remain stable during the period in which a financial futures contract or option is held by a Fund or such rates move in a direction opposite to that anticipated, a Fund may realize a loss on the hedging transaction which is not fully or partially offset by an increase in the value of portfolio securities. As a result, a Fund's total return for such period may be less than if it had not engaged in the hedging transaction.

Because of low initial margin deposits made on the opening of a financial futures position, financial futures transactions involve substantial leverage. As a result, relatively small movements in the price of the financial futures contracts or related options can result in substantial unrealized gains or losses. Because a Fund will engage in the purchase and sale of financial futures contracts or related options solely for hedging purposes, however, any losses incurred in connection therewith should, if the hedging strategy is successful, be offset in whole or in part by increases in the value of securities held by a Fund or decreases in the price of securities a Fund intends to acquire.

The amount of risk a Fund assumes when it purchases an option on a financial futures contract is the premium paid for the option plus related transaction costs. In addition to the correlation risks discussed above, the purchase of an option on a financial futures contract also entails the risk that changes in the value of the underlying financial futures contract will not be reflected fully in the value of the option purchased.

Municipal Bond Index financial futures contracts only recently have been approved for trading and therefore have little trading history. It is possible that trading in such financial futures contracts will be less liquid than that in other futures contracts. The trading of financial futures contracts also is subject to certain market risks, such as inadequate trading activity, which could at times make it difficult or impossible to liquidate existing positions.

INVESTMENT RESTRICTIONS

The Trust has adopted a number of restrictions and policies relating to the investment of the assets of each Fund and its activities, which are fundamental policies of each Fund and may not be changed without the approval of the holders of a majority of such Fund's outstanding voting securities (which for this purpose and under the 1940 Act means the lesser of (i) 67% of a Fund's shares present at a meeting at which more than 50% of the outstanding shares of that Fund are represented or (ii) more than 50% of such Fund's outstanding shares). A Fund may not: (1) purchase any securities other than securities referred to under "Investment Objectives and Policies" herein and in the

Prospectus; (2) invest more than 25% of its total

assets (taken at market value at the time of each investment) in securities of issuers in any particular industry (other than U.S. Government securities or U.S. Government agency securities, Municipal Bonds and Non-Municipal Tax-Exempt Securities); (3) invest more than 10% of its total assets (taken at market value at the time of each investment) in revenue bonds where the entity supplying the revenues from which the issue is to be paid, and the guarantor of the obligation, including predecessors, each have a record of less than three years of continuous business operation; (4) make investments for the purpose of exercising control or management; (5) purchase securities of other investment companies, except to the extent that such purchases are permitted by applicable law; (6) purchase or sell real estate (provided that such restriction shall not apply to securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein), commodities or commodity contracts (except that each Fund may purchase and sell financial futures contracts), except to the extent the Fund may do so in accordance with applicable law and the Trust's Prospectus and Statement of Additional Information and without registering as a commodity pool operator under the Commodity Exchange Act; (7) purchase any securities on margin, except for use of short-term credit necessary for clearance of purchases and sales of portfolio securities (the deposit or payment by a Fund of initial or variation margin in connection with financial futures contracts is not considered the purchase of a security on margin); (8) make short sales of securities or maintain a short position, except to the extent permitted by applicable law (this restriction does not apply to options on financial futures contracts); (9) make loans to other persons, provided that the Fund may purchase a portion of an issue of tax-exempt securities (the acquisition of a portion of an issue of tax-exempt securities or bonds, debentures or other debt securities which are not publicly distributed is considered to be the making of a loan under the 1940 Act) and provided further that investments in repurchase agreements and purchase and sale contracts shall not be deemed to be the making of a loan; (10) borrow amounts in excess of 20% of its total assets, taken at market value (including the amount borrowed), and then only from banks as a temporary measure for extraordinary or emergency purposes [Usually only "leveraged" investment companies may borrow in excess of 5% of their assets; however, each Fund will not borrow to increase income but only to meet redemption requests which might otherwise require untimely disposition of portfolio securities. No Fund will purchase securities while borrowings are outstanding. Interest paid on such borrowings will reduce net income.]; (11) mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness any securities owned or held by the Fund except as may be necessary in connection with borrowings mentioned in (10) above, and then such mortgaging, pledging or hypothecating may not exceed 10% of its total assets, taken at market value, or except as may be necessary in connection with transactions in financial futures contracts; (12) invest in securities which cannot be readily resold because of legal or contractual restrictions or which are not readily marketable, including individually negotiated loans that constitute illiquid investments and illiquid lease obligations, or in repurchase agreements or purchase and sale contracts maturing in more than seven days, if, regarding all such securities, more than 15% of its net assets (taken at market value), would be invested in such securities; and (13) act as an underwriter of securities, except to the extent that the Fund technically may be deemed an underwriter when engaged in the activities described in (12) above or insofar as the Fund may be deemed an underwriter under the Securities Act of 1933, as amended, in selling portfolio securities.

Additional investment restrictions adopted by the Trust, which may be changed by the Trustees, provide that a Fund may not: (1) invest in real estate limited partnership interests or in oil, gas or mineral leases; and (2) write, purchase or sell puts, calls, straddles, spreads or combinations thereof, except to the extent permitted by the Trust's Prospectus and Statement of Additional Information, as amended from time to time.

In addition, to comply with tax requirements for qualifications as a "regulated investment company", each Fund's investments will be limited in a manner such that, at the close of each quarter of each fiscal year, (a) no more than 25% of the Fund's total assets are invested in the securities of a single issuer, and (b) with regard to at least 50% of the Fund's total assets, no more than 5% of its total assets are invested in the securities of a single issuer. [For purposes of this restriction, the Fund will regard each state and each political subdivision, agency or instrumentality of such state and each multi-state agency of which such state is a member and each public authority which issues securities on behalf of a private entity as a separate issuer,

except that if the security is backed only by the assets and revenues of a non-governmental entity then the entity with the ultimate responsibility for the payment of interest and principal may be regarded as the sole issuer.] These tax-related limitations may be changed by the Trustees of the Trust to the extent necessary to comply with changes to the Federal tax requirements.

Because of the affiliation of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") with the Trust, each Fund is prohibited from engaging in certain transactions involving such firm or its affiliates except for brokerage transactions permitted under the 1940 Act involving only usual and customary commissions or transactions pursuant to an exemptive order under the 1940 Act. Included among such restricted transactions will be purchases from or sales to Merrill Lynch of securities in transactions in which it acts as a principal. See "Portfolio Transactions". An exemptive order has been obtained which permits the Trust to effect principal transactions with Merrill Lynch in high quality, short-term, tax-exempt securities subject to conditions set forth in such order.

MANAGEMENT OF THE TRUST

TRUSTEES AND OFFICERS

The Trustees and executive officers of the Trust and their principal occupations for at least the last five years are set forth below. Unless otherwise noted, the address of each Trustee and executive officer is Box 9011, Princeton, New Jersey 08543-9011.

Arthur Zeikel--President and Trustee(1)(2)--President and Chief Investment Officer of the Manager since 1977; President of Merrill Lynch Investment Management, L.P. (doing business as Merrill Lynch Asset Management and referred to herein as "MLAM") since 1977 and Chief Investment Officer thereof since 1976; President and Director of Princeton Services, Inc. ("Princeton Services") since 1993; Executive Vice President of Merrill Lynch & Co., Inc. since 1991; Executive Vice President of Merrill Lynch since 1990 and a Senior Vice President thereof from 1985 to 1990; Director of Merrill Lynch Funds Distributor, Inc. ("MLFD" or the "Distributor").

Kenneth S. Axelson--Trustee(2)--75 Jameson Point Road, Rockland, Maine 04841. Executive Vice President and Director, J.C. Penney Company, Inc. until 1982; Director, UNUM Corporation, Protection Mutual Insurance Company, Zurn Industries, Inc. and, formerly, of Central Maine Power Company (until 1992), Key Trust Company of Maine (until 1992) and Grumman Corporation (until 1994); Trustee, The Chicago Dock and Canal Trust.

Herbert I. London--Trustee(2)--New York University--Gallatin Division, 113-115 University Place, New York, New York 10003. John M. Olin Professor of Humanities, New York University since 1993 and Professor thereof since 1973; Dean, Gallatin Division of New York University from 1978 to 1993 and Director from 1975 to 1976; Distinguished Fellow, Herman Kahn Chair, Hudson Institute from 1984 to 1985; Director, Damon Corporation since 1991; Overseer, Center for Naval Analyses.

Robert R. Martin--Trustee(2)--513 Grand Hill, St. Paul, Minnesota 55102. Chairman of the Board, WTC Industries, Inc. since 1994; Chairman and Chief Executive Officer, Kinnard Investments, Inc. from 1990 to 1993; Executive Vice President, Dain Bosworth, Inc. from 1974 to 1989; Director, Securities Industry Association from 1981 to 1982 and Public Securities Association from 1979 to 1980; Director, Carnegie Capital Management from 1977 to 1985 and Chairman thereof in 1979; Trustee, Northland College since 1992.

Joseph L. May--Trustee(2)--424 Church Street, Suite 2000, Nashville, Tennessee 37219. Attorney in private practice since 1984; President, May and Athens Hosiery Mills Division, Wayne-Gossard Corporation from 1954 to 1983; Vice President, Wayne-Gossard Corporation from 1972 to 1983; Chairman, The May Corporation (personal holding company) from 1972 to 1983; Director, Signal Apparel Co. from 1972 to 1989.

Andre F. Perold--Trustee(2)--Morgan Hall, Soldiers Field, Boston, Massachusetts 02163. Professor, Harvard Business School since 1989 and Associate Professor from 1983 to 1989; Trustee, The Common Fund, since 1989; Director, Quantec Investment Technology (a private United Kingdom company).

Terry K. Glenn--Executive Vice President(1)(2)--Executive Vice President of the Manager and of MLAM since 1983; Executive Vice President and Director of Princeton Services since 1993; President of the Distributor since 1986 and Director thereof since 1991.

Vincent R. Giordano--Senior Vice President and Portfolio Manager(1)(2)--Portfolio Manager of the Manager and of MLAM since 1977 and Senior Vice President of the Manager and of MLAM since 1984; Vice President of MLAM from 1980 to 1984; Senior Vice President of Princeton Services since 1993.

Kenneth A. Jacob--Vice President and Portfolio Manager(1)(2)--Vice President of the Manager and of MLAM since 1984.

Peter J. Hayes--Vice President and Portfolio Manager(1)(2)--Vice President of MLAM since 1989 and Assistant Vice President of MLAM from 1987 to 1989; Assistant Vice President of Shawmut Bank, N.A. from 1985 to 1987.

Donald C. Burke--Vice President(1)(2)--Vice President and Director of Taxation of MLAM since 1990; Employee of Deloitte & Touche from 1982 to 1990.

Gerald M. Richard--Treasurer(1)(2)--Senior Vice President and Treasurer of the Manager and MLAM since 1984; Senior Vice President and Treasurer of Princeton Services since 1993; Treasurer of the Distributor since 1984 and a Vice President thereof since 1981.

Robert Harris--Secretary(1)(2)--Vice President of MLAM since 1984; Secretary of the Distributor since 1982.

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(1) Interested person, as defined in the 1940 Act, of the Trust.

(2) Such Trustee or officer is a director or officer of certain other investment companies for which the Manager or MLAM acts as investment adviser or manager.

At April 29, 1994, the Trustees and officers of the Trust as a group (13 persons) owned an aggregate of less than 1/4 of 1% of the outstanding shares of Common Stock of Merrill Lynch & Co., Inc. and owned an aggregate of less than 1% of the outstanding shares of any Fund.

The Trust pays each Trustee not affiliated with the Manager a fee of $5,000 per year plus $500 per meeting attended, together with such Trustee's actual out-of-pocket expenses relating to attendance at meetings. The Trust also pays members of its Audit Committee, which consists of all of the non-affiliated Trustees, an additional fee of $1,000 per year plus $250 per meeting attended.

MANAGEMENT AND ADVISORY ARRANGEMENTS

Reference is made to "Management of the Trust--Management and Advisory Arrangements" in the Prospectus for certain information concerning the management and advisory arrangements of the Funds.

Securities held by the Funds also may be held by, or be appropriate investments for, other funds or investment advisory clients of the Manager or its affiliates (collectively, the "clients"). Because of different objectives or other factors, a particular security may be bought for one or more clients when one or more clients are selling the same security. If the Manager or its affiliates purchase or sell securities for the Funds or other funds for which they act as manager or for their advisory clients and such sales or purchases arise for consideration at or about the same time, transactions in such securities will be made, insofar as feasible, for the respective funds and clients in a manner deemed equitable to all. To the extent that transactions on behalf of more than one client of the Manager or its affiliates during the same period may increase the demand for securities being purchased or the supply of securities being sold, there may be an adverse effect on price.

Pursuant to separate management agreements between the Trust on behalf of each Fund and the Manager (each a "Management Agreement"), the Manager receives for its services to each Fund monthly compensation based upon the average daily net assets of that Fund at the annual rate of 0.35% of the average daily net assets of that Fund.

California imposes limitations on the expenses of each Fund. These annual expense limitations require that the Manager reimburse each Fund in an amount necessary to prevent that Fund's aggregate ordinary operating expenses (excluding taxes, brokerage fees and commissions, distribution fees and extraordinary charges such as litigation costs) from exceeding in any fiscal year 2.5% of the Fund's first $30,000,000 of average net assets, 2.0% of the next $70,000,000 of average net assets and 1.5% of the remaining average net assets. The Manager's obligation to reimburse the Funds is limited to the amount of the management fee. Expenses not covered by this limitation are interest, taxes, brokerage commissions and other items such as extraordinary legal expenses. No fee payment will be made to the Manager by any Fund during any fiscal year which will cause such expenses of that Fund to exceed expense limitations at the time of such payment.

Each Management Agreement obligates the Manager to provide investment advisory services to the related Fund and to pay all compensation of and furnish office space for officers and employees of the Trust connected with investment and economic research, trading and investment management of the Trust, as well as the fees of all Trustees of the Trust who are affiliated persons of the Manager or any of its subsidiaries. Each Fund pays all other expenses incurred in its operation and a portion of the Trust's general administrative expenses allocated pro rata on the basis of the asset size of the respective series of the Trust ("Series"), including the Funds and any additional Series added in the future. Expenses that will be borne directly by the Series include, among other things, redemption expenses, expenses of portfolio transactions, expenses of registering the shares under Federal and state securities laws, pricing costs (including the daily calculation of net asset value), expenses of printing shareholder reports, prospectuses and statements of additional information (except to the extent paid by the Distributor as described below), fees for legal and auditing services, Commission fees, interest, certain taxes, and other expenses attributable to a particular Series. Expenses which will be allocated on the basis of asset size of the respective Series include fees and expenses of unaffiliated Trustees, state franchise taxes, costs of printing proxies and other expenses related to shareholder meetings, and other expenses properly payable by the Trust. The organizational expenses of the Trust were paid by the Trust, and as additional Series are added to the Trust, the organizational expenses are allocated among the Series in a manner deemed equitable by the Trustees. Depending upon the nature of a lawsuit, litigation costs may be assessed to the specific Series to which the lawsuit relates or allocated on the basis of the asset size of the respective Series. The Trustees have determined that this is an appropriate method of allocation of expenses. Accounting services are provided to the Funds by the Manager and each Fund reimburses the Manager for the Manager's costs in connection with such services. As required by the Funds' distribution agreements, the Distributor will pay the promotional expenses of the Funds incurred in connection with the offering of shares of the Funds. Certain expenses in connection with account maintenance and the distribution of Class B shares will be financed by the Funds pursuant to Distribution Plans in compliance with Rule 12b-1 under the 1940 Act. See "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares--Distribution Plans".

The Manager is a limited partnership, the partners of which are Merrill Lynch & Co., Inc., Fund Asset Management, Inc. and Princeton Services, Inc.

Duration and Termination. Unless earlier terminated as described below, the Management Agreements will remain in effect from year to year if approved annually (a) by the Trustees of the Trust or by a majority of the outstanding shares of the Funds and (b) by a majority of the Trustees who are not parties to such contract or interested persons (as defined in the 1940 Act) of any such party. Such contracts are not assignable and may be terminated without penalty on 60 days' written notice at the option of either party thereto or by vote of the shareholders of the Funds.

PURCHASE OF SHARES

Reference is made to "Purchase of Shares" in the Prospectus for certain information as to the purchase of shares of each Fund.

ALTERNATIVE SALES ARRANGEMENTS

Each Fund issues two classes of shares: Class A shares are sold to investors choosing the initial sales charge alternative and Class B shares are sold to investors choosing the deferred sales charge alternative. The

two classes of shares represent identical interests in the same portfolio of investments of a Fund, have the same rights and are identical in all respects, except that Class B shares of a Fund bear the expenses of the deferred sales arrangements of that Fund and any expenses (including incremental transfer agency costs) resulting from such sales arrangements and the expenses paid by the account maintenance fee of that Fund. The two classes also have different exchange privileges. See "Shareholder Services--Exchange Privilege".

On behalf of each Fund, the Trust entered into a separate distribution agreement with the Distributor in connection with the continuous offerings of Class A shares and Class B shares of such Fund (each a "Distribution Agreement"). Each Distribution Agreement obligates the Distributor to pay certain expenses in connection with the offering of the Class A shares and Class B shares of the related Fund. After the prospectuses, statements of additional information and periodic reports have been prepared, set in type and mailed to shareholders, the Distributor pays for the printing and distribution of copies thereof used in connection with the offering to dealers and prospective investors. The Distributor also pays for other supplementary sales literature and advertising costs. The Distribution Agreements are subject to the same renewal requirements and termination provisions as the Management Agreements described above.

INITIAL SALES CHARGE ALTERNATIVE--CLASS A SHARES

The term "purchase", as used in the Prospectus and in this Statement of Additional Information in connection with an investment in Class A shares of a Fund, refers to a single purchase by an individual, or to concurrent purchases, which in the aggregate are at least equal to the prescribed amounts, by an individual, his or her spouse and their children under the age of 21 years purchasing shares for his or her or their own account and to single purchases by a trustee or other fiduciary purchasing shares for a single trust estate or single fiduciary account although more than one beneficiary is involved. The term "purchase" also includes purchases by any "company", as that term is defined in the 1940 Act, but does not include purchases by any such company which has not been in existence for at least six months or which has no purpose other than the purchase of shares of the Fund or shares of other registered investment companies at a discount; provided, however, that it shall not include purchases by any group of individuals whose sole organizational nexus is that the participants therein are credit cardholders of a company, policyholders of an insurance company, customers of either a bank or broker-dealer or clients of an investment adviser.

REDUCED INITIAL SALES CHARGES--CLASS A SHARES

Right of Accumulation. Reduced sales charges are applicable through a right of accumulation under which eligible investors are permitted to purchase Class A shares of a Fund at the offering price applicable to the total of (a) the dollar amount then being purchased plus (b) an amount equal to the then current net asset value or cost, whichever is higher, of the purchaser's combined holdings of the Class A shares and Class B shares of a Fund and of any other investment company with an initial sales charge or a deferred sales charge for which the Distributor acts as the distributor. For any such right of accumulation to be made available, the Distributor must be provided at the time of purchase, by the purchaser or the purchaser's securities dealer, with sufficient information to permit confirmation of qualification. Acceptance of the purchase order is subject to such confirmation. The right of accumulation may be amended or terminated at any time.

Letter of Intention. Reduced sales charges are applicable to purchases aggregating $100,000 or more of the Class A shares of a Fund or any other investment company with an initial sales charge or a deferred sales charge for which the Distributor acts as the distributor made within a 13-month period starting with the first purchase pursuant to a Letter of Intention in the form provided in the Prospectus. The Letter of Intention is available only to investors whose accounts are maintained at the Trust's Transfer Agent. The Letter of Intention is not available to employee benefit plans for which Merrill Lynch provides plan participant record-keeping services. The Letter of Intention is not a binding obligation to purchase any amount of Class A shares of any Fund; however, its execution will result in the purchaser paying a lower sales charge at the appropriate quantity purchase level. A purchase not originally made pursuant to a Letter of Intention may be included

under a subsequent Letter of Intention executed within 90 days of such purchase if the Distributor is informed in writing of this intent within such 90-day period. The value of Class A shares of a Fund and of other investment companies with an initial sales charge or a deferred sales charge for which the Distributor acts as the distributor presently held, at cost or maximum offering price (whichever is higher), on the date of the first purchase under the Letter of Intention, may be included as a credit toward the completion of such Letter, but the reduced sales charge applicable to the amount covered by such Letter will be applied only to new purchases. If the total amount of shares does not equal the amount stated in the Letter of Intention (minimum of $100,000), the investor will be notified and must pay, within 20 days of the expiration of such Letter, the difference between the sales charge on the Class A shares of the Fund purchased at the reduced rate and the sales charge applicable to the shares of the Fund actually purchased through the Letter. Class A shares of the Fund equal to at least five percent of the intended amount will be held in escrow during the thirteen-month period (while remaining registered in the name of the purchaser) for this purpose. The first purchase under the Letter of Intention must be at least five percent of the dollar amount of such Letter. If during the term of such Letter, a purchase brings the total amount invested to an amount equal to or in excess of the amount indicated in the Letter, the purchaser will be entitled on that purchase and subsequent purchases to the reduced percentage sales charge which would be applicable to a single purchase equal to the total dollar value of the Class A shares then being purchased under such Letter, but there will be no retroactive reduction of the sales charges on any previous purchase. The value of any shares redeemed or otherwise disposed of by the purchaser prior to termination or completion of the Letter of Intention will be deducted from the total purchases made under such Letter. An exchange from Merrill Lynch Ready Assets Trust, Merrill Lynch Retirement Reserves Money Fund, Merrill Lynch U.S. Treasury Money Fund or Merrill Lynch U.S.A. Government Reserves into a Fund that creates a sales charge will count toward completing a new or existing Letter of Intention to the Fund.

Purchase Privilege of Certain Persons. Trustees of the Trust, directors and trustees of other Merrill Lynch-sponsored investment companies, directors and employees of Merrill Lynch & Co., Inc. and its subsidiaries and any trust, pension, profit-sharing or other benefit plan for such persons, may purchase Class A shares of a Fund at net asset value. Under such programs, a Fund realizes economies of scale and reduction of sales-related expenses by virtue of familiarity with the Fund.

Class A shares of each Fund will be offered at net asset value, without a sales charge, to an investor who has a business relationship with a financial consultant who joined Merrill Lynch from another investment firm within six months prior to the date of purchase by such investor, if the following conditions are satisfied. First, the investor must purchase Class A shares of a Fund with proceeds from a redemption of shares of a mutual fund that was sponsored by the financial consultant's previous firm and imposed a sales charge either at the time of purchase or on a deferred basis. Second, such redemption must have been made within 60 days prior to the investment in the Fund, and the proceeds from the redemption must have been maintained in the interim in cash or a money market fund.

Closed-End Fund Option. Class A shares of each Fund and certain other mutual funds advised by the Manager or MLAM (the "Eligible Class A shares") are offered at net asset value to shareholders of certain closed-end funds advised by the Manager or MLAM who wish to reinvest the net proceeds of a sale of their closed-end fund shares of common stock in Eligible Class A shares, if the conditions set forth below are satisfied. First, the sale of closed-end fund shares must be made through Merrill Lynch, and the net proceeds therefrom must be reinvested immediately in Eligible Class A shares. Second, the closed-end fund shares must have either been acquired in the initial public offering or be shares representing dividends from shares of common stock acquired in such offering. Third, the closed-end fund shares must have been maintained continuously in a Merrill Lynch securities account. Fourth, there must be a minimum purchase of $250 to be eligible for the investment option. Class A shares of each Fund are offered at net asset value to shareholders of Merrill Lynch Senior Floating Rate Fund, Inc. (formerly known as Merrill Lynch Prime Fund, Inc.) ("Senior Floating Rate Fund") who wish to reinvest the net proceeds from a sale of certain of their shares of common stock of Senior Floating Rate Fund in shares of the Fund. In order to exercise this investment option, Senior Floating Rate Fund shareholders must sell their Senior Floating Rate Fund shares to Senior

Floating Rate Fund in connection with a tender offer conducted by Senior Floating Rate Fund and reinvest the proceeds immediately in the Fund. This investment option is available only with respect to the proceeds of Senior Floating Rate Fund shares as to which no Early Withdrawal Charge (as defined in the Senior Floating Rate Fund prospectus) is applicable. Purchase orders from Senior Floating Rate Fund shareholders wishing to exercise this investment option will be accepted only on the day that the related Senior Floating Rate Fund tender offer terminates and will be effected at the net asset value of the Fund at such day.

Acquisition of Certain Investment Companies. The public offering price of Class A shares of a Fund may be reduced to the net asset value per Class A share of that Fund in connection with the acquisition of the assets of or merger or consolidation with a personal holding company or a public or private investment company. The value of the assets or company acquired in a tax-free transaction may be adjusted in appropriate cases to reduce possible adverse tax consequences to each Fund which might result from an acquisition of assets having net unrealized appreciation which is disproportionately higher at the time of acquisition than the realized or unrealized appreciation of each Fund.

DEFERRED SALES CHARGE ALTERNATIVE--CLASS B SHARES

Distribution Plan. Reference is made to "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares--Distribution Plans" in the Prospectus for certain information with respect to the Distribution Plan of each Fund.

The payment of the distribution fee with respect to Class B shares is subject to the provisions of Rule 12b-1 under the 1940 Act. Among other things, each Distribution Plan provides that the Distributor shall provide and the Trustees shall review quarterly reports of the disbursement of the distribution fees paid by each Fund to the Distributor. In their consideration of the Distribution Plans, the Trustees must consider all factors they deem relevant, including information as to the benefits of each Distribution Plan to its Fund and its respective Class B shareholders. The Distribution Plans further provide that, so long as a Distribution Plan remains in effect, the selection and nomination of Trustees who are not "interested persons" of the Trust, as defined in the 1940 Act (the "Independent Trustees"), shall be committed to the discretion of the Independent Trustees then in office. In separately approving each Distribution Plan in accordance with Rule 12b-1, the Independent Trustees concluded that there is a reasonable likelihood that each Distribution Plan will benefit the related Fund and its Class B shareholders. Any Distribution Plan can be terminated at any time, without penalty, by the vote of a majority of the Independent Trustees or by the vote of the holders of a majority of the outstanding Class B voting securities of the related Fund. No Distribution Plan can be amended to increase materially the amount to be spent by the related Fund without approval by Class B shareholders of that Fund, and all material amendments are required to be approved by the vote of Trustees, including a majority of the Independent Trustees who have no direct or indirect financial interest in the Distribution Plan, cast in person at a meeting called for that purpose. Rule 12b-1 further requires that the Trust preserve copies of each Distribution Plan and any report made pursuant to such plan for a period of not less than six years from the date of the Distribution Plan or such report, the first two years in an easily accessible place.

REDEMPTION OF SHARES

Reference is made to "Redemption of Shares" in the Prospectus for certain information as to the redemption and repurchase of shares of each Fund.

The right to redeem shares of any Fund or to receive payment with respect to any such redemption may be suspended only for any period during which trading on the New York Stock Exchange is restricted as determined by the Commission or such Exchange is closed (other than customary weekend and holiday closings), for any period during which an emergency exists, as defined by the Commission, as a result of which disposal of portfolio securities or determination of the net asset value of a Fund is not reasonably practicable, and for such other periods as the Commission may by order permit for the protection of shareholders of the Funds.

CONTINGENT DEFERRED SALES CHARGE--CLASS B SHARES

As discussed in the Prospectus under "Purchase of Shares--Alternative Sales Arrangements--Deferred Sales Charge Alternative--Class B Shares", while Class B shares redeemed within one year of purchase are subject to a contingent deferred sales charge ("CDSC") under most circumstances, the charge is waived on redemptions of Class B shares following the death or disability of a Class B shareholder. Redemptions for which the waiver applies are any partial or complete redemption following the death or disability (as defined in the Internal Revenue Code of 1986, as amended (the "Code")) of a Class B shareholder (including one who owns the Class B shares as joint tenant with his or her spouse), provided the redemption is requested within one year of the death or initial determination of disability.

PORTFOLIO TRANSACTIONS

Reference is made to "Investment Objectives and Policies" and "Portfolio Transactions" in the Prospectus.

Under the 1940 Act, persons affiliated with the Trust are prohibited from dealing with the Trust or any Fund as principals in the purchase and sale of securities unless such trading is permitted by an exemptive order issued by the Commission. Since over-the-counter transactions are usually principal transactions, affiliated persons of the Trust, including Merrill Lynch, may not serve as dealers in connection with transactions with the Funds absent an exemptive order from the Commission. The Trust has obtained an exemptive order permitting it to engage in certain principal transactions with Merrill Lynch involving high quality short-term municipal bonds subject to certain conditions. Affiliated persons of the Trust may serve as brokers for the Funds in over-the-counter transactions conducted on an agency basis. Certain court decisions have raised questions as to the extent to which investment companies should seek exemptions under the 1940 Act in order to seek to recapture underwriting and dealer spreads from affiliated entities. The Trustees have considered all factors deemed relevant, and have made a determination not to seek such recapture at this time. The Trustees will reconsider this matter from time to time.

As a non-fundamental restriction, the Trust will prohibit the purchase or retention by any Fund of the securities of any issuer if the officers, directors or trustees of the Trust or the Manager owning beneficially more than one-half of one per cent of the securities of an issuer together own beneficially more than five per cent of the securities of that issuer. In addition, under the 1940 Act, the Funds may not purchase securities during the existence of any underwriting syndicate of which Merrill Lynch is a member except pursuant to an exemptive order or rules adopted by the Commission. Rule 10f-3 under the 1940 Act sets forth conditions under which a Fund may purchase municipal bonds in such transactions. The rule sets forth requirements relating to, among other things, the terms of an issue of municipal bonds purchased by a Fund, the amount of municipal bonds which may be purchased in any one issue and the assets of a Fund which may be invested in a particular issue.

The Funds do not expect to use any particular dealer in the execution of transactions but, subject to obtaining the best net results, dealers who provide supplemental investment research (such as information concerning tax-exempt securities, economic data and market forecasts) to the Manager may receive orders for transactions by the Funds. Information so received will be in addition to and not in lieu of the services required to be performed by the Manager under its Management Agreement and the expenses of the Manager will not necessarily be reduced as a result of the receipt of such supplemental information.

The Funds have no obligation to deal with any broker in the execution of transactions for its portfolio securities. In addition, consistent with the Rules of Fair Practice of the National Association of Securities Dealers, Inc. and policies established by the Trustees of the Trust, the Manager may consider sales of shares of the Funds as a factor in the selection of brokers or dealers to execute portfolio transactions for the Funds.

Generally, the Funds do not purchase securities for short-term trading profits. However, a Fund may dispose of securities without regard to the time they have been held when such action, for defensive or other reasons, appears advisable to the Manager. While it is not possible to predict turnover rates with any certainty, at present it is anticipated that each Fund's annual portfolio turnover rate, under normal circumstances after the Fund's portfolio is invested in accordance with its respective investment objective, will be less than 100%. (The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of a Fund's portfolio securities for the particular fiscal year by the monthly average of the value of the portfolio securities owned by the Fund during the particular fiscal year. For purposes of determining this rate, all securities whose maturities at the time of acquisition are one year or less are excluded.)

DETERMINATION OF NET ASSET VALUE

The net asset value of each Fund is determined by the Manager once daily, Monday through Friday, as of 4:15 P.M., New York City time, on each day during which the New York Stock Exchange is open for trading. The New York Stock Exchange is not open on New Year's Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Net asset value per share of a Fund is computed by dividing the sum of the value of the securities held by the Fund plus any cash or other assets minus all liabilities by the total number of shares outstanding at such time, rounded to the nearest cent. Expenses, including the fees payable to the Manager and Distributor, are accrued daily. The net asset value per share of the Class A shares of a Fund and the net asset value per share of the Class B shares of that Fund are expected to be equivalent. Under certain circumstances, however, the per share net asset value of a Fund's Class B shares may be lower than the per share net asset value of its Class A shares reflecting the higher daily expense accruals of the account maintenance and distribution fees (and incremental transfer agency costs) applicable with respect to the Class B shares of the Fund. Even under those circumstances, the per share net asset value of the two classes will tend to converge immediately after the payment of dividends, which will differ by approximately the amount of the expense accrual differential between the classes.

The Municipal Bonds, and other portfolio securities in which the Funds invest, are traded primarily in over-the-counter municipal bond and money markets and are valued at the last available bid price in the over-the-counter market or on the basis of yield equivalents as obtained from one or more dealers that make markets in the securities. One bond is the "yield equivalent" of another bond when, taking into account market price, maturity, coupon rate, credit rating and ultimate return of principal, both bonds theoretically will produce an equivalent return to the bondholder. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their settlement prices as of the close of such exchanges. Short-term investments with a remaining maturity of 60 days or less are valued on an amortized cost basis, which approximates market value. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Trustees of the Trust, including valuations furnished by a pricing service retained by the Trust, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Trust under the general supervision of the Trustees.

SHAREHOLDER SERVICES

The Trust offers a number of shareholder services described below which are designed to facilitate investment in shares of the Funds. Full details as to each of such services can be obtained from the Trust, the Distributor or Merrill Lynch.

INVESTMENT ACCOUNT

Each shareholder whose account is maintained at the Transfer Agent has an Investment Account and will receive quarterly statements from the Transfer Agent. These quarterly statements will serve as transaction confirmations for automatic investment purchases and the reinvestment of income dividends, and long-term capital gain distributions. The quarterly statements will also show any other activity in the account since the preceding statement. Shareholders will receive separate transaction confirmations for each purchase or sale transaction other than automatic investment purchases and the reinvestment of income dividends, and long-term capital gain distributions. Shareholders considering transferring their Class A shares from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the Class A shares are to be transferred will not take delivery of shares of the relevant Fund, a shareholder either must redeem the Class A shares so that the cash proceeds can be transferred to the account at the new firm or such shareholder must continue to maintain an Investment Account at the Transfer Agent for those Class A shares. Shareholders interested in transferring their Class B shares from Merrill Lynch and who do not wish to have an Investment Account maintained for such shares at the Transfer Agent may request their new brokerage firm to maintain such shares in an account registered in the name of the brokerage firm for the benefit of the shareholder. If the new brokerage firm is willing to accommodate the shareholder in this manner, the shareholder must request that he or she be issued certificates for his or her shares, and then must turn the certificates over to the new firm for re-registration as described in the preceding sentence. A shareholder may make additions to his or her Investment Account at any time by mailing a check directly to the Transfer Agent.

Share certificates are issued only for full shares and only upon the specific request of the shareholder who has an Investment Account. Issuance of certificates representing all or only part of the full shares in an Investment Account may be requested by a shareholder directly from the Transfer Agent.

AUTOMATIC INVESTMENT PLAN

A shareholder of a Fund may make additions to an Investment Account at any time by purchasing Class A shares or Class B shares at the applicable public offering price either through the shareholder's securities dealer, or by mail directly to the Transfer Agent, acting as agent for such securities dealers. Voluntary accumulation also can be made through a service known as the Automatic Investment Plan whereby each Fund is authorized through pre-authorized checks of $50 or more to charge the regular bank account of the shareholder on a regular basis to provide systematic additions to the Investment Account of such shareholder. A Fund's Automatic Investment Program is not available to shareholders whose shares are held in brokerage account with Merrill Lynch. Alternatively, an investor who maintains a CMA(R) account may arrange to have periodic investments made in a Fund in such CMA(R) account or in certain related accounts in amounts of $100 or more through the CMA(R) Automatic Investment Program.

AUTOMATIC REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS

Unless specific instructions are given as to the method of payment of dividends and capital gains distributions, dividends and distributions will be reinvested automatically in additional shares of the respective Fund. Such reinvestment will be at the net asset value of shares of the respective Fund as of the close of business on the monthly payment date for such dividends and distributions. Shareholders may elect in writing to receive either their income dividends or capital gains distributions, or both, in cash, in which event payment will be mailed on or about the payment date.

Shareholders, at any time, may notify the Transfer Agent in writing or by telephone (1-800-MER-FUND) that they no longer wish to have their dividends and/or capital gains distributions reinvested in shares of the respective Fund or vice versa and, commencing ten days after the receipt by the Transfer Agent of such notice, such instructions will be effected.

SYSTEMATIC WITHDRAWAL PLANS--CLASS A SHARES

A Class A shareholder may elect to make systematic withdrawals from an Investment Account on either a monthly or a quarterly basis as provided below. Quarterly withdrawals are available for shareholders who have acquired Class A shares of a Fund having a value, based on cost or the current offering price, of $5,000 or more, and monthly withdrawals for shareholders with Class A shares with such a value of $10,000 or more.

At the time of each withdrawal payment, sufficient Class A shares are redeemed from those on deposit in the shareholder's account to provide the withdrawal payment specified by the shareholder. The shareholder may specify either a dollar amount or a percentage of the value of his or her Class A shares. Redemptions will be made at net asset value as determined at the normal close of business on the New York Stock Exchange on the 24th day of each month or the 24th day of the last month of each quarter, whichever is applicable. If the Exchange is not open for business on such date, the Class A shares will be redeemed at the close of business on the following business day. The check for the withdrawal payment will be mailed, or the direct deposit for the withdrawal payment will be made, on the next business day following redemption. When a shareholder is making systematic withdrawals, dividends and distributions on all Class A shares in the Investment Account are reinvested automatically in the respective Fund's Class A shares. A shareholder's Systematic Withdrawal Plan may be terminated at any time, without charge or penalty, by either the shareholder, the Trust, the Transfer Agent or the Distributor. Withdrawal payments should not be considered as dividends, yield or income. Each withdrawal is a taxable event. If periodic withdrawals continuously exceed reinvested dividends, the shareholder's original investment may be reduced correspondingly. Purchases of additional Class A shares concurrent with withdrawals are ordinarily disadvantageous to the shareholder because of sales charges and tax liabilities. The Trust will not knowingly accept purchase orders for Class A shares of a Fund from investors who maintain a Systematic Withdrawal Plan unless such purchase is equal to at least one year's scheduled withdrawals or $1,200, whichever is greater. Periodic investments may not be made into an Investment Account in which the shareholder has elected to make systematic withdrawals.

A Class A shareholder whose shares are held within a CMA(R), CBA(R) or Retirement Account may elect to have shares redeemed on a monthly, bimonthly, quarterly, semiannual or annual basis through the Systematic Redemption Program. The minimum fixed dollar amount redeemable is $25. The proceeds of systematic redemptions will be posted to the shareholder's account five business days after the date the shares are redeemed. Monthly systematic redemptions will be made at net asset value on the first Monday of each month, bimonthly systematic redemption will be made at net asset value on the first Monday of every other month, and quarterly, semiannual or annual redemptions are made at net asset value on the first Monday of months selected at the shareholder's option. If the first Monday of the month is a holiday, the redemption will be processed at net asset value on the next business day. The Systematic Redemption Program is not available if Fund shares are being purchased within the account pursuant to the Automatic Investment Program. For more information on the Systematic Redemption Program, eligible shareholders should contact their Financial Consultant.

EXCHANGE PRIVILEGE

Class A shareholders and Class B shareholders of each Fund may exchange their Class A shares or Class B shares of a Fund for shares of the same class of Merrill Lynch Adjustable Rate Securities Fund, Inc., Merrill Lynch Americas Income Fund, Inc., Merrill Lynch Arizona Municipal Bond Fund, Merrill Lynch Balanced Fund for Investment and Retirement, Merrill Lynch Basic Value Fund, Inc., Merrill Lynch California Municipal Bond Fund, Merrill Lynch California Insured Municipal Bond Fund, Merrill Lynch Capital Fund, Inc., Merrill Lynch Colorado Municipal Bond Fund, Merrill Lynch Corporate Bond Fund, Inc., Merrill Lynch Developing Capital Markets Fund, Inc. (shares of which are deemed Class A shares for purposes of the exchange privilege), Merrill Lynch Dragon Fund, Inc., Merrill Lynch EuroFund, Merrill Lynch Federal Securities Trust, Merrill Lynch Florida Municipal Bond Fund, Merrill Lynch Fund For Tomorrow, Inc., Merrill Lynch Fundamental Growth Fund, Inc., Merrill Lynch Global Allocation Fund, Inc., Merrill Lynch Global Bond Fund for Investment and Retirement, Merrill Lynch Global Convertible Fund, Inc., Merrill Lynch Global Holdings (residents of Arizona must meet investor suitability standards), Merrill Lynch Global Resources Trust, Merrill Lynch Global Utility Fund, Inc., Merrill Lynch Growth Fund for Investment and Retirement, Merrill Lynch Healthcare Fund, Inc. (residents of Wisconsin must meet investor suitability standards), Merrill Lynch International Equity Fund, Merrill Lynch Latin America Fund, Inc., Merrill Lynch Maryland Municipal Bond Fund, Merrill Lynch Massachusetts Municipal Bond Fund, Merrill Lynch Michigan Municipal Bond Fund, Merrill Lynch Minnesota Municipal Bond Fund, Merrill

Lynch Municipal Bond Fund, Inc., Merrill Lynch Municipal Intermediate Term Fund, Merrill Lynch New Jersey Municipal Bond Fund, Merrill Lynch New York Municipal Bond Fund, Merrill Lynch North Carolina Municipal Bond Fund, Merrill Lynch Ohio Municipal Bond Fund, Merrill Lynch Oregon Municipal Bond Fund, Merrill Lynch Pacific Fund, Inc., Merrill Lynch Pennsylvania Municipal Bond Fund, Merrill Lynch Phoenix Fund, Inc., Merrill Lynch Short-Term Global Income Fund, Inc., Merrill Lynch Special Value Fund, Inc., Merrill Lynch Strategic Dividend Fund, Merrill Lynch Technology Fund, Inc., Merrill Lynch Texas Municipal Bond Fund, Merrill Lynch Utility Income Fund, Inc. and Merrill Lynch World Income Fund, Inc., on the basis described below. In addition, Class A shareholders of the Funds may exchange their Class A shares for shares of Merrill Lynch U.S.A. Government Reserves, Merrill Lynch U.S. Treasury Money Fund and Merrill Lynch Ready Assets Trust (or Merrill Lynch Retirement Reserves Money Fund if the exchange occurs within certain retirement plans) (together the "Class A money market funds"), and Class B shareholders of the Funds may exchange their Class B shares for shares of Merrill Lynch Government Fund, Merrill Lynch Institutional Fund, Merrill Lynch Treasury Fund and Merrill Lynch

Institutional Tax-Exempt Fund (together the "Class B money market funds") on the basis described below. Shares with a net asset value of at least $250 are required to qualify for the exchange privilege, and any shares utilized in an exchange must have been held by the shareholder for at least 15 days. Certain funds into which exchanges may be made may impose a redemption fee (not in excess of 2.00% of the amount redeemed) on shares purchased through the exchange privilege when such shares are subsequently redeemed, including redemption through subsequent exchanges. Such redemption fee would be in addition to any contingent deferred sales charge otherwise applicable to a redemption of Class B shares. It is contemplated that the exchange privilege may be applicable to other new mutual funds whose shares may be distributed by the Distributor.

Under the exchange privilege, each of the funds with Class A shares outstanding offers to exchange its Class A shares ("new Class A shares") for Class A shares ("outstanding Class A shares") of any of the other funds, on the basis of relative net asset value per Class A share, plus an amount equal to the difference, if any, between the sales charge previously paid on the outstanding Class A shares and the sales charge payable at the time of the exchange on the new Class A shares. With respect to outstanding Class A shares as to which previous exchanges have taken place, the "sales charge previously paid" shall include the aggregate of the sales charges paid with respect to such Class A shares in the initial purchase and any subsequent exchange. Class A shares issued pursuant to dividend reinvestment are sold on a no-load basis in each of the funds offering Class A shares. For purposes of the exchange privilege, Class A shares acquired through dividend reinvestment will be exchanged into the Class A shares of the other funds or into shares of the Class A money market funds without a sales charge.

In addition, each of the Funds with Class B shares outstanding offers to exchange its Class B shares ("new Class B shares") for Class B shares ("outstanding Class B shares") of any of the other funds on the basis of relative net asset value per Class B share, without the payment of any CDSC that might otherwise be due on redemption of the outstanding shares. Class B shareholders of each Fund exercising the exchange privilege will continue to be subject to the Fund's CDSC schedule if such schedule is higher than the deferred sales charge schedule relating to the new Class B shares acquired through use of the exchange privilege. In addition, Class B shares of each Fund acquired through use of the exchange privilege will be subject to that Fund's CDSC schedule if such schedule is higher than the deferred sales charge schedule relating to the Class B shares of the fund from which the exchange has been made. For purposes of computing the sales load that may be payable on a disposition of the new Class B shares, the holding period for the outstanding Class B shares is "tacked" to the holding period of the new Class B shares. For example, an investor may exchange Class B shares of a Fund for those of Merrill Lynch Global Resources Trust (formerly known as Merrill Lynch Natural Resources Trust) after having held the Fund's Class B shares for two and a half years. The 2% sales charge that generally would apply to a redemption would not apply to the exchange. Three years later the investor may decide to redeem the Class B shares of Merrill Lynch Global Resources Trust and receive cash. There will be no CDSC due on this redemption, since by "tacking" the two and a half year holding period of the Fund's Class B shares to the three year holding period for the Merrill Lynch Global

Resources Trust Class B shares, the investor will be deemed to have held the new Class B shares for more than five years.

Shareholders also may exchange Class A shares and Class B shares from any of the Funds into shares of the Class A money market funds and Class B money market funds, respectively, but the period of time that Class B shares are held in a Class B money market fund will not count towards satisfaction of the holding period requirement for purposes of reducing the CDSC. However, shares of a Class B money market fund which were acquired as a result of an exchange for Class B shares of a Fund may, in turn, be exchanged back into Class B shares of any Fund offering such shares, in which event the holding period for Class B shares of the Fund will be aggregated with previous holding periods for purposes of reducing the CDSC. Thus, for example, an investor may exchange Class B shares of a Fund for shares of Merrill Lynch Institutional Fund after having held the Fund's Class B shares for two and a half years and three years later decide to redeem the shares of Merrill Lynch Institutional Fund for cash. At the time of this redemption, the 2% CDSC that would have been due had the Class B shares of the Fund been redeemed for cash rather than exchanged for shares of Merrill Lynch Institutional Fund will be payable. If, instead of such redemption the shareholder exchanged such shares for Class B shares of a fund which the shareholder continues to hold for an additional two and a half years, any subsequent redemption will not incur a CDSC.

Merrill Lynch Mutual Fund Adviser Program. Class A shareholders of the Funds that participate in the Merrill Lynch Mutual Fund Adviser Program may exchange Class A shares of a Fund for Class A shares of the funds listed below at net asset value. Once the initial allocation of assets is made under the program, any subsequent exchange under the program of Class A shares of a fund for Class

A shares of a Fund will be made on the basis of the relative net asset values of the shares being exchanged with no additional charges for any difference between the sales charge previously paid on Fund shares exchanged and the sales charge payable on fund shares acquired in the exchange.

Set forth below is a description of the other funds into which exchanges can be made:

Merrill Lynch Adjustable Rate Securities Fund, Inc.	High current income consistent with a policy of limiting the degree of fluctuation in net asset value by investing primarily in a portfolio of adjustable rate securities, consisting principally of mortgage-backed and asset-backed securities.
Merrill Lynch Americas Income Fund, Inc.	A high level of current income, consistent with prudent investment risk, by investing primarily in debt securities denominated in a currency of a country located in the Western Hemisphere (i.e., North and South America and the surrounding waters).
Merrill Lynch Arizona Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Arizona income taxes as is consistent with prudent investment management.
Merrill Lynch Balanced Fund for Investment and Retirement................	As high a level of total investment return as is consistent with reasonable risk by investing in common stock and other types of securities, including fixed-income securities and convertible securities.
Merrill Lynch Basic Value Fund, Inc.	Capital appreciation and, secondarily, income through investment in securities, primarily equities, that are undervalued and therefore represent basic investment value.

Merrill Lynch California Municipal Bond Fund.......	A portfolio of Merrill Lynch California Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management.
Merrill Lynch California Insured Municipal Bond Fund......................	A portfolio of Merrill Lynch California Municipal Series Trust, a series fund, whose objective is to provide shareholders with as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management through investment in a portfolio primarily of insured California Municipal Bonds.
Merrill Lynch Capital Fund, Inc.	The highest total investment return consistent with prudent risk through a fully managed investment policy utilizing equity, debt and convertible securities.
Merrill Lynch Colorado Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series, a series fund, whose objective

	is as high a level of income exempt from Federal and Colorado income taxes as is consistent with prudent investment management.
Merrill Lynch Corporate Bond Fund, Inc.	Current income from three separate diversified portfolios of fixed-income securities.
Merrill Lynch Developing Capital Markets Fund, Inc.	Long-term appreciation through investment in securities, principally equities, of issuers in countries having smaller capital markets.
Merrill Lynch Dragon Fund, Inc.	Capital appreciation primarily through investment in equity and debt securities of issuers domiciled in developing countries located in Asia and the Pacific Basin, other than Japan, Australia and New Zealand.
Merrill Lynch Eurofund.....	Capital appreciation primarily through investment in equity securities of corporations domiciled in Europe.
Merrill Lynch Federal Securities Trust..........	High current return through investments in U.S. Government and Government agency securities, including GNMA mortgage-backed certificates and other mortgage-backed Government securities.
Merrill Lynch Florida Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal income taxes as is consistent with prudent investment management while seeking to offer shareholders the opportunity to own securities exempt from Florida intangible personal property taxes.

Merrill Lynch Fund for Tomorrow, Inc.	Long-term growth through investment in a portfolio of good quality securities, primarily common stock, potentially positioned to benefit from demographic and cultural changes as they affect consumer markets.
Merrill Lynch Fundamental Growth Fund, Inc.	Long-term growth of capital through investment in a diversified portfolio of equity securities placing particular emphasis on companies that have exhibited an above-average growth rate in earnings.
Merrill Lynch Global Allocation Fund, Inc......	High total return, consistent with prudent risk, through a fully managed investment policy utilizing United States and foreign equity, debt and money market securities, the combination of which will be varied from time to time both with respect to the types of securities and markets in response to changing market and economic trends.
Merrill Lynch Global Bond Fund for Investment and Retirement...............	High total investment return from investment in a global portfolio of debt instruments denominated in various currencies and multi-national currency units.
Merrill Lynch Global Convertible Fund, Inc.....	

High total return from investment primarily in an internationally diversified portfolio of convertible debt securities, convertible preferred stock and "synthetic" convertible securities consisting of a combination of debt securities or preferred stock and warrants or options.

Merrill Lynch Global Holdings (residents of Arizona must meet investor suitability standards)................

The highest total investment return consistent with prudent risk through worldwide investment in an internationally diversified portfolio of securities.

Merrill Lynch Global Resources Trust......

Long-term growth and protection of capital from investment in securities of domestic and foreign companies that possess substantial natural re- source assets.

Merrill Lynch Global Utility Fund, Inc. ....

Capital appreciation and current income through investment of at least 65% of its total assets in equity and debt securities issued by domestic and foreign companies which are primarily en- gaged in the ownership or operation of facili- ties used to generate, transmit or distribute electricity, telecommunications, gas or water.

Merrill Lynch Government Fund......................

A portfolio of Merrill Lynch Funds for Institu- tions Series, a series fund, whose objective is to provide current income consistent with li- quidity and security of principal from invest- ment in securities issued or guaranteed by the U.S. Government, its agencies and instrumentali- ties and in repurchase agreements secured by such obligations.

Merrill Lynch Growth Fund for Investment and Retirement................

Growth of capital and, secondarily, income from investment in a diversified portfolio of equity securities placing principal emphasis on those securities which management of the fund believes to be undervalued.

Merrill Lynch Healthcare Fund, Inc. (residents of Wisconsin must meet investor suitability standards)................

Capital appreciation through worldwide investment in equity securities of companies that derive or are expected to derive a substantial portion of their sales from products and services in healthcare.

Merrill Lynch Institutional Fund........

A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide maximum current income consistent with liquidity and the maintenance of a high quality portfolio of money market securities.

Merrill Lynch Institutional Tax-Exempt Fund......................

A portfolio of Merrill Lynch Funds For

Institutions Series, a series fund, whose objective is to provide current income exempt from Federal income taxes, preservation of capital and liquidity available from investing in a diversified portfolio of short-term, high quality municipal bonds.

Merrill Lynch International Equity Fund......................	Capital appreciation and, secondarily, income by investing in a diversified portfolio of equity securities of issuers located in countries other than the United States.
Merrill Lynch Latin America Fund, Inc.........	Capital appreciation by investing primarily in Latin American equity and debt securities.
Merrill Lynch Maryland Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Maryland income taxes as is consistent with prudent investment management.
Merrill Lynch Massachusetts Municipal Bond Fund.................	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Massachusetts income taxes as is consistent with prudent investment management.
Merrill Lynch Michigan Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Michigan income taxes as is consistent with prudent investment management.
Merrill Lynch Minnesota Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Minnesota income taxes as is consistent with prudent investment management.

Merrill Lynch Municipal Bond Fund, Inc.	Tax-exempt income from three separate diversified portfolios of municipal bonds.
Merrill Lynch Municipal Intermediate Term Fund....	Currently the only portfolio of Merrill Lynch Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal income taxes as possible by investing in investment grade obligations with a dollar weighted average maturity of five to twelve years.
Merrill Lynch New Jersey Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and New Jersey income taxes as is consistent with prudent investment management.
Merrill Lynch New York	

Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal, New York State and New York City income taxes as is consistent with prudent investment management.
Merrill Lynch North Carolina Municipal Bond Fund..	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and North Carolina income taxes as is consistent with prudent investment management.
Merrill Lynch Ohio Municipal Bond Fund.............	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Ohio income taxes as is consistent with prudent investment management.
Merrill Lynch Oregon Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Oregon income taxes as is consistent with prudent investment management.
Merrill Lynch Pacific Fund, Inc.	Capital appreciation by investing in equity securities of corporations domiciled in Far Eastern and Western Pacific countries, including Japan, Australia, Hong Kong and Singapore.
Merrill Lynch Pennsylvania Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Pennsylvania income taxes as is consistent with prudent investment management.
Merrill Lynch Phoenix Fund, Inc.	Long-term growth of capital by investing in equity and fixed-income securities, including tax-exempt securities, of issuers in weak financial condition or experiencing poor operating results believed to be undervalued relative to the current or prospective condition of such issuer.

Merrill Lynch Ready Assets Trust.....................	Preservation of capital, liquidity and the highest possible current income consistent with the foregoing objectives from the short-term money market securities in which the Trust invests.
Merrill Lynch Retirement Reserves Money Fund (available only if the exchange occurs within certain retirement plans)....................	Currently the only portfolio of Merrill Lynch Retirement Series Trust, a series fund, whose objectives are current income, preservation of capital and liquidity available from investing in a diversified portfolio of short-term money market securities.
Merrill Lynch Short-Term	

Global Income Fund, Inc.	As high a level of current income as is consistent with prudent investment management from a global portfolio of high quality debt securities denominated in various currencies and multi-national currency units and having remaining maturities not exceeding three years.
Merrill Lynch Special Value Fund, Inc.	Long-term growth of capital from investments in securities, primarily common stock, of relatively small companies believed to have special investment value and emerging growth companies regardless of size.
Merrill Lynch Strategic Dividend Fund............	Long-term total return from investment in dividend paying common stocks which yield more than Standard & Poor's 500 Composite Stock Price Index.
Merrill Lynch Technology Fund, Inc.	Capital appreciation through worldwide investment in equity securities of companies that derive or are expected to derive a substantial portion of their sales from products and services in technology.
Merrill Lynch Texas Municipal Bond Fund.......	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal income taxes as is consistent with prudent investment management by investing primarily in a portfolio of long-term, investment grade obligations issued by the State of Texas, its political subdivisions, agencies and instrumentalities.
Merrill Lynch Treasury Fund......................	A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide current income consistent with liquidity and security of principal from investment in direct obligations of the U.S. Treasury and up to 10% of its total assets in repurchase agreements secured by such obligations.
Merrill Lynch U.S.A. Government Reserves.......	Preservation of capital, current income and liquidity available from investing in direct obligations of the U.S. Government and repurchase agreements relating to such securities.

Merrill Lynch U.S. Treasury Money Fund.......	Preservation of capital, liquidity and current income through investment exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Treasury.
Merrill Lynch Utility Income Fund, Inc.	High current income through investment in equity and debt securities issued by companies which are primarily engaged in the ownership or operation of facilities used to generate, transmit or distribute electricity, telecommunications, gas or water.
Merrill Lynch World Income Fund, Inc.	

High current income by investing in a global portfolio of fixed-income securities denominated in various currencies, including multi-national currencies.

Before effecting an exchange, shareholders of a Fund should obtain a currently effective prospectus of the fund into which the exchange is to be made. Exercise of the exchange privilege is treated as a sale for Federal income tax purposes and, depending on the circumstances, a short- or long-term capital gain or loss may be realized. In addition, a shareholder exchanging shares of any of the funds may be subject to a backup withholding tax unless such shareholder certifies under penalty of perjury that the taxpayer identification number on file with any such fund is correct and that such investor is not otherwise subject to backup withholding. See "Distributions and Taxes" below.

To exercise the exchange privilege, a shareholder should contact his or her Merrill Lynch financial consultant, who will advise the relevant Fund of the exchange, or, if the exchange does not involve a money market fund, the shareholder may write to the Transfer Agent requesting that the exchange be effected. Such letter must be signed exactly as the account is registered with signatures guaranteed by an "eligible guarantor institution" as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, the existence and validity of which may be verified by the Transfer Agent through the use of industry publications. Shareholders of the Funds, and shareholders of the other funds described above with shares for which certificates have not been issued, may exercise the exchange privilege by wire through their securities dealers. Each Fund reserves the right to require a properly completed Exchange Application. This exchange privilege may be modified or terminated at any time in accordance with the rules of the Commission. Each Fund reserves the right to limit the number of times an investor may exercise the exchange privilege. Certain funds may suspend the continuous offering of their shares at any time and thereafter may resume such offering from time to time. The exchange privilege is available only to U.S. shareholders in states where the exchange legally may be made.

DISTRIBUTIONS AND TAXES

FEDERAL

The Trust intends to continue to qualify each Fund for the special tax treatment afforded regulated investment companies ("RICs") under the Internal Revenue Code of 1986, as amended (the "Code"). If a Fund so qualifies, in any taxable year in which it distributes at least 90% of its taxable net income and 90% of its tax-exempt net income (see below), the Fund (but not its shareholders) will not be subject to Federal income tax to the extent that it distributes its net investment income and net realized capital gains. The Trust intends to cause each Fund to distribute substantially all of such income.

As discussed in the Prospectus for the Trust, the Trust has established a number of series, each referred to herein as a "Fund". Each Fund is treated as a separate corporation for Federal income tax purposes and therefore is considered to be a separate entity in determining its treatment under the rules for RICs described in the Prospectus. Losses in one Fund do not offset gains in another Fund, and the requirements (other than certain organizational requirements) for qualifying for RIC status will be determined at the Fund level rather than at the Trust level.

The Code requires a RIC to pay a nondeductible 4% excise tax to the extent the RIC 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 RIC. The excise tax, therefore, generally will not apply to the tax-exempt income of RICs, such as the Funds, that pay exempt-interest dividends. While each Fund intends to distribute its income and capital gains in the manner necessary to avoid imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's taxable income and capital gains will be distributed to avoid entirely the imposition of the tax. In such event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

The Trust intends to qualify each Fund to pay "exempt-interest dividends" as defined in Section 852(b)(5) of the Code. Under such section if, at the close of each quarter of the Fund's taxable year, at least 50% of the value of its total assets consists of obligations exempt from Federal income tax ("tax-exempt obligations") under Section 103(a) of the Code (relating generally to obligations of a state or local governmental unit), a Fund shall be qualified to pay exempt-interest dividends to its shareholders. Exempt-interest dividends are dividends or any part thereof paid by a Fund which are attributable to interest on tax-exempt obligations and designated by the Trust as exempt-interest dividends in a written notice mailed to each Fund's shareholders within 60 days after the close of such Fund's taxable year. To the extent that the dividends distributed to a Fund's shareholders are derived from interest income exempt from Federal income tax under Code Section 103(a) and are properly designated as exempt-interest dividends, they will be excludable from a shareholder's gross income for Federal income tax purposes, subject to the possible application of the Federal alternative minimum tax as described below. Exempt-interest dividends are included, however, in determining the portion, if any, of a person's social security and railroad retirement benefits subject to Federal income taxes. Interest on indebtedness incurred or continued to purchase or carry shares of RICs paying exempt-interest dividends, such as the Funds, will not be deductible by the investor for Federal income tax purposes to the extent attributable to exempt-interest dividends. Shareholders are advised to consult their tax advisers with respect to whether exempt-interest dividends retain the exclusion under Code Section 103(a) if a shareholder would be treated as a "substantial user" or "related person" under Code Section 147(a) with respect to property financed with the proceeds of an issue of "industrial development bonds" or "private activity bonds", if any, held by a Fund. The Trust will inform shareholders annually regarding the portion of each Fund's distributions which constitutes exempt-interest dividends.

To the extent that a Fund's distributions are derived from interest on its taxable investments or from an excess of net short-term capital gains over net long-term capital losses ("ordinary income dividends"), such distributions are considered ordinary income for Federal income tax purposes. Such distributions are not eligible for the dividends received deduction for corporations. Distributions, if any, of net long-term capital gains from the sale of securities or from certain transactions in futures or options ("capital gain dividends") are taxable at long-term capital gains rates for Federal income tax purposes, regardless of the length of time the shareholder has owned Fund shares. Under the Revenue Reconciliation Act of 1993, all or a portion of a Fund's gain from the sale or redemption of tax-exempt obligations purchased at a market discount will be treated as ordinary income rather than capital gain. This rule may increase the amount of ordinary income dividends received by shareholders. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gains to such holder (assuming the shares are held as a capital asset). Any loss upon the sale or exchange of shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received by the shareholder. In addition, such loss will be disallowed to the extent of any exempt-interest dividends received by the shareholder. If a Fund pays a dividend in January which was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by its shareholders on December 31 of the year in which such dividend was declared.

The Code subjects interest received on certain otherwise tax-exempt securities to an alternative minimum tax. The alternative minimum tax applies to interest received on "private activity bonds" issued after August 7, 1986. Private activity bonds are bonds which, although tax-exempt, are used for purposes other than those generally performed by governmental units and which benefit non-governmental entities (e.g., bonds used for industrial development or housing purposes). Income received on such bonds is classified as an item of "tax preference", which could subject investors in such bonds, including shareholders of a Fund, to an alternative minimum tax. Each Fund will purchase such "private activity bonds" and the Trust will report to shareholders within 60 days after such Fund's taxable year-end the portion of the Fund's dividends declared during the year which constitutes an item of tax preference for alternative minimum tax purposes. The Code further provides that corporations are subject to an alternative minimum tax based, in part, on certain differences between taxable income as adjusted for other tax preferences and the corporation's "adjusted current earnings", which more closely reflect a corporation's economic income. Because exempt-interest dividends paid by a Fund will be included in adjusted current earnings, a corporate shareholder may be required to pay alternative minimum tax on exempt-interest dividends paid by a Fund.

The Revenue Reconciliation Act of 1993 has added new marginal tax brackets of 36% and 39.6% for individuals and has created a graduated structure of 26% and 28% for the alternative minimum tax applicable to individual taxpayers. These rate increases may affect an individual investor's after-tax return from an investment in one of the Funds listed in the Prospectus as compared with such investor's return from taxable investments.

Under certain Code provisions, some shareholders may be subject to a 31% withholding tax on certain ordinary income dividends and on capital gain dividends and redemption payments ("backup withholding"). Generally, shareholders subject to backup withholding will be those for whom no certified taxpayer identification number is on file with the Trust or who, to the Trust's knowledge, have furnished an incorrect number. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such investor is not otherwise subject to backup withholding.

Ordinary income dividends paid by a Fund to shareholders who are nonresident aliens or foreign entities will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Nonresident shareholders are urged to consult their own tax advisers concerning the applicability of the United States withholding tax.

The Code provides that every person required to file a tax return must include for information purposes on such return the amount of exempt-interest dividends received from all sources (including the Funds) during the taxable year.

ENVIRONMENTAL TAX

The Code imposes a deductible tax (the "Environmental Tax") on a corporation's modified alternative minimum taxable income (computed without regard to the alternative tax net operating loss deduction and the deduction for the Environmental Tax) at a rate of $12 per $10,000 (0.12%) of alternative minimum taxable income in excess of $2,000,000. The Environmental Tax is 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. The Code provides, however, that RICs, such as the Funds, are not subject to the Environmental Tax. However, exempt-interest dividends paid by the Funds that create alternative minimum tax preferences for corporate shareholders under the Code (as described above) may subject corporate shareholders of such Funds to the Environmental Tax.

TAX TREATMENT OF FINANCIAL FUTURES CONTRACTS AND OPTIONS THEREON

Each Fund may purchase or sell municipal bond index futures contracts and interest rate futures contracts on U.S. Government securities ("financial futures contracts"). Each Fund also may purchase and write call and put options on such financial futures contracts. In general, unless an election is available to a Fund or an exception applies, options and financial futures contracts that are "Section 1256 contracts" will be "marked-to-market" for Federal income tax purposes at the end of each taxable year, i.e., each such option or financial futures contract will be treated as sold for its fair market value on the last day of the taxable year, and any gain or loss attributable to such contracts will be 60% long-term and 40% short-term capital gain or loss. Application of these rules to Section 1256 contracts held by a Fund may alter the timing and character of distributions to shareholders.

Code Section 1092, which applies to certain "straddles", may affect the taxation of a Fund's transactions in options and financial futures contracts. Under Section 1092, a Fund may be required to postpone recognition for tax purposes of losses incurred in certain closing transactions in options and financial futures contracts.

One of the requirements for qualification as a RIC is that less than 30% of a Fund's gross income may be derived from gains from the sale or other disposition of securities held for less than three months. Accordingly, a Fund may be restricted in effecting closing transactions within three months after entering into an option or financial futures contract.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative or administrative action either prospectively or retroactively.

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

STATE

Arizona. Exempt-interest dividends from the Arizona Fund will not be subject to Arizona income tax for shareholders who are Arizona residents to the extent that the dividends are attributable to interest earned on Arizona State Municipal Bonds. To the extent that the Arizona Fund's distributions are derived from interest on its taxable investments or from an excess of net short-term capital gains over net long-term capital losses, such distributions are considered ordinary income for Arizona income tax purposes. Such distributions are not eligible for the dividends received deduction for corporations. Distributions, if any, of net long-term capital gains from the sale of securities or from certain transactions in futures or options are taxable as ordinary income for Arizona purposes. The Arizona Fund (but not its shareholders) may be subject to the Arizona minimum corporate income tax of $50.

California. Exempt-interest dividends from the California Fund will not be subject to California personal income taxes for California resident individuals to the extent attributable to interest from California State Municipal Bonds, and such exempt-interest dividends will also be excludable from the income base used in calculating the California corporate income tax to the extent attributable to interest from California State Municipal Bonds. However, exempt-interest dividends paid to a corporate shareholder subject to California state corporate franchise tax will be taxable as ordinary income. Distributions of long-term capital gains will be treated as capital gains which are taxed at ordinary income rates for California state income tax purposes.

Florida. The Florida Fund has received a ruling from the Florida Department of Revenue that if on the last business day of any calendar year the Florida Fund's assets consist solely of assets exempt from

Florida intangible personal property tax, shares of the Florida Fund will be exempt from Florida intangible personal property tax in the following year. The Florida Department of Revenue has the authority to revoke or modify a previously issued ruling; however, if a ruling is revoked or modified, the revocation or modification is prospective only. Thus, if the ruling is not revoked or modified and if 100% of the Florida Fund's assets on the last business day of each calendar year consists of assets exempt from Florida intangible personal property tax, shares of the Florida Fund owned by Florida residents will be exempt from Florida intangible personal property tax. Assets exempt from Florida intangible personal property tax include obligations of the State of Florida and its political subdivisions; obligations of the United States Government or its agencies; and cash. If shares of the Florida Fund are subject to Florida intangible personal property tax because less than 100% of the Florida Fund's assets on the last business day of the calendar year consists of assets exempt from Florida intangible personal property tax, only the portion of the net asset value of the Florida Fund that is attributable to obligations of the U.S. Government will be exempt from taxation. The Florida Fund anticipates that on the last business day of each calendar year the Florida Fund's assets will consist solely of assets exempt from Florida intangible personal property tax.

Dividends paid by the Florida Fund to individuals who are Florida residents are not subject to personal income taxation by Florida, because Florida does not impose a personal income tax. Distributions of investment income and capital gains by the Florida Fund will be subject to Florida corporate income tax, state taxes in states other than Florida and local taxes in cities other than those in Florida. Shareholders subject to taxation by states other than Florida may realize a lower after-tax rate of return than Florida shareholders since the dividends distributed by the Florida Fund may not be exempt, to any significant degree, from income taxation by such other states.

If the Florida Fund does not have a taxable nexus to Florida, such as through the location within the state of the Trust's or the Florida Fund's activities or those of the Manager, under present Florida law, the Florida Fund is not subject to Florida corporate income taxation. Additionally, if the Florida Fund's assets do not have a taxable situs in Florida as of January 1 of each calendar year, the Florida Fund will not be subject to Florida intangible personal property tax. If the Florida Fund has a taxable nexus to Florida or the Florida Fund's assets have a taxable situs in Florida, the Florida Fund will be subject to Florida taxation.

Massachusetts. Under existing Massachusetts law, as long as the Massachusetts Fund qualifies as a separate "regulated investment company" under the Code, (i) the Massachusetts Fund will not be liable for any personal income or any corporate excise tax in the Commonwealth of Massachusetts and (ii) shareholders of the Massachusetts Fund who are subject to Massachusetts personal income taxation will not be required to include in their Massachusetts taxable income (a) that portion of their "exempt-interest dividends" (as defined in Section 852(b)(5) of the Code) from the Massachusetts Fund which the Massachusetts Fund clearly identifies as directly attributable to interest received by the Massachusetts Fund on Massachusetts State Municipal Bonds or (b) that portion of their dividends which is identified as attributable to interest received by the Massachusetts Fund on obligations of the United States or its agencies or possessions that are exempt from state taxation.

Any capital gains distributed by the Massachusetts Fund (except for capital gains on certain Massachusetts State Municipal Bonds which are specifically exempt by statute), or gains realized by the shareholder on a redemption or sale of shares of the Massachusetts Fund, will be subject to Massachusetts personal income taxation.

In the case of any corporate shareholder otherwise subject to the Massachusetts corporate excise tax, distributions received from the Massachusetts Fund, and any gain on the sale or other disposition of Massachusetts Fund Shares, will be includable in the corporation's Massachusetts gross income and taxed accordingly. Similarly, the value of shares held in the Massachusetts Fund will be taken into account in calculating the property component of the Massachusetts corporate excise tax.

Michigan. Shareholders who are subject to the Michigan income tax or single business tax will not be subject to the Michigan income tax or single business tax on exempt-interest dividends from the Michigan Fund to the extent they are attributable to interest from Michigan State Municipal Bonds. To the extent the distributions from the Michigan Fund are attributable to sources other than Michigan State Municipal Bonds, such distributions, including, but not limited to, long- or short-term capital gains, will not be exempt from Michigan income tax or the single business tax.

In 1986, the Michigan Department of Treasury issued a Bulletin stating that holders of interests in regulated investment companies who are subject to the Michigan intangibles tax will be exempt from the tax to the extent that the company's investment portfolio consists of items such as Michigan State Municipal Bonds. In addition, shares owned by certain financial institutions or by certain other persons subject to the Michigan single business tax are not subject to the Michigan intangibles tax.

New Jersey. To the extent distributions from the New Jersey Fund are derived from interest or gains on New Jersey State Municipal Bonds, such distributions will be exempt from New Jersey personal income tax. In order to pass through tax-exempt interest for New Jersey personal income tax purposes, the New Jersey Fund, among other requirements, must have not less than 80% of the aggregate principal amount of its investments invested in New Jersey State Municipal Bonds at the close of each quarter of the tax year (the "80% Test"). For purposes of calculating whether the 80% Test is satisfied, financial options, futures, forward contracts and similar financial instruments relating to interest-bearing obligations are excluded from the principal amount of the New Jersey Fund's investments. The New Jersey Fund intends to comply with this requirement so as to enable it to pass through tax-exempt interest. In the event the New Jersey Fund does not so comply, distributions by the New Jersey Fund will be taxable to shareholders for New Jersey personal income tax purposes. Distributions from the New Jersey Fund derived from interest or gains on New Jersey State Municipal Bonds and paid to a corporate shareholder will be subject to the New Jersey corporation business (franchise) tax or, if applicable, the New Jersey corporation income tax.

Under present New Jersey law, a RIC, such as the New Jersey Fund, pays a flat tax of $250 per year. The New Jersey Fund might be subject to the New Jersey corporation business (franchise) tax for any taxable year in which it does not qualify as a RIC.

New York. The portion of the exempt-interest dividends equal to the proportion which the New York Fund's interest on New York State Municipal Bonds bears to all of the New York Fund's tax-exempt interest (whether or not distributed) will be exempt from New York State and New York City personal income taxes. To the extent the New York Fund's distributions are derived from interest on taxable investments, from gain from the sale of investments or from tax-exempt interest that is not attributable to New York State Municipal Bonds, they will constitute taxable income for New York State and New York City personal income tax purposes. Distributions from investment income and capital gains of the New York Fund, including exempt-interest dividends paid to a corporate shareholder, will be subject to New York State corporate franchise and New York City corporation income tax.

Pennsylvania. To the extent distributions from the Pennsylvania Fund are derived from interest on Pennsylvania State Municipal Bonds, such distributions will also be exempt from the Pennsylvania personal income tax. In the case of residents of the City of Philadelphia, distributions which are derived from interest on Pennsylvania State Municipal Bonds will be exempt from the Philadelphia School District investment income tax. Pennsylvania recently enacted legislation which eliminated the necessity for certain restrictions on the Pennsylvania Fund's ability to vary portfolio investments which had been required in order for the Pennsylvania Fund to pass-through to investors the tax-exempt nature of its income. However, that legislation also repealed the Pennsylvania income tax exemption for gains from the sale of tax-exempt obligations (including any exemption for distributions from the Pennsylvania Fund to the extent they are derived from gain on the sale of Pennsylvania State Municipal Bonds or other tax-exempt obligations).

Shares of the Pennsylvania Fund will be exempt from Pennsylvania county personal property taxes, the City of Pittsburgh personal property tax and the School District of Pittsburgh personal property tax to the extent the Pennsylvania Fund's portfolio securities consist of Pennsylvania State Municipal Bonds on the annual assessment date.

At present it appears that an investment in the Pennsylvania Fund by a corporate shareholder will be included in the Pennsylvania capital stock/foreign franchise tax base by the Pennsylvania Department of Revenue. To the extent exempt-interest dividends are excluded from taxable income for Federal corporate income tax purposes (determined before net operating loss carryovers and special deductions), they will not be subject to the Pennsylvania corporate net income tax.

The above discussion is a general and abbreviated summary of the relevant state and local tax provisions presently in effect. Shareholders are urged to consult their tax advisers regarding specific questions as to state or local taxes.

PERFORMANCE DATA

From time to time each Fund may include its average annual total return and other total return data, as well as yield and tax-equivalent yield, in advertisements or information furnished to present or prospective shareholders. From time to time, the Fund may include the Fund's Morningstar risk-adjusted ratings in advertisements or supplemental sales literature. Total return and yield and tax-equivalent yield figures are based on a Fund's historical performance and are not intended to indicate future performance. Average annual total return, yield and tax equivalent yield are determined separately for Class A shares and Class B shares of each Fund in accordance with formulas specified by the Commission.

Average annual total return quotations for the specified periods are computed by finding the average annual compounded rates of return (based on net investment income and any realized and unrealized capital gains or losses on portfolio investments over such periods) that would equate the initial amount invested to the redeemable value of such investment at the end of each period. Average annual total return is computed assuming all dividends and distributions are reinvested and taking into account all applicable recurring and nonrecurring expenses, including the maximum sales charge in the case of Class A shares of a Fund and the contingent deferred sales charge that would be applicable to a complete redemption of the investment at the end of the specified period in the case of Class B shares of that Fund.

The Funds also may quote annual, average annual and annualized total return and aggregate total return performance data, both as a percentage and as a dollar amount based on a hypothetical $1,000 investment, for various periods other than those noted below. Such data will be computed as described above, except that (1) as required by the periods of the quotations, actual annual, annualized or aggregate data, rather than average annual data, may be quoted and (2) the maximum applicable sales charges will not be included with respect to annual or annualized rates of return calculations. Aside from the impact on the performance data calculations of including or excluding the maximum applicable sales charges, actual annual or annualized total return data generally will be lower than average annual total return data since the average rates of return reflect compounding of return; aggregate total return data generally will be higher than average annual total return data since the aggregate rates of return reflect compounding over a longer period of time.

Set forth below is the total return, yield and tax equivalent yield information (based on a Federal tax rate of 28%) for the Class A and Class B shares of each of the Funds for the periods indicated. Investors' tax-equivalent yields may differ from those stated below because of the application of state and local income and intangibles taxes and Federal income tax rates which are higher or lower than 28%.

<TABLE>
<CAPTION>

	CLASS A SHARES		CLASS B SHARES	
	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL $1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL $1,000 INVESTMENT AT THE END OF THE PERIOD	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL $1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL $1,000 INVESTMENT AT THE END OF THE PERIOD
<S>	<C>	<C>	<C>	<C>
ARIZONA FUND				

Average Annual Total Return (including maximum applicable sales charges)*.......	2.20%	$1,003.90	1.95%	$1,003.50
Annual Total Return (excluding maximum applicable sales charges)*............	1.41%	$1,014.10	1.35%	$1,013.50
Aggregate Total Return (including maximum applicable sales charges)*............	0.39%	$1,003.90	0.35%	$1,003.50
Yield**................	2.89%		2.57%	
Tax Equivalent Yield**.	4.01%		3.57%	
CALIFORNIA FUND				
Average Annual Total Return (including maximum applicable sales charges)*.......	3.78%	$1,006.70	3.54%	$1,006.30
Annual Total Return (excluding maximum applicable sales charges)*............	1.69%	$1,016.90	1.63%	$1,016.30
Aggregate Total Return (including maximum applicable sales charges)*............	0.67%	$1,006.70	0.63%	$1,006.30
Yield**................	3.14%		3.50%	
Tax Equivalent Yield**.	4.36%		4.86%	
FLORIDA FUND				
Average Annual Total Return (including maximum applicable sales charges)*.......	1.50%	$1,002.70	1.24%	$1,002.20
Annual Total Return (excluding maximum applicable sales charges)*............	1.28%	$1,012.80	1.22%	$1,012.20
Aggregate Total Return (including maximum applicable sales charges)*............	0.27%	$1,002.70	0.22%	$1,002.20
Yield**................	3.32%		3.01%	
Tax Equivalent Yield**.	4.61%		4.18%	
MASSACHUSETTS FUND				
Average Annual Total Return (including maximum applicable sales charges)*.......	0.65%	$1,001.20	0.39%	$1,000.70
Annual Total Return (excluding maximum applicable sales charges)*............	1.13%	$1,011.30	1.07%	$1,010.70
Aggregate Total Return (including maximum applicable sales charges)*............	0.12%	$1,001.20	0.07%	$1,000.70
Yield**................	3.66%		3.35%	
Tax Equivalent Yield**.	5.08%		4.65%	

</TABLE>

* November 26, 1993 (commencement of operations) to January 31, 1994

** 30 days ended on February 28, 1994

<TABLE>
<CAPTION>

	CLASS A SHARES		CLASS B SHARES	
	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL $1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL $1,000 INVESTMENT AT THE END OF THE PERIOD	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL $1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL $1,000 INVESTMENT AT THE END OF THE PERIOD
<S>	<C>	<C>	<C>	<C>
MICHIGAN FUND				

Average Annual Total Return (including maximum applicable sales charges)*.......	2.31%	$1,004.10	2.06%	$1,003.70
Annual Total Return (excluding maximum applicable sales charges)*............	1.43%	$1,014.30	1.37%	$1,013.70
Aggregate Total Return (including maximum applicable sales charges)*............	0.41%	$1,004.10	0.37%	$1,003.70
Yield**................	3.30%		2.97%	
Tax Equivalent Yield**.	4.58%		4.13%	
NEW JERSEY FUND				
Average Annual Total Return (including maximum applicable sales charges)*.......	0.88%	$1,001.60	1.18%	$1,002.10
Annual Total Return (excluding maximum applicable sales charges)*............	1.17%	$1,011.70	1.21%	$1,012.10
Aggregate Total Return (including maximum applicable sales charges)*............	0.16%	$1,001.60	0.21%	$1,002.10
Yield**................	3.17%		2.87%	
Tax Equivalent Yield**.	4.40%		3.99%	
NEW YORK FUND				
Average Annual Total Return (including maximum applicable sales charges)*.......	3.50%	$1,006.20	3.26%	$1,005.80
Annual Total Return (excluding maximum applicable sales charges)*............	1.64%	$1,016.40	1.58%	$1,015.80
Aggregate Total Return (including maximum applicable sales charges)*............	0.62%	$1,006.20	0.58%	$1,005.80
Yield**................	3.22%		2.90%	
Tax Equivalent Yield**.	4.47%		4.03%	
PENNSYLVANIA FUND				
Average Annual Total Return (including maximum applicable sales charges)*.......	1.38%	$1,002.50	1.12%	$1,002.00
Annual Total Return (excluding maximum applicable sales charges)*............	1.26%	$1,012.60	1.20%	$1,012.00
Aggregate Total Return (including maximum applicable sales charges)*............	0.25%	$1,002.50	0.20%	$1,002.00
Yield**................	2.94%		2.62%	
Tax Equivalent Yield**.	4.08%		3.64%	

</TABLE>

* November 26, 1993 (commencement of operations) to January 31, 1994

** 30 days ended on February 28, 1994

In order to reflect the reduced sales charges in the case of Class A shares or the waiver of the CDSC in the case of Class B shares applicable to certain investors, as described under "Purchase of Shares" and "Redemption of Shares", respectively, the total return data quoted by a Fund in advertisements directed to such investors may take into account the reduced, and not the maximum, sales charge or may take into account the CDSC and therefore may reflect greater total return since, due to the reduced sales charge or the waiver of sales charges, a lower amount of expenses is deducted.

GENERAL INFORMATION

DESCRIPTION OF SHARES

The Declaration of Trust, dated February 14, 1991, of the Trust, as amended (the "Declaration"), provides that the Trust shall be comprised of separate Series, each of which will consist of a separate portfolio which will issue separate shares. The Trust is presently comprised of the Arizona Fund, the California Fund, the Florida Fund, the Massachusetts Fund, the Michigan Fund, the New Jersey Fund, the New York Fund and the Pennsylvania Fund. The Trustees are authorized to create an unlimited number of Series and, with respect to each Series, to issue an unlimited number of full and fractional shares of beneficial interest, par value $.10 per share, of different classes and to divide or combine the shares into a greater or lesser number of shares without thereby changing the proportionate beneficial interests in the Series. Shareholder approval is not necessary for the authorization of additional Series or classes of a Series of the Trust. At the date of this Statement of Additional Information, the shares of each Fund are divided into Class A shares and Class B shares. Both Class A shares and Class B shares represent an interest in the same assets of the relevant Fund and have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that expenses related to the account maintenance and distribution of the Class B shares are borne solely by such Class B shares and the Class B shares have exclusive voting rights with respect to matters relating to such expenditures. See "Purchase of Shares". The Trust has received an order from the Commission permitting the issuance and sale of two classes of shares of beneficial interest and the issuance and sale of any additional classes will require an additional order from the Commission. There is no assurance that such an additional order will be granted.

All shares of the Trust have equal voting rights, except that only shares of the respective Series are entitled to vote on matters concerning only that Series and, as noted above, Class B shares of a Series will have exclusive voting rights with respect to matters relating to the account maintenance and distribution expenses being borne solely by such class. Each issued and outstanding share is entitled to one vote and to participate equally in dividends and distributions declared by a Series and in the net assets of such Series upon liquidation or dissolution remaining after satisfaction of outstanding liabilities, except that, as noted above, expenses related to the account maintenance and distribution of the Class B shares of a Series will be borne solely by such class. There normally will be no meeting of shareholders for the purposes of electing Trustees unless and until such time as less than a majority of the Trustees holding office have been elected by shareholders, at which time the Trustees then in office will call a shareholders' meeting for the election of Trustees. Shareholders, in accordance with the terms of the Declaration, may cause a meeting of shareholders to be held for the purpose of voting on the removal of Trustees. Also, the Trust will be required to call a special meeting of shareholders in accordance with the requirements of the 1940 Act to seek approval of new management and advisory arrangements, of a material increase in distribution fees or of a change in the fundamental policies, objectives or restrictions of a Series.

The obligations and liabilities of a particular Series are restricted to the assets of that Series and do not extend to the assets of the Trust generally. The shares of each Series, when issued, will be fully paid and nonassessable, have no preference, preemptive, conversion, exchange or similar rights, and will be freely transferable. Holders of shares of any Series are entitled to redeem their shares as set forth elsewhere herein and in the Prospectus. Shares do not have cumulative voting rights and the holders of more than 50% of the shares of the Trust voting for the election of Trustees can elect all of the Trustees if they choose to do so and in such event the holders of the remaining shares would not be able to elect any Trustees. No amendments may be made to the Declaration without the affirmative vote of a majority of the outstanding shares of the Trust.

COMPUTATION OF OFFERING PRICE PER SHARE

An illustration of the computation of the offering price for Class A shares and Class B shares of each Fund based on the Funds' net assets on January 31, 1994 and their shares outstanding on that date is as follows:

TABLE

<TABLE>
<CAPTION>

<S>	CLASS A <C>	CLASS B <C>
ARIZONA FUND		
Net Assets...	$ 1,867,331	$ 4,532,343
Number of Shares Outstanding.........................	185,294	449,731
Net Asset Value Per Share (net assets divided by number of shares outstanding)..........................	$ 10.08	$ 10.08
Sales Charge (for Class A shares: 1.00% of offering price (1.01% of net asset value per share))*.........	$ 0.10	$ **

Offering Price..	$ 10.18	$ 10.08
CALIFORNIA FUND		
Net Assets...	$ 3,914,015	$11,042,161
Number of Shares Outstanding.........................	387,072	1,091,984
Net Asset Value Per Share (net assets divided by number of shares outstanding)...........................	$ 10.11	$ 10.11
Sales Charge (for Class A shares: 1.00% of offering price (1.01% of net asset value per share))*.........	$ 0.10	$ **
Offering Price..	$ 10.21	$ 10.11
FLORIDA FUND		
Net Assets...	$20,565,395	$17,748,664
Number of Shares Outstanding.........................	2,041,870	1,762,106
Net Asset Value Per Share (net assets divided by number of shares outstanding)...........................	$ 10.07	$ 10.07
Sales Charge (for Class A shares: 1.00% of offering price (1.01% of net asset value per share))*.........	$ 0.10	$ **
Offering Price..	$ 10.17	$ 10.07
MASSACHUSETTS FUND		
Net Assets...	$ 5,504,174	$ 7,679,349
Number of Shares Outstanding.........................	547,931	764,425
Net Asset Value Per Share (net assets divided by number of shares outstanding)...........................	$ 10.05	$ 10.05
Sales Charge (for Class A shares: 1.00% of offering price (1.01% of net asset value per share))*.........	$ 0.10	$ **
Offering Price..	$ 10.15	$ 10.05
MICHIGAN FUND		
Net Assets...	$ 3,182,283	$ 2,512,412
Number of Shares Outstanding.........................	315,626	249,188
Net Asset Value Per Share (net assets divided by number of shares outstanding)...........................	$ 10.08	$ 10.08
Sales Charge (for Class A shares: 1.00% of offering price (1.01% of net asset value per share))*.........	$ 0.10	$ **
Offering Price..	$ 10.18	$ 10.08
NEW JERSEY FUND		
Net Assets...	$ 5,028,448	$ 7,205,404
Number of Shares Outstanding.........................	499,810	715,779
Net Asset Value Per Share (net assets divided by number of shares outstanding)...........................	$ 10.06	$ 10.07
Sales Charge (for Class A shares: 1.00% of offering price (1.01% of net asset value per share))*.........	$ 0.10	$ **
Offering Price..	$ 10.16	$ 10.07

</TABLE>

<TABLE>
<CAPTION>

<S>	CLASS A <C>	CLASS B <C>
NEW YORK FUND		
Net Assets...	$ 4,280,288	$ 8,520,803
Number of Shares Outstanding.........................	423,938	843,924
Net Asset Value Per Share (net assets divided by number of shares outstanding)...........................	$ 10.10	$ 10.10
Sales Charge (for Class A shares: 1.00% of offering price (1.01% of net asset value per share))*.........	$ 0.10	$ **
Offering Price..	$ 10.20	$ 10.10
PENNSYLVANIA FUND		
Net Assets...	$ 903,952	$10,121,265
Number of Shares Outstanding.........................	89,757	1,005,047
Net Asset Value Per Share (net assets divided by number of shares outstanding)...........................	$ 10.07	$ 10.07
Sales Charge (for Class A shares: 1.00% of offering		

price (1.01% of net asset value per share))*.........	$ 0.10	$ **
Offering Price......................................	$ 10.17	$ 10.07

</TABLE>

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* Rounded to the nearest one-hundredth percent; assumes maximum sales charge is applicable.

** Class B shares are not subject to an initial sales charge but may be subject to a CDSC on redemption of shares within one year of purchase. See "Purchase of Shares--Deferred Sales Charge Alternative-- Class B Shares" herein and in the Prospectus.

INDEPENDENT AUDITORS

Deloitte & Touche, 117 Campus Drive, Princeton, New Jersey 08540-6400, has been selected as the independent auditors of the Trust. The employment of such auditors may be terminated without any penalty by vote of a majority of the outstanding shares of the Trust at a meeting called for the purpose of terminating such employment. The independent auditors are responsible for auditing the annual financial statements of each Fund.

CUSTODIAN

The Bank of New York, 110 Washington Street, New York, New York 10286, acts as the custodian of the Trust's assets. The custodian is responsible for establishing a separate account for each Fund, safeguarding and controlling each Fund's cash and securities, handling the delivery of securities and collecting interest on each Fund's investments.

TRANSFER AGENT

Financial Data Services, Inc. (the "Transfer Agent"), Transfer Agency Mutual Fund Operations, 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484, acts as the Trust's transfer agent. The Transfer Agent is responsible for the issuance, transfer and redemption of Fund shares and the opening, maintenance and servicing of Fund shareholder accounts. See "Management of the Trust--Transfer Agency Services" in the Prospectus.

LEGAL COUNSEL

Brown & Wood, One World Trade Center, New York, New York 10048-0557, is counsel for the Trust.

REPORTS TO SHAREHOLDERS

The fiscal year of each Fund ends on July 31 of each year. The Trust sends to shareholders of each Fund at least semi-annually reports showing the Fund's portfolio and other information. An annual report, containing financial statements audited by independent auditors, is sent to shareholders each year. After the end of each year shareholders will receive Federal income tax information regarding dividends and capital gains distributions.

ADDITIONAL INFORMATION

The Prospectus and this Statement of Additional Information do not contain all of the information set forth in the Registration Statement and the exhibits relating thereto, which the Trust has filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1933 and the Investment Company Act of 1940, to which reference is hereby made.

The Declaration, a copy of which is on file in the office of the Secretary of The Commonwealth of Massachusetts, provides that the name "Merrill Lynch Multi-State Limited Maturity Municipal Series Trust" refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Trust shall be held to any personal liability; nor shall resort be had to any such person's private property for the satisfaction of any obligation or claim of the Trust but the "Trust Property" (as defined in the Declaration) only shall be liable.

To the knowledge of the Trust, the following persons or entities owned beneficially 5% or more of a Fund's shares on April 29, 1994.

<TABLE>
<CAPTION>

	NAME	ADDRESS	PERCENT OF FUND'S SHARES
<S>	<C>	<C>	<C>
Arizona Fund...........	Paul Morrow, Morrow Revocable Trust	7500 N. Calle Sin Envidia Apartment 10201 Tucson, Arizona 85718	9.57%

California Fund.........	Bernard Lipinsky, Dorris Lipinsky	700 Front Street #2501 San Diego, California 92101	10.69%
	Gunjit S. Sikand, Margarete Sikand	15230 Burbank Boulevard Suite 100 Van Nuys, California 91411	5.02%
Florida Fund...........	Walter Rudisch, Jacqueline Rudisch	5601 SW 136th Avenue Fort Lauderdale, Florida 33330	8.66%
Massachusetts Fund......	F.B. Washburn Candy Corporation	P.O. Box 3277 137 Perkins Avenue Brockton, Massachusetts 02404	6.89%
	Heatbath Corporation, Ernest Walen	P.O. Box 2978 Springfield, Massachusetts 01102	6.60%
Michigan Fund..........	Alice K. Vandenhaute	4146 Trillium Court Okemos, Michigan 48864	7.63%
New Jersey Fund.........	Patrick Welsh, Carol Welsh	3 Essex Road Summit, New Jersey 07901	20.71%
	Ronin Development Corporation	103 Carnegie Center Princeton, New Jersey 08540	5.54%
New York Fund..........	Peekskill Muffler Corporation	16 Fulton Street White Plains, New York 10606	5.30%
Pennsylvania Fund.......	A.J. Clegg	10 Leopard Road Paoli, Pennsylvania 19301	9.17%
	Stephen Mickelberg	5 Foxcroft Square Jenkintown, Pennsylvania 19046	6.76%

</TABLE>

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THE FOLLOWING APPENDICES CONTAIN CERTAIN INFORMATION REGARDING THE ECONOMIC AND FINANCIAL CONDITIONS IN EACH DESIGNATED STATE AS OF THE DATE OF THIS STATEMENT OF ADDITIONAL INFORMATION. THIS INFORMATION IS PROVIDED TO INVESTORS IN EACH FUND IN VIEW OF EACH FUND'S CONCENTRATION OF INVESTMENTS IN THE ISSUERS OF A SPECIFIC STATE. THE INFORMATION CONTAINED THEREIN CONSTITUTES ONLY A BRIEF SUMMARY OF A NUMBER OF COMPLEX FACTORS THAT MAY AFFECT MUNICIPAL ISSUERS IN THE VARIOUS STATES AND DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL CONDITIONS TO WHICH MUNICIPAL ISSUERS IN EACH STATE MAY BE SUBJECT. SUCH INFORMATION IS DERIVED FROM SOURCES THAT ARE GENERALLY AVAILABLE TO INVESTORS, SUCH AS OFFICIAL STATEMENTS PREPARED IN CONNECTION WITH THE ISSUANCE OF MUNICIPAL AND STATE SECURITIES AND OTHER STATE-RELATED PUBLICATIONS. NEITHER THE TRUST NOR ANY FUND HAS INDEPENDENTLY VERIFIED THIS INFORMATION.

APPENDIX A

ECONOMIC AND FINANCIAL CONDITIONS IN ARIZONA

Arizona's total population of approximately 3,895,600 ranks it as the twenty-fourth largest state by population. From 1980 to 1992, the State's population increased by 43.31%. The U.S. Census Bureau has ranked Arizona (sometimes referred to as the "State") third among states in percentage growth of population between 1980 and 1990. The State's overall growth rate is expected to continue to exceed the national average through the turn of the century.

Over the last several decades, the State's economy has grown faster than that of most other regions of the country, as measured by nearly every major indicator of economic growth, including aggregate personal income growth, employment growth, gross state product and job creation. From 1987 to 1992, the State's aggregate personal income grew nearly 38.2% to approximately $66.916 billion. Over the same period, the State's total secondary assessed valuation of property, the measure used to assess property taxes to service general obligation indebtedness, increased by 13.4%.

Although the rate of growth has slowed considerably over the last two years, diversification of the State's economy has helped enable the State to maintain a moderate rate of growth. Jobs in industries such as mining and agriculture have diminished in relative importance to the State's economy over the past two decades, while substantial growth has occurred in the areas of aerospace, high technology, light manufacturing, finance and insurance. Jobs in the construction and real estate sectors have also experienced substantial growth over the past 20 years, but have declined recently as the result of contraction in the real estate sector. The unemployment rate for the State in 1992 was 7.4%, the same as the national rate.

Maricopa County is the State's most populous county. Within Maricopa County's boundaries lies the Phoenix Metropolitan Statistical Area, which includes the City of Phoenix, the State's largest city and the ninth largest city in the United States, and the Cities of Scottsdale, Tempe, Mesa, Glendale, Chandler and Peoria, as well as the Towns of Paradise Valley and Gilbert. The Phoenix Metropolitan Area accounts for 58% of the State's population, 65% of the State's nonagricultural employment, and 64% of its aggregate personal income. The population of the Phoenix Metropolitan Statistical Area grew from 1,509,175 in 1980 to approximately 2,253,500 persons as of the fourth quarter of 1992, a growth of approximately 49.3%. Rapid population growth has been accompanied by moderate employment growth. From 1988 to 1992, non-agricultural employment in Maricopa County grew by 4.6%, bringing the average number of persons employed in wage and salary jobs in Maricopa County during 1992 to 981,400. Unemployment in Maricopa County averaged 6.3% in 1992, as compared to 7.4% nationally, continuing the trend that since 1977 Maricopa County's average annual unemployment rate has been below the national average.

Good transportation facilities, a substantial pool of available labor, a variety of support industries and a warm climate have made the Phoenix Metropolitan Area a major business center in the southwestern United States. Once dependent primarily upon an agriculturally based economy, Maricopa County has substantially diversified its economic base. The service producing sector, including transportation, communications, public utilities, hospitality and entertainment, trade, finance, insurance, real estate, services and government, is the

leading source of employment in Maricopa County, employing an average of 800,500 persons in 1992, representing over 81.5% of Maricopa County's non-agricultural employment in that year. The size of this sector reflects in part the substantial contribution of tourism to the State's economy; during 1991, an estimated $6.8 billion of tourist expenditures were made in the State, of which approximately $3.95 billion were made in Maricopa County.

Pima County is the State's second most populous county, and encompasses the City of Tucson. The population of the Tucson metropolitan area has grown nearly 32.9% since 1980 to its current population of approximately 706,200, representing approximately 18.1% of Arizona's population. Pima County's economy is based primarily upon manufacturing, mining, government, agriculture, tourism, education and finance. The service producing sector is the largest employment source, employing an average of 224,600 persons in 1992, representing more than 84.5% of Pima County's non-agricultural employment in that year. The Pima County manufacturing sector employed an average of 23,900 persons in 1992. The declines in the real estate, construction and related finance industries have adversely affected the Pima County economy in recent years, and employment growth has remained relatively flat over the past two years.

Much of the attention on the State's economic condition over the past three years has focused on the sharp declines in the real estate and construction industries. The aggregate value of building permits in the State decreased each year between 1985 and 1991, with a moderate increase experienced in 1992. This downturn has been caused by a number of factors, including overbuilding in virtually every category of real property and the effect of the Tax Reform Act of 1986 on real estate tax investments. Large real estate-related losses, coupled with a slowed rate of economic growth, have also severely affected the financial services industry. As a result, most of the savings and loan associations that had been operating in the State in 1986, as well as several smaller banks, have been placed in Federal conservatorship and/or receivership, with their operations being supervised with agencies of the Federal government. Although most of these institutions have now been sold to other financial institutions, including large out-of-state banks, many of the real property assets of the failed institutions remain in the hands of the Federal government. While Arizona's real estate markets may have begun to stabilize during 1990, as evidenced by flat vacancy rates in several real estate sectors and a marked upturn in new home sales, prior overbuilding, the relative unavailability of real estate financing, the large inventory of real estate held or controlled by the Federal government, and various other factors make it likely that the overall downturn in the real estate and related industries will continue for at least the next three to five years.

The State government's fiscal situation has improved in recent years. After experiencing several years of budget shortfalls requiring mid-year adjustments, the State had a budget surplus of $86 million for fiscal year 1992-93, as compared to a total State budget of $3.7 billion. For fiscal year 1993-94, the Legislature is projecting a surplus of $107.1 million. For fiscal year 1994-95, a surplus between $4.9 million and $47 million is projected, depending upon whether additional spending is authorized during an anticipated special legislative session on education reform. The Legislature enacted a personal income tax reduction of approximately $107 million in 1994, in part owing to the improved fiscal picture.

APPENDIX B

ECONOMIC AND FINANCIAL CONDITIONS IN CALIFORNIA

ECONOMIC CONDITIONS

California's economy is the largest among the 50 states and one of the largest in the world. Total employment is about 14 million, the majority of which is in the service, trade and manufacturing sectors.

Since the start of the 1990-91 fiscal year (July 1-June 30), the State of California (sometimes referred to as the "State") has faced the worst economic, fiscal, and budget conditions since the 1930s. Construction, manufacturing (especially aerospace), exports and financial services, among others, have all been severely affected.

Job losses have been the worst of any post-war recession. Employment levels are expected to stabilize by late 1994 before net employment starts to increase, and pre-recession job levels are not expected to be reached for several more years. Unemployment is expected to remain well above the national average through 1994. According to the Department of Finance, recovery from the recession in California is not expected in meaningful terms until late 1994, notwithstanding signs of recovery elsewhere in the nation.

California has lost over 850,000 payroll jobs, making this by far the longest and deepest downturn of the post-World War II era. By contrast, in both the 1969-70 and 1981-82 recessions, the State had recovered its job losses by two years after the start of the recession.

Major cuts in federal defense spending are now recognized as the main source of the recession and the largest obstacle to recovery. This year and for the next several years to come, the principal question in the California outlook is when and whether other elements in the state's economy can muster sufficient strength to overcome the continuing drag of defense cuts.

This forecast does not contemplate a significant recovery in 1994, but anticipates stabilization of the economy and a modest recovery in 1995. This pattern produces an annual average decline in nonfarm employment of 0.6%, an improvement from last year's 1.4% drop and the similar 1.5% decline in 1992. Next year, employment is forecast to increase a modest 0.7%.

Personal income growth in 1993 was held below 1% due to tax-driven bonus activity which artificially boosted income in 1992. Following President Clinton's election, bonus and stock option payments added $5 to $6 billion to fourth quarter 1992 personal income, as individuals shifted income to avoid promised federal tax increases. With income having fallen sharply in the first quarter, it is clear that this surge was "borrowed" from 1993. It also appears that year-end 1993 bonus activity was weaker than normal, since part of the late-1992 surge reflected the exercise of stock options which would have otherwise occurred in 1993 to 1995.

Personal income is expected to increase 4% this year and 5% in 1995, reflecting a more normal relationship between employment and income.

The main elements of this forecast include:

- further declines in aerospace and electronics manufacturing, albeit at a reduced pace compared to 1993;
- a modest pickup in homebuilding and a stabilization in nonresidential construction;
- continuing restructuring in finance, the utilities and air transportation; and
- slow gains in retail sales and wholesale and retail trade employment.

There are some bright spots in the economy which may be sufficient this year to offset the continued drop in defense outlays. These include a small upturn in housing, mainly related to lower interest rates; a continued recovery in tourism, entertainment and recreation; and--especially late this year and in 1995--improved foreign trade prospects. Business services--mainly temporary employment agencies--and management consulting and research and development, which includes the biotechnology industry, are also expected to contribute to growth this year and next.

California--along with other areas of the nation--continues to experience the effects of corporate downsizing. By 1995, it is expected that a substantial portion of this restructuring will have run its course. A more stable situation in finance, the utilities and air transportation, for example, should allow modest gains in total employment by next year.

The rate of decline in defense-related aerospace is forecast to moderate slowly over the next several years, from a 17% plunge last year, to 14% in 1994 and 11% in 1995. In addition, there is evidence that cuts in defense employment are "front-loaded," as firms strive to slash overhead costs, including management and technical staffs, in order to remain profitable in a shrinking market. It is likely that President Clinton's election and his February budget announcement triggered a further reassessment of long-range strategies in many aerospace firms, and was at least partially responsible for the steep drop in employment last year.

Base closings--the other element of defense cuts--are expected to play a somewhat smaller role in 1994, but could be a renewed source of weakness thereafter. This year's closure calendar includes Norton Air Force Base in San Bernardino County, Moffet Field in Sunnyvale, and most of the San Francisco Presidio. Together, these will directly remove about 14,000 civilian and military jobs from the State.

In 1995, Monterey County's Fort Ord (16,500 jobs), Castle Air Force Base in Merced County (6,400 jobs) and Mare Island Naval Shipyard (9,500 jobs) are all slated to close. All told, the base closure impact will be twice as large in 1995 as this year.

The Department of Finance Bulletins for February and March indicate that, absent the January 12, 1994 earthquake (the "Northridge earthquake"), the State's economy has been showing the first signs of recovery. Nonfarm employment was up slightly in February, although aerospace job losses continue. Unemployment fell in February to 9% from 10.1% in January, although month-to-month changes can have wide swings which require them to be viewed with caution. Because of changes in methodology, these figures cannot be compared with pre-1994 rates. California's unemployment remains significantly higher than the national average, and it is too soon to tell if the gap will continue to narrow.

The Department reported that both residential and nonresidential construction continued to be weak, with building permits less than half the level of the peak in 1988. Solid recovery will be difficult without some improvement in this sector. Repair and rebuilding after the Northridge earthquake will provide a stimulus for the construction industry in the region, however.

Retail sales are up, but remain relatively weak. Sales gains in December, 1993, at 3% over the year earlier, were the strongest in three years, but still lagged behind the national recovery. Inflation is low, with the California consumer price index up only 1.9% for the year ended in January, compared to 2.5% nationally.

Finally, the Department reported that preliminary analysis of the effects of the Northridge earthquake suggest its impact on personal income will be minor, mostly from write-offs of uninsured losses. Personal income growth in 1994 might be reduced by one-half percent. Other impacts of the earthquake, such as tourism or business investment decisions, cannot yet be assessed.

The Commission on State Finance's ("COSF") February, 1994 Report provided some preliminary estimates of the earthquake's economic impact. Of a projected up to $20 billion of property damage, federal and state aid and insurance was estimated to provide about $14 billion of reimbursements. This sum, together with additional private moneys, would provide short-term stimulus to construction and sales. In the longer term, the region will have to absorb up to $6 billion of additional losses, plus the costs of disruption caused by the earthquake, which could moderately depress, but not stop, the economic recovery in Southern California. The COSF noted that this amount was small compared to the overall wealth of the region.

The COSF February Report noted that evidence pointed to reaching the bottom of the recession in 1994, with modest improvements most evident in northern and central California. The surprisingly strong national economic recovery was estimated to help spur demand for California products.

The State. The recession has seriously affected State tax revenues, which basically mirror economic conditions. The State has also been facing a structural imbalance in its budget with the largest programs supported by the General Fund--K-12 schools and community colleges, health and welfare, and corrections--growing at rates higher than the growth rates for the principal revenue sources of the General Fund. As a result, the State has experienced recurring budgeted deficits. The Controller reports that expenditures exceeded revenues for four of the five fiscal years ending with 1991-92. Revenues and expenditures were essentially equal in 1992-93, but the original budget for that year projected revenues exceeding expenditures by $2.6 billion. By June 30, 1993, according to the Department of Finance, the State's Reserve for Economic Uncertainties had a deficit, on a budget basis, of approximately $2.8 billion.

A further consequence of the large budget imbalances over the last three fiscal years has been that the State depleted its available cash resources and has had to use a series of external borrowings to meet its cash needs. The Governor's Budget Proposal for 1994-95, released January 7, 1994, now projects General Fund revenues and transfers in the 1993-94 Fiscal Year of $39.7 billion (a reduction of $900 million from the original 1993-94 Budget Act) and expenditures of $39.3 billion (an increase of $800 million over the original 1993-94 Budget Act). The Governor's Budget for 1994-95 proposes General Fund revenues and transfers of $41.3 billion (including $2.0 billion from the federal government) and expenditures of $38.8 billion, which would leave a balance of approximately $260 million in the budget reserve, the Special Fund for Economic Uncertainties, at June 30, 1995 after repayment of the accumulated 1992-93 budget deficit of $2.8 billion.

The 1992-93 Budget Act closed a "gap" of about $7.9 billion, but budgeted a reserve at June 30, 1993 of only $28 million. However, the Budget was based on economic forecasts and projections of major tax sources. Shortly after the 1992-93 Budget Act was enacted, it became evident that economic conditions in the State were not beginning to improve in the second half of 1992, as assumed by the Department of Finance's May, 1992 Revision economic estimates, which underlay the Budget. This was exacerbated by enactment of an initiative measure in November, 1992 which repealed a sales tax for certain candy, snack foods and bottled water, reducing revenues by about $300 million for a full fiscal year ($200 million in 1992-93). The Commission on State Finance reported, in Fall 1992, that the 1992-93 Budget would be about $2.7 billion out of balance, with about $2.1 billion attributed to reduced revenues. This was a "primary" forecast, which could be worse if the economy fell into a deeper recession rather than continuing in a stagnant mode. The Legislative Analyst issued a report consistent with the Commission's predictions. In addition, certain lawsuits were filed concerning implementation of the K-14 school financing portion of the Budget Act.

The Governor's 1993-94 Budget introduced on January 8, 1993 proposed General Fund expenditures of $37.3 billion, with projected revenues of $39.9 billion. It also proposed Special Fund expenditures of $12.4 billion and Special Fund Revenues of $12.1 billion. To balance the budget in the face of declining revenues, the Governor proposed a series of revenue shifts from local government, reliance on increased federal aid, and reductions in state spending.

The May Revision of the Governor's Budget, released on May 20, 1993, indicated that the revenue projections of the January Budget Proposal were tracking well, with the full year 1992-93 about $80 million

higher than the January projection. Personal income tax revenue was higher than projected, sales tax was close to target, and bank and corporation taxes were lagging behind projections. The May Revision projected the State would have an accumulated deficit of about $2.75 billion by June 30, 1993. The Governor proposed to eliminate this deficit over an 18-month period. He also agreed to retain the 0.5% sales tax scheduled to expire June 30, 1993 for a six-month period, dedicated to local public safety purposes, with a November election to determine a permanent extension. Unlike pervious years, the Governor's Budget and May Revision did not calculate a "gap" to be closed, but rather set forth revenue and expenditure forecasts and proposals designed to produce a balanced budget.

The 1993-94 Budget Act was signed by the Governor on June 30, 1993, along with implementing legislation and was predicated on General Fund revenues and transfers estimated at $40.6 billion, about $700 million higher than the January Governor's Budget, but still about $400 million below 1992-93 (and the second consecutive year of actual decline). The principal reasons for declining revenue were the continued weak economy and the expiration (or repeal) of three fiscal steps taken in 1991--a half cent temporary sales tax, a deferral of operating loss carry forwards, and repeal by initiative of a sales tax on candy and snack foods. The 1993-94 Budget Act also assumed Special Fund revenues of $11.9 billion, an increase of 2.9% over 1992-93.

The 1993-94 Budget Act included General Fund expenditures of $38.5 billion (a 6.3% reduction from projected 1992-93 expenditures of $41.1 billion), in order to keep a balanced budget within the available revenues. The 1993-94 Budget Act also included Special Fund expenditures of $12.1 billion, a 4.2% increase.

The 1994-95 Governor's Budget released January 7, 1994 indicates that the continued sluggish performance of the State's economy will have an adverse effect on results for the 1993-94 Fiscal Year. Revenues are now projected to be $39.7 billion, about $900 million less than the 1993-94 Budget Act, even though revenues in the first half of the fiscal year have been very close to original projections.

Expenditures for the 1993-94 Fiscal Year are now projected in the 1994-95 Governor's Budget to be $39.3 billion, about $800 million above the original

1993-94 Budget Act. The main reasons for this change are increased health and welfare caseloads, lower local property taxes (which require State support for K-14 education to make up the shortfall), and lower than expected federal government payments for immigration-related costs. The 1994-95 Governor's Budget does not reflect possible additional General Fund costs in the 1993-94 Fiscal Year for earthquake relief.

On January 17, 1994, a major earthquake measuring an estimated 6.8 on the Richter Scale struck Los Angeles. Significant property damage to private and public facilities occurred in a four-county area including northern Los Angeles County, Ventura County, and parts of Orange and San Bernardino Counties, which were declared as State and federal disaster areas by January 18. Preliminary estimates of total property damage (private and public) are in the range of $15 billion or more. However, precise estimates of the damage are being developed and may change.

The Department of Finance's March Bulletin reports the February revenue collections were $182 million below the estimate contained in the 1994-95 Governor's Budget, bringing actual year-to-date collections to within $237 million (0.9%) of the forecasted level. Most of February's shortfall can be attributed to the sales and use tax. However, both the sales and use tax and the personal income tax withholding are tracking their forecasted levels very well, giving encouragement that actual collections will meet expectations.

A report issued in December, 1993 by the staff of the COSF reviewed budget projections for the 1993-94 and 1994-95 Fiscal Years. The COSF Report projected 1993-94 results similar to the information contained in the Governor's Budget.

The COSF Report noted that the adverse revenue and expenditure trends would affect the 1994-95 budget, so that the combined two-year results would be an estimated $3.8 billion out of balance compared to

the projections made when the 1993-94 Budget Act was adopted. These factors are also recognized in the Governor's Budget. The COSF warned that the State's fiscal condition could be further worsened if a lower court ruling on school financing is upheld, if the State loses a tax case now before the United States Supreme Court, or if the economy falters.

In February, 1994 the COSF released an update to its December Report, which indicated that the Governor's Budget proposes to close a $4.5 billion gap by June 30, 1995, up from COSF's estimate of $3.8 billion in December. The newest COSF Report states that weakness in revenues between December and February had led to a revised estimate of revenues in 1993-94 around $500 million lower than those projected in the Governor's Budget, adding to the projected budget gap. The risk factors noted in the December Report also remained possible, although the February Report noted that (aside from the recent earthquake), economic conditions appeared to be mildly encouraging.

Certain issuers of California Municipal Bonds receive subventions from the State which are eligible to be used to make payments on said Bonds. No prediction can be made as to what effect continued decreases in subventions may have on the ability of some issuers to make such payments.

CONSTITUTIONAL AND STATUTORY LIMITATIONS; RECENT INITIATIVES; PENDING LITIGATION

Article XIIIA of the California Constitution (which resulted from the voter-approved Proposition 13 in 1978) limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax for general purposes. However, on May 3, 1986, Proposition 46, an amendment to Article XIIIA, was approved by the voters of the State of California, creating a new exemption under Article XIIIA permitting an increase in ad valorem taxes on real property in excess of 1% for bonded indebtedness approved by two-thirds of the voters voting on the proposed indebtedness. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The "full cash value" is subject to annual adjustment to reflect increases (not to exceed 2%) or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIB of the California Constitution limits the amount of appropriations of the State and of local governments to the amount of appropriations of the entity for the prior year, adjusted for changes in the cost of living, population and the services that the local government has financial responsibility for providing. To the extent the revenues of the state and/or local government exceed its appropriations, the excess revenues must be rebated to the public either directly or through a tax decrease. Expenditures for voter-approved debt services are not included in the appropriations limit.

In 1986, California voters approved an initiative statute known as Proposition 62. This initiative (i) required that any tax for general governmental purposes imposed by local governments be approved by a majority of the electorate of the government entity, (ii) required that any special tax (defined as taxes levied for other than general government purposes) imposed by a local government entity be approved by a two-thirds vote of the voters within that jurisdiction, (iii) restricted the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed, (iv) prohibited the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA, (v) prohibited the imposition of transaction taxes and sales taxes on the sale of real property by local governments, (vi) required 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, 1988, (vii) required that, in the event a local government fails to comply with the provisions of this measure, a reduction in the amount of property tax revenues 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 (viii) permitted those provisions to be amended exclusively by the voters of the State of California. While several recent decisions of the California Courts of Appeal have held that all or portions of Proposition 62 are unconstitutional, the California Supreme Court has yet to consider the matter.

At the November 9, 1988 general election, California voters approved an initiative known as Proposition 98. This initiative amends Article XIIIB to require that (i) the California Legislature establish a prudent state reserve fund in an amount as it shall deem reasonable and necessary and (ii) revenues in excess of amounts permitted to be spent and which would otherwise be returned pursuant to Article XIIIB 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. Proposition 98 also amends Article XVI to require that the State of California provide a minimum level of funding for public schools and community colleges. Commencing with the 1988-89 fiscal year, money to be applied by the State for the support of school districts and community college districts shall not be less than the greater of: (i) the amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIIIB, equals the percentage of such State general fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986-87 or (ii) the amount required to ensure that the total allocations to school districts and community college districts from the State general fund proceeds of taxes appropriated pursuant to Article XIIIB and allocated local proceeds of taxes shall not be less than the total amount from these sources in the prior year, adjusted for increases in enrollment and adjusted for changes in the costs of living pursuant to the provisions of Article XIIIB. The initiative permits the enactment of legislation, by a two-thirds vote, to suspend the minimum funding requirement for one year. As a result of Proposition 98, funds that the State might otherwise make available to its political subdivisions may be allocated instead to satisfy such minimum funding level.

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 revenue reduction of $200 million for the remainder of Fiscal Year 1992-93 and $300-350 million reduction per year thereafter.

Article XIIIA, Article XIIIB and a number of propositions were adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiatives may cause California issuers to receive reduced revenues, or to increase expenditures, or both.

Recent Initiatives. 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%, of which 0.5% was a permanent addition. This tax increase will be cancelled if a court rules that such tax increase violates any constitutional requirements. Although 0.5% of the State tax rate was scheduled to expire on June 30, 1993, such amount was extended for six months for the benefit of counties and cities. On November 2, 1993, voters approved extension of this 0.5% levy as a permanent source of funding for local government.

The November 2, 1993 special election ballot also contained an initiative constitutional amendment providing parental choice regarding education. This initiative would have required the State to allocate every school-age child a scholarship in an amount equal to at least 50% of the prior year's per-pupil State and local government expenditure for kindergarten through twelfth grade education. Such scholarships would have been redeemable by public or private schools. If passed, the parental choice initiative could have threatened the fiscal stability of any school district in which a significant number of students withdraw and enrolls elsewhere. Although the initiative failed, other parental choice initiatives have already been filed in an attempt to qualify them for future voter consideration.

Pending Litigation. On November 1, 1993, the United States Supreme Court granted certiorari to hear two consolidated cases dealing with the validity of California's prior method of taxing multinational corporations under a "unitary" method of accounting for their worldwide earnings. Barclays Bank PLC v. Franchise Tax Board concerns foreign corporations, and Colgate-Palmolive v. Franchise Tax Board concerns domestic corporations. California courts have upheld the State's unitary method of taxation, which has since been modified by the Legislature. If the Court does not uphold the State's prior method of taxation, the State could be liable for tax refunds and will be unable to collect taxes previously assessed, with an aggregate impact of $3.5-$4 billion.

In the spring of 1991, the Richmond Unified School District ("RUSD") Board of Directors attempted to end classes six weeks early because of a fiscal crisis. In response to lawsuits, a lower court judge, in a case called Butt v. State of California, ordered the State, over objections from the Governor, to provide funding to allow the school year to be completed, and an emergency loan was arranged by the State Controller. On appeal, the California Supreme Court in late December, 1992 upheld the lower court's action, ruling that the State Constitution's guarantee of public education required the State to ensure a full year's education in all school districts. The Court, however, overturned a portion of the original order relating to the source of funds for RUSD's emergency loan; the decision leaves unclear just where the State must find funds to make any future loans of this kind.

In Parr v. State of California, a complaint was filed in federal court claiming that payment of wages in registered warrants violated the Fair Labor Standards Act ("FLSA"). The federal court held that the issuance of registered warrants does violate the FLSA. The next phase of the trial will focus on the issue of damages. The maximum amount of damages is the amount of the salary originally owed or approximately $350 million.

The State is involved in a lawsuit seeking reimbursement for alleged state-mandated costs. In Thomas Hayes v. Commission on State Mandates, the state director of finance is appealing a 1984 decision by the State Board of Control. The Board of Control decided in favor of local school districts' claims for reimbursement for special education programs for handicapped students; however, funds have not been appropriated. The amount of potential liability to the State, if all potentially eligible school districts pursue timely claims, has been estimated by the Department of Finance at over $1 billion.

The State is involved in two lawsuits related to contamination at the Stringfellow toxic waste site. In one suit, the State is one of approximately 130 defendants in Penny Newman v. J. B. Stringfellow, et al. in which 3,800 plaintiffs are claiming damages of $850 million arising from contamination at the Stringfellow toxic waste site. A conservative estimate of the State's potential liability is $250 million to $550 million. A group of 17 of the plaintiffs has received a verdict of $159,000 against the State. In a separate lawsuit, United States, People of the State of California v. J. B. Stringfellow, Jr. et al., the State is seeking recovery for past costs of cleanup of the site, a declaration that the defendants are jointly and severally liable for future costs, and an injunction ordering completion of the cleanup. However, the defendants have filed a counterclaim against the State for alleged negligent acts. Because the State is the present owner of the site, the State may be found liable. Present estimates of the cleanup range from $200 million to $800 million.

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APPENDIX C

ECONOMIC AND FINANCIAL CONDITIONS IN FLORIDA

Throughout the 1980s, the unemployment rate in the State of Florida (sometimes referred to as the "State") had, generally, tracked below that of the nation. In recent years, however, the State's jobless rate has moved ahead of the national average. The State's unemployment rate is projected to be 6.5% in 1993-94 and 6.0% in 1994-95. Nevertheless, the average rate of unemployment for the State since 1980 is 6.5%, while the national average is 7.1%.

Personal income in the State has been growing strongly the last several years and generally has outperformed both the nation as a whole and the Southeast in particular. From 1983 through 1992, the State's per capita income rose an average of 5.4% per year, while the national per capita income increased an average of 5.5%. By the end of 1994-95, real personal income per capita in the State is projected to average 4.8% higher than its 1992-93 level. Growth in real personal income in the State is expected to increase 3.7% in 1993-94 and increase 4.6% in 1994-95.

The State's strong population growth is one main reason why its economy has typically performed better than the nation as a whole. In 1980, the State was ranked seventh among the 50 states with a population of 9.7 million people. The State has continued to grow since then and as of April 1, 1992 ranks fourth with an estimated population of 13.4 million. Since 1982, the State's average annual rate of population increase has been approximately 2.8% as compared to an approximately 1.0% average annual increase for the nation as a whole. While annual growth in the State's population is expected to decline somewhat, it is still expected to hover close to the 250,000 throughout the 1990s.

Tourism is one of the State's most important industries. 41.9 million tourists are expected to have visited the State in 1993-94, up 0.2% from 1992-93. 43.6 million visitors are expected to visit the State in 1994-95.

Until recently, the State has had a dynamic construction industry, with single and multi-family housing starts accounting for 8.3% of total U.S. housing starts in 1992, while the State's population was only 5.3% of the nation's total population. The reason for such a dynamic construction industry was the rapid growth of the State's population. Hurricane Andrew left some parts of South Florida devastated. Post-hurricane cleanup and rebuilding have changed the outlook for Florida's economy. In Florida, single and multi-family housing starts in 1993-94 are projected to reach a combined level of 120,000 increasing to 138,100 in 1994-95. These housing start figures include, over the two year period, additional starts as a result of destruction by the storm. Total construction expenditures are forecasted to increase 13.8% in 1993-94 and increase by 14.3% in 1994-95.

Financial operations of the State covering all receipts and expenditures are maintained through the use of three funds--General Revenue Fund, Trust Funds, and Working Capital Fund. In fiscal year 1992-93, the State derived approximately 62% of its total direct revenues to these funds from State taxes. Federal funds and other special revenues accounted for the remaining revenues. Major sources of tax revenues to the General Revenue Fund are the sales and use tax, corporate income tax, intangible personal property tax, and beverage tax, which amounted to 68%, 7%, 4%, and 4%, respectively, of total General Revenue Fund receipts. State expenditures are categorized for budget and appropriation purposes by type of fund and spending unit, which are further subdivided by line item. In fiscal year 1992-93, expenditures from the General Revenue Fund for education, health and welfare, and public safety amounted to approximately 49%, 30% and 11%, respectively, of total General Revenues.

The estimated General Revenue plus Working Capital funds available to the State for fiscal year 1993-94 total $13,554.8 million. (Actual results will not be known until October, 1994.) Compared to effective appropriations from General Revenues plus Working Capital funds for fiscal year 1993-94 of $13,276.9 million, this results in unencumbered reserves estimated at $277.9 million at the end of fiscal year 1993-94.

Estimated fiscal year 1994-95 General Revenue plus Working Capital funds available total $14,310.7 million, a 5.6% increase over fiscal year 1993-94.

The sales and use tax is the greatest single source of tax receipts in the State. For the State fiscal year ended June 30, 1993, receipts from this source were $9,426.0 million, an increase of 12.5% from fiscal year 1991-92. The second largest source of State tax receipts is the motor fuel tax. The estimated collections from this source during fiscal year 1991-92 were $1,475.5 million. Alcoholic beverage tax revenues totalled $442.2 million for the State fiscal year 1992-93, up 1.6% from the previous year. The receipts of corporate income tax for the fiscal year 1992-93 were $846.6 million, an increase of 5.6% from the previous fiscal year. Gross Receipt tax collections for fiscal year 1992-93 totalled $447.9 million, an increase of 14.4% over the previous fiscal year. Documentary stamp tax collections totalled $639.0 million during fiscal year 1992-93, increasing 27% from the previous fiscal year. The intangible personal property tax is a tax on stocks, bonds, notes, governmental leaseholds, certain limited partnership interests, mortgages and other obligations secured by liens on Florida realty, and other intangible personal property. Total collections from intangible personal property taxes were $783.4 million during fiscal year 1992-93, up 33% from the previous fiscal year. Severance taxes totalled $64.5 million during fiscal year 1992-93, down 4% from the previous fiscal year. In November, 1986, the voters of the State approved a constitutional amendment to allow the State to operate a lottery. Fiscal year 1992-93 produced ticket sales of $2.13 billion of which education received approximately $810.4 million.

The State Constitution does not permit a state or local personal income tax. An amendment to the State Constitution by the electors of the State is required to impose a personal income tax in the State.

Beginning January 1, 1994, property valuations for homestead property will be subject to a growth cap. Growth in the just (market) value of property qualifying for the homestead exemption will be limited to 3% or the change in the Consumer Price Index, whichever is less. If the property changes ownership or homestead status, it is to be re-valued at full just value on the next tax roll.

According to the Office of Comptroller, Department of Banking and Finance of the State, as of January 12, 1994, the State maintains a high bond rating from Moody's Investors Service, Inc. (Aa), Standard & Poor's Corporation (AA) and Fitch Investors Service, Inc. (AA) on the majority of its general bonds. Outstanding general obligation bonds at June 30, 1993 totalled almost $5.6 billion and were issued to finance capital outlay for educational projects of both local school districts and state universities, environmental protection and highway construction. The State has issued almost $873 million of general obligation bonds since July 1, 1993.

APPENDIX D

ECONOMIC AND FINANCIAL CONDITIONS IN MASSACHUSETTS

Throughout much of the 1980s, the Commonwealth of Massachusetts (sometimes referred to as the "Commonwealth") had a strong economy which was evidenced by low unemployment and high personal income growth as compared to national trends. Economic growth in the Commonwealth has slowed since 1988, however, particularly in the construction, real estate, financial and manufacturing sectors, including certain high technology areas, with especially adverse results in 1990 and the first half of 1991. Unemployment has been rising, and in 1990, for the first time since 1977, the Commonwealth's unemployment rate significantly exceeded the national average. As of December, 1993, the Commonwealth's unemployment rate was 6.3% as compared to a national average of 6.4%, but the unemployment rate in Massachusetts has levelled off in the last year--averaging 8.5% during 1992 after rising steadily for three years, from 3.4% at the beginning of 1989. Increasing unemployment claims have also reduced the balances in the unemployment compensation trust fund. In addition, per capita personal income in the Commonwealth is currently growing at a rate lower than the national average. Between the second quarter of 1992 and the second quarter of 1993, aggregate personal income in the Commonwealth increased 4.0%, as compared to 5.5% for the nation as a whole.

Moreover, Commonwealth spending exceeded revenues in each of the five fiscal years commencing fiscal 1987. In particular, from 1987 to 1990, spending in five major expenditure categories--Medicaid, debt service, public assistance, group health insurance and transit subsidies--grew at rates in excess of the rate of inflation for the comparable period. In addition, the Commonwealth's tax revenues during this period repeatedly failed to meet official forecasts. For the budgeted funds, operating losses in fiscal 1988 of $370 million were covered by surplus carried forward from the prior year. The operating losses in fiscal 1989 and 1990, which totalled $672 million and $1.251 billion, respectively, were covered primarily through deficit borrowings. During the period, fund balances in the budgeted operating funds declined from an opening balance of $1.072 billion in fiscal 1987 to an ending balance of negative $1.104 billion in fiscal 1990. For fiscal 1991, these funds attained positive ending balances of $237.1 million.

In fiscal 1992, which ended June 30, 1992, the total revenues of the budgeted operating funds of the Commonwealth during such fiscal year increased by approximately 0.7% over the prior fiscal year, to $13.728 billion. Expenditures decreased, although by only 1.7% over the prior year, to $13.420 billion. As a result, in fiscal 1992 revenues exceeded expenditures by $312.3 million. The Commonwealth ended fiscal 1992 with a positive closing fund balance of $549.4 million, after carrying forward the fund balances from fiscal 1991.

Fitch, Standard & Poor's Corporation and Moody's Investors Service, Inc. have upgraded their ratings of the Commonwealth's general obligation bonds from A, BBB and Baa, respectively, to A+, A+ and A, respectively. Fitch Investors Service, Inc. has recently upgraded its rating of the Commonwealth's bonds from A to A+. Ratings have been lowered on short-term debt and some state agency obligations. From time to time, the rating agencies may further change their ratings.

Budgeted revenues and other sources for fiscal 1993 totalled approximately $14.710 billion, including tax revenues of $9.930 billion. Commonwealth expenditures and other uses in fiscal 1993 totalled approximately $14.696 billion. The ending fund balances of the budgeted operating funds of the Commonwealth for fiscal 1993 aggregated approximately $562.5 million.

On July 19, 1993, the Governor signed the Commonwealth's budget for fiscal 1994. The budget relies on estimated revenues of $15.483 billion. Fiscal 1994 revenues include an estimated $10.560 billion in tax revenue. The budget signed by the Governor will result in projected expenditures of $15.463 billion.

Growth of tax revenues in the Commonwealth is limited by law. Tax revenues in fiscal years 1988 through 1993 were lower than the limits set by law, and the Executive Office for Administration and Finance estimates that state tax revenues in fiscal 1994 will not reach the limits imposed by law. In addition, effective July 1, 1990, limitations were placed on the amount of direct bonds the Commonwealth may have outstanding in a fiscal year, and the amount of the total appropriation in any fiscal year that may be expended for repayment

of principal of and payment of interest on general obligation debt of the Commonwealth was limited to 10% of such appropriation. Bonds in the aggregate principal amount of $1.399 billion issued in October and December, 1990, under Chapter 151 of the Acts of 1990 to meet the fiscal 1990 deficit are excluded from the computation of these limitations, and principal of and interest on such bonds are to be paid from up to 15% of the Commonwealth's income tax receipts in each year that such principal or interest is payable.

Furthermore, certain of the Commonwealth's cities and towns have at times experienced serious financial difficulties which have adversely affected their credit standing. The recurrence of such financial difficulties, or financial difficulties of the Commonwealth, could adversely affect the market values and marketability of, or result in defaults in payment on, outstanding obligations issued by the Commonwealth or its public authorities or municipalities. In addition, the Massachusetts statutes which limit the taxing authority of the Commonwealth or certain Massachusetts governmental entities may impair the ability of issuers of some Massachusetts obligations to pay debt service on their obligations.

In Massachusetts, the tax on personal property and real estate is virtually the only source of tax revenues available to cities and towns to meet local costs. "Proposition 2 1/2," an initiative petition adopted by the voters of the Commonwealth of Massachusetts on November 4, 1980, limits the power of Massachusetts cities and towns and certain tax-supported districts and public agencies to raise revenue from property taxes to support their operations, including the payment of certain debt service. Proposition 2 1/2 required many cities and towns to reduce their property tax levels to a stated percentage of the full and fair cash value of their taxable real estate and personal property and limited the amount by which the total property taxes assessed by a city or town might increase from year to year. Although the limitations of Proposition 2 1/2 on tax increases may be overridden and amounts for debt service and capital expenditures excluded from such limitation by the voters of the relevant municipality, Proposition 2 1/2 will continue to restrain significantly the ability of cities and towns to pay for local services, especially in light of cost increases due to an inflation rate generally exceeding 2.5% and the decrease and delay in local aid from the Commonwealth, discussed below.

To offset shortfalls experienced by local governments as a result of the implementation of Proposition 2 1/2, the government of the Commonwealth increased direct local aid from the 1981 level of $1.632 billion to the fiscal 1989 level of $2.961 billion. Direct local aid decreased from fiscal 1989 to $2.328 billion in fiscal 1992 and increased to $2.547 billion in fiscal 1993. It is estimated that fiscal 1994 expenditures for direct local aid will be $2.737 billion.

The Commonwealth's fiscal circumstances have led to delays in the distribution of local aid. Of the $2.961 billion direct local aid payments for fiscal 1989, $305 million in Chapter 70 school aid due on June 30, 1989, was delayed and not disbursed until July, 1989, because of the fiscal 1989 deficit. The Commonwealth issued fiscal 1990 revenue anticipation notes in July in order to make this local aid payment. Similarly, because of the Commonwealth's fiscal 1990 deficit, the Commonwealth deferred $1.26 billion of local aid due June 30, 1990 into fiscal 1991. All local aid due in fiscal 1991 has been paid, but no assurance can be given that amounts appropriated for local aid in the fiscal 1992 budget will be forwarded or paid when due.

The aggregate unfunded actuarial liabilities of the pension systems of the Commonwealth and the unfunded liability of the Commonwealth related to local retirement systems are significant--estimated to be approximately $8.485 billion as of January 1, 1992 on the basis of certain actuarial assumptions regarding, among other things, future investment earnings, annual inflation rates, wage increases and cost of living increases. No assurance can be given that these assumptions will be realized. The legislature adopted a comprehensive pension bill addressing the issue in January 1988, which requires the Commonwealth, beginning in fiscal year 1989, to fund future pension liabilities currently and amortize the Commonwealth's unfunded liabilities over 40 years in accordance with funding schedules prepared by the Secretary of Administration and Finance and approved by the legislature. The amounts required for funding of current pension liabilities in fiscal years 1992, 1993 and 1994 are estimated to be $724 million, $778 million and $844 million, respectively. As of June 30, 1993, the Commonwealth's state pension reserve was approximately $3.877 billion.

APPENDIX E

ECONOMIC AND FINANCIAL CONDITIONS IN MICHIGAN

Due primarily to the fact that the leading sector of the economy of the State of Michigan (sometimes referred to as the "State") is the manufacturing of durable goods, economic activity in the State has tended to be more cyclical than in the nation as a whole. While the State's efforts to diversify its economy have proven successful, as reflected by the fact that the share of employment in the State in the durable goods sector has fallen from 33.1% in 1960 to 15.1% in 1993, durable goods manufacturing still represents a sizable portion of the State's economy. As a result, any substantial national economic downturn is likely to have an adverse effect on the economy of the State and on the revenues of the State and some of its local governmental units.

Recently, as well as historically, the average monthly unemployment rate in the State has been higher than the average figures for the United States. For example, for 1993 the average monthly unemployment rate in this State was 7.0% as compared to a national average of 6.8% in the United States.

The State's economy could continue to be affected by changes in the auto industry, notably consolidation and plant closings resulting from competitive pressures and overcapacity. Such actions could adversely affect State revenues and the financial impact on the local units of government in the areas in which plants are closed could be more severe. In particular, General Motors Corporation has announced the scheduled closing of several of its plants in Michigan beginning in 1993 and continuing into 1994. The impact these closures will have on the State's revenues and expenditures is not currently known. The impact on the financial condition of the municipalities in which the plants are located may be more severe than the impact on the State itself.

The Michigan Constitution limits the amount of total revenues of the State raised from taxes and certain other sources to a level for each fiscal year equal to a percentage of the State's personal income for the prior calendar year. In the event the State's total revenues exceed the limit by 1% or more, the Constitution requires that the excess be refunded to taxpayers. The State Constitution does not prohibit the increasing of taxes so long as revenues are expected to amount to less than the revenue limit and authorizes exceeding the limit for emergencies. The State Constitution further provides that the proportion of State spending paid to all local units' total spending may not be reduced below the proportion in effect for the 1978-79 fiscal year. The Constitution requires that if the spending does not meet the required level in a given year an additional appropriation for local units is required for the following fiscal year. The State Constitution also requires the State to finance any new or expanded activity of local units mandated by State law. Any expenditures required by this provision would be counted as State spending for local units for purposes of determining compliance with the provisions stated above.

The State Constitution limits the purposes for which State general obligation debt may be issued. Such debt is limited to short-term debt for State operating purposes, short- and long-term debt for the purposes of making loans to school districts and long-term debt for voter approved purposes. In addition to the foregoing, the State authorizes special purpose agencies and authorities to issue revenue bonds payable from designated revenues and fees. Revenue bonds are not obligations of the State and in the event of shortfalls in self-supporting revenues, the State has no legal obligation to appropriate money to these debt service payments. The State's Constitution also directs or restricts the use of certain revenues.

The State finances its operations through the State's General Fund and Special Revenue Funds. The General Fund receives revenues of the State that are not specifically required to be included in the Special Revenue Fund. General Fund revenues are obtained approximately 59% from the payment of State taxes and 41% from federal and non-tax revenue sources. The majority of the revenues from State taxes are from the State's personal income tax, single business tax, use tax, sales tax and various other taxes. Approximately

60% of total General Fund expenditures have been for State support of public education and for social services programs. Other significant expenditures from the General Fund provide funds for law enforcement, general State government, debt service and capital outlay. The State Constitution requires that any prior year's surplus or deficit in any fund must be included in the next succeeding year's budget for that fund.

In recent years, the State of Michigan has reported its financial results in accordance with generally accepted accounting principles. For each of the five fiscal years ending with the fiscal year ended September 30, 1989, the State reported positive year-end balances and positive cash balances in the combined General Fund/School Aid Fund. For the fiscal years ended September 30, 1990 and 1991, the State reported negative year-end General Fund balances of $310.3 million and $169.4 million, respectively, but ended the 1992 fiscal year with its General Fund in balance. A positive cash balance in the combined General Fund/School Aid Fund was recorded at September 30, 1990. The State reported a balance in the General Fund as of September 30, 1993 of $26.0 million after a transfer of $283 million to the Budget Stabilization Fund described below. In each of the last three fiscal years, the State has undertaken mid-year actions to address projected year-end budget deficits, including expenditure cuts and deferrals and one-time expenditures or revenue recognition adjustments. From 1991 through 1993, the State experienced deteriorating cash balances which necessitated short-term borrowings and the deferral of certain scheduled cash payments to local units of government. The State borrowed $700 million for cash flow purposes in the 1992 fiscal year and $900 million in the 1993 fiscal year. The State has a Budget Stabilization Fund which had an accrued balance of $20.1 million as of September 30, 1992, and, after the transfer of $283 million on an accrual basis upon completion of the State's financial reports, an ending balance of $303 million as of September 30, 1993.

Amendments to the Michigan Constitution which placed limitations on increases in State taxes and local ad valorem taxes (including taxes used to meet debt service commitments on obligations of taxing units) were approved by the voters of the State of Michigan in November, 1978 and became effective on December 23, 1978. To the extent that obligations in the Fund are tax supported and are for local units and have not been voted by the taxing unit's electors, the ability of the local units to levy debt service taxes might be affected.

State law provides for distributions of certain State collected taxes or portions thereof to local units based in part on population as shown by census figures and authorizes levy of certain local taxes by local units having a certain level of population as determined by census figures. Reductions in population in local units resulting from periodic census could result in a reduction in the amount of State collected taxes returned to those local units and in reductions in levels of local tax collections for such local units unless the impact of the census is changed by State law. No assurance can be given that any such State law will be enacted. In the 1991 fiscal year, the State deferred certain scheduled payments to municipalities, school districts, universities and community colleges. While such deferrals were made up at later dates, similar future deferrals could have an adverse impact on the cash position of some local units. Additionally, the State reduced revenue sharing payments to municipalities below the level provided under formulas by $10.9 million in the 1991 fiscal year, $34.4 million in the 1992 fiscal year, $45.5 million in the 1993 fiscal year and $64.6 million (budgeted) in the 1994 fiscal year.

On March 15, 1994, the electors of the State voted to amend the State's Constitution to increase the State sales tax rate from 4% to 6% and to place an annual cap on property assessment increases for all property taxes. Companion legislation further provides for a cut in State's income tax rate from 4.6% to 4.4%. In addition, property taxes for school operating purposes will be reduced and school funding will be provided from a combination of property taxes and state revenues, some of which will be provided from new or increased State taxes. The legislation also contains other provisions that may reduce or alter the revenues of local units of government and tax increment bonds could be particularly affected. While the ultimate impact of the constitutional amendment and related legislation cannot yet be accurately predicted, investors should be alert to the potential effect of such measures upon the operations and revenues of Michigan local units of government.

Currently, this State's general obligation bonds are rated A1 by Moody's Investors Service, Inc. and AA by Fitch Investors Service, Inc. In October, 1989, Standard & Poor's Corporation ("Standard & Poor's") raised its rating on the State's general obligation bonds to AA. In January, 1991, Standard & Poor's placed the State's general obligation debt on CreditWatch with negative implications for Standard & Poor's AA rating on such debt. In July, 1991, Standard & Poor's removed the State general obligation debt from CreditWatch and in 1992 reconfirmed the AA rating.

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APPENDIX F

ECONOMIC AND FINANCIAL CONDITIONS IN NEW JERSEY

After enjoying an extraordinary boom during the mid-1980s, the State of New Jersey (sometimes referred to as the "State"), as well as the rest of the northeast United States, slipped into a slowdown well before the onset of the national recession which officially began in July 1990 (according to the National Bureau of Economic Research). The undesignated General Fund balance was $1.4 million for the fiscal year 1991, $760.8 million for the fiscal year 1992, and $937 million for the fiscal year 1993. For the fiscal year 1994, the balance in the undesignated General Fund is projected to be $772.3 million, and for the fiscal year 1995, the balance in the undesignated General Fund is projected to be $303.1 million.

On November 2, 1993, Christine Todd Whitman was elected to replace James Florio as Governor of the State. As a matter of public record, Governor Whitman during her campaign publicized her intention to reduce taxes in the State. Effective January 1, 1994, the State's personal income tax rates were cut by 5% for all taxpayers. At this time the effect of this tax reduction cannot be evaluated.

In May, 1992, the State legislature passed a bill reducing the sales tax from 7% back to 6% effective July 1, 1992. The final 1993 budget followed the earlier reduction of the State's sales tax and reduced revenues by $408 million. It is unclear at the present time what effect this rollback in the sales tax rate will have on the State's economy. To bring the budget into balance, the legislature reduced the popular homestead tax rebate program by $300 million and induced savings of close to $500 million including management/administrative personnel cuts, targeting unclassified positions earning over $50,000. Other cuts were in travel, overtime and moving of health-related programs directly to hospitals and other entities. Education and municipal aid were largely unaffected.

The State finances capital projects primarily through the sale of the general obligation bonds of the State. These bonds are backed by the full faith and credit of the State. State tax revenues and certain other fees are pledged to meet the principal and interest payments required to pay the debt fully. No general obligation debt can be issued by the State without prior voter approval, except that no voter approval is required for any law authorizing the creation of a debt for the purpose of refinancing all or a portion of outstanding debt of the State, so long as such law requires that the refinancing provide a debt service savings. All appropriations for capital projects and all proposals for State bond authorizations are subject to the review and recommendation of the New Jersey Commission on Capital Budgeting and Planning.

The State has extensive control over school districts, cities, counties and local financing authorities. State laws impose specific limitations on local appropriations, with exemptions subject to state approval. The State shares the proceeds of a number of taxes, with funds going primarily for local education programs, homestead rebates, medicaid and welfare programs. Certain bonds are issued by localities but supported by direct state payments. In addition, the State participates in local wastewater treatment programs.

While New Jersey's economy continued to expand during the late 1980s, the level of growth slowed considerably after its performance during the 1983-1987 period. By the beginning of the national recession, construction activity had already been declining in New Jersey for nearly two years. As the rapid acceleration of real estate prices forced many would-be homeowners out of the market and high non-residential vacancy rates reduced new commitments for offices and commercial facilities, construction employment began to decline; also growth had tapered off markedly in the service sectors and the long-term trend of factory employment had accelerated, partly because of a leveling off of industrial demand nationally. The onset of recession caused an acceleration of New Jersey's job losses in construction and manufacturing, as well as an employment downturn in such previously growing sectors as wholesale trade, retail trade, finance, utilities and trucking and warehousing.

Reflecting the downturn, the rate of unemployment in the State rose from a low of 3.6% during the first quarter of 1989 to a recessionary peak of 9.3% during 1992 (according to the U.S. Bureau of Labor Statistics and the New Jersey Department of Labor, Division of Labor Market and Demographic Research). Since then, the unemployment rate fell to 6.7% during the fourth quarter of 1993. The jobless rate averaged 7.8% during the first quarter of 1994, but this estimate is not comparable to those prior to January 1994 because of major changes in the federal survey from which these statistics are obtained.

In 1992, employment in services and government turned around in the State, growing over the year by 0.7% and 0.3%, respectively. These increases were outweighed by declines in other sectors--especially in manufacturing, wholesale and retail trade, and construction--resulting in a net decline in non-farm employment of 1.7% in 1992. Non-farm employment continued to decline in 1993 but the rate of decline has tapered off. Employment in the first nine months of 1993 was 1.0% lower than in the same period in 1992. Gains were recorded in services, government, finance/insurance/real estate and transportation/communication/public utilities. Declines continued in trade, construction and manufacturing.

The State should benefit by the national recovery as rising consumer and business spending generate increased factory orders, building activity and a flow of commerce without regard to the state lines.

One of the major reasons for cautious optimism is found in the construction industry. Total construction contracts awarded in New Jersey have turned around, rising by 7.0% in 1993 compared with 1992. By far, the largest boost came from residential construction awards which increased by 26% in 1993 compared with 1992. In addition, non-residential building construction awards have turned around, posting a 17% gain.

Nonbuilding construction awards have been at high levels since 1991 due to substantial outlays for roads, bridges and other infrastructure projects. Although nonbuilding construction awards declined in 1993 compared with 1992, this was due to an unusually large amount of contracts in the spring of 1992.

The fiscal 1994 State budget projects spending of funds received from the Federal government. This projection does not take into consideration any reductions to these anticipated funds that may occur as a result of efforts to reduce the Federal deficit or required reductions to meet spending limits. Any such reductions will require the State to adjust its programs and budget to accommodate the reductions. As with prior reductions of Federal financial support, the State would evaluate each program affected by such cuts and act based on that evaluation and the amount of funds available. Any reductions in Federal funds received by the State or its political subdivisions could slow economic development. Also, changes to the Internal Revenue Code, by restricting certain types of tax-exempt financing, may limit the ability of New Jersey and its political subdivisions to incur indebtedness to carry out their programs. Such developments also could have an adverse effect on economic conditions in New Jersey.

On March 12, 1990, the Fair Automobile Insurance Reform Act of 1990 (the "Reform Act") was enacted into law. The Reform Act substantially altered New Jersey's statutory scheme governing private passenger automobile insurance. The New Jersey Automobile Full Insurance Underwriting Association (the "JUA"), an unincorporated non-profit association created in 1983 to provide automobile insurance to those unable to secure such coverage in the voluntary market, was precluded from issuing or renewing automobile insurance policies since October 1, 1990. The Reform Act includes provisions governing the transition of drivers insured by the JUA to the voluntary market and, to the extent such coverage is not available, to an assigned risk plan. The Reform Act also provides for the imposition of taxes and assessments to meet the financial obligations of the JUA, which are not debts, liabilities or obligations of the State. The Reform Act's revenue raising measures were not reflected in the current budget because the anticipated revenues were to be applied by statute to the JUA financial obligations. The Reform Act also provides for the making of assessments by the New Jersey Property Liability Insurance Guaranty Association upon property and casualty liability insurers in order to raise $160,000,000 per year for the period 1990-1997. Litigation challenging various portions of the Reform Act still remains pending. "As applied" challenges to the Reform Act surtax and assessment provisions have been brought. Litigation was filed in the Mercer County Superior Court--Chancery Division, by Allstate and State Farm alleging that their constitutional rights have been

violated and that they are entitled to refunds of their Reform Act surtaxes and assessments. The State Farm matter is pending on appeal.

Legislation approved June 30, 1992, effective immediately, called for revaluation of several public employee pension funds, authorized an adjustment to the assumed rate of return on investment and refunds $773 million in public employer contributions to the State from various pension funds, to be reflected as a revenue source for fiscal year 1992. In addition, it is estimated that this plan will effect a further savings of $226 million in fiscal year 1993 and each fiscal year thereafter. Several labor unions filed suit seeking a judgment directing the State Treasurer to refund all monies transferred from the pension funds and paid into the General Fund. On February 5, 1993, the Superior Court granted the State's motion for summary judgment as to all claims. An appeal has been filed with the Appellate Division of Superior Court. An adverse determination in this matter would have a significant impact on fiscal year 1994 and subsequent fiscal year fund balances.

In July 1991, Standard & Poor's Corporation ("Standard & Poor's") downgraded New Jersey general obligation bonds from AAA to AA+. Fitch Investors Service, Inc. rates New Jersey general obligation bonds AAA. On June 4, 1992, Standard & Poor's placed New Jersey general obligation bonds on CreditWatch with negative implications. On July 6, 1992, Standard & Poor's removed New Jersey's general obligation bonds from CreditWatch and reaffirmed its AA+ rating of such bonds but with negative long-term implications. On August 24, 1992, Moody's Investors Service, Inc. lowered its rating on New Jersey's general obligation bonds to Aa1 from Aaa.

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APPENDIX G

ECONOMIC AND FINANCIAL CONDITIONS IN NEW YORK

From the mid-1970s to the present time, New York State (sometimes referred to as the "State"), some of its agencies, instrumentalities and public benefit corporations (the "Authorities"), and certain of its municipalities, have faced serious financial difficulties. Any further financial problems experienced by these Authorities or municipalities could have a direct adverse effect on the New York Municipal Bonds in which the New York Fund invests.

NEW YORK CITY

General. More than any other municipality, the fiscal health of New York City (sometimes referred to as the "City") has a significant effect on the fiscal health of the State. The national economic downturn which began in July 1990 adversely affected the local economy, which had been declining since late 1989. As a result, the City experienced job losses in 1990 and 1991 and real Gross City Product (GCP) fell in those two years. Beginning in calendar year 1992, the improvement in the national economy helped stabilize conditions in the City. Employment losses moderated toward year-end and real GCP increased, boosted by strong wage gains. The City now projects, and its current four-year financial plan assumes, that the City's economy will continue to improve and that a modest employment recovery will occur during calendar year 1994.

For each of the 1991 through 1993 fiscal years, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP") and the City's 1994 fiscal year results are projected to be balanced in accordance with GAAP. The City was required to close substantial budget gaps in recent years in order to maintain balanced operating results. There can be no assurance that the City will continue to maintain a balanced budget as required by State law without additional tax or other revenue increases or reductions in City services, which could adversely affect the City's economic base.

The Mayor is responsible for preparing the City's four-year financial plan, including the City's current financial plan for the 1994 through 1997 fiscal years (the "1994-1997 Financial Plan," or "Financial Plan"). The City's projections set forth in the Financial Plan are based on various assumptions and contingencies which are uncertain and which may not materialize. Changes in major assumptions could significantly affect the City's ability to balance its budget as required by State law and to meet its annual cash flow and financing requirements. Such assumptions and contingencies include the timing and pace of any regional and local economic recovery, the impact on real estate tax revenues of the current downturn in the real estate market, wage increases for City employees consistent with those assumed in the Financial Plan, employment growth, the ability to implement proposed reductions in City personnel and other cost reduction initiatives which may require in certain cases the cooperation of the City's municipal unions and the Municipal Assistance Corporation for The City of New York ("MAC"), provision of State and Federal aid and mandate relief, adoption of the budget by the City Council in substantially the form submitted by the Mayor and the impact on the New York City region of the tax increases contained in President Clinton's economic plan.

Implementation of the Financial Plan is also dependent upon the City's ability to market its securities successfully in the public credit markets. The City's financing program for fiscal years 1994 through 1997 contemplates the issuance of $12.47 billion of general obligation bonds primarily to reconstruct and rehabilitate the City's infrastructure and physical assets and to make capital investments. In addition, the City issues revenue and tax anticipation notes to finance its seasonal working capital requirements. The success of projected public sales of City bonds and notes will be subject to prevailing market conditions, and no assurance can be given that such sales will be completed. If the City were unable to sell its general obligation bonds and notes, it would be prevented from meeting its planned operating and capital expenditures.

The City Comptroller and other agencies and public officials have issued reports and made public statements which, among other things, state that projected revenues may be less and future expenditures may

be greater than forecast in the Financial Plan. In addition, the Control Board staff and others have questioned whether the City has the capacity to generate sufficient revenues in the future to provide the level of services included in the Financial Plan. It is reasonable to expect that such reports and statements will continue to be issued and to engender public comment.

1994-1997 Financial Plan. The 1994-1997 Financial Plan projects revenues and expenditures for the 1994 fiscal year balanced in accordance with GAAP. The Financial Plan sets forth actions to close a projected gap of approximately $2.0 billion in the 1994 fiscal year. The gap-closing actions for the 1994 fiscal year included productivity savings and savings from restructuring the delivery of City services, service reductions and the sale of delinquent real property tax receivables. The proposed sale of real property tax receivables requires authorization by the City Council.

The Financial Plan also sets forth projections for the 1995 through 1997 fiscal years and outlines a proposed gap-closing program to close projected budget gaps of $2.3 billion, $3.2 billion and $3.3 billion for the 1995 through 1997 years, respectively. These projections include the continuation of the personal income tax surcharge and reflect a decline in the property tax forecast. Proposed gap-closing actions include City, State and Federal actions, including expected increases in State and Federal assistance and other unspecified City, State or Federal actions. Various actions proposed in the Financial Plan, including the continuation of the personal income tax surcharge beyond December 31, 1995, an increase in State aid, State assumption of certain Medicaid costs, mandate relief and reallocation of State education aid are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal aid is subject to approval by Congress and the President. The State Legislature has in previous legislative sessions failed to approve proposals for State assumption of certain Medicaid costs, mandate relief and reallocation of State education aid, thereby increasing the uncertainty as to the receipt of the State assistance included in the City Plan. If these actions cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan.

The Financial Plan reflects certain cost and expenditure increases including increases in salaries and benefits paid to City employees pursuant to certain collective bargaining agreements. In the event of a collective bargaining impasse, the terms of wage settlements could be determined through an impasse procedure in the New York City Collective Bargaining Law, which can impose a binding settlement.

Ratings

As of March 24, 1994, Moody's Investors Service, Inc. ("Moody's") rated the City's general obligation bonds Baa1 and Standard & Poor's Corporation ("Standard & Poor's") and Fitch Investors Service, Inc. ("Fitch") each rated such bonds A-. Such ratings reflect only the views of Moody's, Standard & Poor's and Fitch, from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of bonds.

Outstanding Net Indebtedness

As of December 31, 1993, the City and MAC had, respectively, $21.404 billion and $4.461 billion of outstanding net long-term debt.

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

Litigation. The City is a defendant in a significant number of lawsuits. Such litigation includes, but is not limited to, routine litigation incidental to the performance of its governmental and other functions, actions commenced and claims asserted against the City arising out of alleged constitutional violations, alleged torts, alleged breaches of contracts and other violations of law and condemnation proceedings and other tax

and miscellaneous actions. While the ultimate outcome and fiscal impact, if any, on the proceedings and claims are not currently predictable, adverse determination in certain of them might have a material adverse effect upon the City's ability to carry out the City Plan. As of June 30, 1993, the City estimated its potential future liability on account of all outstanding claims to be approximately $2.2 billion.

NEW YORK STATE

Recent Developments. Due to the national recession, the New York economy experienced a downturn throughout the State's 1990-91 fiscal year followed by a period of weak economic growth during the 1991 and 1992 calendar years. The New York economy, as measured by employment, shifted from recession to recovery near the start of calendar year 1993. During the course of calendar year 1993, employment began to increase, albeit sporadically, and the unemployment rate declined. The recovery is expected to continue in calendar year 1994, with employment growing more rapidly, on average, than in the previous calendar year. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, Federal financial and monetary policies, the availability of credit and the condition of the world economy, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience worse-than-predicted results in the 1993-94 and 1994-1995 fiscal years, with corresponding material and adverse effects on the State's projections of receipts and disbursements.

1993-94 Fiscal Year. The 1993-94 State Financial Plan projects a surplus of $339 million, more than one percent of the General Fund. Positive developments affecting both receipts and disbursements contributed to this improved outlook for the 1993-94 fiscal year.

1994-95 Fiscal Year

The Governor's Recommended 1994-95 State Financial Plan (the "1994-95" State Financial Plan") projects a balanced General Fund, with receipts and transfers from other funds projected at $33.422 billion, including $339 million carried over from the surplus anticipated for the State's 1993-94 fiscal year. Disbursements and transfers to other funds are projected at $33.399 billion and, in addition, the 1994-95 State Financial Plan includes a $23 million repayment to the State's Tax Stabilization Reserve Fund. The Recommended 1994-95 State Financial Plan is predicated on modest growth in the State economy.

Major revenue actions recommended in the 1994-95 Executive Budget include tax and fee reductions; preservation of revenues currently received, primarily through deferral of a scheduled personal income tax rate reduction; additional revenue measures, resulting primarily from the collection of unredeemed deposits on bottles and cans; increased lottery revenues due to changes proposed in lottery games; and enhanced revenue collection and enforcement measures.

Major programmatic recommendations include an increase in school aid (on a school year basis), statutory Medicaid cost-containment initiatives, additional State takeover of local government Medicaid costs, funding for new programs to fight crime and spur economic development, increased funding for community-based mental hygiene programs consistent with legislation passed in the 1993 Legislative session, and productivity initiatives which constrain the cost of operating State government.

There can be no assurance that the Legislature will enact the 1994-95 Executive Budget as proposed. In addition, as of May 16, 1994, the Legislature had failed to enact the budget for the 1994-95 fiscal year which began April 1, 1994. A protracted delay in legislative enactment of the 1994-95 fiscal year budget may reduce the effectiveness of several of the actions proposed. The 1994-95 State Financial Plan, when formulated after enactment of the budget, would have to take into account any reduced savings arising from any late budget enactment.

There can be no assurance that the State will not face substantial potential budget gaps resulting from a significant disparity between tax revenues projected from a lower recurring receipts base and the spending required to maintain State programs at current levels. To address any potential budgetary imbalance, the State may need to take significant actions to align recurring receipts and disbursements in future fiscal years.

As a result of the United States Supreme Court decision in the case of State of Delaware v. State of New York, on January 21, 1994 the State entered into a settlement agreement with Delaware. The State made an immediate $35 million payment to Delaware and agreed to make annual payments of $33 million in each of the five fiscal years 1994-95 through 1998-99. In return, Delaware has agreed to withdraw its claims and its request for summary judgment. Litigation continues with respect to the other parties and the State may be required to make additional payments during the State's 1994-95 fiscal year.

On November 16, 1993, the Court of Appeals, the State's highest court, affirmed the decision of the Appellate Division (Third Department) of the State's Supreme Court in three actions (McDermott, et al. v. Regan, et al.; Puma, et al. v. Regan, et al.; and Guzdek, et al. v. Regan, et al.) declaring unconstitutional certain legislation enacted in 1990. That legislation mandated a change in the actuarial funding method for determining contributions by the State and its local governments to the State and local retirement systems from the aggregate cost (AC) method, previously used by the Comptroller, to the projected unit credit (PUC) method, and it required the application of the surplus reported under the PUC method as a credit to employer contributions. As a result, contributions to the retirement systems have been significantly reduced since the State's 1990-91 fiscal year. The Court of Appeals held, among other things, that the State Constitution, which prohibits the benefits of membership in the retirement systems from being impaired or diminished, was violated because the PUC legislation impaired "the means designed to assure benefits to public employees by depriving the Comptroller of his personal responsibility to maintain "the security and sources of benefits' of the pension fund." As a result of this decision, the Comptroller has developed a plan to return to the AC method and to restore prior funding levels of the retirement systems. The Comptroller expects to achieve this objective in a manner that, consistent with his fiduciary responsibilities, will not materially and adversely affect the financial condition of the State. The Comptroller's plan calls for a return to the AC method, using a four-year phase-in in the New York State and Local Employees' Retirement System (ERS), with State AC contributions to ERS capped at a percentage of payroll that increases each year during the phase-in. Although State contributions under the plan are expected to be lower during the phase-in period than they would have been if the AC method were reinstated immediately, they are expected to exceed PUC levels by $30 million in fiscal 1994-95, $63 million in fiscal 1995-96, $116 million in fiscal 1996-1997, and $193 million in fiscal 1997-1998. The excess over PUC levels is expected to peak at $241 million in fiscal 1998-99, when State contributions under the Comptroller's plan are first projected to exceed levels that would have been required by an immediate return to the AC method. The excess over PUC levels is projected to decline after fiscal 1998-99, and, beginning in fiscal 2001-02, State contributions required under the Comptroller's plan are projected to be less than PUC requirements would have been.

Composition of State Cash Receipts and Disbursements. Substantially all State non-pension financial operations are accounted for in the State's governmental funds group. Governmental funds include the General Fund, which receives all income not required by law to be deposited in another fund and which for the State's 1993-94 fiscal year comprised approximately 53% of total projected governmental fund receipts; Special Revenue Funds, which receive the preponderance of moneys received by the State from the Federal government and other income the use of which is legally restricted to certain purposes and which comprised approximately 39% of total projected governmental funds receipts in the 1993-94 fiscal year; Capital Projects Funds, used to finance the acquisition and construction of major capital facilities by the State and to aid in certain of such projects conducted by local governments or public authorities; and Debt Service Funds, which are used for the accumulation of moneys for the payment of principal of and interest on long-term debt and to meet lease-purchase and other contractual-obligation commitments. Receipts in Capital Projects and Debt Service Funds comprised an aggregate of approximately 8% of total projected governmental funds receipts in the 1993-94 fiscal year.

A legislative change implemented in August 1990 affects the way in which a portion of the State's sales and use tax collections are recorded as receipts in the General Fund. Pursuant to the legislation creating the

New York Local Government Assistance Corporation ("LGAC"), the Comptroller is required to credit the equivalent of one percentage point of the four percent sales and use tax collections to the Local Government Assistance Tax Fund (the "Tax Fund"), which is a Debt Service Fund, for purposes of making payments to LGAC to provide for the payment of debt service on its bonds and notes. To the extent that these moneys are not necessary for payment to LGAC, they are transferred from the Tax Fund to the General Fund and are reported in the General Fund as a transfer from other funds, rather than as sales and use tax receipts. During the State's 1991-92 and 1992-93 fiscal years $1.435 billion and $1.504 billion, respectively, in sales and use tax receipts were credited to the Tax Fund, and $1.522 billion and $1.600 billion are estimated to be credited to the Tax Fund during the State's 1993-94 and 1994-95 fiscal years, respectively. For the 1991-92 fiscal year, the amount transferred to the General Fund from the Tax Fund was $1.316 billion, after providing for the payment of $119 million to LGAC for the purpose of meeting debt service on its bonds and its other cash requirements. For the 1992-93 fiscal year, $1.280 billion was transferred to the General Fund from the Tax Fund after providing for payment of $224 million to LGAC for debt service and other cash requirements, while $1.278 billion is estimated to be transferred in 1993-94, after payment of $244 million to LGAC for debt service and other cash requirements and $1.303 billion is recommended to be transferred in the State's 1994-95 fiscal year, after payment of $297 million to LGAC for debt service and its other cash requirements.

The enacted 1993-94 Executive Budget includes several changes in the manner in which General Fund tax receipts are recorded. Receipts from user taxes and fees in the 1993-94 and 1994-95 fiscal years are reduced by approximately $432 million and $462 million, respectively, to reflect receipts that are dedicated for highway and bridge capital purposes, which are to be deposited in the Capital Projects Funds. Also, business taxes are reduced by approximately $175 million and $475 million in the 1993-94 and 1994-95 fiscal years, respectively, to reflect tax receipts that are dedicated for transportation purposes and which will be deposited in the Special Revenue and Capital Projects Funds.

Authorities. The fiscal stability of the State is related to the fiscal stability of its Authorities, which generally have responsibility for financing, constructing and operating revenue-producing public benefit facilities. Authorities are not subject to the constitutional restrictions on the incurrence of debt which apply to the State itself, and may issue bonds and notes within the amounts of, and as otherwise restricted by, their legislative authorization. As of September 30, 1993, the latest data available, there were 18 Authorities that had outstanding debt of $100 million or more. The aggregate outstanding debt, including refunding bonds, of these 18 Authorities was $63.5 billion as of September 30, 1993, of which approximately $7.7 billion was moral obligation debt and approximately $19.3 billion was financed under lease-purchase or contractual-obligation financing arrangements.

Authorities are generally supported by revenues generated by the projects financed or operated, such as fares, user fees on bridges, highway tolls and rentals for dormitory rooms and housing. In recent years, however, the State has provided financial assistance through appropriations, in some cases of a recurring nature, to certain of the 18 Authorities for operating and other expenses and, in fulfillment of its commitments on moral obligation indebtedness or otherwise, for debt service. This operating assistance is expected to continue to be required in future years.

The State's experience has been that if an Authority suffers serious financial difficulties, both the ability of the State and the Authorities to obtain financing in the public credit markets and the market price of the State's outstanding bonds and notes may be adversely affected. The New York State Housing Finance Agency ("HFA") and the New York State Urban Development Corporation ("UDC") have in the past required substantial amounts of assistance from the State to meet debt service costs or to pay operating expenses. Further assistance, possibly in increasing amounts, may be required for these, or other, Authorities in the future. In addition, certain statutory arrangements provide for State local assistance payments otherwise payable to localities to be made under certain circumstances to certain Authorities. The State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to Authorities under these arrangements. However, in the event that such local assistance payments are so diverted, the affected localities could seek additional State funds.

Ratings. On June 6, 1990, Moody's changed its ratings on all of the State's outstanding general obligation bonds from A1 to A. On March 26, 1990, Standard & Poor's changed its ratings on all of the State's outstanding general obligation bonds from AA- to A. On January 13, 1992, Standard & Poor's changed its ratings on all of the State's outstanding general obligation bonds from A to A-. Ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings must be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or either of them, may have an effect on the market price of the New York State Municipal Bonds in which the New York Fund invests.

General Obligation Debt. As of December 31, 1993, the State had approximately

$4.977 billion in general obligation bonds, excluding refunding bonds, and $294 million in bond anticipation notes outstanding. On May 4, 1993, the State issued $850 million in tax and revenue anticipation notes, all of which matured and were redeemed on December 31, 1993. Principal and interest due on general obligation bonds and interest due on bond anticipation notes and on tax and revenue anticipation notes were $890.0 million and $818.8 million for the 1991-92 and 1992-93 fiscal years, respectively, and are estimated and recommended to be $783.5 million and $787.7 million for the State's 1993-94 and 1994-95 fiscal years, respectively, not including interest on refunding bonds, to the extent that such interest is to be paid from escrowed funds.

Litigation. The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of State and Federal laws.

Included in the State's outstanding litigation are a number of cases challenging the constitutionality or the adequacy and effectiveness of a variety of significant social welfare programs primarily involving the State's health and mental hygiene programs. Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care which could require substantial increased financing of the litigated programs in the future. Because of the prospective nature of these matters, no provision for this potential exposure has been made in the State's audited financial statements for the 1992-93 fiscal year.

In an action commenced on August 6, 1991 (Schulz, et al, v. State of New York, et al., Supreme Court, Albany County), plaintiffs challenge the constitutionality of two bonding programs of the New York State Thruway Authority authorized by Chapters 166 and 410 of the Laws of 1991. Plaintiffs argue that cooperative highway contractual agreements and service contracts to be entered into by the State and the Thruway Authority in connection with the bonding programs constitute State debt and a gift or loan of State credit in violation of Sections 8 and 11 of Article VII and Section 5 of Article X of the State Constitution. In addition, plaintiffs challenge the fiscal year 1991-92 Judiciary budget as having been enacted in violation of Sections 1 and 2 of Article VII of the State Constitution. The defendants' motion to dismiss the action on procedural grounds was denied by order of the Supreme Court dated January 2, 1992. By order dated November 5, 1992, the Appellate Division, Third Department, reversed the order of the Supreme Court and granted defendants' motion to dismiss on grounds of standing and mootness. By order dated September 16, 1993, on motion to reconsider, the Appellate Division, Third Department, ruled that plaintiffs have standing to challenge the bonding program authorized by Chapter 166 of the Laws of 1991. The action is pending in Supreme Court, Albany County.

In Schulz, et al. v. State of New York, et al. (Supreme Court, Albany County, commenced May 24, 1993), plaintiffs challenge, among other things, the constitutionality of, and seek to enjoin, certain highway, bridge and mass transportation bonding programs of the New York State Thruway Authority and the Metropolitan Transportation Authority authorized by Chapter 56 of the Laws of 1993. Plaintiffs contend that the application of State tax receipts held in dedicated transportation funds to pay debt service on bonds of the

Thruway Authority and the Metropolitan Transportation Authority violates Sections 8 and 11 of Article VII and Section 5 of Article X of the State Constitution and due process provisions of the State and Federal constitutions. By order dated July 27, 1993, the Supreme Court granted defendants' motions for summary judgment, dismissed the complaint and vacated the temporary restraining order. By decision dated October 21, 1993, the Appellate Division, Third Department, affirmed the judgment of the Supreme Court. Plaintiffs' appeal of the decision of the Appellate Division is pending in the Court of Appeals.

Other Localities. Certain localities in addition to the City could have financial problems leading to requests for additional State assistance during the State's 1993-94 and 1994-95 fiscal years and thereafter. The potential impact on the State of such actions by localities is not included in the projections of the State receipts and disbursements in the State's 1993-94 and 1994-95 fiscal years.

Fiscal difficulties experienced by the City of Yonkers ("Yonkers") resulted in the creation of the Financial Control Board for the City of Yonkers (the "Yonkers Board") by the State in 1984. The Yonkers Board is charged with oversight of the fiscal affairs of Yonkers. Future actions taken by the Governor or the State Legislature to assist Yonkers could result in allocation of State resources in amounts that cannot yet be determined.

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APPENDIX H

ECONOMIC AND FINANCIAL CONDITIONS IN PENNSYLVANIA

Many factors affect the financial condition of the Commonwealth of Pennsylvania (sometimes referred to as the "Commonwealth") and its political subdivisions, such as social, environmental and economic conditions, many of which are not within the control of such entities. Pennsylvania and certain of its counties, cities and school districts and public bodies have from time to time in the past encountered financial difficulties which have adversely affected their respective credit standings. Such difficulties could affect outstanding obligations of such entities, including obligations held by the Pennsylvania Fund. For example, the financial condition of the City of Philadelphia had impaired its ability to borrow and resulted in its obligations generally being downgraded by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Corporation ("Standard & Poor's") in some cases below investment grade.

The General Fund, the Commonwealth's largest fund, receives all tax revenues, non-tax revenues and Federal grants and entitlements that are not specified by law to be deposited elsewhere. The majority of the Commonwealth's operating and administrative expenses are payable from the General Fund. Debt service on all bonded indebtedness of the Commonwealth, except that issued for highway purposes or for the benefit of other special revenue funds, is payable from the General Fund. For its fiscal year ended June 30, 1991, the Pennsylvania General Fund experienced an $861.2 million operating deficit resulting in a fund balance deficit of $980.9 million at June 30, 1992 (determined on a generally accepted accounting principles basis). On a budgetary basis, the Commonwealth experienced a budget deficit of $453.6 million for the fiscal year ended June 30, 1991.

For its fiscal year ended June 30, 1992, the General Fund recorded a $1.1 billion operating surplus (determined on a generally accepted accounting principles basis). Tax increases enacted as a part of the fiscal 1992 budget are estimated to have increased receipts for the fiscal 1992 year by over $2.7 billion. The budget revenue estimates for fiscal 1992 were revised downward during the fiscal year to reflect continued recessionary economic activity. Cost reductions were implemented during fiscal 1992 which contributed to $296.8 million of appropriation lapses. These appropriation lapses contributed to the $8.8 million budget surplus at June 30, 1992 (determined on a budgetary basis).

The 1993 fiscal year closed with revenues higher than anticipated and expenditures about as projected, resulting in an ending unappropriated balance surplus (on a budgetary basis) of $242.3 million. Cash revenues were $41.5 million above the budget estimate and totalled $14.633 billion (representing less than a 1% increase over revenues for the 1992 fiscal year). A reduction in the personal income tax rate in July, 1992 and revenues from retroactive corporate tax increases received in fiscal 1992 were reportedly responsible for the low rate of revenue growth. Appropriations (less lapses) totaled an estimated $13.870 billion representing a 1.1% increase over fiscal 1992 amounts. The low growth in spending is reportedly a consequence of a low rate of revenue growth, significant one-time expenses during fiscal 1992, increased tax refund reserves to cushion against adverse decisions on pending litigations, and the receipt of Federal funds for expenditures previously paid out of Commonwealth funds. By state statute, 10% of the budgetary basis unappropriated surplus at the end of a fiscal year is to be transferred to the Tax Stabilization Reserve Fund. The transfer for the fiscal 1993 balance is $24.2 million. The remaining unappropriated surplus of $218.0 million will be carried forward into the 1994 fiscal year.

The enacted 1994 fiscal budget provides for $14.999 billion of appropriations. The budget estimates revenue growth of 3.7% over fiscal 1993 actual revenues. The revenue estimate is based on an expectation of continued economic recovery, but at a slow rate. In February, 1994, the Governor recommended that $46.4 million of additional appropriations be enacted for fiscal 1994, raising total appropriations to $15,041.7 million.

For the fiscal year beginning July 1, 1994, the Governor has proposed a budget containing a 4.1% increase in appropriations over the actual and proposed supplemental appropriations for fiscal 1994. Total appropriations recommended amount to $15,665 million. The budget is balanced by drawing down of a projected $267 million unappropriated surplus for fiscal 1994. The Governor's proposal also includes a recommended reduction in the corporate net income tax rate from 12.25% to 9.99% over a three year period. The corporate tax cut and a proposed increase in the poverty exemption for the personal income tax are estimated to cost $124.7 million in fiscal 1995. The recommended budget contemplates revenue growth of 4.7% without the effect of the proposed tax reduction. The revenue estimate is based on the expectation of a continued slow national economic recovery and continued economic growth of the Pennsylvania economy at a rate slightly below the national rate.

The economy of Pennsylvania is composed of many diverse sectors including manufacturing, mining, agriculture, services, and wholesale and retail trade. Certain industries traditionally strong in the Commonwealth, such as coal, steel and railways, have declined and account for a decreasing share of total employment. Non-manufacturing employment has increased steadily since 1980 to its 1992 level of 81.3% of total Commonwealth employment.

Non-agricultural employment in the Commonwealth declined by 5.1% during the recessionary period from 1980 to 1983. In 1984, the declining trend was reversed as employment grew by 2.9% over 1983 levels. From 1983 to 1990, Commonwealth employment continued to grow each year, increasing an additional 14.3%. For 1991 and 1992, employment in the Commonwealth has declined 1.9%. The unemployment rate in Pennsylvania in February, 1994 stood at a seasonally adjusted rate of 5.1%. The seasonally adjusted national unemployment rate for February, 1994 was 6.5%.

The current Constitutional provisions pertaining to Commonwealth debt permit the issuance of the following types of debt: (i) debt to suppress insurrection or rehabilitate areas affected by disaster, (ii) electorate-approved debt, (iii) debt for capital projects subject to an aggregate debt limit of 1.75 times the annual average tax revenues of the preceding five fiscal years and (iv) tax anticipation notes payable in the fiscal year of issuance. All debt except tax anticipation notes must be amortized in substantial and regular amounts.

Debt service on all bonded indebtedness of Pennsylvania, except that issued for highway purposes or the benefit of other special revenue funds, is payable from Pennsylvania's General Fund, which receives all Commonwealth revenues that are not specified by law to be deposited elsewhere. As of June 30, 1993, the Commonwealth had $5,038.8 million of general obligation debt outstanding.

Other state-related obligations include "moral obligations". Moral obligation indebtedness may be issued by the Pennsylvania Housing Finance Agency ("PHFA"), a state-created agency which provides financing for housing for lower and moderate income families, and The Hospitals and Higher Education Facilities Authority of Philadelphia, a municipal authority organized by the City of Philadelphia to, among other things, acquire and prepare various sites for use as intermediate care facilities for the mentally retarded. PHFA's bonds, but not its notes, are partially secured by a capital reserve fund required to be maintained by PHFA in an amount equal to the maximum annual debt service on its outstanding bonds in any succeeding calendar year. PHFA is not permitted to borrow additional funds as long as any deficiency exists in the capital reserve fund.

Certain state-created agencies have statutory authorization to incur debt for which state appropriations to pay debt service thereon is not required. The debt of these agencies is supported by assets of, or revenues derived from, the various projects financed and is not an obligation of the Commonwealth. Some of these agencies, however, are indirectly dependent on Pennsylvania appropriations. In addition, the Commonwealth maintains pension plans covering state employees, public school employees and employees of certain state-related organizations. The total unfunded actuarial accrued liability under these pension plans for their fiscal years ended in 1993 was at least $4,359 million.

The City of Philadelphia is the largest city in the Commonwealth with an estimated population of 1,585,577 according to the 1990 Census. For the fiscal year ending June 30, 1991, Philadelphia experienced a cumulative General Fund balance deficit of $153.5 million. The audited findings for the fiscal year ending June 30, 1992 placed the cumulative General Fund balance deficit at $224.9 million.

Legislation providing for the establishment of Pennsylvania Intergovernmental Cooperation Authority ("PICA") to assist Philadelphia in remedying fiscal emergencies was enacted by the Pennsylvania General Assembly and approved by the Governor in June, 1991. PICA is designed to provide assistance through the issuance of funding debt to liquidate budget deficits and to make factual findings and recommendations to Philadelphia concerning its budgetary and fiscal affairs. An Intergovernmental Cooperation Agreement between Philadelphia and PICA was approved by City Council on January 3, 1992, and approved by the PICA Board and signed by the Mayor on January 8, 1992. At this time, Philadelphia is operating under a five year fiscal plan approved by PICA on April 6, 1992. Full implementation of the five year plan was delayed due to labor negotiations which were not completed until October, 1992. The terms of the new labor contracts are estimated to cost approximately $144.0 million more than what was budgeted in the original five year plan. The audit findings show a surplus of approximately $3 million for the fiscal year ending June 30, 1993. The Mayor's latest five-year financial plan was approved by PICA on May 2, 1994. The plan projects a $1 million budget surplus for the fiscal year ending June 30, 1994 and a balanced budget for the fiscal year ending June 30, 1995.

On June 7, 1992, PICA issued $474,555,000 of its Special Tax Revenue Bonds to provide financial assistance to Philadelphia and to liquidate the cumulative General Fund balance deficit. In July, 1993, PICA issued $643,430,000 of Special Tax Revenue Bonds to refund certain general obligation bonds of the city and to fund additional capital projects.

There is various litigation pending against the Commonwealth, its officers and employees. An adverse decision in one or more of these cases could materially affect the Commonwealth's governmental operations.

Currently, Pennsylvania general obligation bonds are rated AA- by Standard & Poor's and Fitch Investors Service, Inc., and A1 by Moody's. There can be no assurance that the economic conditions on which these ratings are based will continue or that particular bond issues will not be adversely affected by changes in economic or political conditions.

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APPENDIX I

RATINGS OF MUNICIPAL BONDS

DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S ("MOODY'S") MUNICIPAL BOND RATINGS

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

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

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

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

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

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

Caa Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C Bonds which are rated C are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Note: Those bonds in the Aa, A, Baa, Ba and B groups which Moody's believes possess the strongest investment attributes are designated by the symbols Aa1, A1, Baa1, Ba1 and B1.

Short-term Notes: The four ratings of Moody's for short-term notes are MIG 1/VMIG1, MIG 2/VMIG2, MIG 3/VMIG3 and MIG 4/VMIG4; MIG 1/VMIG1 denotes "best quality . . . strong protection by established cash flows"; MIG 2/VMIG2 denotes "high quality" with ample margins of protection; MIG 3/VMIG3 notes are of "favorable quality . . . but . . . lacking the undeniable strength of the preceding grades"; MIG 4/VMIG4 notes are of "adequate quality . . . [p]rotection commonly regarded as required of an investment security is present . . . there is specific risk."

DESCRIPTION OF MOODY'S CORPORATE BOND RATINGS

Excerpts from Moody's description of its corporate bond ratings: Aaa--judged to be the best quality, carry the smallest degree of investment risk; Aa--judged to be of high quality by all standards; A--possess many favorable investment attributes and are to be considered as upper-medium-grade obligations; Baa--considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured.

DESCRIPTION OF MOODY'S COMMERCIAL PAPER RATINGS

Moody's Commercial Paper 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:

Issuers rated Prime-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics: leading market positions in well established industries; high rates of return on funds employed; conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earning coverage of fixed financial charges and high internal cash generation; and well established access to a range of financial markets and assured sources of alternate liquidity.

Issuers rated Prime-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

Issuers rated Prime-3 (or related supporting institutions) have an acceptable capacity for repayment of short-term promissory obligations. The effects of industry characteristics and market composition may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and the requirement for relatively high financial leverage. Adequate alternate liquidity is maintained.

Issuers rated Not Prime do not fall within any of the Prime rating categories.

DESCRIPTION OF STANDARD & POOR'S CORPORATION'S ("STANDARD & POOR'S") MUNICIPAL DEBT RATINGS

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

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

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

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

I. Likelihood of default--capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation;

II. Nature of and provisions of the obligation;

III. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

AAA Debt rated "AAA" has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA Debt rated "AA" has a very strong capacity to pay interest and repay principal and differs from the higher-rated issues only in small degree.

A Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher-rated categories.

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

BB B CCC CC C

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

CI The rating "CI" is reserved for income bonds on which no interest is being paid.

D Debt rated "D" is in payment default. The "D" rating category is used when interest payments or principal payments are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The "D" rating also will be used upon the filing of a bankruptcy petition if debt service payments are jeopardized.

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

DESCRIPTION OF STANDARD & POOR'S CORPORATE BOND RATINGS

A Standard & Poor's corporate debt rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. Debt rated "AAA" has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong. Debt rated "AA" has a very strong capacity to pay interest and to repay principal and differs from the highest rated issues only in small degree. Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt of a higher-rated category. Debt rated "BBB" is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher-rated categories.

The ratings from "AA" to "BBB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

DESCRIPTION OF STANDARD & POOR'S COMMERCIAL PAPER RATINGS

A Standard & Poor's Commercial Paper Rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. Ratings are graded into four categories, ranging from "A" for the highest quality obligations to "D" for the lowest. Ratings are applicable to both taxable and tax-exempt commercial paper. Issues assigned the highest rating are regarded as having the greatest capacity for timely payment. Issues in this category are further refined with the designation 1, 2 or 3 to indicate the relative degree of safety. These categories are as follows:

A-1
This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus sign (+) designation.

A-2
Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as overwhelming as for issues designated "A-1".

A-3
Issues carrying this designation have a satisfactory capacity for timely payment. They are, however, somewhat more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

B
Issues rated "B" are regarded as having only speculative capacity for timely payment.

C
This rating is assigned to short-term debt obligations with a doubtful capacity for payment.

D
Debt rated "D" is in payment default. The "D" rating category is used when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period.

A Commercial Paper Rating is not a recommendation to purchase or sell a security. The ratings are based on current information furnished to Standard & Poor's by the issuer and obtained by Standard & Poor's from other sources it considers reliable. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information.

A Standard & Poor's note rating reflects the liquidity concerns and market access risks unique to notes. Notes due in 3 years or less will likely receive a note rating. Notes maturing beyond 3 years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment.

--Amortization schedule (the larger the final maturity relative to other maturities, the more likely it will be treated as a note).

--Source of payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note).

Note rating symbols are as follows:

SP-1 A very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a "+" designation.

SP-2 A satisfactory capacity to pay principal and interest.

SP-3 A speculative capacity to pay principal and interest.

Standard & Poor's may continue to rate note issues with a maturity greater than three years in accordance with the same rating scale currently employed for municipal bond ratings.

Unrated: Where no rating has been assigned or where a rating has been suspended or withdrawn, it may be for reasons unrelated to the quality of the issue.

Should no rating be assigned, the reason may be one of the following:

1. An application for rating was not received or accepted.

2. The issue or issuers belongs to a group of securities that are not rated as a matter of policy.

3. There is a lack of essential data pertaining to the issue or issuer.

4. The issue was privately placed, in which case the rating is not published in Moody's publications.

Suspension or withdrawal may occur if new and material circumstances arise, the effects of which preclude satisfactory analysis; if there is no longer available reasonable up-to-date information to permit a judgment to be formed; if a bond is called for redemption; or for other reasons.

DESCRIPTION OF FITCH INVESTORS SERVICE, INC.'S ("FITCH") INVESTMENT GRADE BOND RATINGS

Fitch investment grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The ratings represent Fitch's assessment of the issuer's ability to meet the obligations of a specific debt issue or class of debt in a timely manner.

The rating takes into consideration special features of the issue, its relationship to other obligations of the issuer, the current and prospective financial condition and operating performance of the issuer and of any guarantor, as well as the economic and political environment that might affect the issuer's future financial strength and credit quality.

Fitch ratings do not reflect any credit enhancement that may be provided by insurance policies or financial guaranties unless otherwise indicated.

Bonds that have the same rating are of similar but not necessarily identical credit quality since the rating categories do not fully reflect small differences in the degrees of credit risk.

Fitch ratings are not recommendations to buy, sell or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

Fitch ratings are based on information obtained from issuers, other obligors, underwriters, their experts, and other sources Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of such information. Ratings may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, information or for any other reasons.

AAA Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated "AAA". Because bonds rated in the "AAA" and "AA" categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated "F-1+".

A Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

BBB Bonds considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds, and therefore, impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.

Plus (+) or Minus (-): Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the "AAA" category.

Credit Trend Indicator: Credit trend indicators show whether credit fundamentals are improving, stable, declining, or uncertain, as follows:

Improving ^^

Stable ^^
^^

Declining ^^

Uncertain ^^
^^

Credit trend indicators are not predictions that any rating change will occur, and have a longer-term time frame than issues placed on FitchAlert.

NR Indicates that Fitch does not rate the specific issue.

CONDITIONAL A conditional rating is premised on the successful completion of a project or the occurrence of a specific event.

SUSPENDED
A rating is suspended when Fitch deems the amount of information available from the issuer to be inadequate for rating purposes.

WITHDRAWN A rating will be withdrawn when an issue matures or is called or refinanced and, at Fitch's discretion, when an issuer fails to furnish proper and timely information.

FITCHALERT Ratings are placed on FitchAlert to notify investors of an occurrence that is likely to result in a rating change and the likely direction of such change. These are designated as "Positive," indicating a potential upgrade, "Negative," for potential downgrade, or "Evolving," where ratings may be raised or lowered. FitchAlert is relatively short-term, and should be resolved within 12 months.

DESCRIPTION OF FITCH SPECULATIVE GRADE BOND RATINGS

Fitch speculative grade bond ratings provide a guide to investors in determining the credit risk associated with a particular security. The ratings ("BB" to "C") represent Fitch's assessment of the likelihood of timely payment of principal and interest in accordance with the terms of obligation for bond issues not in default. For defaulted bonds, the rating ("DDD" to "D") is an assessment of the ultimate recovery value through reorganization or liquidation.

The rating takes into consideration special features of the issue, its relationship to other obligations of the issuer, the current and prospective financial condition and operating performance of the issuer and any guarantor, as well as the economic and political environment that might affect the issuer's future financial strength.

Bonds that have the same rating are of similar but not necessarily identical credit quality since rating categories cannot fully reflect the differences in degrees of credit risk.

BB Bonds are considered speculative. The obligor's ability to pay interest and repay principal may be affected over time by adverse economic changes. However, business and financial alternatives can be identified which could assist the obligor in satisfying its debt service requirements.

B Bonds are considered highly speculative. While bonds in this class are currently meeting debt service requirements, the probability of continued timely payment of principal and interest reflects the obligor's limited margin of safety and the need for reasonable business and economic activity throughout the life of the issue.

CCC Bonds have certain identifiable characteristics which, if not remedied, may lead to default. The ability to meet obligations requires an advantageous business and economic environment.

CC Bonds are minimally protected. Default in payment of interest and/or principal seems probable over time.

C Bonds are in imminent default in payment of interest or principal.

DDD, DD and D Bonds are in default on interest and/or principal payments. Such bonds are extremely speculative and should be valued on the basis of their ultimate recovery value in liquidation or reorganization of the obligor. "DDD" represents the highest potential for recovery on these bonds, and "D" represents the lowest potential for recovery.

Plus (+) or Minus (-): Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the "DDD", "DD", or "D" categories.

DESCRIPTION OF FITCH INVESTMENT GRADE SHORT-TERM RATINGS

Fitch's short-term ratings apply to debt obligations that are payable on demand or have original maturities of generally up to three years, including commercial paper, certificates of deposit, medium-term notes, and municipal and investment notes.

The short-term rating places greater emphasis than a long-term rating on the existence of liquidity necessary to meet the issuer's obligations in a timely manner.

Fitch short-term ratings are as follows:

F-1+ Exceptionally Strong Credit Quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

F-1 Very Strong Credit Quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated "F-1+".

F-2 Good Credit Quality. Issues assigned this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues assigned "F-1+" and "F-1" ratings.

F-3 Fair Credit Quality. Issues assigned this rating have characteristics suggesting that the degree of assurance for timely payment is adequate; however, near-term adverse changes could cause these securities to be rated below investment grade.

F-4 Weak Credit Quality. Issues assigned this rating have characteristics suggesting a minimal degree of assurance for timely payment and are vulnerable to near-term adverse changes in financial and economic conditions.

D Default. Issues assigned this rating are in actual or imminent payment default.

LOC The symbol "LOC" indicates that the rating is based on a letter of credit issued by a commercial bank.

INS The symbol "INS" indicates that the rating is based on an insurance policy or financial guaranty issued by an insurance company.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,

Merrill Lynch Arizona Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch Arizona Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Merrill Lynch Arizona Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993, in conformity with generally accepted accounting principles.

Deloitte & Touche

Princeton, New Jersey

November 15, 1993

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 12, 1993

Assets:	
Cash in bank	$100,000
Prepaid registration fees (Note 3)	12,400
Deferred organization expenses (Note 4)	47,600
Total Assets	160,000
Liabilities-Accrued expenses	60,000
Net Assets (equivalent to $10.00 per share on 5,000 Class A shares of beneficial interest (par value $0.10) and 5,000 Class B shares of beneficial interest (par value $0.10) outstanding with an unlimited number of shares authorized) (Note 1)	$100,000

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Notes to the Statement of Assets and Liabilities:

(1) Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") was organized as a Massachusetts business trust on February 14, 1991. To date, Merrill Lynch Arizona Limited Maturity Municipal Bond Fund (the "Fund") has not had any transactions other than those relating to organizational matters and the sale of 5,000 Class A shares and 5,000 Class B shares of beneficial interest of the Fund to Fund Asset Management, Inc. (the "Manager"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company.

(2) The Trust has entered into a Management Agreement with the Manager and separate Class A and Class B Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. (the "Distributor") on behalf of the Fund. (See "Management of the Trust--Management and Advisory Arrangements" in the Prospectus and the Statement of Additional Information.) Certain officers and/or Trustees of the Trust are officers and/or directors of the Manager and of the Distributor.

(3) Prepaid registration fees are charged to income as the related shares are issued.

(4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event that the Manager (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Manager (or any subsequent holder) shall bear the unamortized deferred organization expenses.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,

Merrill Lynch California Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch California Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-

State Limited Maturity Municipal Series Trust as of November 12, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Merrill Lynch California Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993, in conformity with generally accepted accounting principles.

Deloitte & Touche

Princeton, New Jersey

November 15, 1993

MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 12, 1993

<TABLE>

<S>	<C>
Assets:	
Cash in bank	$100,000
Prepaid registration fees (Note 3)	14,600
Deferred organization expenses (Note 4)	47,600
Total Assets	162,200
Liabilities-Accrued expenses	62,200
Net Assets (equivalent to $10.00 per share on 5,000 Class A shares of beneficial interest (par value $0.10) and 5,000 Class B shares of beneficial interest (par value $0.10) outstanding with an unlimited number of shares authorized) (Note 1)	$100,000

</TABLE>

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Notes to the Statement of Assets and Liabilities:

(1) Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") was organized as a Massachusetts business trust on February 14, 1991. To date, Merrill Lynch California Limited Maturity Municipal Bond Fund (the "Fund") has not had any transactions other than those relating to organizational matters and the sale of 5,000 Class A shares and 5,000 Class B shares of beneficial interest of the Fund to Fund Asset Management, Inc. (the "Manager"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company.

(2) The Trust has entered into a Management Agreement with the Manager and separate Class A and Class B Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. (the "Distributor") on behalf of the Fund. (See "Management of the Trust--Management and Advisory Arrangements" in the Prospectus and the Statement of Additional Information.) Certain officers and/or Trustees of the Trust are officers and/or directors of the Manager and of the Distributor.

(3) Prepaid registration fees are charged to income as the related shares are issued.

(4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event that the Manager (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of

redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Manager (or any subsequent holder) shall bear the unamortized deferred organization expenses.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,

Merrill Lynch Florida Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch Florida Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Merrill Lynch Florida Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993, in conformity with generally accepted accounting principles.

Deloitte & Touche

Princeton, New Jersey

November 15, 1993

MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 12, 1993

<TABLE>

<S>	<C>
Assets:	
Cash in bank	$100,000
Prepaid registration fees (Note 3)	11,450
Deferred organization expenses (Note 4)	47,600
Total Assets	159,050
Liabilities-Accrued expenses	59,050
Net Assets (equivalent to $10.00 per share on 5,000 Class A shares of beneficial interest (par value $0.10) and 5,000 Class B shares of beneficial interest (par value $0.10) outstanding with an unlimited number of shares authorized) (Note 1)	$100,000

</TABLE>

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Notes to the Statement of Assets and Liabilities:

(1) Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") was organized as a Massachusetts business trust on February 14, 1991. To date, Merrill Lynch Florida Limited Maturity Municipal Bond Fund (the "Fund") has not had any transactions other than those relating to organizational matters and the sale of 5,000 Class A shares and 5,000 Class B shares of beneficial interest of the Fund to Fund Asset Management, Inc. (the "Manager"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company.

(2) The Trust has entered into a Management Agreement with the Manager and separate Class A and Class B Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. (the "Distributor") on behalf of the Fund. (See "Management of the Trust--Management and Advisory Arrangements" in the Prospectus and the Statement of Additional Information.) Certain officers and/or Trustees of the Trust are officers and/or directors of the Manager and of the Distributor.

(3) Prepaid registration fees are charged to income as the related shares are issued.

(4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event that the Manager (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Manager (or any subsequent holder) shall bear the unamortized deferred organization expenses.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,

Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993, in conformity with generally accepted accounting principles.

Deloitte & Touche

Princeton, New Jersey

November 15, 1993

MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 12, 1993

<TABLE>

<S>	<C>
Assets:	
Cash in bank	$100,000
Prepaid registration fees (Note 3)	16,000
Deferred organization expenses (Note 4)	47,600
Total Assets	163,600
Liabilities-Accrued expenses	63,600
Net Assets (equivalent to $10.00 per share on 5,000 Class A shares	

of beneficial interest (par value $0.10) and 5,000 Class B shares of beneficial interest (par value $0.10) outstanding with an unlimited number of shares authorized) (Note 1)..................... $100,000
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Notes to the Statement of Assets and Liabilities:

(1) Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") was organized as a Massachusetts business trust on February 14, 1991. To date, Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund (the "Fund") has not had any transactions other than those relating to organizational matters and the sale of 5,000 Class A shares and 5,000 Class B shares of beneficial interest of the Fund to Fund Asset Management, Inc. (the "Manager"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company.

(2) The Trust has entered into a Management Agreement with the Manager and separate Class A and Class B Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. (the "Distributor") on behalf of the Fund. (See "Management of the Trust--Management and Advisory Arrangements" in the Prospectus and the Statement of Additional Information.) Certain officers and/or Trustees of the Trust are officers and/or directors of the Manager and of the Distributor.

(3)Prepaid registration fees are charged to income as the related shares are issued.

(4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event that the Manager (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Manager (or any subsequent holder) shall bear the unamortized deferred organization expenses.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,

Merrill Lynch Michigan Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch Michigan Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Merrill Lynch Michigan Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993, in conformity with generally accepted accounting principles.

Deloitte & Touche

Princeton, New Jersey

November 15, 1993

MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 12, 1993

<TABLE>

<S>	<C>
Assets:	
Cash in bank	$100,000
Prepaid registration fees (Note 3)	19,300
Deferred organization expenses (Note 4)	47,600
Total Assets	166,900
Liabilities-Accrued expenses	66,900
Net Assets (equivalent to $10.00 per share on 5,000 Class A shares of beneficial interest (par value $0.10) and 5,000 Class B shares of beneficial interest (par value $0.10) outstanding with an unlimited number of shares authorized) (Note 1)	$100,000

</TABLE>

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Notes to the Statement of Assets and Liabilities:

(1) Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") was organized as a Massachusetts business trust on February 14, 1991. To date, Merrill Lynch Michigan Limited Maturity Municipal Bond Fund (the "Fund") has not had any transactions other than those relating to organizational matters and the sale of 5,000 Class A shares and 5,000 Class B shares of beneficial interest of the Fund to Fund Asset Management, Inc. (the "Manager"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company.

(2) The Trust has entered into a Management Agreement with the Manager and separate Class A and Class B Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. (the "Distributor") on behalf of the Fund. (See "Management of the Trust--Management and Advisory Arrangements" in the Prospectus and the Statement of Additional Information.) Certain officers and/or Trustees of the Trust are officers and/or directors of the Manager and of the Distributor.

(3) Prepaid registration fees are charged to income as the related shares are issued.

(4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event that the Manager (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Manager (or any subsequent holder) shall bear the unamortized deferred organization expenses.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,

Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993, in conformity with generally accepted accounting principles.

Deloitte & Touche

Princeton, New Jersey

November 15, 1993

MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 12, 1993

<TABLE>

<S>	<C>
Assets:	
Cash in bank	$100,000
Prepaid registration fees (Note 3)	12,900
Deferred organization expenses (Note 4)	47,600
Total Assets	160,500
Liabilities-Accrued expenses	60,500
Net Assets (equivalent to $10.00 per share on 5,000 Class A shares of beneficial interest (par value $0.10) and 5,000 Class B shares of beneficial interest (par value $0.10) outstanding with an unlimited number of shares authorized) (Note 1)	$100,000

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Notes to the Statement of Assets and Liabilities:

(1) Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") was organized as a Massachusetts business trust on February 14, 1991. To date, Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund (the "Fund") has not had any transactions other than those relating to organizational matters and the sale of 5,000 Class A shares and 5,000 Class B shares of beneficial interest of the Fund to Fund Asset Management, Inc. (the "Manager"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company.

(2) The Trust has entered into a Management Agreement with the Manager and separate Class A and Class B Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. (the "Distributor") on behalf of the Fund. (See "Management of the Trust--Management and Advisory Arrangements" in the Prospectus and the Statement of Additional Information.) Certain officers and/or Trustees of the Trust are officers and/or directors of the Manager and of the Distributor.

(3) Prepaid registration fees are charged to income as the related shares are issued.

(4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event that the Manager (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Manager (or any subsequent holder) shall bear the unamortized deferred organization expenses.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,

Merrill Lynch New York Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch New York Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Merrill Lynch New York Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993, in conformity with generally accepted accounting principles.

Deloitte & Touche

Princeton, New Jersey

November 15, 1993

MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 12, 1993

<TABLE>

<S>	<C>
Assets:	
Cash in bank	$100,000
Prepaid registration fees (Note 3)	16,500
Deferred organization expenses (Note 4)	47,600
Total Assets	164,100
Liabilities-Accrued expenses	64,100
Net Assets (equivalent to $10.00 per share on 5,000 Class A shares of beneficial interest (par value $0.10) and 5,000 Class B shares of beneficial interest (par value $0.10) outstanding with an unlimited number of shares authorized) (Note 1)	$100,000

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Notes to the Statement of Assets and Liabilities:

(1) Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") was organized as a Massachusetts business trust on February 14, 1991. To date, Merrill Lynch New York Limited Maturity Municipal Bond Fund (the "Fund") has not had any transactions other than those relating to organizational matters and the sale of 5,000 Class A shares and 5,000 Class B shares of beneficial interest of the Fund to Fund Asset Management, Inc. (the "Manager"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company.

(2) The Trust has entered into a Management Agreement with the Manager and separate Class A and Class B Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. (the "Distributor") on behalf of the Fund. (See "Management of the Trust--Management and Advisory Arrangements" in the Prospectus and the Statement of Additional Information.) Certain officers and/or Trustees of the Trust are officers and/or directors of the Manager and of the Distributor.

(3) Prepaid registration fees are charged to income as the related shares are issued.

(4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event

that the Manager (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Manager (or any subsequent holder) shall bear the unamortized deferred organization expenses.

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,

Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust as of November 12, 1993, in conformity with generally accepted accounting principles.

Deloitte & Touche

Princeton, New Jersey

November 15, 1993

MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 12, 1993

<TABLE>

<S>	<C>
Assets:	
Cash in bank	$100,000
Prepaid registration fees (Note 3)	14,300
Deferred organization expenses (Note 4)	47,600
Total Assets	161,900
Liabilities-Accrued expenses	61,900
Net Assets (equivalent to $10.00 per share on 5,000 Class A shares of beneficial interest (par value $0.10) and 5,000 Class B shares of beneficial interest (par value $0.10) outstanding with an unlimited number of shares authorized) (Note 1)	$100,000

</TABLE>

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Notes to the Statement of Assets and Liabilities:

(1) Merrill Lynch Multi-State Limited Maturity Municipal Series Trust (the "Trust") was organized as a Massachusetts business trust on February 14, 1991. To date, Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund (the "Fund") has not had any transactions other than those relating to

organizational matters and the sale of 5,000 Class A shares and 5,000 Class B shares of beneficial interest of the Fund to Fund Asset Management, Inc. (the "Manager"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company.

(2) The Trust has entered into a Management Agreement with the Manager and separate Class A and Class B Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. (the "Distributor") on behalf of the Fund. (See "Management of the Trust--Management and Advisory Arrangements" in the Prospectus and the Statement of Additional Information.) Certain officers and/or Trustees of the Trust are officers and/or directors of the Manager and of the Distributor.

(3) Prepaid registration fees are charged to income as the related shares are issued.

(4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event that the Manager (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Manager (or any subsequent holder) shall bear the unamortized deferred organization expenses.

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SCHEDULE OF INVESTMENTS (in Thousands)

Arizona Limited Maturity Municipal Bond Fund

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>
Arizona--85.2%	A1+	P1	$ 200	Apache County, Arizona, IDA, IDR (Tucson Electric Power-Springerville Project), VRDN, 2.25% due 12/15/2018(a)	$ 200
	AAA	Aaa	270	Arizona Health Facilities Authority, Hospital System Revenue Bonds (Samaritan Health Services), 5.30% due 12/01/1995(d)	280
	A-1	VMIG1	200	Arizona Health Facilities Authority Revenue Bonds (Arizona Voluntary Hospital Federation), VRDN, Series B, 2.25% due 10/01/2015(a)(c)	200
	AAA	Aaa	275	Arizona State, COP, Refunding Bonds, Series B, 4.375% due 5/01/2000	279
	AA	Aa	295	Arizona State Transportation Board, Highway Revenue Refunding Bonds, Sub-Series A, 3.20% due 7/01/1995	296
	AA	A1	500	Arizona State University, University System Revenue Refunding Bonds, Series A, 4.25% due 7/01/1996	511
	AAA	Aaa	220	Maricopa County, Arizona, Alhambra Elementary School District Number 68, Refunding and Improvement Bonds, UT, 7.75% due 7/01/2000(b)	263
	AAA	Aaa	250	Maricopa County, Arizona, Mesa Unified School District Number 4, UT, 5.25% due 7/01/2003(c)	267
	A1+	P1	300	Maricopa County, Arizona, Pollution Control Corporation, PCR (Arizona Public Service Company--Palo Verde Project), Series D, VRDN, 2% due 2/03/1994(a)	300
	SP1+	MIG2	200	Maricopa County, Arizona, TAN, 3.10% due 7/29/1994	201
	AA	A1	500	Phoenix, Arizona, Street and Highway User Revenue Refunding Bonds, Senior Lien, 5.60% due 7/01/1998	535
	A1+	VMIG1	100	Pima County, Arizona, IDR (Tucson Electric), VRDN, Series A, 2.05% due 12/01/2022(a)	100
	A+	Aa	260	Pima County, Arizona, Refunding Bonds, 5.375% due 7/01/1996	272
	A1+	NR	200	Pinal County, Arizona, IDR (Calsonic Incorporated Project), VRDN,	

				2.30% due 12/01/2005(a)	200
	AA	Aa	1,000	Salt River Project, Arizona, Agricultural Improvement and Power District, Electric System Revenue Refunding Bonds, Series C, 4.30% due 1/01/2002	1,003
	AA	Aaa	500	Scottsdale, Arizona, Improvement Bonds, 6.60% due 7/01/1996(e)	548
Puerto Rico--4.7%	SP1+	MIG1++	200	Puerto Rico Commonwealth, TRAN, Series A, 3% due 7/29/1994	201
	A1+	NR	100	Puerto Rico, Industrial, Medical and Environmental Pollution Control Facilities Financing Authority Revenue Bonds (Anna G. Mendez Educational Foundation), TECP, 2.10% due 2/04/1994	100
	Total Investments (Cost--$5,716)--89.9%				5,756
	Other Assets Less Liabilities--10.1%				644

	Net Assets--100.0%				$ 6,400
					=======

<FN>
(a) The interest rate is subject to change periodically based upon prevailing market rates. The interest rates shown are those in effect at January 31, 1994.
(b) AMBAC Insured.
(c) FGIC Insured.
(d) MBIA Insured.
(e) Prerefunded.
++Highest short-term rating by Moody's Investors Service, Inc.

See Notes to Financial Statements.

California Limited Maturity Municipal Bond Fund

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>
California--95.1%				California Health Facilities Financing Authority Revenue Bonds:	
	AAA	VMIG1	$ 500	(Pooled Loan Program), Series 85B, VRDN, 2.10% due 10/01/2010(b)(e)	$ 500
	AA-	NR	400	(Saint Joseph Health System), 6.90% due 7/01/1999(a)(f)	465
	AAA	Aaa	500	California Health Facilities, Financing Revenue Refunding Bonds (Catholic Insured Health Facilities), Series E, 4.40% due 7/01/2001(d)	506
				California Pollution Control Financing Authority, Resources Recovery Revenue Bonds, VRDN(b):	
	NR	P1	200	(Delano Project), AMT, 2.25% due 8/01/2019	200
	NR	P1	100	(Delano Project), Series 1991, 2.25% due 8/01/2019	100

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	NR	P1	500	(Ultra Power Rocklin), AMT, Series A, 2.30% due 6/01/2017	500
	A+	Aa	1,040	California State, GO, UT, 5.60% due 9/01/2000	1,127
				California State, GO, Veteran's Board, UT:	
	A+	Aa	785	Series VV, 5% due 8/01/1996	816
	AA	Aa	1,000	Series XX, 5.50% due 8/01/1997	1,063
				California State Public Works Board, Lease Revenue Bonds:	
	A	A1	575	(California State University Various Projects), Series A, 4.30% due 12/01/1999	580
	A	A1	1,500	(Department of Corrections Madera State Prison), Series E, 4.30% due 6/01/1999	1,513
	AAA	Aaa	400	Eastern Municipal Water District, California, COP, 6.60% due 11/01/1997(d)(f)	443
	A1+	VMIG1	500	Foothill/Eastern Transportation Corridor Agency, California, Toll Road Revenue Bonds, VRDN, 2.20% due 7/01/2023(b)	500
	A-1	NR	200	Irvine, California, M/F Housing Revenue Bonds, VRDN, Series 1983-A, 2.10% due 12/15/1995(b)	200
	NR	A1	600	Los Angeles, California, Municipal Improvement Corporation, Lease Revenue Refunding Bonds (Central Library Project), Series B, 4.875% due 6/01/2001	618
	A1+	VMIG1	300	Los Angeles County, California, Metropolitan Transportation Authority, Sales Tax Revenue Refunding Bonds, VRDN, Second Senior Series A,	

				2.20% due 7/01/2020(b)(c)	300
	AAA	Aaa	500	Los Angeles County, California, Public Works Financing Authority, Lease Revenue Bond, Multiple Capital Facilities (Project IV), 3.80% due 12/01/1997(c)	506
	SP1+	MIG1++	700	Los Angeles County, California, TRAN, Series A, 3% due 6/30/1994	702
	A1+	NR	500	Moor Park California, M/F Revenue Refunding Bonds (Le Club Apartment Project), Series A, VRDN, 2.10% due 11/01/2015(b)	500
	AAA	Aaa	300	Orange County, California, Various Sanitation Districts, COP, Revenue Refunding Bonds (#1-3,5-7+11), VRDN, 2.20% due 8/01/2013(b)(d)	300
	AA	Aa	500	Sacramento County, California, Sanitation District Financing Authority, Revenue Refunding Bonds, 4% due 12/01/1998	506
	AA-	Aaa	800	San Diego County, California, Regional Transportation Commission, Sales Tax Revenue Bonds, Series A, 7.25% due 4/01/1999(a)	936
	AAA	Aaa	300	San Jose, California, Redevelopment Agency, Tax Allocation Revenue Refunding Bonds (Merged Area Redevelopment Project), 4.40% due 8/01/1999(c)	305
	AAA	Aaa	505	Signal Hill, California, Redevelopment Agency, Tax Allocation Revenue Refunding Bonds (Signal Hill Redevelopment Project 1-B), 5.20% due 10/01/2002(c)	537
	AAA	Aaa	500	University of California, Revenue Refunding Bonds (Multiple Purpose Projects), Series C, 4% due 9/01/1999(d)	502
Puerto Rico--4.7%	A1+	VMIG1	200	Puerto Rico Commonwealth Government Development Bank, Revenue Refunding Bonds, VRDN, 1.75% due 12/01/2015(b)	200
	SP1+	MIG1++	500	Puerto Rico Commonwealth, TRAN, Series A, 3% due 7/29/1994	502
	Total Investments (Cost--$14,778)--99.8%				14,927
	Other Assets Less Liabilities--0.2%				29

	Net Assets--100.0%				$14,956
					=======

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(a) Prerefunded.
(b) The interest rate is subject to change periodically based upon the prevailing market rate. The interest rates shown are those rates in effect at January 31, 1994.
(c) MBIA Insured.
(d) AMBAC Insured.
(e) FGIC Insured.
(f) Escrowed to Maturity.
++Highest short-term rating by Moody's Investors Service, Inc.

See Notes to Financial Statements.

</TABLE>

Portfolio Abbreviations:

To simplify the listings of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust's portfolio holdings in the Schedule of Investments, we have abbreviated the names of many of the securities according to the list at right.

ACESSM	Adjustable Convertible Extendable Securities
AMT	Alternative Minimum Tax (subject to)
BAN	Bond Anticipation Notes
COP	Certificates of Participation
DATES	Daily Adjustable Tax-Exempt Securities
EDA	Economic Development Authority
GO	General Obligation Bonds
HFA	Housing Finance Authority
IDA	Industrial Development Authority
IDR	Industrial Development Revenue Bonds
M/F	Multi-Family
PCR	Pollution Control Revenue Bonds
RAN	Revenue Anticipation Notes
S/F	Single-Family
TAN	Tax Anticipation Notes
TECP	Tax-Exempt Commercial Paper

TRAN Tax Revenue Anticipation Notes
UT Unlimited Tax
VRDN Variable Rate Demand Notes

<TABLE>
SCHEDULE OF INVESTMENTS (continued) (in Thousands)
<CAPTION>
Florida Limited Maturity Municipal Bond Fund

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<C>	<C>	<C>	<C>	<S>	<C>
Florida--96.1%	AAA	Aaa	$ 650	Broward County, Florida, Water & Sewer Utility, Revenue Refunding Bonds, 4.50% due 10/01/2002(b)	$ 662
	A-1	VMIG1	1,500	Dade County, Florida, Aviation Revenue Refunding Bonds, Series V, VRDN, 2.20% due 10/01/2007(a)	1,500
	A+	A1	1,000	Dade County, Florida, School District, 7% due 7/01/1999	1,145
	A-1	VMIG1	1,400	Dade County, Florida, Solid Waste, IDR (Montenay--Dade Limited Project), VRDN, Series A, 2.35% due 12/01/2013 (a)	1,400
				Dade County, Florida, Water & Sewer System Revenue Refunding Bonds (c):	
	AAA	Aaa	1,000	5% due 10/01/2000	1,056
	AAA	Aaa	500	4.40% due 10/01/2001	509
	AAA	Aaa	2,000	Florida State Board of Education, Capital Outlay, GO, Series C, 6.90% due 6/01/1997	2,211
	AAA	Aaa	1,500	Florida State Division, Board of Finance, Department of General Services, Revenue Bonds (Department of Natural Resource Preservation), Series 2000--A, 5.75% due 7/01/2000(d)	1,639
	AA	Aa	1,500	Florida State, Refunding, GO, Dade County Road, 4.70% due 7/01/2000	1,558
	A1+	VMIG1	200	Hillsborough County, Florida, IDA, PCR, Refunding (Tampa Electric Company), VRDN, 2.10% due 5/15/2018 (a)	200
	AA	Aa1	4,000	Jacksonville, Florida, Electric Authority Revenue Refunding Bonds (Saint Johns River), Issue 2, Series 8, 3.65% due 10/01/1996	4,042
	AAA	Aaa	1,500	Lake County, Florida, School Board COP, 4% due 12/01/1999(b)	1,502
				Orlando, Florida, Utilities Commission, Water & Electric Revenue Bonds:	
	AA	Aa1	1,500	Refunding, 5.60% due 10/01/2003	1,642
	AA-	Aa	1,885	Series B, 4.75% due 10/01/2002	1,954
				Pinellas County, Florida, Capital Improvement Revenue Bonds:	
	AA-	Aa	1,500	5.20% due 10/01/1995	1,550
	AA-	Aa	4,825	5.30% due 10/01/1996	5,064
	A-1	VMIG1	200	Pinellas County, Florida, Health Facilities Authority, Revenue Refunding Bonds (Pooled Hospital Loan Program), DATES, 2.20% due 12/01/2015(a)	200
	AAA	Aaa	700	Pinellas County, Florida, Resource Recovery Revenue Refunding Bonds, Series A, 6.80% due 10/01/2002(d)	810
	AAA	A1	1,400	Reedy Creek, Florida, Improvement District Refunding Bonds, UT, 7.25% due 6/01/1997	1,558
	A-1	P1	300	Saint Lucie County, Florida, PCR, Refunding (Florida Power & Light Company), VRDN, 2.10% due 5/01/2027(a)	300
				Sarasota County, Florida, Health Facilities Authority, Hospital Revenue Bonds (Aces-Venice Hospital Project), VRDN(a):	
	A-3	VMIG2	200	2.25% due 12/01/2015	200
	NR	VMIG1	200	2.25% due 12/01/2022	200
	A1+	VMIG1	1,600	Sarasota County, Florida, Public Hospital District, Hospital Revenue Bonds (Sarasota Memorial Hospital Project), Series C, TECP, 2.30% due 2/10/1994	1,600
	NR	VMIG1	1,400	Sunshine State Governmental Financing Commission, Florida, Revenue Bonds, TECP, 2.25% due 2/10/1994	1,400
	A-1	VMIG1	1,500	Volusia County, Florida, Health Facilities Authority Revenue Bonds (ACESSM-Pooled Hospital Loan Program), VRDN, 2.20% due 11/01/2015(a)(c)	1,500
	AAA	Aaa	1,415	West Palm Beach, Florida, Public Service Tax, Revenue Refunding Bonds, 4.15% due 3/01/2000(b)	1,427

Puerto Rico--2.9%	SP1+	MIG1++	1,100	Puerto Rico Commonwealth, TRAN, Series A, 3% due 7/29/1994	1,104
	Total Investments (Cost--$37,678)--99.0%				37,933
	Other Assets Less Liabilities--1.0%				381

	Net Assets--100.0%				$38,314
					=======

<FN>
(a) The interest rate is subject to change periodically based upon the prevailing market rate. The interest rate shown is the rate in effect at January 31, 1994.
(b) AMBAC Insured.
(c) FGIC Insured.
(d) MBIA Insured.
++Highest short-term rating issued by Moody's Investors Service, Inc.

</TABLE>

See Notes to Financial Statements.

<TABLE>
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Massachusetts Limited Maturity Municipal Bond Fund

STATE <S>	S&P Ratings <S>	Moody's Ratings <S>	Face Amount <C>	Issue <S>	Value (Note 1a) <C>
Massachusetts--89.9%	AAA	Aaa	$ 400	Ashburnham and Westminister, Massachusetts, Regional School District, 3.75% due 12/15/1998(b)	$ 400
	A	A	315	Boston, Massachusetts, Metropolitan District, Revenue Refunding Bonds, Series A, B, & C, 3.90% due 12/01/1995	317
	A	A	400	Boston, Massachusetts, Revenue Refunding Bonds, Series A, 5% due 2/01/2001	416
	SP-1	MIG2	400	Massachusetts Bay Transportation Authority Notes, Series A, 2.80% due 3/01/1994	400
	BBB+	A	500	Massachusetts Municipal Wholesale Electric Company, Supply System Revenue Bonds, Series A, 6.10% due 7/01/1998	538
	A+	A	1,000	Massachusetts State Consolidated Loan, Series A, 4% due 1/01/1997	1,011
	A	A	500	Massachusetts State Convention Center Authority Refunding Bonds (Hynes Convention Center), 5.20% due 9/01/1995	514
				Massachusetts State Health and Educational Facilities Authority Revenue Bonds:	
	AAA	NR	500	(Holy Cross College), Series F, 8.40% due 5/01/1995(d)	544
	AAA	Aaa	400	(New England Medical Center Hospitals), Series G, 4.30% due 7/01/2000(b)	406
	AAA	Aaa	410	(Saint Luke's Hospital), Series C, 4% due 8/15/1996(b)	417
	A+	A1	600	Massachusetts State, HFA, Revenue Refunding Bonds (Housing Projects), Series A, 5.20% due 10/01/2000	626
	NR	MIG1++	400	Massachusetts State Industrial Finance Agency, Health Care Facility Revenue Bonds (Beverly Enterprises), VRDN, 2.20% due 4/01/2009(a)	400
	AA-	Aaa	400	Massachusetts State Port Authority Revenue Bonds, Series B, 9.375% due 7/01/1995(d)	443
	A+	A	1,000	Massachusetts State Revenue Refunding Bonds, Series C, 4.55% due 9/01/1997	1,031
	A	A	500	Massachusetts State Special Obligation Revenue Bonds, Series A, 5.30% due 6/01/1998	528
	A+	A1	500	Massachusetts State Turnpike Authority, Revenue Refunding Bonds, Series A, 4.625% due 1/01/2002	508
	SP-1	MIG1++	1,500	Massachusetts State Water Resources Authority, BAN, Series A, 4.125% due 10/15/1995	1,525
	AAA	Aaa	400	Quincy, Massachusetts, Revenue Refunding Bonds (Quincy Hospital), 4.50% due 1/15/2000(c)	407
	A+	A1	600	Salem, Massachusetts, GO, 5% due 7/15/1997	625
	NR	NR	400	South Hadley, Massachusetts, Industrial Revenue Bonds, (South Hadley Health Care), AMT, Series A, 5% due 12/01/1996	400

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
	NR	NR	400	Springfield, Massachusetts, RAN, 3.90% due 4/01/1994	401
Puerto Rico--6.0%	SP1+	MIG1++	400	Puerto Rico Commonwealth, TRAN, Series A, 3% due 7/29/1994	401
	AAA	Aaa	350	Puerto Rico Electric Power Authority, Power Revenue Bonds, Series J, 9% due 7/01/1995(d)	389
	Total Investments (Cost--$12,592)--95.9%				12,647
	Other Assets Less Liabilities--4.1%				537

	Net Assets--100.0%				$13,184
					=======

<FN>

(a) The interest rate is subject to change periodically based upon prevailing market rates. The interest rates shown are those in effect at January 31, 1994.

(b) MBIA Insured.

(c) FSA Insured.

(d) Prerefunded.

++Highest short-term ratings issued by Moody's Investors Service, Inc.

See Notes to Financial Statements.

</TABLE>

<TABLE>

SCHEDULE OF INVESTMENTS (continued) (in Thousands)

<CAPTION>

Michigan Limited Maturity Municipal Bond Fund

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<C>	<C>	<C>	<C>	<S>	<C>
Michigan--92.4%	NR	P1	$ 200	Delta County, Michigan, Economic Development Corp., Environmental Improvement Revenue Bonds (Mead Escambia Paper), VRDN, 2.20% due 12/01/2023(a)	$ 200
	AAA	Aaa	1,000	Detroit, Michigan, Distributable State Aid, 6.80% due 5/01/1998(b)	1,117
	A1+	VMIG1	100	Grand Rapids, Michigan, Water Supply System, Revenue Refunding Bonds, VRDN, 2.10% due 1/01/2020(a)(d)	100
	AA-	Aa	140	Holland, Michigan, Electric Revenue Refunding Bonds, 4.75% due 7/01/1997	145
	AAA	Aaa	250	Kalamazoo, Michigan, Hospital Finance Authority, Hospital Facility Revenue Refunding Bonds (Borgess Medical Center), Series A, 4% due 6/01/1998(d)	252
	AA	Aa	235	Lansing, Michigan, Board of Water and Light, Water Supply and Electric Utility System Revenue Bonds, Series A, 6.20% due 7/01/2000	262
	A1+	VMIG1	200	Michigan Higher Education Student Loan Authority, Revenue Refunding Bonds, Series XII-B, AMT, VRDN, 2.55% due 10/01/2013(a)(b)	200
	AA	Aaa	200	Michigan Municipal Bond Authority Revenue Bonds (State Revolving Fund), 4.15% due 10/01/1999	202
	AA-	A	200	Michigan State Building Authority Revenue Bonds, Series II, 5.90% due 10/01/1999	219
	A-	A	200	Michigan State Hospital Finance Authority, Revenue Refunding Bonds (Detroit Medical Center), Series B, 4.70% due 8/15/2001	201
				Michigan State Housing Development Authority, Limited Obligation Bonds, VRDN(a):	
	NR	VMIG1	200	(Pine Ridge), 2.25% due 10/01/2007	200
	NR	VMIG1	100	(Shoal Creek), 2.25% due 10/01/2007	100
	AA	A1	250	Michigan State Housing Development Authority, S/F Mortgage Revenue Bonds, Convertible Option, Series B, 3.55% due 6/01/1995(b)	250
	NR	P1	200	Michigan State Strategic Fund, Limited Obligation Revenue Bonds (Dow Chemical Co. Project), AMT, VRDN, 2.35% due 1/01/2014(a)	200
	NR	VMIGI	200	Michigan State Strategic Fund, Solid Waste Disposal Revenue Bonds (Grayling Generating Project), AMT, VRDN, 2.40% due 12/01/2014(a)	200
	NR	P1	100	Monroe County, Michigan, Economic Development Corp., Limited Obligation Revenue Refunding Bonds (Detroit Edison), Series CC, VRDN, 2.20% due 10/01/2024(a)	100
	AA	Aa	750	University of Michigan, University Hospital Revenue Refunding Bonds, Series A, 7.50% due 12/01/2001	895
	AAA	Aaa	200	Wayne Charter County, Michigan, Airport Revenue Refunding Bonds,	

				Subordinated Lien (Detroit Metro), Series C, 4.60% due 12/01/2002(c)	202
	AAA	Aaa	200	West Bloomfield, Michigan, School District Refunding Bonds, UT, 5.50% due 5/01/1998(c)	214
Puerto Rico--3.5%	SP1+	MIG1++	200	Puerto Rico Commonwealth, TRAN, Series A, 3% due 7/29/1994	201
	Total Investments (Cost--$5,420)--95.9%				5,460
	Other Assets Less Liabilities--4.1%				235

	Net Assets--100.0%				$5,695
					======

<FN>
(a) The interest rate is subject to change periodically based upon the prevailing market rates. The interest rate shown is the rate in effect at January 31, 1994.
(b) AMBAC Insured.
(c) MBIA Insured.
(d) FGIC Insured.
++Highest short-term rating by Moody's Investors Service, Inc.
</TABLE>

See Notes to Financial Statements.

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New Jersey Limited Maturity Municipal Bond Fund

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<C>	<C>	<C>	<S>	<C>
New Jersey--93.1%	NR	Baa	$1,000	Atlantic County, New Jersey, Utilities Authority, Solid Waste Revenue Bonds, 6.25% due 3/01/1997	$ 1,054
	NR	Aaa	500	Bergen County, New Jersey, Refunding, GO, UT, 6.50% due 8/01/1995	526
	AA	Aa	1,030	Burlington County, New Jersey, Various Purpose Bonds, UT, 4.35% due 10/15/2003	1,033
	AAA	Aaa	500	Cape May County, New Jersey, Improvement Bonds, UT, 5.85% due 4/15/1995(b)	516
	A+	NR	1,000	Hudson County, New Jersey, GO, UT, 4.10% due 8/01/1998	1,010
	SP1+	VMIG1	300	Mercer County, New Jersey, Improvement Authority Revenue Bonds, VRDN, 2.05% due 11/01/1998(a)	300
	AA+	Aaa	500	Middlesex County, New Jersey, Refunding Bonds, UT, 3.60% due 7/15/1996	506
	AA-	Aa	500	New Jersey Building Authority, State Building Revenue Bonds, 4.20% due 6/15/1997	512
				New Jersey, EDA, Revenue Bonds(a):	
	NR	Aaa	100	(400 International Drive Partners), VRDN, 2.10% due 9/01/2005	100
	NR	Aaa	200	(Hoffman-La Roche Incorporated Project), AMT, VRDN, 2.25% due 11/01/2011	200
	AA+	Aa1	500	New Jersey, GO, 6.25% due 9/15/1995	526
				New Jersey Health Care Facilities Financing Authority Revenue Bonds:	
	AAA	Aaa	500	(Carrier Foundation), Series C, VRDN, 1.95% due 7/01/2005(a)(d)	500
	AAA	Aaa	550	Refunding (Allegany Health--Our Lady of Lourdes), 4.40% due 7/01/2001(c)	556
	AAA	Aaa	300	New Jersey State Educational Facilities Authority Revenue Bonds (Princeton University), Series A, 5.40% due 7/01/1995	310
	AA-	A1	600	New Jersey State Highway Authority, General Revenue Refunding Bonds (Garden State Parkway--Senior Parkway), 4.70% due 1/01/2003	613
	A+	Aa	1,500	New Jersey State Transportation Trust Fund Authority Bonds (Transportation System), Series A, 4.60% due 6/15/2001	1,537
	A	A	465	New Jersey State Turnpike Authority, Revenue Refunding Bonds, Series A, 5.50% due 1/01/1996	484
	AA	Aa1	500	Parsippany, Troy Hills Township, New Jersey, Refunding Bonds, UT, 5.90% due 4/01/2003	556
	AA	A1	300	Rutgers State University, New Jersey, University Revenue Refunding	

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value
				Bonds (State University of New Jersey), Series R, 5.10% due 5/01/1997	315
	AAA	Aaa	225	Somerset County, New Jersey, GO, 6.20% due 8/01/1995	236
Puerto Rico--2.5%	SP1+	MIG1++	300	Puerto Rico Commonwealth, TRAN, Series A, 3% due 7/29/1994	301
	Total Investments (Cost--$11,625)--95.6%				11,691
	Other Assets Less Liabilities--4.4%				543

	Net Assets--100.0%				12,234
					======

<FN>

(a) The interest rate is subject to change periodically based upon the prevailing market rate. The interest rates shown are those in effect at January 31, 1994.
(b) AMBAC Insured.
(c) MBIA Insured.
(d) FGIC Insured.
++Highest short-term rating issued by Moody's Investors Service, Inc.

See Notes to Financial Statements.

</TABLE>

<TABLE>
SCHEDULE OF INVESTMENTS (concluded) (in Thousands)
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New York Limited Maturity Municipal Bond Fund

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<S>	<S>	<S>	<C>	<S>	<C>
New York--95.6%	A	A	$ 500	Battery Park City Authority, New York, Revenue Refunding Bonds, Series B, 4.25% due 11/01/1997	$ 507
	AAA	Aaa	400	Metropolitan Transportation Authority, New York, Transportation Facilities Revenue Bonds, Series F, 8.375% due 7/01/1996(b)	455
	NR	NR	500	Monroe County, New York, BAN, UT, 3% due 6/10/1994	501
	AA-	Aa	300	Municipal Assistance Corporation for the City of New York, New York, GO, Series 67, 7.20% due 7/01/1999	346
	A-	Baa1	600	New York City, New York, GO, Series C, 4.80% due 10/01/2000	597
	NR	NR	600	New York City, New York, Industrial Development Agency, Industrial Development Revenue Bonds (Japan Airlines Company Limited), AMT, VRDN, 2.30% due 11/01/2015(a)	600
	SP-1	MIG1++	500	New York City, New York, Municipal Water Finance Authority, Water and Sewer System BAN, Series A, 2.75% due 4/15/1994	500
	AAA	Aaa	500	New York City, New York, Municipal Water Finance Authority, Water and Sewer System Revenue Bonds, Series A, 5.40% due 6/15/2000(c)	535
	A1+	VMIG1	500	New York City Trust For Cultural Restoration, New York, Revenue Bonds (Museum of Broadcasting), VRDN, 2.10% due 5/01/2014(a)	500
				New York State Dormitory Authority Revenue Bonds:	
	AA	Aa	230	(Cornell University), 7.40% due 7/01/1995	243
	AAA	Aaa	500	Refunding (New York University), Series A, 4.40% due 7/01/2001(d)	509
	A1+	NR	400	New York State Environmental Facilities, Corporate Resource Recovery Revenue Bonds (Equity Huntington Project), AMT, VRDN, 2.35% due 11/01/2014(a)	400
	A1+	VMIG1	500	New York State Housing Finance Agency, Revenue Bonds (Normandie Court I Project), VRDN, 2.10% due 5/15/2015(a)	500
	A	A	575	New York State Local Government Assistance Corporation, Refunding Bonds, Series D, 4.375% due 4/01/2001	579
	AAA	Aa	500	New York State Medcare Facilities Finance Authority Refunding Bonds (Presbyterian Hospital), Series A, 4.35% due 2/15/2001	503
	AAA	Aaa	500	New York State Thruway Authority, Emergency Highway Construction and Reconstruction Bonds, Series A, 4.90% due 3/01/2002(e)	521
	BBB	Baa1	500	New York State Urban Development Corporation Revenue Bonds	

				(Correctional Capital Facilities), Series 4, 4.50% due 1/01/1998	504
	AA-	A1	1,580	Port Authority of New York and New Jersey, Construction Bonds, Ninety-First Series, 4.10% due 11/15/1999	1,598
	AAA	Aaa	600	Sullivan County, New York, GO, Refunding, Public Improvement Bonds, 4.375% due 3/15/2001(d)	606
	A+	Aaa	1,500	Triborough Bridge and Tunnel Authority, New York, Revenue Refunding Bonds, Series M, 7.375% due 1/01/1998(b)	1,732
Puerto Rico--3.9%	SP1+	MIG1++	500	Puerto Rico Commonwealth, TRAN, Series A, 3% due 7/29/1994	502
	Total Investments (Cost--$12,623)--99.5%				12,738
	Other Assets Less Liabilities--0.5%				63

	Net Assets--100.0%				$12,801
					=======

<FN>
(a) The interest rate is subject to change periodically based upon the prevailing market rate. The interest rate shown is the rate in effect at January 31, 1994.
(b) Prerefunded.
(c) AMBAC Insured.
(d) MBIA Insured.
(e) FGIC Insured.
++Highest short-term ratings issued by Moody's Investors Service, Inc.
</TABLE>

See Notes to Financial Statements.

<TABLE>
<CAPTION>

Pennsylvania Limited Maturity Municipal Bond Fund

STATE	S&P Ratings	Moody's Ratings	Face Amount	Issue	Value (Note 1a)
<C>	<C>	<C>	<C>	<S>	<C>
Pennsylvania--88.9%	A1+	VMIG1	$ 200	Allegheny County, Pennsylvania, Authority Improvement Municipalities, Hospital Revenue Bonds (Pooled Hospital Equipment Leasing), VRDN, 2.25% due 9/01/1995(a)(e)	$ 200
	AAA	Aaa	1,500	Berks County, Pennsylvania, GO, 7.80% due 11/15/1998(b)(f)	1,762
	AA	Aa	500	Bucks County, Pennsylvania, GO, Series A, UT, 6% due 3/01/2001	554
	A-1	NR	200	Delaware County, Pennsylvania, Health Care Authority Revenue Bonds Capital Asset), Series B, VRDN, 2.40% due 7/01/2015(e)	200
	A	A	600	Delaware River, Pennsylvania, Joint Toll Bridge Commission, Bridge Revenue Bonds, 7.875% due 7/01/1998(f)	709
	AAA	Aaa	1,000	Delaware River Port Authority of Pennsylvania and New Jersey, Delaware River Bridges, Revenue Refunding Bonds, 6.90% due 1/01/1996(c)	1,068
	AAA	Aaa	475	Doylestown, Pennsylvania, Hospital Authority Revenue Refunding Bonds, Series A, 4.25% due 7/01/2000(c)	479
	A1+	NR	400	Emmaus, Pennsylvania, General Authority Revenue Bonds, VRDN, 2.30% due 3/01/2024(e)	400
	AAA	Aaa	350	Jersey Shore Area, Pennsylvania, Joint Water Authority, Water Revenue Bonds, 7.70% due 4/01/1996(c)(f)	383
	BBB	NR	450	Northeastern, Pennsylvania, Hospital and Education Authority, Revenue Refunding Bonds (Wilkes University), 5% due 10/01/2000	457
	AA-	A1	500	Pennsylvania, GO, 6.25% due 9/01/2001	537
	A1+	VMIG1	400	Pennsylvania Higher Education Assistance Agency, Student Loan Revenue Bonds, Series B, AMT, VRDN, 2.25% due 7/01/2018(e)	400
	AAA	Aaa	500	Pennsylvania Housing Finance Agency Refunding Bonds (Rental Housing), 4.15% due 7/01/1995(d)	505
	AAA	Aaa	450	Pennsylvania Turnpike Commission, Turnpike Revenue Bonds, Series A, 7.875% due 12/01/1996(f)	514
	A1+	NR	400	Philadelphia, Pennsylvania, Authority for Industrial Development Revenue Bonds (Fox Chase Institute of Cancer Research), Series A, VRDN, 2.10% due 7/01/2013(e)	400
	AAA	Aaa	400	Pittsburgh, Pennsylvania, Revenue Refunding Bonds, Series B, 4.10% due 9/01/1995(c)	406

	AAA	Aaa	750	Union County, Pennsylvania, Higher Education Facilities Financing Authority (Bucknell University), 6% due 4/01/2002(a)	830
Puerto Rico--5.5%	SP1+	MIG1++	265	Puerto Rico Commonwealth, TRAN, Series A, 3% due 7/29/1994	266
	AAA	Aaa	300	Puerto Rico Electric Power Authority Revenue Bonds, 9% due 7/01/1995 (f)	334
	Total Investments (Cost--$10,333)--94.4%				10,404
	Other Assets Less Liabilities--5.6%				621
	Net Assets--100.0%				$11,025

<FN>
(a) MBIA Insured.
(b) FGIC Insured.
(c) AMBAC Insured.
(d) FNMA Insured.
(e) The interest rate is subject to change periodically based on prevailing market rates. The rates shown are those in effect at January 31, 1994.
(f) Prerefunded.
++Highest short-term rating by Moody's Investors Service, Inc.

See Notes to Financial Statements.
</TABLE>

<TABLE>
STATEMENTS OF ASSETS AND LIABILITIES
<CAPTION>

<C>	<S>	Arizona Limited Maturity <C>	California Limited Maturity <C>	Florida Limited Maturity <C>	Massachusetts Limited Maturity <C>
Assets:	Investments, at value* (Note 1a)	$5,756,257	$14,927,080	$37,933,206	$12,647,321
	Cash	99,542	18,277	278,932	14,188
	Receivables:				
	Securities sold	200,058	--	1,500,216	--
	Beneficial interest sold	293,996	--	566,652	365,090
	Interest	36,129	165,918	376,927	143,576
	Investment adviser (Note 2)	15,948	21,208	28,994	18,756
	Deferred organization expenses (Note 1e)	47,600	47,600	47,600	47,600
	Total assets	6,449,530	15,180,083	40,732,527	13,236,531
Liabilities:	Payables:				
	Securities purchased	--	--	2,316,449	--
	Beneficial interest redeemed	--	164,676	24,989	--
	Distributor (Note 2)	1,189	3,010	4,792	2,010
	Dividends to shareholders (Note 1f)	3,687	9,297	23,285	9,318
	Accrued expenses and other liabilities	44,980	46,924	48,953	41,680
	Total liabilities	49,856	223,907	2,418,468	53,008
Net Assets:	Net assets	$6,399,674	$14,956,176	$38,314,059	$13,183,523
Net Assets Consist of:	Class A Shares of beneficial interest, $0.10 par value, unlimited number of shares authorized	$ 18,529	$ 38,707	$ 204,187	$ 54,793
	Class B Shares of beneficial interest, $0.10 par value, unlimited number of shares authorized	44,973	109,198	176,211	76,443
	Paid-in capital in excess of par	6,291,084	14,654,447	37,677,325	12,996,606
	Undistributed realized capital gains--net	4,340	4,458	1,154	180
	Unrealized appreciation on investments--net	40,748	149,366	255,182	55,501
	Net assets	$6,399,674	$14,956,176	$38,314,059	$13,183,523
Net Asset Value:	Class A:				
	Net assets	$1,867,331	$ 3,914,015	$20,565,395	$ 5,504,174
	Shares outstanding	185,294	387,072	2,041,870	547,931
	Net asset value and redemption price per share	$ 10.08	$ 10.11	$ 10.07	$ 10.05

	Class B:				
	Net assets	$4,532,343	$11,042,161	$17,748,664	$ 7,679,349
	Shares outstanding	449,731	1,091,984	1,762,106	764,425
	Net asset value and redemption price per share	$ 10.08	$ 10.11	$ 10.07	$ 10.05

<FN>
*Identified cost $5,715,509 $14,777,714 $37,678,024 $12,591,820

</TABLE>

<TABLE>
<CAPTION>

<S>	<S>	Michigan Limited Maturity <C>	New Jersey Limited Maturity <C>	New York Limited Maturity <C>	Pennsylvania Limited Maturity <C>
Assets:	Investments, at value* (Note 1a)	$ 5,459,952	$ 11,691,172	$ 12,737,887	$ 10,404,209
	Cash	98,128	34,654	53,626	--
	Receivables:				
	Securities sold	1,716,550	500,026	1,103,626	1,025,467
	Beneficial interest sold	--	604,530	101,750	20,585
	Interest	45,716	129,314	101,612	110,255
	Investment adviser (Note 2)	17,266	17,527	21,775	19,659
	Deferred organization expenses (Note 1e)	47,600	47,600	47,600	47,600
	Total assets	7,385,212	13,024,823	14,167,876	11,627,775
Liabilities:	Payables:				
	Securities purchased	1,640,162	735,205	1,099,197	--
	Beneficial interest redeemed	--	--	210,306	--
	Distributor (Note 2)	683	1,852	2,395	2,768
	Dividends to shareholders (Note 1f)	3,374	7,766	8,426	6,977
	Accrued expenses and other liabilities	46,298	46,148	46,461	592,813
	Total liabilities	1,690,517	790,971	1,366,785	602,558
Net Assets:	Net assets	$ 5,694,695	$ 12,233,852	$ 12,801,091	$ 11,025,217
Net Assets Consist of:	Class A Shares of beneficial interest, $0.10 par value, unlimited number of shares authorized	$ 31,563	$ 49,981	$ 42,394	$ 8,976
	Class B Shares of beneficial interest, $0.10 par value, unlimited number of shares authorized	24,919	71,578	84,392	100,505
	Paid-in capital in excess of par	5,594,687	12,042,088	12,556,307	10,843,669
	Undistributed realized capital gains--net	4,056	3,968	2,616	544
	Unrealized appreciation on investments--net	39,470	66,237	115,382	71,523
	Net assets	$ 5,694,695	$ 12,233,852	$ 12,801,091	$ 11,025,217
Net Asset Value:	Class A:				
	Net assets	$ 3,182,283	$ 5,028,448	$ 4,280,288	$ 903,952
	Shares outstanding	315,626	499,810	423,938	89,757
	Net asset value and redemption price per share	$ 10.08	$ 10.06	$ 10.10	$ 10.07
	Class B:				
	Net assets	$ 2,512,412	$ 7,205,404	$ 8,520,803	$ 10,121,265
	Shares outstanding	249,188	715,779	843,924	1,005,047
	Net asset value and redemption price per share	$ 10.08	$ 10.07	$ 10.10	$ 10.07

<FN>
*Identified cost $ 5,420,482 $ 11,624,935 $ 12,622,505 $ 10,332,686

See Notes to Financial Statements.

</TABLE>

<TABLE>
<CAPTION>
STATEMENTS OF OPERATIONS

	For the Period November 26, 1993++ to January 31, 1994	Arizona Limited Maturity	California Limited Maturity	Florida Limited Maturity	Massachusetts Limited Maturity
<S>	<S>	<C>	<C>	<C>	<C>
Investment Income (Note 1d):	Interest and amortization of premium and discount earned	$ 32,768	$ 76,137	$ 190,412	$ 68,524
Expenses:	Investment advisory fees (Note 2)	3,679	8,704	21,994	7,154
	Distribution fees--Class B (Note 2)	2,622	6,385	10,270	4,420
	Transfer agent fees--Class A (Note 2)	137	224	700	273
	Transfer agent fees--Class B (Note 2)	381	678	747	526
	Printing and shareholder reports	1,239	3,031	5,535	1,833
	Accounting services (Note 2)	5,701	6,491	5,490	5,702
	Pricing fees	749	651	811	598
	Registration fees (Note 1e)	4,375	4,409	6,693	5,754
	Custodian fees	702	672	1,003	743
	Professional fees	278	781	1,619	448
	Directors' fees and expenses	729	1,862	3,402	1,197
	Amortization of organization expenses (Note 1e)	1,561	1,737	1,689	1,562
	Other	96	672	1,305	120
	Total expenses before reimbursement	22,249	36,297	61,258	30,330
	Reimbursement of expenses (Note 2)	(19,627)	(29,912)	(50,988)	(25,910)
	Total expenses after reimbursement	2,622	6,385	10,270	4,420
	Investment income--net	30,146	69,752	180,142	64,104
Realized & Unrealized Gain on Investment--Net (Notes 1d & 3):	Realized gain on investments--net	4,340	4,458	1,154	180
	Unrealized appreciation on investments--net	40,748	149,366	255,182	55,501
	Net Increase in Net Assets Resulting from Operations	$ 75,234	$ 223,576	$ 436,478	$ 119,785

<CAPTION>

	For the Period November 26, 1993++ to January 31, 1994	Michigan Limited Maturity	New Jersey Limited Maturity	New York Limited Maturity	Pennsylvania Limited Maturity
<S>	<S>	<C>	<C>	<C>	<C>
Investment Income (Note 1d):	Interest and amortization of premium and discount earned	$ 29,409	$ 55,741	$ 72,797	$ 53,625
Expenses:	Investment advisory fees (Note 2)	3,202	6,477	7,684	6,477
	Distribution fees--Class B (Note 2)	1,507	4,153	5,416	6,030
	Transfer agent fees--Class A (Note 2)	311	208	266	44
	Transfer agent fees--Class B (Note 2)	304	464	702	670
	Printing and shareholder reports	1,432	1,800	3,047	1,744
	Accounting services (Note 2)	6,232	4,379	6,526	5,832
	Pricing fees	327	829	655	592
	Registration fees (Note 1e)	4,882	5,040	4,940	5,835
	Custodian fees	441	806	730	740
	Professional fees	354	534	784	662
	Directors' fees and expenses	722	1,021	1,702	1,181
	Amortization of organization expenses (Note 1e)	1,727	1,726	1,747	1,595

</TABLE>

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
	Other	534	720	676	764
	Total expenses before reimbursement	21,975	28,157	34,875	32,166
	Reimbursement of expenses (Note 2)	(20,468)	(24,004)	(29,459)	(26,135)
	Total expenses after reimbursement	1,507	4,153	5,416	6,031

	Investment income--net	27,902	51,588	67,381	47,594
Realized & Unrealized Gain on Investments--Net (Notes 1d & 3):	Realized gain on investments--net	4,056	3,968	2,616	544
	Unrealized appreciation on investments--net	39,470	66,237	115,382	71,523
	Net Increase in Net Assets Resulting from Operations	$ 71,428	$ 121,793	$ 185,379	$ 119,661

<FN>
++Commencement of operations.

See Notes to Financial Statements.

</TABLE>
<TABLE>
<CAPTION>
STATEMENTS OF CHANGES IN NET ASSETS

For the Period November 26, 1993++ to January 31, 1994

	Increase (Decrease) in Net Assets:	Arizona Limited Maturity	California Limited Maturity	Florida Limited Maturity	Massachusetts Limited Maturity
<S>	<S>	<C>	<C>	<C>	<C>
Operations:	Investment income--net	$ 30,146	$ 69,752	$ 180,142	$ 64,104
	Realized gain on investments--net	4,340	4,458	1,154	180
	Unrealized appreciation on investments--net	40,748	149,366	255,182	55,501
	Net increase in net assets resulting from operations	75,234	223,576	436,478	119,785
Dividends to Shareholders (Note 1f):	Investment income--net:				
	Class A	(9,395)	(20,246)	(102,470)	(26,774)
	Class B	(20,751)	(49,506)	(77,672)	(37,330)
	Net decrease in net assets resulting from dividends to shareholders	(30,146)	(69,752)	(180,142)	(64,104)
Beneficial Interest Transactions (Note 4):	Net increase in net assets derived from beneficial interest transactions	6,254,586	14,702,352	37,957,723	13,027,842
Net Assets:	Total increase in net assets	6,299,674	14,856,176	38,214,059	13,083,523
	Beginning of period	100,000	100,000	100,000	100,000
	End of period	$6,399,674	$14,956,176	$38,314,059	$13,183,523

<FN>
++Commencement of operations.

See Notes to Financial Statements.

</TABLE>

<TABLE>
STATEMENTS OF CHANGES IN NET ASSETS (concluded)
<CAPTION>

For the Period November 26, 1993++ to January 31, 1994

	Increase (Decrease) in Net Assets:	Michigan Limited Maturity	New Jersey Limited Maturity	New York Limited Maturity	Pennsylvania Limited Maturity
<C>	<S>	<C>	<C>	<C>	<C>
Operations:	Investment income--net	$ 27,902	$ 51,588	$ 67,381	$ 47,594
	Realized gain on investments--net	4,056	3,968	2,616	544
	Change in unrealized appreciation on investments--net	39,470	66,237	115,382	71,523
	Net increase in net assets resulting from operations	71,428	121,793	185,379	119,661
Dividends to Shareholders (Note 1f):	Investment income--net				
	Class A	(15,592)	(20,740)	(21,666)	(3,767)
	Class B	(12,310)	(30,848)	(45,715)	(43,827)
	Net decrease in net assets resulting from dividends				

	to shareholders	(27,902)	(51,588)	(67,381)	(47,594)
Beneficial Interest Transactions (Note 4):	Net increase in net assets derived from beneficial interest transactions	5,551,169	12,063,647	12,583,093	10,853,150
Net Assets:	Total increase in net assets	5,594,695	12,133,852	12,701,091	10,925,217
	Beginning of period	100,000	100,000	100,000	100,000
	End of period	$5,694,695	12,233,852	$12,801,091	$11,025,217

<FN>
++Commencement of Operations.

See Notes to Financial Statements.
</TABLE>

FINANCIAL HIGHLIGHTS

The following per share data and ratios have been derived from information provided in the financial statements.

Increase (Decrease) in Net Asset Value:

<TABLE>
<CAPTION>

For the Period November 26, 1993++ to January 31, 1994

		Arizona Limited Maturity		California Limited Maturity		Florida Limited Maturity		Massachusetts Limited Maturity	
		Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
<S>	<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:	Net asset value, beginning of period	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
	Investment income--net	.06	.05	.06	.05	.05	.05	.06	.05
	Realized and unrealized gain on investments--net	.08	.08	.11	.11	.07	.07	.05	.05
	Total from investment operations	.14	.13	.17	.16	.12	.12	.11	.10
	Less dividends:								
	Investment income--net	(.06)	(.05)	(.06)	(.05)	(.05)	(.05)	(.06)	(.05)
	Total dividends	(.06)	(.05)	(.06)	(.05)	(.05)	(.05)	(.06)	(.05)
	Net asset value, end of period	$ 10.08	$ 10.08	$ 10.11	$ 10.11	$ 10.07	$ 10.07	$ 10.05	$ 10.05

</TABLE>

<TABLE>

<S>	<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total Investment Return:**	Based on net asset value per share	1.41%+++	1.35%+++	1.69%+++	1.63%+++	1.28%+++	1.22%+++	1.13%+++	1.07%+++
Ratios to Average Net Assets:	Expenses, excluding distribution fees and net of reimbursement	.00%	.00%	.00%	.00%	.00%	.00%	.00%	.00%
	Expenses, net of reimbursement	.00%	.35%*	.00%	.35%*	.00%	.35%*	.00%	.35%*
	Expenses	1.86%*	2.22%*	1.20%*	1.55%*	.81%*	1.17%*	1.25%*	1.63%*
	Investment income--net	3.11%*	2.77%*	3.06%*	2.71%*	3.06%*	2.65%*	3.43%*	2.96%*
Supplemental Data:	Net assets, end of period (in (thousands)	$ 1,867	$ 4,532	$ 3,914	$11,042	$20,565	$17,749	$ 5,504	$ 7,679
	Portfolio turnover	44.78%	44.78%	.00%	.00%	1.98%	1.98%	.00%	.00%

</TABLE>

<TABLE>
<CAPTION>

The following per share data and ratios have been derived from information provided in the financial statements.

Increase (Decrease) in Net Asset Value:

For the Period November 26, 1993++ to January 31, 1994

Michigan New Jersey New York Pennsylvania

		Limited Maturity		Limited Maturity		Limited Maturity		Limited Maturity	
		Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
<S>	<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Per Share Operating Performance:	Net asset value, beginning of period	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
	Investment income--net	.06	.05	.05	.05	.06	.05	.05	.05
	Realized and unrealized gain on investments--net	.08	.08	.06	.07	.10	.10	.07	.07
	Total from investment operations	.14	.13	.11	.12	.16	.15	.12	.12
	Less dividends:								
	Investment income--net	(.06)	(.05)	(.05)	(.05)	(.06)	(.05)	(.05)	(.05)
	Total dividends	(.06)	(.05)	(.05)	(.05)	(.06)	(.05)	(.05)	(.05)
	Net asset value, end of period	$ 10.08	$ 10.08	$ 10.06	$ 10.07	$ 10.10	$ 10.10	$ 10.07	$ 10.07
Total Investment Return:**	Based on net asset value per share	1.43%+++	1.37%+++	1.17%+++	1.21%+++	1.64%+++	1.58%+++	1.26%+++	1.20%+++
Ratios to Average Net Assets:	Expenses, excluding distribution fees and net of reimbursement	.00%	.00%	.00%	.00%	.00%	.00%	.00%	.00%
	Expenses, net of reimbursement	.00%	.35%*	.00%	.35%*	.00%	.35%*	.00%	.35%*
	Expenses	2.23%*	2.59%*	1.24%*	1.68%*	1.34%*	1.69%*	1.41%*	1.76%*
	Investment income--net	3.22%*	2.86%*	3.12%*	2.60%*	3.34%*	2.95%*	2.95%*	2.54%*
Supplemental Data:	Net assets, end of period (in thousands)	$ 3,182	$ 2,512	$ 5,028	$ 7,205	$ 4,280	$ 8,521	$ 904	$10,121
	Portfolio turnover	68.74%	68.74%	29.55%	29.55%	25.84%	25.84%	18.07%	18.07%

<FN>
*Annualized.
**Total investment returns exclude the effects of sales loads.
++Commencement of Operations.
+++Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies:
Merrill Lynch Multi-State Limited Maturity Municipal Series Trust ("the Trust") is registered under the Investment Company Act of 1940 as a diversified, open-end investment management company. The Trust offers Class A and Class B Shares. Class A Shares are sold with a front-end sales charge. Class B Shares may be subject to a contingent deferred sales charge. Both classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that Class B Shares bear certain expenses related to the distribution of such shares and have exclusive voting rights with respect to matters relating to such distribution expenditures. The following is a summary of significant accounting policies followed by the Trust.

(a) Valuation of investments--Municipal bonds and other portfolio securities in which the Trust invests are traded primarily in the over-the-counter municipal bond and money markets and are valued at the last available bid price in the over-the-counter market or on the basis of yield equivalents as obtained from one or more dealers that make markets in the securities. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their settlement prices as of the close of such exchanges. Options, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges or, lacking any sales, at the last available bid price. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Trustees of the Trust, including valuations furnished by a pricing service retained by the Trust, which may utilize a matrix system for valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Trust under the general supervision of the Trustees.

(b) Financial futures contracts--The Trust may purchase or sell interest rate futures contracts and options on such futures contracts for the purpose of hedging the market risk on existing securities or the intended purchase of securities. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. Upon entering into a contract, the Trust deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Trust agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Trust as unrealized gains or losses. When the contract is closed, the Trust records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

(c) Income taxes--It is the Trust's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required.

(d) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Interest income is recognized on the accrual basis. Original issue discounts and market premiums are amortized into interest income. Realized gains and losses on security transactions are determined on the identified cost basis.

(e) Deferred organization expenses and prepaid registration fees--Deferred organization expenses are charged to expenses on a straight-line basis over a five-year period. Costs related to the organization of the second class of shares are charged to expense over a period not exceeding five years. Prepaid registration fees are charged to expense as the related shares are issued.

(f) Dividends and distributions--Dividends from net investment income are declared daily and paid monthly. Distributions of capital gains are recorded on the ex-dividend dates.

2. Investment Advisory Agreement and Transactions with Affiliates:
The Trust has entered into an Investment Advisory Agreement with Fund Asset Management, L.P. ("FAM"). Effective January 1, 1994, the investment advisory business of FAM was reorganized from a corporation to a limited partnership. Both prior to and after the reorganization, ultimate control of FAM was vested with Merrill Lynch and Co., Inc. ("ML & Co."). The general partner of FAM is Princeton Services, Inc., an indirect wholly-owned subsidiary of ML & Co. The limited partners are ML & Co. and Merrill Lynch Investment Management, Inc. ("MLIM"), which is also an indirect wholly-owned subsidiary of ML & Co. The Trust has also entered into Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. ("MLFD" or "Distributor"), a wholly-owned subsidiary of MLIM.

FAM is responsible for the management of the Trust's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Trust. For such services, the Trust pays a monthly fee based upon the average daily value of the Trust's net assets at the following annual rates: 0.35% of the Trust's average daily net assets. The Investment Advisory Agreement obligates FAM to reimburse the Trust to the extent the Trust's expenses (excluding interest, taxes, distribution fees, brokerage fees and commissions, and extraordinary items) exceed 2.5% of the Trust's first $30 million of average daily net assets, 2.0% of the next $70 million of average daily net assets and 1.5% of the average daily net assets in excess thereof. FAM's obligation to reimburse the Trust is limited to the amount of the management fee. No fee payment will be made during any fiscal year which will cause such expenses to exceed expense limitation at the time of such payment.

For the period November 26, 1993 to January 31, 1994, FAM had voluntarily waived management fees and reimbursed the Trust for additional expenses as follows:

<TABLE>
<CAPTION>

<S>	Arizona Limited Maturity <C>	California Limited Maturity <C>	Florida Limited Maturity <C>
Management fee	$ 3,679	$ 8,704	$ 21,994
Additional expenses	15,948	21,208	28,994
	Massachusetts	Michigan	New Jersey

	Limited Maturity	Limited Maturity	Limited Maturity
Management fee	$ 7,154	$ 3,202	$ 6,477
Additional expenses	18,756	17,266	17,527

	New York Limited Maturity	Pennsylvania Limited Maturity
Management fee	$ 7,684	$ 6,477
Additional expenses	21,775	19,658

</TABLE>
The Trust has adopted a Plan of Distribution (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940 that each Fund pays the Distributor an ongoing account maintenance fee and distribution fee relating to Class B Shares, which are accrued daily and paid monthly at the annual rates of 0.15% and 0.20%, respectively, of the average daily net assets of the Class B Shares of that Fund. Pursuant to the sub-agreements with the Distributor, Merrill Lynch also provides account maintenance and distribution services to each Fund. As authorized by the Plan, the Distributor has entered into an agreement with Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S"), an affiliate of MLIM, which provides for the compensation of MLPF&S for providing distribution-related services to the Trust.

For the period November 26, 1993 to January 31, 1994, MLFD earned underwriting discounts and MLPF&S earned dealer concessions on sales of the Trust's Class A Shares as follows:
<TABLE>
<CAPTION>

<S>	<C> Arizona Limited Maturity	<C> California Limited Maturity	<C> Florida Limited Maturity
MLFD	$ 206	$ 428	$ 1,146
MLPF&S	53,445	22,567	61,490

	Massachusetts Limited Maturity	Michigan Limited Maturity	New Jersey Limited Maturity
MLFD	$ 1,518	$ 241	$ 180
MLPF&S	29,502	21,381	7,057

	New York Limited Maturity	Pennsylvania Limited Maturity
MLFD	$ 482	$ 15
MLPF&S	17,281	4,088

</TABLE>

MLPF&S received contingent deferred sales charges relating to transactions in Class B Shares, amounting to $0, $720, $801, $500, $0, $217, $1,000, and $30 in the Arizona Limited Maturity, California Limited Maturity, Florida Limited Maturity, Massachusetts Limited Maturity, Michigan Limited Maturity, New Jersey Limited Maturity, New York Limited Maturity and Pennsylvania Limited Maturity Funds, respectively.

Financial Data Services, Inc. ("FDS"), a wholly-owned subsidiary of ML & Co., is the Trust's transfer agent.

Accounting services are provided to the Trust by FAM at cost.

Certain officers and/or trustees of the Trust are officers and/or directors of FAM, MLIM, MLFD, FDS, MLPF&S, and/or ML & Co.

3. Investments:
Purchases and sales of investments, excluding short-term securities, for the period November 26, 1993 to January 31, 1994, were as follows:
<TABLE>
<CAPTION>

<S>	<C> Purchases	<C> Sales
Arizona Limited Maturity	$ 5,335,402	$ 1,112,910
California Limited Maturity	10,283,748	--
Florida Limited Maturity	28,365,848	252,070
Massachusetts Limited Maturity	10,998,927	--
Michigan Limited Maturity	5,223,222	1,301,280
New Jersey Limited Maturity	11,457,551	1,224,201
New York Limited Maturity	10,235,862	1,106,950
Pennsylvania Limited Maturity	9,095,505	609,138

</TABLE>

NOTES TO FINANCIAL STATEMENTS (continued)

Net realized and unrealized gains (losses) as of January 31, 1994 were as follows:

<TABLE>
<CAPTION>

Arizona Limited Maturity	Realized Gains	Unrealized Gains
Long-term investments	$ 3,592	$ 40,207
Short-term investments	748	541
Total	$ 4,340	$ 40,748

California Limited Maturity	Realized Gains	Unrealized Gains

</TABLE>

<TABLE>
<CAPTION>

Long-term investments	--	$147,985
Short-term investments	$ 4,458	1,381
Total	$ 4,458	$149,366

Florida Limited Maturity	Realized Gains	Unrealized Gains
Long-term investments	$ 1,144	$253,444
Short-term investments	10	1,738
Total	$ 1,154	$255,182

Massachusetts Limited Maturity	Realized Gains	Unrealized Gains
Long-term investments	--	$ 54,667
Short-term investments	$ 180	834
Total	$ 180	$ 55,501

Michigan Limited Maturity	Realized Gains (Losses)	Unrealized Gains
Long-term investments	$ 4,062	$ 39,154
Short-term investments	(6)	316
Total	$ 4,056	$ 39,470

New Jersey Limited Maturity	Realized Gains	Unrealized Gains
Long-term investments	$ 3,953	$ 65,837
Short-term investments	15	400
Total	$ 3,968	$ 66,237

New York Limited Maturity	Realized Gains	Unrealized Gains
Long-term investments	$ 1,841	$114,026
Short-term investments	775	1,356
Total	$ 2,616	$115,382

Pennsylvania Limited Maturity	Realized Gains (Losses)	Unrealized Gains
Long-term investments	$ 798	$ 71,170
Short-term investments	(254)	353
Total	$ 544	$ 71,523

======== ========
</TABLE>

As of January 31, 1994, net unrealized appreciation for Federal income tax purposes were as follows:
<TABLE>
<CAPTION>

<S>	Gross Unrealized Appreciation <C>	Gross Unrealized Depreciation <C>	Net Unrealized Appreciation <C>
Arizona Limited Maturity	$ 40,748	--	$ 40,748
California Limited Maturity	149,366	--	149,366
Florida Limited Maturity	255,182	--	255,182
Massachusetts Limited Maturity	57,383	($1,882)	55,501
Michigan Limited Maturity	39,470	--	39,470
New Jersey Limited Maturity	66,237	--	66,237
New York Limited Maturity	115,382	--	115,382
Pennsylvania Limited Maturity	72,637	(1,114)	71,523

</TABLE>

The aggregate cost of investments at January 31, 1994 for Federal income tax purposes was $5,715,509 for the Arizona Limited Maturity Fund, $14,777,714 for the California Limited Maturity Fund, $37,678,024 for the Florida Limited Maturity Fund, $12,591,820 for the Massachusetts Limited Maturity Fund, $5,420,482 for the Michigan Limited Maturity Fund, $11,624,935 for the New Jersey Limited Maturity Fund, $12,622,505 for the New York Limited Maturity Fund and $10,332,686 for the Pennsylvania Limited Maturity Fund.

4. Beneficial Interest Transactions:
Net increase in net assets derived from beneficial interest transactions for the period ended January 31, 1994 were $6,254,586 for the Arizona Limited Maturity Fund; $14,702,352 for the California Limited Maturity Fund; $37,957,723 for the Florida Limited Maturity Fund; $13,027,842 for the Massachusetts Limited Maturity Fund; $5,551,169 for the Michigan Limited Maturity Fund; $12,063,647 for the New Jersey Limited Maturity Fund; $12,583,093 for the New York Limited Maturity Fund; and $10,853,150 for the Pennsylvania Limited Maturity Fund.

Transactions in beneficial interest for Class A and Class B Shares were as follows:

<TABLE>
<CAPTION>
Arizona Limited Maturity

<S> Class A Shares for the Period November 26, 1993++ to January 31, 1994	<C> Shares	<C> Dollar Amount
Shares sold	$ 201,702	$2,018,747

</TABLE>

<TABLE>

<S>	<C>	<C>
Shares issued to shareholders in reinvestment of dividends	411	4,126
	---------	-----------
Total issued	202,113	2,022,873
Shares redeemed	(21,819)	(218,402)
	---------	-----------
Net increase	180,294	$ 1,804,471
	=========	===========

<FN>
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

Arizona Limited Maturity

Class B Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	$ 459,367	$ 4,596,648
Shares issued to shareholders in reinvestment of dividends	813	8,165
	---------	-----------
Total issued	460,180	4,604,813
Shares redeemed	(15,449)	(154,698)
	---------	-----------
Net increase	444,731	$ 4,450,115
	=========	===========

<FN>

++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

California Limited Maturity

Class A Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	422,588	$ 4,230,771
Shares issued to shareholders in reinvestment of dividends	772	7,773
Total issued	423,360	4,238,544
Shares redeemed	(41,288)	(416,069)
Net increase	382,072	$ 3,822,475

<FN>
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

California Limited Maturity

Class B Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	1,144,288	$11,455,675
Shares issued to shareholders in reinvestment of dividends	1,922	19,352
Total issued	1,146,210	11,475,027
Shares redeemed	(59,226)	(595,150)
Net increase	1,086,984	$10,879,877

<FN>
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

Florida Limited Maturity

Class A Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	2,275,154	$22,770,267
Shares issued to shareholders in reinvestment of dividends	3,456	34,690
Total issued	2,278,610	22,804,957
Shares redeemed	(241,740)	(2,425,673)
Net increase	2,036,870	$20,379,284

<FN>
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

Florida Limited Maturity

Class B Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	1,769,985	$17,707,730
Shares issued to shareholders in reinvestment of dividends	2,830	28,409
Total issued	1,772,815	17,736,139
Shares redeemed	(15,709)	(157,700)
Net increase	1,757,106	$17,578,439

<FN>
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.
</TABLE>

NOTES TO FINANCIAL STATEMENTS (concluded)
<TABLE>
<CAPTION>

Massachusetts Limited Maturity

Class A Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
<S>	<C>	<C>
Shares sold	663,619	$ 6,640,306
Shares issued to shareholders in reinvestment of dividends	1,101	11,036
Total issued	664,720	6,651,342
Shares redeemed	(121,789)	(1,219,788)
Net increase	542,931	$ 5,431,554

</TABLE>
[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

<TABLE>
<CAPTION>
Massachusetts Limited Maturity

Class B Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
<S>	<C>	<C>
Shares sold	764,545	$ 7,647,609
Shares issued to shareholders in reinvestment of dividends	1,560	15,641
Total issued	766,105	7,663,250
Shares redeemed	(6,680)	(66,962)
Net increase	759,425	$ 7,596,288

</TABLE>
[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

<TABLE>
<CAPTION>
Michigan Limited Maturity

Class A Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
<S>	<C>	<C>
Shares sold	323,102	$ 3,233,808
Shares issued to shareholders in reinvestment of dividends	262	2,625
Total issued	323,364	3,236,433
Shares redeemed	(12,738)	(127,702)
Net increase	310,626	$ 3,108,731

</TABLE>
[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

<TABLE>
<CAPTION>
Michigan Limited Maturity

Class B Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
<S>	<C>	<C>
Shares sold	243,776	$ 2,438,309
Shares issued to shareholders in reinvestment of dividends	412	4,129
Total issued	244,188	2,442,438
Shares redeemed	--	--
Net increase	244,188	$ 2,442,438

</TABLE>
[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

<TABLE>
<CAPTION>
New Jersey Limited Maturity

Class A Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	509,861	$ 5,103,320
Shares issued to shareholders in reinvestment of dividends	404	4,047
Total issued	510,265	5,107,367
Shares redeemed	(15,455)	(154,671)
Net increase	494,810	$ 4,952,696

[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

New Jersey Limited Maturity

Class B Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	720,314	$ 7,206,431
Shares issued to shareholders in reinvestment of dividends	1,415	14,194
Total issued	721,729	7,220,625
Shares redeemed	(10,950)	(109,674)
Net increase	710,779	$ 7,110,951

[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

New York Limited Maturity

Class A Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	472,522	$ 4,731,861
Shares issued to shareholders in reinvestment of dividends	1,404	14,114
Total issued	473,926	4,745,975
Shares redeemed	(54,988)	(551,537)
Net increase	418,938	$ 4,194,438

[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

New York Limited Maturity

Class B Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	874,974	$ 8,751,574
Shares issued to shareholders in reinvestment of dividends	1,820	18,294
Total issued	876,794	8,769,868
Shares redeemed	(37,870)	(381,213)
Net increase	838,924	$ 8,388,655

[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

Pennsylvania Limited Maturity

Class A Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	86,592	$ 867,265
Shares issued to shareholders in reinvestment of dividends	226	2,272
Total issued	86,818	869,537
Shares redeemed	(2,061)	(20,672)
Net increase	84,757	$ 848,865

[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

Pennsylvania Limited Maturity

Class B Shares for the Period November 26, 1993++ to January 31, 1994	Shares	Dollar Amount
Shares sold	1,001,643	$10,020,165
Shares issued to shareholders in reinvestment of dividends	2,306	23,156
Total issued	1,003,949	10,043,321
Shares redeemed	(3,902)	(39,036)
Net increase	1,000,047	$10,004,285

[FN]
++Prior to November 26, 1993 (commencement of operations), the Fund issued 5,000 shares to FAM for $50,000.

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Distributor:
Merrill Lynch
Funds Distributor, Inc.

This Statement of Additional Information should be retained for future reference.

Code # 16926-0594

Statement of
Additional Information

[ART]

- ----------------------------------
MERRILL LYNCH MULTI-STATE LIMITED MATURITY MUNICIPAL SERIES TRUST

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND

MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND

May 17, 1994

PART C. OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS.

(a) FINANCIAL STATEMENTS

Contained in Part A (for each of the Funds):

Financial Highlights for the period November 26, 1993 (commencement of operations) to January 31, 1994 (unaudited).

Contained in Part B (for each of the Funds):

Financial Statement (audited):

Statement of Assets and Liabilities as of November 12, 1993.

Financial Statements (unaudited):

Schedule of Investments as of January 31, 1994.

Statement of Assets and Liabilities as of January 31, 1994.

Statement of Operations for the period November 26, 1993 (commencement of operations) to January 31, 1994.

Statement of Changes in Net Assets for the period November 26, 1993 (commencement of operations) to January 31, 1994.

Financial Highlights for the period November 26, 1993 (commencement of operations) to January 31, 1994.

(b) EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NUMBER	
<C>	<S>
1(a)	--Amended and Restated Declaration of Trust of the Registrant, dated November 15, 1993.(d)
(b)(1)	--Instrument establishing Merrill Lynch Arizona Limited Maturity Municipal Bond Fund (the "Arizona Fund") as a Series of the Registrant.(a)
(b)(2)	--Instrument establishing Merrill Lynch California Limited Maturity Municipal Bond Fund (the "California Fund") as a Series of the Registrant.(a)
(b)(3)	--Instrument establishing Merrill Lynch Florida Limited Maturity Municipal Bond Fund (the "Florida Fund") as a Series of the Registrant.(a)
(b)(4)	--Instrument establishing Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund (the "Massachusetts Fund") as a Series of the Registrant.(a)
(b)(5)	--Instrument establishing Merrill Lynch Michigan Limited Maturity Municipal Bond Fund (the "Michigan Fund") as a Series of the Registrant.(a)
(b)(6)	--Instrument establishing Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund (the "New Jersey Fund") as a Series of the Registrant.(a)

(b)(7) --Instrument establishing Merrill Lynch New York Limited Maturity Municipal Bond Fund (the "New York Fund") as a Series of the Registrant.(b)
(b)(8) --Instrument establishing Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund (the "Pennsylvania Fund") as a Series of the Registrant.(a)
(c)(1) --Instrument establishing Class A shares and Class B shares of beneficial interest of the Arizona Fund.(a)
(c)(2) --Instrument establishing Class A shares and Class B shares of beneficial interest of the California Fund.(a)
(c)(3) --Instrument establishing Class A shares and Class B shares of beneficial interest of the Florida Fund.(a)
(c)(4) --Instrument establishing Class A shares and Class B shares of beneficial interest of the Massachusetts Fund.(a)
(c)(5) --Instrument establishing Class A shares and Class B shares of beneficial interest of the Michigan Fund.(a)
</TABLE>

<TABLE>
<CAPTION>
EXHIBIT
NUMBER

<C> <S>
(c)(6) --Instrument establishing Class A shares and Class B shares of beneficial interest of the New Jersey Fund.(a)
(c)(7) --Instrument establishing Class A shares and Class B shares of beneficial interest of the New York Fund.(c)
(c)(8) --Instrument establishing Class A shares and Class B shares of beneficial interest of the Pennsylvania Fund.(a)
2 --By-Laws of the Registrant.(d)
3 --None.
4(a) --Portions of the Declaration of Trust, Establishment and Designation of each series of the Registrant and By-Laws of the Registrant defining the rights of holders of each Fund as a series of the Registrant.(b)
(b)(1) --Share certificate for the Arizona Fund.(d)
(b)(2) --Share certificate for the California Fund.(d)
(b)(3) --Share certificate for the Florida Fund.(d)
(b)(4) --Share certificate for the Massachusetts Fund.(d)
(b)(5) --Share certificate for the Michigan Fund.(d)
(b)(6) --Share certificate for the New Jersey Fund.(d)
(b)(7) --Share certificate for the New York Fund.(d)
(b)(8) --Share certificate for the Pennsylvania Fund.(d)
5 --Form of Management Agreement between the Registrant and Fund Asset Management, Inc. ("FAMI").(a)
6(a) --Form of Class A Shares Distribution Agreement between the Registrant and Merrill Lynch Funds Distributor, Inc.(a)
(b) --Form of Class B Shares Distribution Agreement between the Registrant and Merrill Lynch Funds Distributor, Inc.(a)
7 --None.
8 --Custody Agreement between the Registrant and The Bank of New York.(d)
9 --Form of Transfer Agency, Dividend Disbursing Agency and Shareholder Servicing Agency Agreement between the Registrant and Financial Data Services, Inc.(a)
10 --None.
11 --Consent of Deloitte & Touche, independent auditors for the Registrant.
12 --None.
13(a) --Certificate of FAMI with respect to the Arizona Fund.(d)
(b) --Certificate of FAMI with respect to the California Fund.(d)
(c) --Certificate of FAMI with respect to the Florida Fund.(d)
(d) --Certificate of FAMI with respect to the Massachusetts Fund.(d)
(e) --Certificate of FAMI with respect to the Michigan Fund.(d)
(f) --Certificate of FAMI with respect to the New Jersey Fund.(d)
(g) --Certificate of FAMI with respect to the New York Fund.(d)
(h) --Certificate of FAMI with respect to the Pennsylvania Fund.(d)
14 --None.
15 --Form of Class B Shares Distribution Plan and Class B Shares Distribution Plan Sub-Agreement of the Registrant.(a)
16(a)(1) --Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the Arizona Fund.
(a)(2) --Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the California Fund.
(a)(3) --Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the Florida Fund.
(a)(4) --Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to

Class A Shares of the Massachusetts Fund.
</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	
<C>	<S>
(a)(5)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the Michigan Fund.
(a)(6)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the New Jersey Fund.
(a)(7)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the New York Fund.
(a)(8)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the Pennsylvania Fund.
16(b)(1)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Arizona Fund.
(b)(2)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the California Fund.
(b)(3)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Florida Fund.
(b)(4)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Massachusetts Fund.
(b)(5)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Michigan Fund.
(b)(6)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the New Jersey Fund.
(b)(7)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the New York Fund.
(b)(8)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Pennsylvania Fund.

</TABLE>

- --------

(a) Filed on September 28, 1993 as an Exhibit to the Registration Statement on Form N-1A (File No. 33-50417) under the Securities Act of 1933 of the Registrant (the "Registration Statement").

(b) Reference is made to Article II, Section 2.3 and Articles V, VI, VIII, IX, X and XI of the Registrant's Declaration of Trust, previously filed as Exhibit 1(a) to the Registration Statement referred to in paragraph (a) above; to the Certificates of Establishment and Designation establishing each series of the Registrant and establishing Class A and Class B shares of beneficial interest of each series of the Registrant filed herewith, as Exhibits 1(c) and 1(d), respectively, to this Registration Statement; and to Articles I, V and VI of the Registrant's By-Laws, previously filed as Exhibit 2 to the Registration Statement referred to in paragraph (a) above.

(c) Filed on October 13, 1993 as an Exhibit to Pre-Effective Amendment No. 1 to the Registration Statement.

(d) Filed on November 17, 1993 as an Exhibit to Pre-Effective Amendment No. 2 to the Registration Statement.

ITEM 25. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH THE REGISTRANT.

The Registrant is not controlled by or under common control with any person.

ITEM 26. NUMBER OF HOLDERS OF SECURITIES.

<TABLE>
<CAPTION>

TITLE OF CLASS	NUMBER OF RECORD HOLDERS AT MARCH 31, 1994
<S>	<C>
Arizona Fund	

Class A shares of beneficial interest, par value $0.10 per share	2
Class B shares of beneficial interest, par value $0.10 per share	5
California Fund	
Class A shares of beneficial interest, par value $0.10 per share	3
Class B shares of beneficial interest, par value $0.10 per share	3
Florida Fund	
Class A shares of beneficial interest, par value $0.10 per share	4
Class B shares of beneficial interest, par value $0.10 per share	8
Massachusetts Fund	
Class A shares of beneficial interest, par value $0.10 per share	2
Class B shares of beneficial interest, par value $0.10 per share	5
Michigan Fund	
Class A shares of beneficial interest, par value $0.10 per share	2
Class B shares of beneficial interest, par value $0.10 per share	2
New Jersey Fund	
Class A shares of beneficial interest, par value $0.10 per share	2
Class B shares of beneficial interest, par value $0.10 per share	4
New York Fund	
Class A shares of beneficial interest, par value $0.10 per share	3
Class B shares of beneficial interest, par value $0.10 per share	7
Pennsylvania Fund	
Class A shares of beneficial interest, par value $0.10 per share	5
Class B shares of beneficial interest, par value $0.10 per share	11

</TABLE>

ITEM 27. INDEMNIFICATION.

Section 5.3 of the Registrant's Declaration of Trust provides as follows:

"The Trust shall indemnify each of its Trustees, officers, employees and agents (including persons who serve at its request as directors, officers or trustees of another organization in which it has any interest as a shareholder, creditor or otherwise) against all liabilities and expenses (including amounts paid in satisfaction of judgments, in compromise, as fines and penalties and as counsel fees) reasonably incurred by him in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, in which he may be involved or with which he may be threatened, while in office or thereafter, by reason of his being or having been such a trustee, officer, employee or agent, except with respect to any matter as to which he shall have been adjudicated to have acted in bad faith, willful misfeasance, gross negligence or reckless disregard of his duties; provided, however, that as to any matter disposed of by a compromise payment by such person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless the Trust shall have received a written opinion from independent legal counsel approved by the Trustees to the effect that if either the matter of willful misfeasance, gross negligence or reckless disregard of duty, or the matter of good faith and reasonable belief as to the best interests of the Trust, had been adjudicated, it would have been adjudicated in favor of such person. The rights accruing to any Person under these provisions shall not exclude any other right to which

he may be lawfully entitled; provided that no person may satisfy any right in indemnity or reimbursement granted herein or in Section 5.1 or to which he may be otherwise entitled except out of the property of the Trust, and no Shareholder shall be personally liable to any Person with respect to any claim for indemnity or reimbursement or otherwise. The Trustees may make advance payments in connection with indemnification under this Section 5.3, provided that the indemnified person shall have given a written undertaking to reimburse the Trust in the event it is subsequently determined that he is not entitled to such indemnification."

Insofar as the conditional advancing of indemnification monies for actions based upon the Investment Company Act of 1940, as amended, may be concerned, such payments will be made only on the following conditions: (i) the advances must be limited to amounts used, or to be used, for the preparation or presentation of a defense to the action, including costs connected with the preparation of a settlement; (ii) advances may be made only upon receipt of a written promise by, or on behalf of, the recipient to repay that amount of the advance which exceeds the amount to which it is ultimately determined that he is entitled to receive from the Registrant by reason of indemnification; and (iii) (a) such promise must be secured by a surety bond, other suitable insurance or an equivalent form of security which assures that any repayments may be obtained by the Registrant without delay or litigation, which bond, insurance or other form of security must be provided by the recipient of the advance, or (b) a majority of a quorum of the Registrant's disinterested, non-party Trustees, or an independent legal counsel in a written opinion, shall determine, based upon a review of readily available facts that the recipient of the advance ultimately will be found entitled to indemnification.

In Section 9 of the Distribution Agreements relating to the securities being offered hereby, the Registrant agrees to indemnify the Distributor and each person, if any, who controls the Distributor within the meaning of the Securities Act of 1933, as amended (the "1933 Act"), against certain types of civil liabilities arising in connection with this Registration Statement, the Prospectus or the Statement of Additional Information.

Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to Trustees, officers and controlling persons of the Registrant and the principal underwriter pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and, therefore, is unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a Trustee, officer or controlling person of the Registrant and the principal underwriter in connection with the successful defense of any action, suit or proceeding) is asserted by such Trustee, officer or controlling person or the principal underwriter in connection with the shares being registered, the Registrant, unless in the opinion of its counsel the matter has been settled by controlling precedent, will submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

ITEM 28. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER.

Fund Asset Management, L.P. (the "Manager") acts as the investment adviser for the following registered investment companies: Apex Municipal Fund, Inc., CBA Money Fund, CMA Government Securities Fund, CMA Money Fund, CMA Multi-State Municipal Series Trust, CMA Tax-Exempt Fund, CMA Treasury Fund, The Corporate Fund Accumulation Program, Inc., Corporate High Yield Fund, Inc., Corporate High Yield Fund II, Inc., Financial Institutions Series Trust, Income Opportunities Fund 1999, Inc., Income Opportunities Fund 2000, Inc., Merrill Lynch Basic Value Fund, Inc., Merrill Lynch California Municipal Series Trust, Merrill Lynch Corporate Bond Fund, Inc., Merrill Lynch Federal Securities Trust, Merrill Lynch Funds for Institutions Series, Merrill Lynch Institutional Tax-Exempt Fund, Merrill Lynch Multi-State Municipal Series Trust, Merrill Lynch Municipal Bond Fund, Inc., Merrill Lynch Phoenix Fund, Inc., Merrill Lynch Special Value Fund, Inc., Merrill Lynch World Income Fund, Inc., MuniAssets Fund, Inc., MuniBond Income Fund, Inc., The Municipal Fund Accumulation Program, Inc., MuniEnhanced Fund, Inc., MuniInsured Fund, Inc., MuniVest Fund, Inc., MuniVest Fund II, Inc., MuniVest California

Insured Fund, Inc., MuniVest Florida Fund, MuniVest Michigan Insured Fund, Inc., MuniVest New Jersey Fund, Inc., MuniVest New York Insured Fund, Inc., MuniVest Pennsylvania Insured Fund, MuniYield Arizona Fund, Inc., MuniYield Arizona Fund II, Inc., MuniYield California Fund, Inc., MuniYield California Insured Fund, Inc., MuniYield California Insured Fund II, Inc., MuniYield Florida Fund, MuniYield Florida Insured Fund, MuniYield Fund, Inc., MuniYield Insured Fund, Inc., MuniYield Insured Fund II, Inc., MuniYield Michigan Fund, Inc., MuniYield Michigan Insured Fund, Inc., MuniYield New Jersey Fund, Inc., MuniYield New Jersey Insured Fund, Inc., MuniYield New York Insured Fund, Inc., MuniYield New York Insured Fund II, Inc., MuniYield New York Insured Fund III, Inc., MuniYield Pennsylvania Fund, MuniYield Quality Fund, Inc., MuniYield Quality Fund II, Inc., Senior High Income Portfolio, Inc., Senior High Income Portfolio II, Inc., Taurus MuniCalifornia Holdings, Inc., Taurus MuniNewYork Holdings, Inc. and Worldwide DollarVest Fund, Inc. Merrill Lynch Asset Management, L.P., doing business as Merrill Lynch Asset Management ("MLAM"), an affiliate of the Manager, acts as the investment adviser for the following companies: Convertible Holdings, Inc., Merrill Lynch Adjustable Rate Securities Fund, Inc., Merrill Lynch Americas Income Fund, Inc., Merrill Lynch Balanced Fund for Investment and Retirement, Merrill Lynch Capital Fund, Inc., Merrill Lynch Developing Capital Markets Fund, Inc., Merrill Lynch Dragon Fund, Inc., Merrill Lynch EuroFund, Merrill Lynch Fundamental Growth Fund, Inc., Merrill Lynch Fund For Tomorrow, Inc., Merrill Lynch Global Bond Fund for Investment and Retirement, Merrill Lynch Global Allocation Fund, Inc., Merrill Lynch Global Convertible Fund, Inc., Merrill Lynch Global Holdings, Merrill Lynch Global Resources Trust, Merrill Lynch Global Utility Fund, Inc., Merrill Lynch

Growth Fund for Investment and Retirement, Merrill Lynch Healthcare Fund, Inc., Merrill Lynch High Income Municipal Bond Fund, Inc., Merrill Lynch Institutional Intermediate Fund, Merrill Lynch International Equity Fund, Merrill Lynch Latin America Fund, Inc., Merrill Lynch Municipal Series Trust, Merrill Lynch Pacific Fund, Inc., Merrill Lynch Prime Fund, Inc., Merrill Lynch Ready Assets Trust, Merrill Lynch Retirement Series Trust, Merrill Lynch Series Fund, Inc., Merrill Lynch Short-Term Global Income Fund, Inc., Merrill Lynch Strategic Dividend Fund, Merrill Lynch Technology Fund, Inc., Merrill Lynch U.S. Treasury Money Fund, Merrill Lynch U.S.A. Government Reserves, Merrill Lynch Utility Income Fund, Inc. and Merrill Lynch Variable Series Funds, Inc. The address of each of these investment companies is Box 9011, Princeton, New Jersey 08543-9011, except that the address of Merrill Lynch Funds for Institutions Series and Merrill Lynch Institutional Intermediate Fund is One Financial Center, 15th Floor, Boston, Massachusetts 02111-2646. The address of the Manager, MLAM and Merrill Lynch Funds Distributor, Inc. ("MLFD") is also Box 9011, Princeton, New Jersey 08543-9011. The address of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Merrill Lynch & Co., Inc. ("ML & Co.") is World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281.

Set forth below is a list of each executive officer and partner of the Manager indicating each business, profession, vocation or employment of a substantial nature in which each such person or entity has been engaged since December 1, 1991 for his or its own account or in the capacity of director, officer, partner or trustee. In addition, Mr. Zeikel is President and Director or Trustee, Mr. Richard is Treasurer and Mr. Glenn is Executive Vice President of substantially all of the investment companies described in the preceding paragraph and also hold the same positions with all or substantially all of the investment companies advised by MLAM as they do with those advised by the Manager, and Messrs. Durnin, Giordano, Harvey, Hewitt, and Monagle are trustees, directors or officers of one or more of such companies.

OFFICERS AND PARTNERS OF FAM ARE SET FORTH AS FOLLOWS:

<TABLE>
<CAPTION>

NAME	POSITION(S) WITH THE MANAGER	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT
<S>	<C>	<C>
ML & Co.	Limited Partner	Financial Services Holding Company
Fund Asset Management, Inc.	Limited Partner	Investment Advisory Services (through December 31, 1993)
Princeton Services, Inc. ("Princeton Services")	General Partner	General Partner of MLAM

</TABLE>

<TABLE>
<CAPTION>

NAME	POSITION(S) WITH THE MANAGER	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT
<S>	<C>	<C>
Arthur Zeikel...........	President	President of MLAM; President and Director of Princeton Services; Director of MLFD; Executive Vice President of ML & Co.; Executive Vice President of Merrill Lynch
Terry K. Glenn..........	Executive Vice President	Executive Vice President of MLAM; Executive Vice President and Director of Princeton Services; President and Director of MLFD; President of Princeton Administrators, Inc.
Bernard J. Durnin.......	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Vincent R. Giordano.....	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Elizabeth Griffin.......	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Norman R. Harvey........	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
N. John Hewitt..........	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Philip L. Kirstein......	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel and Secretary of MLAM; Senior Vice President, General Counsel, Director and Secretary of Princeton Services; Director of MLFD
Ronald M. Kloss.........	Senior Vice President	Senior Vice President and Controller

	and Controller	of MLAM; Senior Vice President and Controller of Princeton Services
Stephen M.M. Miller.....	Senior Vice President	Executive Vice President of Princeton Administrators, Inc. since 1989; Vice President and Secretary of Merrill Lynch from 1982 to 1989; Secretary of Merrill Lynch & Co. from 1982 to 1989
Joseph T. Monagle, Jr. .	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Gerald M. Richard.......	Senior Vice President and Treasurer	Senior Vice President and Treasurer of MLAM; Senior Vice President and Treasurer of Princeton Services; Vice President and Treasurer of MLFD
Richard L. Rufener......	Senior Vice President	Senior Vice President of MLAM; Vice President of MLFD; Senior Vice President of Princeton Services
Ronald L. Welburn.......	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services
Anthony Wiseman.........	Senior Vice President	Senior Vice President of MLAM; Senior Vice President of Princeton Services

</TABLE>

ITEM 29. PRINCIPAL UNDERWRITERS.

(a) MLFD acts as the principal underwriter for the Registrant and, for each of the investment companies referred to in the first paragraph of Item 28 except Apex Municipal Fund, Inc., CBA Money Fund, CMA Government Securities Fund, CMA Money Fund, CMA Multi-State Municipal Series Trust, CMA Tax-Exempt Fund, CMA Treasury Fund, Convertible Holdings, Inc., The Corporate Fund Accumulation Program, Inc., Corporate High Yield Fund, Inc., Corporate High Yield Fund II, Inc., Income Opportunities Fund 1999, Inc., Income Opportunities Fund 2000, Inc., MuniAssets Fund, Inc., MuniBond Income Fund, Inc., The Municipal Fund Accumulation Program, Inc., MuniEnhanced Fund, Inc., MuniInsured Fund, Inc., MuniVest Fund, Inc., MuniVest Fund II, Inc., MuniVest California Insured Fund, Inc., MuniVest Florida Fund, MuniVest Michigan Insured Fund, Inc., MuniVest New Jersey Fund, Inc., MuniVest New York Insured Fund, Inc., MuniVest Pennsylvania Insured Fund, MuniYield Arizona Fund, Inc., MuniYield Arizona Fund II, Inc., MuniYield California Fund, Inc., MuniYield California Insured Fund, Inc., MuniYield California Insured Fund II, Inc., MuniYield Florida Fund, MuniYield Florida Insured Fund, MuniYield Fund, Inc., MuniYield Insured Fund, Inc., MuniYield Insured Fund II, Inc., MuniYield Michigan Fund, Inc., MuniYield Michigan Insured Fund, Inc., MuniYield New Jersey Fund, Inc., MuniYield New Jersey Insured Fund, Inc., MuniYield New York Insured Fund, Inc., MuniYield New York Insured Fund II, Inc., MuniYield New York Insured Fund III, Inc., MuniYield Pennsylvania Fund, MuniYield Quality Fund, Inc., MuniYield Quality Fund II, Inc., Senior High Income Portfolio, Inc., Senior High Income Portfolio II, Inc., Taurus MuniCalifornia Holdings, Inc., Taurus MuniNewYork Holdings, Inc. and Worldwide DollarVest Fund, Inc.

(b) Set forth below is information concerning each director and officer of MLFD. The principal business address of each such person is Box 9011, Princeton, New Jersey 08543-9011, except that the address of Messrs. Aldrich, Breen, Crook, Graczyk, Fatseas and Wasel is One Financial Center, 15th Floor, Boston, Massachusetts 02111-2646.

<TABLE>
<CAPTION>

NAME	POSITION(S) AND OFFICES WITH MLFD	POSITION(S) AND OFFICES WITH REGISTRANT
<S>	<C>	<C>
Terry K. Glenn..........	President and Director	Executive Vice President
Arthur Zeikel...........	Director	President and Trustee
Philip L. Kirstein......	Director	None
William E. Aldrich......	Senior Vice President	None
Robert W. Crook.........	Senior Vice President	None
Michael J. Brady........	Vice President	None
William M. Breen........	Vice President	None
Sharon Creveling........	Vice President and Assistant Treasurer	None
Mark A. DeSario.........	Vice President	None
James T. Fatseas........	Vice President	None
Stanley Graczyk.........	Vice President	None
Debra W. Landsman-Yaros.	Vice President	None
Michelle T. Lau.........	Vice President	None
Gerald M. Richard.......	Vice President and Treasurer	Treasurer
Richard L. Rufener......	Vice President	None
Salvatore Venezia.......	Vice President	None
William Wasel...........	Vice President	None
Robert Harris...........	Secretary	Secretary

</TABLE>

(c) Not applicable.

ITEM 30. LOCATION OF ACCOUNTS AND RECORDS.

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, as amended (the "1940 Act") and the Rules thereunder are maintained at the offices of the Registrant (800 Scudders Mill Road, Plainsboro, New Jersey) and Financial Data Services, Inc. (4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484).

ITEM 31. MANAGEMENT SERVICES.

Other than as set forth under the caption "Management of the Trust--Management and Advisory Arrangements" in the Prospectus constituting Part A of this Registration Statement and under "Management of the Trust--Management and Advisory Arrangements" in the Statement of Additional Information constituting Part B of this Registration Statement, the Registrant is not a party to any management-related service contract.

ITEM 32. UNDERTAKINGS.

Not applicable.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND THE INVESTMENT COMPANY ACT OF 1940, THE REGISTRANT CERTIFIES THAT IT MEETS ALL OF THE REQUIREMENTS FOR EFFECTIVENESS OF THIS REGISTRATION STATEMENT PURSUANT TO RULE 485(B) UNDER THE SECURITIES ACT OF 1933 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE TOWNSHIP OF PLAINSBORO AND STATE OF NEW JERSEY, ON THE 16TH DAY OF MAY, 1994.

Merrill Lynch Multi-State Limited
Maturity Municipal Series Trust
(Registrant)

/s/ Arthur Zeikel
By____________________________________
(Arthur Zeikel, President)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/s/ Arthur Zeikel (Arthur Zeikel)	President (Principal Executive Officer) and Trustee	May 16, 1994
/s/ Gerald M. Richard (Gerald M. Richard)	Treasurer (Principal Financial and Accounting Officer)	May 16, 1994
Kenneth S. Axelson* (Kenneth S. Axelson)	Trustee	
Herbert I. London* (Herbert I. London)	Trustee	
Robert R. Martin* (Robert R. Martin)	Trustee	
Joseph L. May* (Joseph L. May)	Trustee	
Andre F. Perold* (Andre F. Perold)	Trustee	
*By /s/ Arthur Zeikel		May 16, 1994

(Arthur Zeikel, Attorney-in-fact)
</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<C>	<S>
11	--Consent of Deloitte & Touche, independent auditors for the Registrant.
16(a)(1)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the Arizona Fund.
(a)(2)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the California Fund.
(a)(3)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the Florida Fund.
(a)(4)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the Massachusetts Fund.
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(a)(6)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the New Jersey Fund.
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(a)(8)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class A Shares of the Pennsylvania Fund.
16(b)(1)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Arizona Fund.
(b)(2)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the California Fund.
(b)(3)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Florida Fund.
(b)(4)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Massachusetts Fund.
(b)(5)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Michigan Fund.
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(b)(8)	--Schedule for computation of each performance quotation provided in the Registration Statement in response to Item 22 relating to Class B Shares of the Pennsylvania Fund.

</TABLE>

Page where Graphic Appears	Description of Graphic or Cross-Reference
Back Cover of Prospectus and back cover of Statement of Additional Information	Rendering of calculator, eyeglasses, pen and income tax forms.

INDEPENDENT AUDITORS' CONSENT

Merrill Lynch Multi-State Limited Maturity Municipal Series Trust

We consent to the use in Post-Effective Amendment No. 1 to Registration Statement No. 33-50417 of our reports dated November 15, 1993 appearing in the Statement of Additional Information, which is a part of such Registration Statement.

Deloitte & Touche

Princeton, New Jersey

May 16, 1994

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

	SINCE INCEPTION AVERAGE ANNUAL RETURN	SINCE INCEPTION TOTAL RETURN*
<S>	<C>	<C>
Initial Investment....................................	$1,000.00	$1,000.00
Divided by Initial Maximum Offering Price............	10.10	
Divided by Net Asset Value...........................		10.00
Equals Shares Purchased..............................	99.01	100.00
Plus Shares Acquired through Dividend Reinvestment...	0.76	0.77
Equals Shares Held at 2/28/94........................	99.77	100.77
Multiplied by Net Asset Value at 2/28/94.............	10.00	10.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94..	$ 997.71	$1,007.69
Divided by $1,000 (P)................................	0.9977	1.0077
Subtract 1...	(0.0023)	0.0077
Expressed as a percentage equals the Aggregate Total Return for the Period (T)............................	(0.23)%	
Expressed as a percentage equals the Aggregate Total Return for the Period................................		0.77%
ERV divided by P.....................................	0.9977	
Raise to the power of................................	3.8830	
Equals...	0.9911	
Subtract 1...	(0.0089)	
Expressed as a percentage equals the Average Annualized Total Return..............................	(0.89)%	

</TABLE>

- --------
* Does not include sales charge for the period.

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

Long term income generally based on yield to maturity times market value of each security	$ 3,036
Plus short term income accrued for the past thirty days	1,437
Equals Total Income	4,473
Less expenses for the past thirty days	0
Equals net monthly income for yield calculation	4,473
Average shares outstanding for 30 days	185,324
Times the Maximum Offering Price	10.09
Equals total dollars	$ 1,869,919
Net monthly income divided by total dollars equals	0.002392029
Add 1	1.002392029
Raise to the power of 6	1.014438272
Subtract 1	0.014438272
Times 2	0.028876545
Expressed as a percentage equals the Standardized Yield for 30 day period	2.89%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.01%

</TABLE>

MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

	SINCE INCEPTION AVERAGE ANNUAL RETURN	SINCE INCEPTION TOTAL RETURN*
Initial Investment	$1,000.00	$1,000.00
Divided by Initial Maximum Offering Price	10.10	
Divided by Net Asset Value		10.00

Equals Shares Purchased..............................	99.01	100.00
Plus Shares Acquired through Dividend Reinvestment...	0.76	0.77
	----------	----------
Equals Shares Held at 2/28/94........................	99.77	100.77
Multiplied by Net Asset Value at 2/28/94............	9.98	9.98
	---------	---------
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94.............................	$ 995.72	$1,005.68
Divided by $1,000 (P)................................	0.9957	1.0057
Subtract 1...	(0.0043)	0.0057
Expressed as a percentage equals the Aggregate Total Return for the Period (T)...........................	(0.43)%	
	=========	
Expressed as a percentage equals the Aggregate Total Return for the Period...............................		0.57%
		=========
ERV divided by P.....................................	0.9957	
Raise to the power of................................	3.8830	
Equals...	0.9835	
Subtract 1...	(0.0165)	
Expressed as a percentage equals the Average Annualized Total Return..............................	(1.65)%	
	=========	

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security..	$ 8,138
Plus short term income accrued for the past thirty days...........	2,131

Equals Total Income...	10,269
Less expenses for the past thirty days............................	0

Equals net monthly income for yield calculation...................	10,269

Average shares outstanding for 30 days............................	392,865
Times the Maximum Offering Price..................................	10.07

Equals total dollars..	$ 3,956,149
	===========
Net monthly income divided by total dollars equals................	0.002595812
Add 1...	1.002595812
Raise to the power of 6...	1.015676296

Subtract 1...	0.015676296
Times 2..	0.031352592
Expressed as a percentage equals the Standardized Yield for 30 day period..	3.14%
	===========
Tax Rate...	28.00%
X = 1 minus Tax Rate...	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period..	4.36%
	===========

</TABLE>

MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

	SINCE INCEPTION AVERAGE ANNUAL RETURN	SINCE INCEPTION TOTAL RETURN*
<S>	<C>	<C>
Initial Investment.....................................	$1,000.00	$1,000.00
Divided by Initial Maximum Offering Price............	10.10	
Divided by Net Asset Value.............................		10.00
Equals Shares Purchased................................	99.01	100.00
Plus Shares Acquired through Dividend Reinvestment...	0.75	0.76
Equals Shares Held at 2/28/94..........................	99.76	100.76
Multiplied by Net Asset Value at 2/28/94.............	9.94	9.94
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94..................................	$ 991.62	$1,001.53
Divided by $1,000 (P)..................................	0.9916	1.0015
Subtract 1...	(0.0084)	0.0015
Expressed as a percentage equals the Aggregate Total Return for the Period (T)...........................	(0.84)%	
	=========	
Expressed as a percentage equals the Aggregate Total Return for the Period................................		0.15%
		=========
ERV divided by P.......................................	0.9916	
Raise to the power of..................................	3.8830	
Equals...	0.9678	
Subtract 1...	(0.0322)	

Expressed as a percentage equals the Average Annualized Total Return	(3.22)%
	=========

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security	$ 46,556
Plus short term income accrued for the past thirty days	10,454

Equals Total Income	57,010
Less expenses for the past thirty days	0

Equals net monthly income for yield calculation	57,010

Average shares outstanding for 30 days	2,066,220
Times the Maximum Offering Price	10.03

Equals total dollars	$20,724,186
	===========
Net monthly income divided by total dollars equals	0.002750889
Add 1	1.002750889
Raise to the power of 6	1.016619264
Subtract 1	0.016619264
Times 2	0.033238527
Expressed as a percentage equals the Standardized Yield for 30 day period	3.32%
	===========
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.61%
	===========

</TABLE>

MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

	SINCE	SINCE

	INCEPTION AVERAGE ANNUAL RETURN	INCEPTION TOTAL RETURN*
Initial Investment	$1,000.00	$1,000.00
Divided by Initial Maximum Offering Price	10.10	
Divided by Net Asset Value		10.00
Equals Shares Purchased	99.01	100.00
Plus Shares Acquired through Dividend Reinvestment	0.83	0.84
Equals Shares Held at 2/28/94	99.84	100.84
Multiplied by Net Asset Value at 2/28/94	9.97	9.97
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 995.45	$1,005.41
Divided by $1,000 (P)	0.9955	1.0054
Subtract 1	(0.0045)	0.0054
Expressed as a percentage equals the Aggregate Total Return for the Period (T)	(0.45)%	
Expressed as a percentage equals the Aggregate Total Return for the Period		0.54%
ERV divided by P	0.9955	
Raise to the power of	3.8830	
Equals	0.9825	
Subtract 1	(0.0175)	
Expressed as a percentage equals the Average Annualized Total Return	(1.75)%	

</TABLE>

* Does not include sales charge for the period.

MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

Long term income generally based on yield to maturity times market value of each security	$ 15,462
Plus short term income accrued for the past thirty days	1,766
Equals Total Income	17,228
Less expenses for the past thirty days	0

Equals net monthly income for yield calculation	17,228
Average shares outstanding for 30 days	565,651
Times the Maximum Offering Price	10.06
Equals total dollars	$ 5,690,451
Net monthly income divided by total dollars equals	0.003027482
Add 1	1.003027482
Raise to the power of 6	1.018302934
Subtract 1	0.018302934
Times 2	0.036605868
Expressed as a percentage equals the Standardized Yield for 30 day period	3.66%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	5.08%

</TABLE>

MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

<S>	SINCE INCEPTION AVERAGE ANNUAL RETURN <C>	SINCE INCEPTION TOTAL RETURN* <C>
Initial Investment	$1,000.00	$1,000.00
Divided by Initial Maximum Offering Price	10.10	
Divided by Net Asset Value		10.00
Equals Shares Purchased	99.01	100.00
Plus Shares Acquired through Dividend Reinvestment	0.79	0.80
Equals Shares Held at 2/28/94	99.80	100.80
Multiplied by Net Asset Value at 2/28/94	9.98	9.98
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 996.04	$1,006.00
Divided by $1,000 (P)	0.9960	1.0060
Subtract 1	(0.0040)	0.0060

Expressed as a percentage equals the Aggregate Total Return for the Period (T)	(0.40)%	
	=========	
Expressed as a percentage equals the Aggregate Total Return for the Period		0.60%
		=========
ERV divided by P	0.9960	
Raise to the power of	3.8830	
Equals	0.9847	
Subtract 1	(0.0153)	
Expressed as a percentage equals the Average Annualized Total Return	(1.53)%	
	=========	

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security	$ 7,009
Plus short term income accrued for the past thirty days	1,975

Equals Total Income	8,984
Less expenses for the past thirty days	(8)

Equals net monthly income for yield calculation	8,976

Average shares outstanding for 30 days	326,837
Times the Maximum Offering Price	10.07

Equals total dollars	$ 3,291,247
	===========
Net monthly income divided by total dollars equals	0.002727291
Add 1	1.002727291
Raise to the power of 6	1.016475726
Subtract 1	0.016475726
Times 2	0.032951453
Expressed as a percentage equals the Standardized Yield for 30 day period	3.30%
	===========
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.58%

============

</TABLE>

MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

<S>	SINCE INCEPTION AVERAGE ANNUAL RETURN <C>	SINCE INCEPTION TOTAL RETURN* <C>
Initial Investment....................................	$1,000.00	$1,000.00
Divided by Initial Maximum Offering Price............	10.10	
Divided by Net Asset Value...........................		10.00
Equals Shares Purchased..............................	99.01	100.00
Plus Shares Acquired through Dividend Reinvestment...	0.74	0.75
Equals Shares Held at 2/28/94........................	99.75	100.75
Multiplied by Net Asset Value at 2/28/94.............	9.97	9.97
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94....................................	$ 994.52	$1,004.47
Divided by $1,000 (P)................................	0.9945	1.0045
Subtract 1...	(0.0055)	0.0045
Expressed as a percentage equals the Aggregate Total Return for the Period (T)...........................	(0.55)%	
Expressed as a percentage equals the Aggregate Total Return for the Period...............................		0.45%
ERV divided by P.....................................	0.9945	
Raise to the power of................................	3.8830	
Equals...	0.9789	
Subtract 1...	(0.0211)	
Expressed as a percentage equals the Average Annualized Total Return...............................	(2.11)%	

</TABLE>
- --------
* Does not include sales charge for the period.

MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

Long term income generally based on yield to maturity times market value of each security	$ 11,565
Plus short term income accrued for the past thirty days	2,451
Equals Total Income	14,016
Less expenses for the past thirty days	0
Equals net monthly income for yield calculation	14,016
Average shares outstanding for 30 days	530,302
Times the Maximum Offering Price	10.06
Equals total dollars	$ 5,334,843
Net monthly income divided by total dollars equals	0.002627292
Add 1	1.002627292
Raise to the power of 6	1.015867655
Subtract 1	0.015867655
Times 2	0.031735310
Expressed as a percentage equals the Standardized Yield for 30 day period	3.17%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.40%

MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

	SINCE INCEPTION AVERAGE ANNUAL RETURN	SINCE INCEPTION TOTAL RETURN*
Initial Investment	$1,000.00	$1,000.00
Divided by Initial Maximum Offering Price	10.10	
Divided by Net Asset Value		10.00

Equals Shares Purchased	99.01	100.00
Plus Shares Acquired through Dividend Reinvestment	0.82	0.83
Equals Shares Held at 2/28/94	99.83	100.83
Multiplied by Net Asset Value at 2/28/94	9.97	9.97
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 995.30	$1,005.25
Divided by $1,000 (P)	0.9953	1.0053
Subtract 1	(0.0047)	0.0053
Expressed as a percentage equals the Aggregate Total Return for the Period (T)	(0.47)%	
Expressed as a percentage equals the Aggregate Total Return for the Period		0.53%
ERV divided by P	0.9953	
Raise to the power of	3.8830	
Equals	0.9819	
Subtract 1	(0.0181)	
Expressed as a percentage equals the Average Annualized Total Return	(1.81)%	

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security	$ 9,478
Plus short term income accrued for the past thirty days	2,063
Equals Total Income	11,541
Less expenses for the past thirty days	11
Equals net monthly income for yield calculation	11,552
Average shares outstanding for 30 days	430,299
Times the Maximum Offering Price	10.06
Equals total dollars	$ 4,328,805
Net monthly income divided by total dollars equals	0.002668624
Add 1	1.002668624

Raise to the power of 6	1.016118946
Subtract 1	0.016118946
Times 2	0.032237892
Expressed as a percentage equals the Standardized Yield for 30 day period	3.22%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.47%

</TABLE>

MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

<S>	SINCE INCEPTION AVERAGE ANNUAL RETURN <C>	SINCE INCEPTION TOTAL RETURN* <C>
Initial Investment	$1,000.00	$1,000.00
Divided by Initial Maximum Offering Price	10.10	
Divided by Net Asset Value		10.00
Equals Shares Purchased	99.01	100.00
Plus Shares Acquired through Dividend Reinvestment	0.73	0.74
Equals Shares Held at 2/28/94	99.74	100.74
Multiplied by Net Asset Value at 2/28/94	9.98	9.98
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 995.44	$1,005.40
Divided by $1,000 (P)	0.9954	1.0054
Subtract 1	(0.0046)	0.0054
Expressed as a percentage equals the Aggregate Total Return for the Period (T)	(0.46)%	
Expressed as a percentage equals the Aggregate Total Return for the Period		0.54%
ERV divided by P	0.9954	
Raise to the power of	3.8830	
Equals	0.9824	

Subtract 1..	(0.0176)
Expressed as a percentage equals the Average Annualized Total Return............................	(1.76)%
	=========

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS A

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security..	$ 1,683
Plus short term income accrued for the past thirty days...........	523

Equals Total Income...	2,206
Less expenses for the past thirty days............................	0

Equals net monthly income for yield calculation...................	2,206

Average shares outstanding for 30 days............................	90,100
Times the Maximum Offering Price..................................	10.07

Equals total dollars..	$ 907,311
	===========
Net monthly income divided by total dollars equals................	0.002431526
Add 1...	1.002431526
Raise to the power of 6...	1.014678131
Subtract 1..	0.014678131
Times 2...	0.029356263
Expressed as a percentage equals the Standardized Yield for 30 day period..	2.94%
	===========

</TABLE>

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

	SINCE INCEPTION AVERAGE ANNUAL RETURN	SINCE INCEPTION TOTAL RETURN*
<S>	<C>	<C>
Initial Investment..	$1,000.00	$1,000.00
Divided by Net Asset Value................................	10.00	10.00
Equals Shares Purchased...................................	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment...	0.68	0.68
Equals Shares Held at 2/28/94............................	100.68	100.68
Multiplied by Net Asset Value at 2/28/94..............	9.99	9.99
Equals Ending Value before deduction for contingent deferred sales charge.................................	1,005.81	1,005.81
Less deferred sales charge................................	(10.00)	0.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94.....................................	$ 995.81	$1,005.81
Divided by $1,000 (P)....................................	0.9958	1.0058
Subtract 1..	(0.0042)	0.0058
Expressed as a percentage equals the Aggregate Total Return for the Period (T)...........................	(0.42)%	
Expressed as a percentage equals the Aggregate Total Return for the Period.................................		0.58%
ERV divided by P..	0.9958	
Raise to the power of.....................................	3.8830	
Equals..	0.9838	
Subtract 1..	(0.0162)	
Expressed as a percentage equals the Average Annualized Total Return.................................	(1.62)%	

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security	$ 7,348
Plus short term income accrued for the past thirty days	3,477
Equals Total Income	10,825
Less expenses for the past thirty days	(1,293)
Equals net monthly income for yield calculation	9,532
Average shares outstanding for 30 days	448,169
Times the Net Asset Value	9.99
Equals total dollars	$ 4,477,211
Net monthly income divided by total dollars equals	0.002128988
Add 1	1.002128988
Raise to the power of 6	1.012842112
Subtract 1	0.012842112
Times 2	0.025684224
Expressed as a percentage equals the Standardized Yield for the 30 day period	2.57%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	3.57%

</TABLE>

MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

<S>	SINCE INCEPTION AVERAGE ANNUAL RETURN <C>	SINCE INCEPTION TOTAL RETURN* <C>
Initial Investment	$1,000.00	$1,000.00

Divided by Net Asset Value	10.00	10.00
Equals Shares Purchased	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment	0.68	0.68
Equals Shares Held at 2/28/94	100.68	100.68
Multiplied by Net Asset Value at 2/28/94	9.97	9.97
Equals Ending Value before deduction for contingent deferred sales charge	1,003.81	1,003.80
Less deferred sales charge	(10.00)	0.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 993.81	$1,003.80
Divided by $1,000 (P)	0.9938	1.0038
Subtract 1	(0.0062)	0.0038
Expressed as a percentage equals the Aggregate Total Return for the Period (T)	(0.62)%	
Expressed as a percentage equals the Aggregate Total Return for the Period		0.38%
ERV divided by P	0.9938	
Raise to the power of	3.8830	
Equals	0.9762	
Subtract 1	(0.0238)	
Expressed as a percentage equals the Average Annualized Total Return	(2.38)%	

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security	$ 22,820
Plus short term income accrued for the past thirty days	5,975
Equals Total Income	28,795
Less expenses for the past thirty days	2,991
Equals net monthly income for yield calculation	31,786
Average shares outstanding for 30 days	1,102,142

Times the Net Asset Value	9.97
Equals total dollars	$10,988,352
Net monthly income divided by total dollars equals	0.002892739
Add 1	1.002892739
Raise to the power of 6	1.017482436
Subtract 1	0.017482436
Times 2	0.034964872
Expressed as a percentage equals the Standardized Yield for the 30 day period	3.50%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.86%

</TABLE>

MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

<S>	SINCE INCEPTION AVERAGE ANNUAL RETURN <C>	SINCE INCEPTION TOTAL RETURN* <C>
Initial Investment	$1,000.00	$1,000.00
Divided by Net Asset Value	10.00	10.00
Equals Shares Purchased	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment	0.67	0.67
Equals Shares Held at 2/28/94	100.67	100.67
Multiplied by Net Asset Value at 2/28/94	9.94	9.94
Equals Ending Value before deduction for contingent deferred sales charge	1,000.67	1,000.67
Less deferred sales charge	(10.00)	0.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 990.67	$1,000.67
Divided by $1,000 (P)	0.9907	1.0007
Subtract 1	(0.0093)	0.0007

Expressed as a percentage equals the Aggregate Total Return for the Period (T)	(0.93)%	
	=========	
Expressed as a percentage equals the Aggregate Total Return for the Period		0.07%
		=========
ERV divided by P	0.9907	
Raise to the power of	3.8830	
Equals	0.9643	
Subtract 1	(0.0357)	
Expressed as a percentage equals the Average Annualized Total Return	(3.57)%	
	=========	

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security	$ 40,082
Plus short term income accrued for the past thirty days	9,001

Equals Total Income	49,083
Less expenses for the past thirty days	(5,120)

Equals net monthly income for yield calculation	43,963

Average shares outstanding for 30 days	1,778,974
Times the Net Asset Value	9.93

Equals total dollars	$17,665,212
	===========
Net monthly income divided by total dollars equals	0.002488656
Add 1	1.002488656
Raise to the power of 6	1.015025148
Subtract 1	0.015025148
Times 2	0.030050295
Expressed as a percentage equals the Standardized Yield for the 30 day period	3.01%
	===========
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.18%

===========

</TABLE>

MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

<S>	SINCE INCEPTION AVERAGE ANNUAL RETURN <C>	SINCE INCEPTION TOTAL RETURN* <C>
Initial Investment....................................	$1,000.00	$1,000.00
Divided by Net Asset Value............................	10.00	10.00
Equals Shares Purchased...............................	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment...	0.76	0.76
Equals Shares Held at 2/28/94.........................	100.76	100.76
Multiplied by Net Asset Value at 2/28/94..............	9.97	9.97
Equals Ending Value before deduction for contingent deferred sales charge................................	1,004.54	1,004.54
Less deferred sales charge............................	(10.00)	0.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94.....................................	$ 994.54	$1,004.54
Divided by $1,000 (P).................................	0.9945	1.0045
Subtract 1..	(0.0055)	0.0045
Expressed as a percentage equals the Aggregate Total Return for the Period (T)............................	(0.55)%	
Expressed as a percentage equals the Aggregate Total Return for the Period................................		0.45%
ERV divided by P......................................	0.9945	
Raise to the power of.................................	3.8830	
Equals..	0.9790	
Subtract 1..	(0.0210)	
Expressed as a percentage equals the Average Annualized Total Return..............................	(2.10)%	

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

Long term income generally based on yield to maturity times market value of each security	$ 20,947
Plus short term income accrued for the past thirty days	2,392
Equals Total Income	23,339
Less expenses for the past thirty days	(2,203)
Equals net monthly income for yield calculation	21,136
Average shares outstanding for 30 days	765,865
Times the Net Asset Value	9.96
Equals total dollars	$ 7,628,013
Net monthly income divided by total dollars equals	0.002770839
Add 1	1.002770839
Raise to the power of 6	1.016740627
Subtract 1	0.016740627
Times 2	0.033481253
Expressed as a percentage equals the Standardized Yield for the 30 day period	3.35%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.65%

MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

	SINCE INCEPTION AVERAGE ANNUAL RETURN	SINCE INCEPTION TOTAL RETURN*
Initial Investment	$1,000.00	$1,000.00

Divided by Net Asset Value	10.00	10.00
Equals Shares Purchased	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment	0.71	0.71
Equals Shares Held at 2/28/94	100.71	100.71
Multiplied by Net Asset Value at 2/28/94	9.97	9.97
Equals Ending Value before deduction for contingent deferred sales charge	1,004.12	1,004.12
Less deferred sales charge	(10.00)	0.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 994.12	$1,004.12
Divided by $1,000 (P)	0.9941	1.0041
Subtract 1	(0.0059)	0.0041
Expressed as a percentage equals the Aggregate Total Return for the Period (T)	(0.59)%	
Expressed as a percentage equals the Aggregate Total Return for the Period		0.41%
ERV divided by P	0.9941	
Raise to the power of	3.8830	
Equals	0.9774	
Subtract 1	(0.0226)	
Expressed as a percentage equals the Average Annualized Total Return	(2.26)%	

</TABLE>

- --------

* Does not include sales charge for the period.

MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security	$ 5,342
Plus short term income accrued for the past thirty days	1,506
Equals Total Income	6,848
Less expenses for the past thirty days	(727)
Equals net monthly income for yield calculation	6,121
Average shares outstanding for 30 days	249,237

Times the Net Asset Value	9.97
Equals total dollars	$ 2,484,893
Net monthly income divided by total dollars equals	0.002463281
Add 1	1.002463281
Raise to the power of 6	1.014871004
Subtract 1	0.014871004
Times 2	0.029742009
Expressed as a percentage equals the Standardized Yield for the 30 day period	2.97%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.13%

</TABLE>

MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

<S>	SINCE INCEPTION AVERAGE ANNUAL RETURN <C>	SINCE INCEPTION TOTAL RETURN* <C>
Initial Investment	$1,000.00	$1,000.00
Divided by Net Asset Value	10.00	10.00
Equals Shares Purchased	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment	0.66	0.66
Equals Shares Held at 2/28/94	100.66	100.66
Multiplied by Net Asset Value at 2/28/94	9.96	9.96
Equals Ending Value before deduction for contingent deferred sales charge	1,002.59	1,002.59
Less deferred sales charge	(10.00)	0.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 992.59	$1,002.59
Divided by $1,000 (P)	0.9926	1.0026
Subtract 1	(0.0074)	0.0026

Expressed as a percentage equals the Aggregate Total Return for the Period (T)............................	(0.74)%	
	=========	
Expressed as a percentage equals the Aggregate Total Return for the Period................................		0.26%
		=========
ERV divided by P..	0.9926	
Raise to the power of.....................................	3.8830	
Equals..	0.9715	
Subtract 1..	(0.0285)	
Expressed as a percentage equals the Average Annualized Total Return...............................	(2.85)%	
	=========	

</TABLE>

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* Does not include sales charge for the period.

MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security..	$ 15,744
Plus short term income accrued for the past thirty days...........	3,337

Equals Total Income...	19,081
Less expenses for the past thirty days............................	(2,070)

Equals net monthly income for yield calculation...................	17,011

Average shares outstanding for 30 days............................	718,864
Times the Net Asset Value...	9.96

Equals total dollars..	$ 7,159,883
	===========
Net monthly income divided by total dollars equals................	0.002375895
Add 1...	1.002375895
Raise to the power of 6...	1.014340312
Subtract 1..	0.014340312
Times 2...	0.028680624
Expressed as a percentage equals the Standardized Yield for the 30 day period..	2.87%
	===========
Tax Rate..	28.00%
X = 1 minus Tax Rate..	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period..	3.99%

===========

</TABLE>

MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

<TABLE>
<CAPTION>

	SINCE INCEPTION AVERAGE ANNUAL RETURN	SINCE INCEPTION TOTAL RETURN*
<S>	<C>	<C>
Initial Investment.....................................	$1,000.00	$1,000.00
Divided by Net Asset Value.............................	10.00	10.00
Equals Shares Purchased................................	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment...	0.74	0.74
Equals Shares Held at 2/28/94..........................	100.74	100.74
Multiplied by Net Asset Value at 2/28/94.............	9.96	9.96
Equals Ending Value before deduction for contingent deferred sales charge................................	1,003.38	1,003.38
Less deferred sales charge.............................	(10.00)	0.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94....................................	$ 993.38	$1,003.38
Divided by $1,000 (P)..................................	0.9934	1.0034
Subtract 1...	(0.0066)	0.0034
Expressed as a percentage equals the Aggregate Total Return for the Period (T)............................	(0.66)%	
Expressed as a percentage equals the Aggregate Total Return for the Period................................		0.34%
ERV divided by P.......................................	0.9934	
Raise to the power of..................................	3.8830	
Equals...	0.9745	
Subtract 1...	(0.0255)	
Expressed as a percentage equals the Average Annualized Total Return...............................	(2.55)%	

</TABLE>

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* Does not include sales charge for the period.

MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

Long term income generally based on yield to maturity times market value of each security	$ 18,849
Plus short term income accrued for the past thirty days	4,102
Equals Total Income	22,952
Less expenses for the past thirty days	(2,476)
Equals net monthly income for yield calculation	20,476
Average shares outstanding for 30 days	854,514
Times the Net Asset Value	9.96
Equals total dollars	$ 8,510,964
Net monthly income divided by total dollars equals	0.002405817
Add 1	1.002405817
Raise to the power of 6	1.014521999
Subtract 1	0.014521999
Times 2	0.029043998
Expressed as a percentage equals the Standardized Yield for the 30 day period	2.90%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	4.03%

MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

AVERAGE ANNUAL AND TOTAL RETURNS
(11/26/93-2/28/94)

	SINCE INCEPTION AVERAGE ANNUAL RETURN	SINCE INCEPTION TOTAL RETURN*
Initial Investment	$1,000.00	$1,000.00

Divided by Net Asset Value	10.00	10.00
Equals Shares Purchased	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment	0.65	0.65
Equals Shares Held at 2/28/94	100.65	100.65
Multiplied by Net Asset Value at 2/28/94	9.97	9.97
Equals Ending Value before deduction for contingent deferred sales charge	1,003.53	1,003.53
Less deferred sales charge	(10.00)	0.00
Equals Ending Redeemable Value at $1,000 Investment (ERV) at 2/28/94	$ 993.53	$1,003.53
Divided by $1,000 (P)	0.9935	1.0035
Subtract 1	(0.0065)	0.0035
Expressed as a percentage equals the Aggregate Total Return for the Period (T)	(0.65)%	
Expressed as a percentage equals the Aggregate Total Return for the Period		0.35%
ERV divided by P	0.9935	
Raise to the power of	3.8830	
Equals	0.9751	
Subtract 1	(0.0249)	
Expressed as a percentage equals the Average Annualized Total Return	(2.49)%	

</TABLE>

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* Does not include sales charge for the period.

MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND--CLASS B

30 DAYS STANDARDIZED YIELD FOR THE PERIOD ENDED FEBRUARY 28, 1994

<TABLE>

<S>	<C>
Long term income generally based on yield to maturity times market value of each security	$ 18,845
Plus short term income accrued for the past thirty days	5,858
Equals Total Income	24,703
Less expenses for the past thirty days	(2,906)
Equals net monthly income for yield calculation	21,797
Average shares outstanding for 30 days	1,008,666

Times the Net Asset Value	9.97
Equals total dollars	$10,056,397
Net monthly income divided by total dollars equals	0.002167447
Add 1	1.002167447
Raise to the power of 6	1.013075355
Subtract 1	0.013075355
Times 2	0.026150710
Expressed as a percentage equals the Standardized Yield for the 30 day period	2.62%
Tax Rate	28.00%
X = 1 minus Tax Rate	72.00%
Standardized Yield divided by X equals Tax Equivalent Yield for 30 day period	3.64%

</TABLE>