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FILER

MUNICIPAL INVT TR FD MULTISTATE SER 70 DEFINED ASSET FUNDS

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Business Address
450 LEXINGTON AVE
C/O DAVIS POLK &
WARDWELL
NEW YORK NY 10017
2124504540

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Def ined

Asset FundsSM

MUNICIPAL INVESTMENT TRUST FUND

MULTISTATE SERIES - 70
(UNIT INVESTMENT TRUSTS)

CALIFORNIA TRUST (INSURED)
5.71% ESTIMATED CURRENT RETURN
5.82% ESTIMATED LONG TERM RETURN

FLORIDA TRUST (INSURED)
5.61% ESTIMATED CURRENT RETURN
5.71% ESTIMATED LONG TERM RETURN

NEW JERSEY TRUST (INSURED)
5.60% ESTIMATED CURRENT RETURN
5.67% ESTIMATED LONG TERM RETURN

NEW YORK TRUST (INSURED)
5.63% ESTIMATED CURRENT RETURN
5.72% ESTIMATED LONG TERM RETURN

PENNSYLVANIA TRUST (INSURED)
5.66% ESTIMATED CURRENT RETURN
5.80% ESTIMATED LONG TERM RETURN

AS OF AUGUST 23, 1994

This Defined Fund consists of separate underlying Trusts designated as the California, Florida, New Jersey, New York and Pennsylvania Trusts, each of which is a portfolio of preselected securities issued by or on behalf of the State for which the Trust is named and political subdivisions and public authorities thereof or certain United States territories or possessions. The Fund is formed for the purpose of providing interest income which in the opinion of counsel is, with certain exceptions, exempt from regular Federal income taxes and from certain state and local personal income taxes in the State for which each Trust is named but may be subject to other state and local taxes. In addition, the Debt Obligations included in each Trust are insured. This insurance guarantees the timely payment of principal and interest on but does not guarantee the market value of the Debt Obligations or the value of the Units. As a result of this insurance, Units of each Trust are rated AAA by Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. ('Standard & Poor's'). The value of the Units of each Trust will fluctuate with the value of the Portfolio of underlying Debt Obligations in the Trust.

The Estimated Current Return and Estimated Long Term Return figures shown give different information about the return to investors. Estimated Current Return on a Unit shows a net annual current cash return based on the initial Public Offering Price and the maximum applicable sales charge and is computed by multiplying the estimated net annual interest rate per Unit by $1,000 and dividing the result by the Public Offering Price per Unit (including the sales charge but not including accrued interest). Estimated Long Term Return shows a net annual long-term return to investors holding to maturity based on the yield on the individual bonds in the Portfolio, weighted to reflect the time to maturity (or in certain cases to an earlier call date) and market value of each bond in the Portfolio, adjusted to reflect the Public Offering Price (including the sales charge) and estimated expenses. Unlike Estimated Current Return, Estimated Long Term Return takes into account maturities of the underlying Securities and discounts and premiums. Distributions of income on Units are generally subject to certain delays; if the Estimated Long Term Return figure shown above took these delays into account, it would be lower. Both Estimated Current Return and Estimated Long Term Return are subject to fluctuations with changes in Portfolio composition (including the redemption, sale or other disposition of Securities in the Portfolio), changes in the market value of the underlying Securities and changes in fees and expenses. Estimated cash flows are available upon request from the Sponsors at no charge.

Minimum purchase: 1 Unit.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. INQUIRIES SHOULD BE DIRECTED TO THE TRUSTEE AT 1-800-323-1508.

SPONSORS:
Merrill Lynch,
Pierce, Fenner & Smith Inc.
Smith Barney Inc.

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PaineWebber Incorporated
Prudential Securities Incorporated
Dean Witter Reynolds Inc.

PROSPECTUS DATED AUGUST 24, 1994.
READ AND RETAIN THIS PROSPECTUS FOR FUTURE REFERENCE.

DEFINED ASSET FUNDSSM is America's oldest and largest family of unit investment trusts with over $90 billion sponsored since 1970. Each Defined Fund is a portfolio of preselected securities. The portfolio is divided into 'units' representing equal shares of the underlying assets. Each unit receives an equal share of income and principal distributions.

With Defined Asset Funds you know in advance what you are investing in and that changes in the portfolio are limited. Most defined bond funds pay interest monthly and repay principal as bonds are called, redeemed, sold or as they mature. Defined equity funds offer preselected stock portfolios with defined termination dates.

Your financial advisor can help you select a Defined Fund to meet your personal investment objectives. Our size and market presence enable us to offer a wide variety of investments. Defined Funds are available in the following types of securities: municipal bonds, corporate bonds, government bonds, utility stocks, growth stocks, even international securities denominated in foreign currencies. Termination dates are as short as one year or as long as 30 years. Special funds are available for investors seeking extra features: insured funds, double and triple tax-free funds, and funds with 'laddered maturities' to help protect against rising interest rates. Defined Funds are offered by prospectus only.

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INVESTMENT SUMMARY AS OF AUGUST 23, 1994 (THE BUSINESS DAY PRIOR TO THE INITIAL DATE OF DEPOSIT)(a)

	CALIFORNIA TRUST	FLORIDA TRUST	NEW JERSEY TRUST
ESTIMATED CURRENT RETURN(b) (based on Public Offering Price)--	5.71%	5.61%	5.60%
ESTIMATED LONG TERM RETURN(b) (based on Public Offering Price)--	5.82%	5.71%	5.67%
PUBLIC OFFERING PRICE PER UNIT (including 4.50% sales charge)	$ 957.04(c)	$ 965.27(c)	$ 1,002.69(c)
FACE AMOUNT OF DEBT OBLIGATIONS	$ 4,000,000	$ 4,000,000	$ 3,250,000
INITIAL NUMBER OF UNITS(d)	4,000	4,000	3,250
FRACTIONAL UNDIVIDED INTEREST IN TRUST REPRESENTED BY EACH UNIT	1/4,000th	1/4,000th	1/3,250th
MONTHLY INCOME DISTRIBUTIONS			
First distribution to be paid			

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on the 25th day of November 1994 to Holders of record on the 10th day of November 1994	$ 1.63	$ 2.76	$ 2.83
Calculation of second and following distributions:			
Estimated net annual interest rate per Unit times $1,000	$ 54.60	$ 54.12	$ 56.16
Divided by 12	$ 4.55	$ 4.51	$ 4.68
SPONSORS' REPURCHASE PRICE AND REDEMPTION PRICE PER UNIT(e) (based on bid side evaluation)	$ 909.97(c)	$ 917.84(c)	$ 953.56(c)
REDEMPTION PRICE PER UNIT LESS THAN:			
Public Offering Price by	$ 47.07	$ 47.43	$ 49.13
Sponsors' Initial Repurchase Price by	$ 4.00	$ 4.00	$ 4.00
CALCULATION OF PUBLIC OFFERING PRICE			
Aggregate offer side evaluation of Debt Obligations	$ 3,655,884.00	$ 3,687,347.00	$ 3,112,086.00
Divided by Number of Units	$ 913.97	$ 921.84	$ 957.56
Plus sales charge of 4.50% of Public Offering Price (4.712% of net amount invested)(f)	43.07	43.43	45.13
Public Offering Price per Unit	$ 957.04	$ 965.27	$ 1,002.69
Plus accrued interest(g)	1.06	1.05	1.09
Total	$ 958.10	$ 966.32	$ 1,003.78
CALCULATION OF ESTIMATED NET ANNUAL INTEREST RATE PER UNIT (based on face amount of $1,000 per Unit)			
Annual interest rate per Unit	5.663%	5.618%	5.840%
Less estimated annual expenses per Unit expressed as a percentage	.203%	.206%	.224%
Estimated net annual interest rate per Unit	5.460%	5.412%	5.616%
DAILY RATE AT WHICH ESTIMATED NET INTEREST ACCRUES PER UNIT	.0151%	.0150%	.0156%
SPONSORS' PROFIT (LOSS) ON DEPOSIT	$ 41,627.00	$ 37,297.00	$ 34,198.00
TRUSTEE'S ANNUAL FEE AND EXPENSES	$ 2.03(h)	$ 2.06(h)	$ 2.24(h)
Per Unit commencing August 1994			

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

(a) The Indentures were signed and the initial deposits were made on the date of this Prospectus.

(b) Estimated Current Return represents annual interest income after estimated annual expenses divided by the maximum public offering price including maximum applicable sales charge. Estimated Long Term Return is the net annual percentage return based on the yield on each underlying Debt Obligation weighted to reflect market value and time to maturity or earlier call date. Estimated Long Term Return is adjusted for estimated expenses and the maximum offering price but not for delays in a Trust's distribution of income. Estimated Current Return shows current annual cash return to investors while Estimated Long Term Return shows the return on Units held to maturity, reflecting maturities, discounts and premiums on underlying Debt Obligations. Each figure will vary with purchase price including sales charge, changes in the net interest income and the redemptions, sale, or other disposition of Debt Obligations in the Portfolio.

(c) Plus accrued interest.

(d) The Sponsors may create additional Units during the offering period of the Fund.

(e) During the initial offering period, the Sponsors intend to offer to

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purchase Units at prices based on the offer side value of the underlying Securities. Thereafter, the Sponsors intend to maintain such a market based on the bid side value of the underlying Securities which will be equal to the Redemption Price. (See How To Sell.)

(f) The sales charge during the initial offering period and in the secondary market will be reduced on a graduated scale in the case of purchases of 250 or more Units; the secondary market sales charge will also vary depending on the maturities of the underlying Securities (see Appendix B). Any resulting reduction in the Public Offering Price will increase the effective current and long term returns on a Unit.

(g) Figure shown represents interest accrued on underlying Securities from the Initial Date of Deposit to expected date of settlement (normally five business days after purchase) for Units purchased on Initial Date of Deposit (see How To Buy--Accrued Interest).

(h) In the event that any Debt Obligations have a delayed delivery, the Trustee's Annual Fee and Expenses will be reduced over a period in the amount of interest that would have accrued on the Debt Obligations between the date of settlement for the Units and the actual date of delivery of the Debt Obligations. The Trustee will be reimbursed for this reduction (See Income and Distributions--Income).

INVESTMENT SUMMARY AS OF AUGUST 23, 1994 (CONTINUED)

	CALIFORNIA TRUST	FLORIDA TRUST	NEW JERSEY TRUST
NUMBER OF ISSUES IN PORTFOLIO--	7	7	8
NUMBER OF ISSUES BY SOURCE OF REVENUE(a):			
Medical Technology--	1	--	--
State/Local Government Supported--	--	--	2
Airports/Ports/Highways--	--	1	--
General Obligation--	--	2	--
Hospitals/Healthcare Facilities--	1	1	2
Industrial Development Revenue--	--	--	1
Municipal Water/Sewer Utilities--	1	2	1
State/Local Municipal Electric Utilities--	1	--	--
Special Tax Issue--	2	1	--
University/College--	1	--	2
NUMBER OF ISSUES RATED BY STANDARD & POOR'S/RATING: -- AAA--	7(b)	7(b)	8(b)
RANGE OF FIXED FINAL MATURITY DATES OF DEBT OBLIGATIONS......................	2017-2032	2020-2028	2013-2033
TYPE OF ISSUE EXPRESSED AS A PERCENTAGE OF THE AGGREGATE FACE AMOUNT OF PORTFOLIO			
General Obligation Issues........	--	31%	--
Issues Payable from Income of Specific Project or Authority.....................	100%	69%	100%
Debt Obligations Issued at an 'Original Issue Discount'(c)..................	70%	100%	38%
Obligations Insured by certain Insurance Companies:(d)			
AMBAC.........................	15%	31%	37%
CGIC..........................	--	--	6%
Connie Lee....................	15%	--	--
Financial Guaranty............	13%	28%	--
MBIA..........................	57%	41%	57%
CONCENTRATIONS(a) EXPRESSED AS A PERCENTAGE OF THE AGGREGATE FACE AMOUNT OF PORTFOLIO(e)			
Special Tax...................	28%	--	--
General Obligation............	--	31%	--
Municipal Water/Sewer Utilities.....................	--	26%	--
University/College............	--	--	31%
State/Local Government Supported.....................	--	--	26%
PREMIUM AND DISCOUNT ISSUES IN PORTFOLIO			
Face amount of Debt Obligations with offer side evaluation: over par--	--	--	17%
at par--	--	30%	6%
at a discount from par--	100%	70%	77%

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PERCENTAGE OF PORTFOLIO ACQUIRED FROM UNDERWRITING SYNDICATE IN WHICH CERTAIN SPONSORS PARTICIPATED AS SOLE UNDERWRITER, MANAGING UNDERWRITER OR MEMBER...........	--	--	--
PERCENTAGE OF PORTFOLIOS SUBJECT TO OPTIONAL REDEMPTIONS BUT NOT PRIOR TO 2002 (AT PRICES INITIALLY AT LEAST 101% OF PAR)(f).................	100%	100%	100%

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

(a) See Risk Factors for a brief summary of certain investment risks relating to certain of these issues.

(b) All of the Debt Obligations in this Trust are insured as to scheduled payments of principal and interest as a result of which the Units of the Trust are rated AAA by Standard & Poor's (See Appendix A).

(c) See Taxes.

(d) See Risk Factors--Obligations Backed by Insurance.

(e) A Trust is considered to be 'concentrated' in these categories when they constitute 25% or more of the aggregate face amount of the Portfolio.

(f) See Footnote (2) to Portfolios.

INVESTMENT SUMMARY AS OF AUGUST 23, 1994 (THE BUSINESS DAY PRIOR TO THE INITIAL DATE OF DEPOSIT)(a)

	NEW YORK TRUST	PENNSYLVANIA TRUST
ESTIMATED CURRENT RETURN(b) (based on Public Offering Price)--.....................	5.63%	5.66%
ESTIMATED LONG TERM RETURN(b) (based on Public Offering Price)--.....................	5.72%	5.80%
PUBLIC OFFERING PRICE PER UNIT (including 4.50% sales charge).......................$	983.09(c)$	952.40(c)
FACE AMOUNT OF DEBT OBLIGATIONS...................$	4,000,000 $	4,000,000
INITIAL NUMBER OF UNITS(d)......	4,000	4,000
FRACTIONAL UNDIVIDED INTEREST IN TRUST REPRESENTED BY EACH UNIT...........................	1/4,000th	1/4,000th
MONTHLY INCOME DISTRIBUTIONS		
First distribution to be paid on the 25th day of November 1994 to Holders of record on the 10th day of November 1994........................$	1.72 $	1.02
Calculation of second and following distributions:		
Estimated net annual interest rate per Unit times $1,000....................$	55.32 $	53.88
Divided by 12.................$	4.61 $	4.49
SPONSORS' REPURCHASE PRICE AND REDEMPTION PRICE PER UNIT(e) (based on bid side evaluation)...................$	934.86(c)$	905.54(c)
REDEMPTION PRICE PER UNIT LESS THAN:		
Public Offering Price by....$	48.23 $	46.86
Sponsors' Initial Repurchase Price by....................$	4.00 $	4.00
CALCULATION OF PUBLIC OFFERING PRICE		
Aggregate offer side evaluation of Debt Obligations................$	3,755,420.60 $	3,638,170.00
Divided by Number of Units.....................$	938.86 $	909.54
Plus sales charge of 4.50% of Public Offering Price (4.712% of net amount invested)(f).............	44.23	42.86
Public Offering Price per		

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Unit	$ 983.09	$ 952.40
Plus accrued interest(g)	1.07	1.04
Total	$ 984.16	$ 953.44
CALCULATION OF ESTIMATED NET ANNUAL INTEREST RATE PER UNIT (based on face amount of $1,000 per Unit)		
Annual interest rate per Unit	5.733%	5.595%
Less estimated annual expenses per Unit expressed as a percentage	.201%	.207%
Estimated net annual interest rate per Unit	5.532%	5.388%
DAILY RATE AT WHICH ESTIMATED NET INTEREST ACCRUES PER UNIT	.0153%	.0149%
SPONSORS' PROFIT (LOSS) ON DEPOSIT	$ 39,255.80	$ 25,474.00
TRUSTEE'S ANNUAL FEE AND EXPENSES	$ 2.01(h)	$ 2.07(h)
Per Unit commencing August 1994		

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

(a) The Indentures were signed and the initial deposits were made on the date of this Prospectus.

(b) Estimated Current Return represents annual interest income after estimated annual expenses divided by the maximum public offering price including maximum applicable sales charge. Estimated Long Term Return is the net annual percentage return based on the yield on each underlying Debt Obligation weighted to reflect market value and time to maturity or earlier call date. Estimated Long Term Return is adjusted for estimated expenses and the maximum offering price but not for delays in a Trust's distribution of income. Estimated Current Return shows current annual cash return to investors while Estimated Long Term Return shows the return on Units held to maturity, reflecting maturities, discounts and premiums on underlying Debt Obligations. Each figure will vary with purchase price including sales charge, changes in the net interest income and the redemptions, sale, or other disposition of Debt Obligations in the Portfolio.

(c) Plus accrued interest.

(d) The Sponsors may create additional Units during the offering period of the Fund.

(e) During the initial offering period, the Sponsors intend to offer to purchase Units at prices based on the offer side value of the underlying Securities. Thereafter, the Sponsors intend to maintain such a market based on the bid side value of the underlying Securities which will be equal to the Redemption Price. (See How To Sell.)

(f) The sales charge during the initial offering period and in the secondary market will be reduced on a graduated scale in the case of purchases of 250 or more Units; the secondary market sales charge will also vary depending on the maturities of the underlying Securities (see Appendix B). Any resulting reduction in the Public Offering Price will increase the effective current and long term returns on a Unit.

(g) Figure shown represents interest accrued on underlying Securities from the Initial Date of Deposit to expected date of settlement (normally five business days after purchase) for Units purchased on Initial Date of Deposit (see How To Buy--Accrued Interest).

(h) In the event that any Debt Obligations have a delayed delivery, the Trustee's Annual Fee and Expenses will be reduced over a period in the amount of interest that would have accrued on the Debt Obligations between the date of settlement for the Units and the actual date of delivery of the Debt Obligations. The Trustee will be reimbursed for this reduction (See Income and Distributions--Income).

	NEW YORK TRUST	PENNSYLVANIA TRUST
NUMBER OF ISSUES IN PORTFOLIO--	7	8
NUMBER OF ISSUES BY SOURCE OF REVENUE(a):		
Transit Authorities--	1	--

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Airports/Ports/Highways--	1	--
Hospitals/Healthcare Facilities--	1	3
Industrial Development Revenue--	1	--
Lease Rental--	1	1
Municipal Water/Sewer Utilities--	1	1
Special Tax Issue--	--	1
University/College--	--	2
Moral Obligations--	1	--
NUMBER OF ISSUES RATED BY STANDARD & POOR'S/RATING: -- AAA--	7(b)	8(b)
RANGE OF FIXED FINAL MATURITY DATES OF DEBT OBLIGATIONS......................	2018-2034	2016-2023
TYPE OF ISSUE EXPRESSED AS A PERCENTAGE OF THE AGGREGATE FACE AMOUNT OF PORTFOLIO		
Issues Payable from Income of Specific Project or Authority....	100%	100%
Debt Obligations Issued at an 'Original Issue Discount'(c)..................	69%	100%
Obligations Insured by certain Insurance Companies:(d)		
AMBAC.........................	30%	30%
Financial Guaranty............	27%	10%
MBIA..........................	43%	60%
CONCENTRATIONS(a) EXPRESSED AS A PERCENTAGE OF THE AGGREGATE FACE AMOUNT OF PORTFOLIO(e)		
Hospital/Healthcare Facilities....................	--	35%
University/College............	--	25%
PREMIUM AND DISCOUNT ISSUES IN PORTFOLIO		
Face amount of Debt Obligations with offer side evaluation: over par--	12%	5%
at a discount from par--	88%	95%
PERCENTAGE OF PORTFOLIO ACQUIRED FROM UNDERWRITING SYNDICATE IN WHICH CERTAIN SPONSORS PARTICIPATED AS SOLE UNDERWRITER, MANAGING UNDERWRITER OR MEMBER............	--	--
PERCENTAGE OF PORTFOLIOS SUBJECT TO OPTIONAL REDEMPTIONS BUT NOT PRIOR TO 2002 (AT PRICES INITIALLY AT LEAST 100% OF PAR)(f)..................	100%	100%

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

(a) See Risk Factors for a brief summary of certain investment risks relating to certain of these issues.

(b) All of the Debt Obligations in this Trust are insured as to scheduled payments of principal and interest as a result of which the Units of the Trust are rated AAA by Standard & Poor's (See Appendix A).

(c) See Taxes.

(d) See Risk Factors--Obligations Backed by Insurance.

(e) A Trust is considered to be 'concentrated' in these categories when they constitute 25% or more of the aggregate face amount of the Portfolio.

(f) See Footnote (2) to Portfolios.

Def ined
Asset Funds

INVESTOR'S GUIDE
MUNICIPAL INVESTMENT TRUST FUND
- ------------------------------
Multistate Series

MUNICIPAL INVESTMENT TRUST FUND

Our defined portfolios of municipal bonds offer investors a simple and convenient way to earn monthly income tax-free. And by purchasing municipal Defined Funds, investors not only avoid the problem of selecting municipal bonds by themselves, but also gain the advantage of diversification by investing in bonds of several different issuers. Spreading your investment among different securities and issuers reduces your risk, but does not eliminate it.

MONTHLY TAX-FREE INTEREST INCOME

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Each Trust pays monthly income, even though the underlying bonds pay interest semi-annually. This income is generally 100% exempt under existing laws from regular federal income tax and from certain state and local personal income taxes in the State for which the Trust is named. Any gain on disposition of the underlying bonds will be subject to tax.

REINVESTMENT OPTION

You can elect to automatically reinvest your distributions into a separate portfolio of federally tax-exempt bonds. Reinvesting helps to compound your income tax-free. Income from the reinvestment program may be subject to state and local taxes.

A-RATED INVESTMENT QUALITY

Each bond in the Fund has been selected by investment professionals among available bonds rated A or better by at least one national rating organization or has, in the opinion of Defined Funds research analysts, comparable credit characteristics. Bonds with these 'investment grade' ratings are judged to have a strong capacity to pay interest and repay principal. In addition, units of any insured Fund are rated AAA by Standard & Poor's.

PROFESSIONAL SELECTION AND SUPERVISION

Each Trust contains a variety of securities selected by experienced buyers and market analysts. The Trusts are not actively managed. However, each portfolio is regularly reviewed and a security can be sold if, in the opinion of Defined Funds analysts and buyers, retaining it could be detrimental to investors' interests.

A LIQUID INVESTMENT

Although not legally required to do so, the Sponsors have maintained a secondary market for Defined Asset Funds for over 20 years. You can cash in your units at any time. Your price is based on the market value of the bonds in the Fund's portfolio at that time as determined by an independent evaluator. Or, you can exchange your investment for another Defined Fund at a reduced sales charge. There is never a fee for cashing in your investment.

PRINCIPAL DISTRIBUTIONS

Principal from sales, redemptions and maturities of bonds in the Fund is distributed to investors periodically.

RISK FACTORS

Unit price fluctuates and is affected by interest rates as well as the financial condition of the issuers and insurers of the bonds.

This page may not be distributed unless included in a current prospectus. Investors should refer to the prospectus for further information.

TAX-FREE VS. TAXABLE INCOME

A COMPARISON OF TAXABLE AND TAX-FREE YIELDS

FOR CALIFORNIA RESIDENTS

<TABLE><CAPTION>

TAXABLE INCOME 1994*		COMBINED EFFECTIVE TAX RATE %	A TAX-FREE YIELD OF						
SINGLE RETURN	JOINT RETURN		3%	3.5%	4%	4.5%	5%	5.5%	6%
			IS EQUIVALENT TO A TAXABLE YIELD OF						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	$0-36,900	20.10	3.75	4.38	5.01	5.63	6.26	6.88	7.51
$0-22,100		20.10	3.75	4.38	5.01	5.63	6.26	6.88	7.51
	$36,900-89,150	34.70	4.59	5.36	6.13	6.89	7.66	8.42	9.19
$22,100-53,500		34.70	4.59	5.36	6.13	6.89	7.66	8.42	9.19
	$89,150-140,000	38.59	4.89	5.70	6.51	7.33	8.14	8.96	9.77
$53,500-115,000		38.59	4.89	5.70	6.51	7.33	8.14	8.96	9.77
	$140,000-250,000	43.04	5.27	6.14	7.02	7.90	8.78	9.66	10.53

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$115,000-250,000		43.04	5.27	6.14	7.02	7.90	8.78	9.66	10.53
	OVER $250,000	46.24	5.58	6.51	7.44	8.37	9.30	10.23	11.16
OVER $250,000		46.24	5.58	6.51	7.44	8.37	9.30	10.23	11.16

<CAPTION>
TAXABLE INCOME 1994*

SINGLE RETURN	6.5%	7%
<S>	<C>	<C>
	8.14	8.76
$0-22,100	8.14	8.76
	9.95	10.72
$22,100-53,500	9.95	10.72
	10.58	11.40
$53,500-115,000	10.58	11.40
	11.41	12.29
$115,000-250,000	11.41	12.29
	12.09	13.02
OVER $250,000	12.09	13.02

</TABLE>

FOR FLORIDA RESIDENTS

<TABLE><CAPTION>
TAXABLE INCOME 1994*

SINGLE RETURN	JOINT RETURN	EFFECTIVE TAX RATE %	3%	3.5%	4%	4.5%	5%	5.5%	6%
		TAX-FREE YIELD OF				IS EQUIVALENT TO A TAXABLE YIELD OF			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	$0-36,900	15.00	3.53	4.12	4.71	5.29	5.88	6.47	7.06
$0-22,100		15.00	3.53	4.12	4.71	5.29	5.88	6.47	7.06
	$36,900-89,150	28.00	4.17	4.86	5.56	6.25	6.94	7.64	8.33
$22,100-53,500		28.00	4.17	4.86	5.56	6.25	6.94	7.64	8.33
	$89,150-140,000	31.00	4.35	5.07	5.80	6.52	7.25	7.97	8.70
$53,500-115,000		31.00	4.35	5.07	5.80	6.52	7.25	7.97	8.70
	$140,000-250,000	36.00	4.69	5.47	6.25	7.03	7.81	8.59	9.38
$115,000-250,000		36.00	4.69	5.47	6.25	7.03	7.81	8.59	9.38
	OVER $250,000	39.60	4.97	5.79	6.62	7.45	8.28	9.11	9.93
OVER $250,000		39.60	4.97	5.79	6.62	7.45	8.28	9.11	9.93

<CAPTION>
TAXABLE INCOME 1994*

SINGLE RETURN	6.5%	7%
<S>	<C>	<C>
	7.65	8.24
$0-22,100	7.65	8.24
	9.03	9.72
$22,100-53,500	9.03	9.72
	9.42	10.14

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$53,500-115,000	9.42	10.14
	10.16	10.94
$115,000-250,000	10.16	10.94
	10.76	11.59
OVER $250,000	10.76	11.59

</TABLE>

FOR NEW JERSEY RESIDENTS

<TABLE><CAPTION>

TAXABLE INCOME 1994*		COMBINED EFFECTIVE TAX RATE	TAX-FREE YIELD OF %						
SINGLE RETURN	JOINT RETURN		3%	3.5%	4%	4.5%	5%	5.5%	6%
			IS EQUIVALENT TO A TAXABLE YIELD OF						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	$0-36,900	17.02	3.62	4.22	4.82	5.42	6.03	6.63	7.23
$0-22,100		17.02	3.62	4.22	4.82	5.42	6.03	6.63	7.23
	$36,900-89,150	32.45	4.44	5.18	5.92	6.66	7.40	8.14	8.88
$22,100-53,500		32.45	4.44	5.18	5.92	6.66	7.40	8.14	8.88
	$89,150-140,000	35.59	4.66	5.43	6.21	6.99	7.76	8.54	9.32
$53,500-115,000		35.59	4.66	5.43	6.21	6.99	7.76	8.54	9.32
	$140,000-250,000	40.26	5.02	5.86	6.70	7.53	8.37	9.21	10.04
$115,000-250,000		40.26	5.02	5.86	6.70	7.53	8.37	9.21	10.04
	OVER $250,000	43.62	5.32	6.21	7.09	7.98	8.87	9.75	10.64
OVER $250,000		43.62	5.32	6.21	7.09	7.98	8.87	9.75	10.64

TAXABLE INCOME 1994*

SINGLE RETURN	6.5%	7%
<S>	<C>	<C>
	7.83	8.44
$0-22,100	7.83	8.44
	9.62	10.36
$22,100-53,500	9.62	10.36
	10.09	10.87
$53,500-115,000	10.09	10.87
	10.88	11.72
$115,000-250,000	10.88	11.72
	11.53	12.42
OVER $250,000	11.53	12.42

</TABLE>

To compare the yield of a taxable security with the yield of a tax-free security find your taxable income and read across. These tables incorporate current Federal and applicable State income tax rates and assume that all income would otherwise be taxable at the investor's highest tax rates. Yield figures are for example only.

Legislation has recently been enacted that would increase rates for certain individuals, thereby increasing the tax-free equivalent yield.

*Based upon net amount subject to Federal income tax after deductions and exemptions. These tables do not reflect other possible tax factors such as the alternative minimum tax, personal exemptions, the phase out of exemptions, itemized deductions and the possible partial disallowance of deductions. Consequently, holders are urged to consult their own tax advisers in this

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regard.

FOR NEW YORK CITY RESIDENTS

TAXABLE INCOME 1994*		COMBINED EFFECTIVE TAX RATE %	TAX-FREE YIELD OF 3%	3.5%	4%	4.5%	5%	5.5%	6%	6.5%	7%
SINGLE RETURN	JOINT RETURN		IS EQUIVALENT TO A TAXABLE YIELD OF								
	$0-36,900	25.33	4.02	4.69	5.36	6.03	6.70	7.37	8.04	8.71	9.37
$0-22,100		25.33	4.02	4.69	5.36	6.03	6.70	7.37	8.04	8.71	9.37
	$36,900-89,150	36.84	4.75	5.54	6.33	7.12	7.92	8.71	9.50	10.29	11.08
$22,100-53,500		36.84	4.75	5.54	6.33	7.12	7.92	8.71	9.50	10.29	11.08
	$89,150-140,000	39.51	4.96	5.79	6.61	7.44	8.27	9.09	9.92	10.75	11.57
$53,500-115,000		39.51	4.96	5.79	6.61	7.44	8.27	9.09	9.92	10.75	11.57
	$140,000-250,000	43.89	5.35	6.24	7.13	8.02	8.91	9.80	10.69	11.59	12.48
$115,000-250,000		43.89	5.35	6.24	7.13	8.02	8.91	9.80	10.69	11.59	12.48
	OVER $250,000	47.05	5.67	6.61	7.55	8.50	9.44	10.39	11.33	12.28	13.22
OVER $250,000		47.05	5.67	6.61	7.55	8.50	9.44	10.39	11.33	12.28	13.22

FOR NEW YORK STATE RESIDENTS

TAXABLE INCOME 1994*		COMBINED EFFECTIVE TAX RATE %	TAX-FREE YIELD OF 3%	3.5%	4%	4.5%	5%	5.5%	6%
SINGLE RETURN	JOINT RETURN		IS EQUIVALENT TO A TAXABLE YIELD OF						
	$0-36,900	21.69	3.83	4.47	5.11	5.75	6.39	7.02	7.66
$0-22,100		21.69	3.83	4.47	5.11	5.75	6.39	7.02	7.66
	$36,900-89,150	33.67	4.52	5.28	6.03	6.78	7.54	8.29	9.05
$22,100-53,500		33.67	4.52	5.28	6.03	6.78	7.54	8.29	9.05
	$89,150-140,000	36.43	4.72	5.51	6.29	7.08	7.87	8.65	9.44

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$53,500-115,000		36.43	4.72	5.51	6.29	7.08	7.87	8.65	9.44
	$140,000-250,000	41.04	5.09	5.94	6.78	7.63	8.48	9.33	10.18
$115,000-250,000		41.04	5.09	5.94	6.78	7.63	8.48	9.33	10.18
	OVER $250,000	44.36	5.39	6.29	7.19	8.09	8.99	9.88	10.78
OVER $250,000		44.36	5.39	6.29	7.19	8.09	8.99	9.88	10.78

TAXABLE INCOME 1994*

SINGLE RETURN	6.5%	7%
<S>	<C>	<C>
	8.30	8.94
$0-22,100	8.30	8.94
	9.80	10.55
$22,100-53,500	9.80	10.55
	10.23	11.01
$53,500-115,000	10.23	11.01
	11.02	11.87
$115,000-250,000	11.02	11.87
	11.68	12.58
OVER $250,000	11.68	12.58

</TABLE>

FOR PENNSYLVANIA RESIDENTS

<TABLE><CAPTION>

TAXABLE INCOME 1994*		COMBINED EFFECTIVE TAX RATE %	TAX-FREE YIELD OF						
SINGLE RETURN	JOINT RETURN		3%	3.5%	4%	4.5%	5%	5.5%	6%
			IS EQUIVALENT TO A TAXABLE YIELD OF						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	$0-36,900	17.38	3.63	4.24	4.84	5.45	6.05	6.66	7.26
$0-22,100		17.38	3.63	4.24	4.84	5.45	6.05	6.66	7.26
	$36,900-89,150	30.02	4.29	5.00	5.72	6.43	7.14	7.86	8.57
$22,100-53,500		30.02	4.29	5.00	5.72	6.43	7.14	7.86	8.57
	$89,150-140,000	32.93	4.47	5.22	5.96	6.71	7.46	8.20	8.95
$53,500-115,000		32.93	4.47	5.22	5.96	6.71	7.46	8.20	8.95
	$140,000-250,000	37.79	4.82	5.63	6.43	7.23	8.04	8.84	9.65
$115,000-250,000		37.79	4.82	5.63	6.43	7.23	8.04	8.84	9.65
	OVER $250,000	41.29	5.11	5.96	6.81	7.66	8.52	9.37	10.22
OVER $250,000		41.29	5.11	5.96	6.81	7.66	8.52	9.37	10.22

TAXABLE INCOME 1994*

SINGLE RETURN	6.5%	7%
<S>	<C>	<C>
	7.87	8.47
$0-22,100	7.87	8.47
	9.29	10.00
$22,100-53,500	9.29	10.00
	9.69	10.44

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$53,500-115,000	9.69	10.44
	10.45	11.25
$115,000-250,000	10.45	11.25
	11.07	11.92
OVER $250,000	11.07	11.92

</TABLE>

To compare the yield of a taxable security with the yield of a tax-free security find your taxable income and read across. These tables incorporate current Federal and applicable State (and City) income tax rates and assume that all income would otherwise be taxable at the investor's highest tax rates. Yield figures are for example only.

Legislation has recently been enacted that would increase rates for certain individuals, thereby increasing the tax-free equivalent yield.

*Based upon net amount subject to Federal income tax after deductions and exemptions. These tables do not reflect other possible tax factors such as the alternative minimum tax, personal exemptions, the phase out of exemptions, itemized deductions and the possible partial disallowance of deductions. Consequently, holders are urged to consult their own tax advisers in this regard.

MUNICIPAL INVESTMENT TRUST FUND
MULTISTATE SERIES
DEFINED ASSET FUNDS

I want to learn more about automatic reinvestment in the Investment Accumulation Program. Please send me information about participation in the Municipal Fund Accumulation Program, Inc. and a current Prospectus.

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My address (please print):

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City, State, Zip Code ____

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(Fold along this line.)

INVESTMENT SUMMARY FOR EACH TRUST AS OF AUGUST 23, 1994 (CONTINUED)

RECORD DAY
The 10th day of each month

DISTRIBUTION DAY
The 25th day of each month

MINIMUM CAPITAL DISTRIBUTION
No distribution need be made from Capital Account of any Trust if balance is less than $5.00 per Unit outstanding.

EVALUATION TIME
3:30 P.M. New York Time

ANNUAL PORTFOLIO SUPERVISION FEE(a)
Maximum of $0.35 per $1,000 face amount of underlying Debt Obligations (see Income and Distributions--Fund Expenses)

EVALUATOR'S FEE FOR EACH PORTFOLIO
Minimum of $5.00 (see Income and Distributions--Fund Expenses)

MANDATORY TERMINATION DATE
Each Trust must be terminated no later than one year after the maturity

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date of the last maturing Debt Obligation listed under its Portfolio (see Portfolios).

MINIMUM VALUE OF TRUSTS

Any Trust may be terminated if its value is less than 40% of the Face Amount of Securities in the Portfolio on the date of their deposit.

OBJECTIVE--To provide tax-exempt interest income through investment in fixed-income long-term debt obligations issued by or on behalf of the States for which the Trusts are named and political subdivisions and public authorities thereof or certain United States territories or possessions. There is no assurance that this objective will be met because it is subject to the continuing ability of issuers of the Debt Obligations held by the Trusts to meet their principal and interest requirements. Furthermore, the market value of the underlying Debt Obligations, and therefore the value of the Units, will fluctuate with changes in interest rates and other factors.

RISK FACTORS--Investment in a Trust should be made with an understanding that the value of the underlying Portfolio may decline with increases in interest rates. In recent years there have been wide fluctuations in interest rates and thus in the value of fixed-rate long-term debt obligations generally. The Sponsors cannot predict whether these fluctuations will continue in the future. The Securities are generally not listed on a national securities exchange. Whether or not the Securities are listed, the principal trading market for the Securities will generally be in the over-the-counter market. As a result, the existence of a liquid trading market for the Securities may depend on whether dealers will make a market in the Securities. There can be no assurance that a market will be made for any of the Securities, that any market for the Securities will be maintained or of the liquidity of the Securities in any markets made. In addition, the Fund may be restricted under the Investment Company Act of 1940 from selling Securities to any Sponsor. The price at which the Securities may be sold to meet redemptions and the value of Trust Units will be adversely affected if trading markets for the Securities are limited or absent.

PUBLIC OFFERING PRICE--During the initial offering period and any offering of additional units the Public Offering Price of the Units of a Trust is based on the aggregate offer side evaluation of the underlying Securities in the Trust (the price at which they could be directly purchased by the public assuming they were available) divided by the number of Units of the Trust outstanding plus the applicable sales charge. (b) For secondary market sales charges see Appendix B. Units are offered at the Public Offering Price computed as of the Evaluation Time for all sales made subsequent to the previous evaluation, plus cash per unit in the Capital Account not allocated to the purchase of specific Securities and net interest accrued. The Public Offering Price on the Initial Date of Deposit and subsequent dates will vary from the Public Offering Prices set forth on pages A-3 and A-5. (See How To Buy; How To Sell.)

ESTIMATED CURRENT RETURN; ESTIMATED LONG TERM RETURN--Estimated Current Return on a Unit of the Trust shows the return based on the Initial Public Offering Price and the maximum applicable sales charge and is computed by multiplying the estimated net annual interest rate per Unit (which shows the return per Unit based on $1,000 face amount per Unit) by $1,000 and dividing the result by the Public Offering Price per Unit (not including accrued interest). Estimated Long Term Return on a Unit of the Trust shows a net annual long-term return to investors holding to maturity based on the individual Debt Obligations in the Portfolio weighted to reflect the time to maturity (or in certain cases to an earlier call date) and market value of each Debt Obligation in the Portfolio, adjusted to reflect the Public Offering Price (including the maximum applicable sales charge) and estimated expenses. The net annual interest rate per Unit and the net annual long-term return to investors will vary with changes in the fees and expenses of the Trustee and Sponsors and the fees of the Evaluator which are paid by the Fund, and with the exchange, redemption, sale, prepayment or maturity of the underlying Securities; the Public Offering Price will vary with any reduction in sales charges paid in the case of purchases of 250 or more Units, as well as with fluctuations in the offer side evaluation of the underlying Securities. Therefore, it can be expected that the Estimated Current Return and Estimated Long Term Return will fluctuate in the future (see Income and Distributions--Returns).

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

(a) In addition to this amount, the Sponsors may be reimbursed for bookkeeping or other administrative expenses not exceeding their actual costs, currently at a maximum annual rate of $0.10 per Unit.

(b) The sales charge during the initial offering period and in the secondary market will be reduced on a graduated scale in the case of purchases of 250 or more Units (see Appendix B).

MONTHLY DISTRIBUTIONS--Monthly distributions of interest and any principal or premium received by a Trust will be made in cash on or shortly after the 25th

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day of each month to Holders of record of Units of the Trust on the 10th day of such month commencing with the first distribution on the date indicated above (see Income and Distributions). Alternatively, Holders may elect to have their monthly distributions reinvested in the Municipal Fund Accumulation Program, Inc. Further information about the program, including a current prospectus, may be obtained by returning the enclosed form (see Income and Distributions--Investment Accumulation Program).

TAXATION--In the opinion of special counsel to the Sponsors, each Holder of Units of a Trust will be considered to have received the interest on his pro rata portion of each Debt Obligation in the Trust when interest on the Debt Obligation is received by the Trust. In the opinion of bond counsel rendered on the date of issuance of the Debt Obligation, this interest is exempt under existing law from regular Federal income tax and exempt from certain state and local personal income taxes of the State for which the Trust is named (except in certain circumstances depending on the Holder), but may be subject to other state and local taxes. Any gain on the disposition of a Holder's pro rata portion of a Debt Obligation will be subject to tax. (See Taxes.)

MARKET FOR UNITS--The Sponsors, though not obligated to do so, intend to maintain a secondary market for Units based on the aggregate bid side evaluation of the underlying Securities. If this market is not maintained a Holder will be able to dispose of his Units through redemption at prices also based on the aggregate bid side evaluation of the underlying Securities. There is no fee for selling Units. Market conditions may cause the prices available in the market maintained by the Sponsors or available upon exercise of redemption rights to be more or less than the total of the amount paid for Units plus accrued interest. (See How To Buy; How To Sell.)

UNDERWRITING ACCOUNT

The names and addresses of the Underwriters and their several interests in the Underwriting Account are:

Underwriter	Address	Interest
Merrill Lynch, Pierce, Fenner & Smith Incorporated	P.O. Box 9051, Princeton, N.J. 08543-9051	59.74%
Smith Barney Inc.	Two World Trade Center--101st Floor, New York, N.Y. 10048	4.93
PaineWebber Incorporated	1285 Avenue of the Americas, New York, N.Y. 10019	14.29
Prudential Securities Incorporated	One Seaport Plaza--199 Water Street, New York, N.Y. 10292	11.69
Dean Witter Reynolds Inc.	Two World Trade Center--59th Floor, New York, N.Y. 10048	9.35
		100.00%

INVESTMENT SUMMARY AS OF AUGUST 23, 1994 (CONTINUED)

FEE TABLE

THIS FEE TABLE IS INTENDED TO ASSIST INVESTORS IN UNDERSTANDING THE COSTS AND EXPENSES THAT AN INVESTOR IN A TRUST WILL BEAR DIRECTLY OR INDIRECTLY. SEE HOW TO BUY AND INCOME AND DISTRIBUTIONS--FUND EXPENSES. ALTHOUGH A TRUST IS A UNIT INVESTMENT TRUST RATHER THAN A MUTUAL FUND, THIS INFORMATION IS PRESENTED TO PERMIT A COMPARISON OF FEES.

UNITHOLDER TRANSACTION EXPENSES	
Maximum Sales Charge Imposed on Purchases during the Initial Offering Period (as a percentage of Public Offering Price)	4.50%
Maximum Sales Charge Imposed on Purchases during the Secondary Offering Period (as a percentage of Public Offering Price)	5.50%

ESTIMATED ANNUAL FUND OPERATING EXPENSES
(AS A PERCENTAGE OF AVERAGE NET ASSETS1)

	CALIFORNIA TRUST	FLORIDA TRUST	NEW JERSEY TRUST	NEW YORK TRUST
Trustee's Fee	.077%	.076%	.073%	.075%
Portfolio Supervision, Bookkeeping and Administrative Fees	.049%	.049%	.047%	.048%
Other Operating Expenses	.097%	.099%	.114%	.092%
Total	.223%	.224%	.234%	.215%

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<CAPTION>
ESTIMATED ANNUAL FUND OPERATING EXPENSES
(AS A PERCENTAGE OF AVERAGE NET ASSETS1)

	PENNSYLVANIA TRUST
Trustee's Fee	.077%
Portfolio Supervision, Bookkeeping and Administrative Fees	.050%
Other Operating Expenses	.101%
Total	.228%

</TABLE>

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

1Based on the mean of the bid and offer side evaluations; these figures may differ from those set forth as estimated annual expenses per unit expressed as a percentage on page A-3.

EXAMPLE

An investor would pay the following expenses on a $1,000 investment, assuming the Trust's estimated operating expense ratio as described in parentheses below and a 5% annual return on the investment throughout the periods:

	CUMULATIVE EXPENSES PAID FOR PERIOD OF:		
	1 YEAR	3 YEARS	5 YEARS
California Trust (.223%)	$ 47	$ 52	$ 57
Florida Trust (.224%)	47	52	57
New Jersey Trust (.234%)	47	52	58
New York Trust (.215%)	47	52	57
Pennsylvania (.228%)	47	52	57

<CAPTION>
EXAMPLE

An investor would pay the following expenses on a $1,000 investment, assuming the Trust's estimated operating expense ratio as described in parentheses below and a 5% annual return on the investment throughout the periods:

	10 YEARS
California Trust (.223%)	$ 72
Florida Trust (.224%)	72
New Jersey Trust (.234%)	73
New York Trust (.215%)	71
Pennsylvania (.228%)	73

</TABLE>

The Example assumes reinvestment of all distributions into additional Units of a Trust (a reinvestment option different from that offered by this Fund--see Income and Distributions--Investment Accumulation Program) and utilizes a 5% annual rate of return as mandated by Securities and Exchange Commission regulations applicable to mutual funds. Cumulative expenses above reflect both sales charges and operating expenses on an increasing investment (because the net annual return is reinvested). In addition to the charges described above, a Holder selling or redeeming his Units in the secondary market (before a Trust terminates) will receive a price based on the then-current bid side evaluation of the underlying securities. The difference between this bid side evaluation and the offer side evaluation (the basis for the Public Offering Price), as of the day before the Initial Date of Deposit, is $4.00 per Unit for each Trust. Of course, this difference may change over time. The Example should not be considered a representation of past or future expenses or annual rate of return; the actual expenses and annual rate of return may be more or less than those assumed for purposes of the Example.

REPORT OF INDEPENDENT ACCOUNTANTS

The Sponsors, Trustee and Holders of Municipal Investment Trust Fund, Multistate Series - 70, Defined Asset Funds (California, Florida, New Jersey, New York and Pennsylvania Trusts):

We have audited the accompanying statements of condition, including the

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portfolios, of Municipal Investment Trust Fund, Multistate Series - 70, Defined Asset Funds (California, Florida, New Jersey, New York and Pennsylvania Trusts) as of August 24, 1994. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The deposit on August 24, 1994 of an irrevocable letter or letters of credit for the purchase of securities, as described in the statements of condition, was confirmed to us by The Chase Manhattan Bank, N.A., the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Investment Trust Fund, Multistate Series - 70, Defined Asset Funds (California, Florida, New Jersey, New York and Pennsylvania Trusts) at August 24, 1994 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
New York, N.Y.
August 24, 1994

MUNICIPAL INVESTMENT TRUST FUND
MULTISTATE SERIES - 70
DEFINED ASSET FUNDS
STATEMENTS OF CONDITION AS OF INITIAL DATE OF DEPOSIT, AUGUST 24, 1994

	CALIFORNIA TRUST	FLORIDA TRUST	NEW JERSEY TRUST
FUND PROPERTY			
Investment in Debt Obligations(1)			
Contracts to purchase Debt Obligations	$ 3,655,884.00	$ 3,687,347.00	$ 3,112,086.00
Accrued interest to Initial Date of Deposit on underlying Debt Obligations	39,733.19	55,659.02	44,408.17
Total	$ 3,695,617.19	$ 3,743,006.02	$ 3,156,494.17
LIABILITY AND INTEREST OF HOLDERS			
Liability--Accrued interest to Initial Date of Deposit on underlying Debt Obligations(2)	$ 39,733.19	$ 55,659.02	$ 44,408.17
Interest of Holders--			
Units of fractional undivided interest outstanding (California Trust--4,000; Florida Trust--4,000; New Jersey Trust--3,250)			
Cost to investors(3)	$ 3,828,164.00	$ 3,861,067.00	$ 3,258,758.50
Gross underwriting commissions(4)	(172,280.00)	(173,720.00)	(146,672.50)
Net amount applicable to investors	3,655,884.00	3,687,347.00	3,112,086.00
Total	$ 3,695,617.19	$ 3,743,006.02	$ 3,156,494.17

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

(1) Aggregate cost to each Trust of the Debt Obligations is based on the offer side evaluation determined by the Evaluator at the Evaluation Time on the business day prior to the Initial Date of Deposit as set forth under How To Buy. See also the column headed Cost of Debt Obligations to Trust under Portfolios. An irrevocable letter or letters of credit in the aggregate amount of $17,913,662.53 has been deposited with the Trustee. The amount of such letter or letters of credit includes $17,671,055.80 (equal to the aggregate purchase price to the Sponsors) for the purchase of $19,250,000

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face amount of Debt Obligations in connection with contracts to purchase Debt Obligations, plus $242,606.73 covering accrued interest thereon to the earlier of the date of settlement for the purchase of Units or the date of delivery of the Debt Obligations. The letter or letters of credit has been issued by The Sakura Bank, Limited, New York Branch.

MUNICIPAL INVESTMENT TRUST FUND
MULTISTATE SERIES - 70
DEFINED ASSET FUNDS
STATEMENTS OF CONDITION AS OF INITIAL DATE OF DEPOSIT, AUGUST 24, 1994

	NEW YORK TRUST	PENNSYLVANIA TRUST
FUND PROPERTY		
Investment in Debt Obligations(1)		
Contracts to purchase Debt Obligations.........	$ 3,755,420.60	$ 3,638,170.00
Accrued interest to Initial Date of Deposit on underlying Debt Obligations..................	36,152.53	48,970.00
Total..............	$ 3,791,573.13	$ 3,687,140.00
LIABILITY AND INTEREST OF HOLDERS		
Liability--Accrued interest to Initial Date of Deposit on underlying Debt Obligations(2)................	$ 36,152.53	$ 48,970.00
Interest of Holders--		
Units of fractional undivided interest outstanding (New York Trust--4,000; Pennsylvania Trust--4,000)		
Cost to investors(3).......	$ 3,932,340.60	$ 3,809,610.00
Gross underwriting commissions(4)............	(176,920.00)	(171,440.00)
Net amount applicable to investors..................	3,755,420.60	3,638,170.00
Total..............	$ 3,791,573.13	$ 3,687,140.00

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

(2) Representing, as set forth under How To Buy--Accrued Interest, a special distribution by the Trustee of an amount equal to accrued interest on the Debt Obligations as of the Initial Date of Deposit.

(3) Aggregate public offering price (exclusive of interest) computed on the basis of the offer side evaluation of the underlying Debt Obligations as of the Evaluation Time on the Business Day prior to the Initial Date of Deposit.

(4) Assumes sales charge of 4.50% on all Units computed on the basis set forth under How To Buy.

MUNICIPAL INVESTMENT TRUST FUND, MULTISTATE SERIES - 70
ON THE INITIAL DATE OF DEPOSIT,
DEFINED ASSET FUNDS
AUGUST 24, 1994
PORTFOLIO OF THE CALIFORNIA TRUST (INSURED)

<TABLE><CAPTION>

<S>	PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR <C>	RATINGS OF ISSUES (1) <C>	FACE AMOUNT <C>	COUPON <C>	MATURITIES <C>	OPTIONAL REFUNDING REDEMPTIONS (2) <C>
1.	California Hlth. Fac. Fin. Auth. (Kaiser Permanente Med. Care Program) (AMBAC Ins.)	AAA	$ 600,000	5.55%	8/15/25	2/15/02 @ 101
2.	California Statewide Communities Dev. Auth., Cert. of Part., Sharp Healthcare Oblig. Group (MBIA Ins.)	AAA	600,000	6.00	8/15/24	8/15/04 @102
3.	Azusa Pub. Fin. Auth., CA, Rev. Bonds, Ser.	AAA	500,000	5.50	7/1/20	7/1/03 @ 102

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	Description	Rating	Principal	Coupon	Maturity	Optional Refunding Redemptions
	1993 A (City of Azusa Wtr. Sys. Acquisition Proj.) (Financial Guaranty Ins.)					
4.	The Community Redev. Agy. of The City of Los Angeles, CA, Hollywood Redev. Proj., Tax Alloc. Bonds, Ser. B (MBIA Ins.)	AAA	600,000	6.00	7/1/17	7/1/02 @ 102
5.	Department of Wtr. and Pwr. of The City of Los Angeles, CA, Elec. Plant Rev. Bonds, Second Issue of 1992 (MBIA Ins.)	AAA	600,000	6.00	8/15/32	8/15/02 @ 102
6.	Yorba Linda Redev. Agy., CA, Yorba Linda Redev. Proj., 1993 Tax Alloc. Ser. A (MBIA Ins.)	AAA	500,000	5.25	9/1/23	9/1/03 @ 102
7.	Foothill-DeAnza Community College Dist., CA, Cert. of Part., 1993 Rfdg. Proj. (Connie Lee Ins.)	AAA	600,000	5.25	9/1/21	9/1/03 @ 102
			$ 4,000,000			

<CAPTION>

	SINKING FUND REDEMPTIONS (2)	COST OF DEBT OBLIGATIONS TO TRUST (3)	YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3)
1.	--	$ 531,618.00	6.40%
2.	8/15/21	579,780.00	6.25
3.	7/1/14	449,230.00	6.30
4.	7/1/12	581,820.00	6.25
5.	8/15/13	574,122.00	6.30
6.	9/1/20	427,490.00	6.35
7.	9/1/14	511,824.00	6.40
		$ 3,655,884.00	

</TABLE>

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NOTES

(1) All ratings are by Standard & Poor's. Any rating followed by '*' is subject to submission and review of final documentation. Any rating followed by a 'p' is provisional and assumes the successful completion of the project being financed. (See Appendix A.)

(2) Debt Obligations are first subject to optional redemption (which may be exercised in whole or in part) on the dates and at the prices indicated under the Optional Refunding Redemptions column in the table. In subsequent years Debt Obligations are redeemable at declining prices, but typically not below par value. Some issues may be subject to sinking fund redemption or extraordinary redemption without premium prior to the dates shown.

Certain Debt Obligations may provide for redemption at par prior or in addition to any optional or mandatory redemption dates or maturity, for example, if proceeds are not able to be used as contemplated, if the project is sold by the owner, if the project is condemned or sold, if the project is destroyed and insurance proceeds are used to redeem the Debt Obligations, if interest on the Debt Obligations becomes subject to taxation, if any related credit support expires prior to maturity and is not renewed or substitute credit support not obtained, if, in the case of housing obligations, mortgages are prepaid, or in other special circumstances.

Sinking fund redemptions are all at par and generally redeem only part of an issue. Some of the Debt Obligations have mandatory sinking funds which contain optional provisions permitting the issuer to increase the principal amount of Debt Obligations called on a mandatory redemption date. The sinking fund redemptions with optional provisions may, and optional refunding redemptions generally will, occur at times when the redeemed Debt Obligations have an offer side evaluation which represents a premium over par. To the extent that the Debt Obligations were deposited in the Trust at a price higher than the redemption price, this will represent a loss of capital when compared with the original Public Offering Price of the Units. Monthly distributions will generally be reduced by the amount of the income which would otherwise have been paid with respect to redeemed Debt Obligations and there will be distributed to Holders any principal amount and premium received on such redemption after satisfying any redemption

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requests received by the Trust. The current return and long term return in this event may be affected by redemptions. The tax effect on Holders of redemptions and related distributions is described under Taxes.

(3) Evaluation of Debt Obligations by the Evaluator is made on the basis of current offer side evaluation. The offering side evaluation is greater than the current bid side evaluation of the Debt Obligations, which is the basis on which Redemption Price per Unit is determined (see How To Sell). The aggregate value based on the bid side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit was $3,639,884.00, which is $16,000.00 (.40% of the aggregate face amount) lower than the aggregate Cost of Debt Obligations to Trust based on the offer side evaluation.
Yield to Maturity on the Initial Date of Deposit of Debt Obligations was computed on the basis of the offer side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit. Percentages in this column represent Yield to Maturity on Initial Date of Deposit unless followed by '+' which indicates yield to an earlier redemption date. (See Income and Distributions--Returns for a description of the computation of yield price.)

All Debt Obligations are represented entirely by contracts to purchase such Debt Obligations, which were entered into by the Sponsors on August 23, 1994. All contracts are expected to be settled by the initial settlement date for purchase of Units.

All the Debt Obligations have been insured or guaranteed to maturity by the indicated insurance company (see Risk Factors--Obligations Backed by Insurance).

\+ See Footnote (3).

MUNICIPAL INVESTMENT TRUST FUND, MULTISTATE SERIES - 70
ON THE INITIAL DATE OF DEPOSIT,

DEFINED ASSET FUNDS
AUGUST 24, 1994

PORTFOLIO OF THE FLORIDA TRUST (INSURED)

<TABLE><CAPTION>

	PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR	RATINGS OF ISSUES (1)	FACE AMOUNT	COUPON	MATURITIES	OPTIONAL REFUNDING REDEMPTIONS (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1.	State of Florida, Orlando-Orange Cnty. Expressway Auth., Sr. Lien Rev. Rfdg. Bonds, Ser. 1993 (Financial Guaranty Ins.)	AAA	$ 500,000	5.25%	7/1/23	7/1/03 @ 102
2.	State of Florida, St. Bd. of Educ., Pub. Educ. Cap. Outlay Bonds, 1994 Ser. A (MBIA Ins.)	AAA	600,000	6.10	6/1/24	6/1/04 @ 101
3.	South Broward Hosp. Dist., FL, Hosp. Rev. and Rfdg. Rev. Bonds, Ser. 1993 (AMBAC Ins.)	AAA	650,000	5.50	5/1/28	5/1/03 @ 102
4.	Miami Sports and Exhibition Auth., Spec. Oblig. Rfdg. Bonds, Ser. 1992 A (Financial Guaranty Ins.)	AAA	600,000	6.15	10/1/20	10/1/02 @ 102
5.	City of Port Orange, FL, Wtr. and Swr. Rfdg. Jun. Lien Rev. Bonds, Ser. 1993 (AMBAC Ins.)	AAA	600,000	5.25	10/1/21	10/1/03 @ 101
6.	City of Tampa, FL, Allegany Hlth. Sys. Rev. Bonds, St. Joseph's Hosp., Inc. Iss., Ser. 1993 (MBIA Ins.)	AAA	600,000	5.125	12/1/23	12/1/03 @ 102
7.	City of Titusville, FL, Wtr. and Swr. Rev. Bonds, Ser. 1994 (MBIA Ins.)	AAA	450,000	6.00	10/1/24	10/1/04 @ 102
			$ 4,000,000			

<CAPTION>

	SINKING FUND REDEMPTIONS (2)	COST OF DEBT OBLIGATIONS TO TRUST (3)	YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3)
<S>	<C>	<C>	<C>
1.	7/1/19	$ 433,505.00	6.250%
2.	6/1/20	600,000.00	6.099
3.	5/1/23	581,743.50	6.250
4.	10/1/10	600,000.00	6.149
5.	10/1/13	522,060.00	6.250
6.	12/1/13	506,244.00	6.300

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7.	10/1/15	443,794.50	6.100
		$ 3,687,347.00	

</TABLE>

NOTES

(1) All ratings are by Standard & Poor's. Any rating followed by '*' is subject to submission and review of final documentation. Any rating followed by a 'p' is provisional and assumes the successful completion of the project being financed. (See Appendix A.)

(2) Debt Obligations are first subject to optional redemption (which may be exercised in whole or in part) on the dates and at the prices indicated under the Optional Refunding Redemptions column in the table. In subsequent years Debt Obligations are redeemable at declining prices, but typically not below par value. Some issues may be subject to sinking fund redemption or extraordinary redemption without premium prior to the dates shown.

Certain Debt Obligations may provide for redemption at par prior or in addition to any optional or mandatory redemption dates or maturity, for example, if proceeds are not able to be used as contemplated, if the project is sold by the owner, if the project is condemned or sold, if the project is destroyed and insurance proceeds are used to redeem the Debt Obligations, if interest on the Debt Obligations becomes subject to taxation, if any related credit support expires prior to maturity and is not renewed or substitute credit support not obtained, if, in the case of housing obligations, mortgages are prepaid, or in other special circumstances.

Sinking fund redemptions are all at par and generally redeem only part of an issue. Some of the Debt Obligations have mandatory sinking funds which contain optional provisions permitting the issuer to increase the principal amount of Debt Obligations called on a mandatory redemption date. The sinking fund redemptions with optional provisions may, and optional refunding redemptions generally will, occur at times when the redeemed Debt Obligations have an offer side evaluation which represents a premium over par. To the extent that the Debt Obligations were deposited in the Trust at a price higher than the redemption price, this will represent a loss of capital when compared with the original Public Offering Price of the Units. Monthly distributions will generally be reduced by the amount of the income which would otherwise have been paid with respect to redeemed Debt Obligations and there will be distributed to Holders any principal amount and premium received on such redemption after satisfying any redemption requests received by the Trust. The current return and long term return in this event may be affected by redemptions. The tax effect on Holders of redemptions and related distributions is described under Taxes.

(3) Evaluation of Debt Obligations by the Evaluator is made on the basis of current offer side evaluation. The offering side evaluation is greater than the current bid side evaluation of the Debt Obligations, which is the basis on which Redemption Price per Unit is determined (see How To Sell). The aggregate value based on the bid side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit was $3,671,347.00, which is $16,000.00 (.40% of the aggregate face amount) lower than the aggregate Cost of Debt Obligations to Trust based on the offer side evaluation.
Yield to Maturity on the Initial Date of Deposit of Debt Obligations was computed on the basis of the offer side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit. Percentages in this column represent Yield to Maturity on Initial Date of Deposit unless followed by '+' which indicates yield to an earlier redemption date. (See Income and Distributions--Returns for a description of the computation of yield price.)

All Debt Obligations are represented entirely by contracts to purchase such Debt Obligations, which were entered into by the Sponsors during the period August 22, 1994 to August 23, 1994. All contracts are expected to be settled by the initial settlement date for purchase of Units.

All Debt Obligations have been insured or guaranteed to maturity by the indicated insurance company (see Risk Factors--Obligations Backed by Insurance).

\+ See Footnote (3).

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MUNICIPAL INVESTMENT TRUST FUND, MULTISTATE SERIES - 70
ON THE INITIAL DATE OF DEPOSIT,

DEFINED ASSET FUNDS

AUGUST 24, 1994

PORTFOLIO OF THE NEW JERSEY TRUST (INSURED)

<TABLE><CAPTION>

	PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR	RATINGS OF ISSUES (1)	FACE AMOUNT	COUPON	MATURITIES	OPTIONAL REFUNDING REDEMPTIONS (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1.	New Jersey Econ. Dev. Auth., Rev. Bonds (Rutgers, The State Univ.-Civic Square Proj.), Ser. 1994 (AMBAC Ins.)	AAA	$ 500,000	6.125%	7/1/24	7/1/04 @ 102
2.	New Jersey Educl. Fac. Auth., Rev. Bonds, Jersey City State College Iss., Ser. 1993 H (MBIA Ins.)	AAA	500,000	5.125	7/1/18	7/1/03 @ 102
3.	New Jersey Hlth. Care Fac. Fin. Auth., Rev. Bonds, Jersey Shore Med. Ctr. Oblig. Group Iss., Ser. 1994 (AMBAC Ins.)	AAA	200,000	6.25	7/1/21	7/1/04 @ 102
4.	New Jersey Hlth. Care Fac. Fin. Auth., Rev. Bonds, Monmouth Med. Ctr. Iss., Ser. C (CGIC Ins.)	AAA	200,000	6.25	7/1/16	7/1/04 @ 102
5.	The Essex Cnty. Imp. Auth., NJ, City of Orange Muni., Util., and Lease Rev. Bonds, Ser. 1993 (MBIA Ins.)	AAA	500,000	6.00	12/1/17	12/1/02 @ 102
6.	The Poll. Ctl. Fin. Auth., Salem Cnty., NJ, Poll. Ctl. Rev. Rfdg. Bonds, 1993 Ser. C (Pub. Serv. Elec. and Gas Co. Proj.) (MBIA Ins.)	AAA	500,000	5.55	11/1/33	11/1/03 @ 102
7.	Passaic Valley Sewerage Commissioners, NJ, Swr. Sys. Bonds, Ser. D (AMBAC Ins.)	AAA	500,000	5.875	12/1/22	12/1/02 @ 102
8.	The Township of Lower Muni. Util. Auth., NJ, Rev. Bonds, Rfdg. Ser. 1992 (MBIA Ins.)	AAA	350,000	6.125	12/1/13	12/1/02 @ 101
			$ 3,250,000			

<CAPTION>

	SINKING FUND REDEMPTIONS (2)	COST OF DEBT OBLIGATIONS TO TRUST (3)	YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3)
<S>	<C>	<C>	<C>
1.	7/1/20	$ 498,250.00	6.150%
2.	7/1/09	433,465.00	6.200
3.	7/1/20	200,810.00	6.200+
4.	7/1/10	200,000.00	6.249
5.	12/1/04	493,770.00	6.100
6.	--	448,970.00	6.250
7.	12/1/19	484,875.00	6.100
8.	12/1/08	351,946.00	6.050+
		$ 3,112,086.00	

</TABLE>

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NOTES

(1) All ratings are by Standard & Poor's. Any rating followed by '*' is subject to submission and review of final documentation. Any rating followed by a 'p' is provisional and assumes the successful completion of the project being financed. (See Appendix A.)

(2) Debt Obligations are first subject to optional redemption (which may be exercised in whole or in part) on the dates and at the prices indicated under the Optional Refunding Redemptions column in the table. In subsequent years Debt Obligations are redeemable at declining prices, but typically not below par value. Some issues may be subject to sinking fund redemption or extraordinary redemption without premium prior to the dates shown.

Certain Debt Obligations may provide for redemption at par prior or in addition to any optional or mandatory redemption dates or maturity, for

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example, if proceeds are not able to be used as contemplated, if the project is sold by the owner, if the project is condemned or sold, if the project is destroyed and insurance proceeds are used to redeem the Debt Obligations, if interest on the Debt Obligations becomes subject to taxation, if any related credit support expires prior to maturity and is not renewed or substitute credit support not obtained, if, in the case of housing obligations, mortgages are prepaid, or in other special circumstances.

Sinking fund redemptions are all at par and generally redeem only part of an issue. Some of the Debt Obligations have mandatory sinking funds which contain optional provisions permitting the issuer to increase the principal amount of Debt Obligations called on a mandatory redemption date. The sinking fund redemptions with optional provisions may, and optional refunding redemptions generally will, occur at times when the redeemed Debt Obligations have an offer side evaluation which represents a premium over par. To the extent that the Debt Obligations were deposited in the Trust at a price higher than the redemption price, this will represent a loss of capital when compared with the original Public Offering Price of the Units. Monthly distributions will generally be reduced by the amount of the income which would otherwise have been paid with respect to redeemed Debt Obligations and there will be distributed to Holders any principal amount and premium received on such redemption after satisfying any redemption requests received by the Trust. The current return and long term return in this event may be affected by redemptions. The tax effect on Holders of redemptions and related distributions is described under Taxes.

(3) Evaluation of Debt Obligations by the Evaluator is made on the basis of current offer side evaluation. The offering side evaluation is greater than the current bid side evaluation of the Debt Obligations, which is the basis on which Redemption Price per Unit is determined (see How To Sell). The aggregate value based on the bid side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit was $3,099,086.00, which is $13,000.00 (.40% of the aggregate face amount) lower than the aggregate Cost of Debt Obligations to Trust based on the offer side evaluation.
Yield to Maturity on the Initial Date of Deposit of Debt Obligations was computed on the basis of the offer side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit. Percentages in this column represent Yield to Maturity on Initial Date of Deposit unless followed by '+' which indicates yield to an earlier redemption date. (See Income and Distributions--Returns for a description of the computation of yield price.)

All Debt Obligations are represented entirely by contracts to purchase such Debt Obligations, which were entered into by the Sponsors during the period August 22, 1994 to August 23, 1994. All contracts are expected to be settled by the initial settlement date for purchase of Units.

All Debt Obligations have been insured or guaranteed to maturity by the indicated insurance company (see Risk Factors--Obligations Backed by Insurance).

\+ See Footnote (3).

MUNICIPAL INVESTMENT TRUST FUND, MULTISTATE SERIES - 70
ON THE INITIAL DATE OF DEPOSIT,

DEFINED ASSET FUNDS
AUGUST 24, 1994

PORTFOLIO OF THE NEW YORK TRUST (INSURED)

<TABLE><CAPTION>

	PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR	RATINGS OF ISSUES (1)	FACE AMOUNT	COUPON	MATURITIES	OPTIONAL REFUNDING REDEMPTIONS (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1.	Metropolitan Trans. Auth., NY, Commuter Facilities Rev. Bonds, Ser. 1994 A (MBIA Ins.)	AAA	$ 500,000	6.375%	7/1/18	7/1/04 @ 101.5
2.	New York City Hlth. and Hosp. Corp., NY, Hlth. Sys. Bonds, 1993 Ser. A (AMBAC Ins.)	AAA	600,000	5.75	2/15/22	2/15/03 @ 102
3.	New York City Muni. Wtr. Fin. Auth., NY, Wtr. and Swr. Sys. Rev. Bonds, 1994 Ser. F (MBIA Ins.)	AAA	600,000	5.75	6/15/20	6/15/04 @ 101
4.	New York State Energy Research and Dev. Auth., Poll. Ctl. Rfdg. Rev. Bonds (New York State Elec. & Gas Corp. Proj.), 1994 Ser. A (MBIA Ins.)	AAA	630,000	6.05	4/1/34	4/1/04 @ 102
5.	New York State Med. Care Fac. Fin. Agy., Mental Hlth. Serv. Fac. Imp. Rev. Bonds, 1992 Ser. A (Financial Guaranty Ins.)	AAA	600,000	5.50	8/15/21	2/15/02 @ 100

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6.	New York State Thruway Auth., Gen. Rev. Bonds, Ser. A (Financial Guaranty Ins.)	AAA	470,000	5.50	1/1/23	1/1/02 @ 100
7.	New York State Urban Dev. Corp., Correctional Fac. Rev. Bonds, 1993 Rfdg. Ser. (AMBAC Ins.)	AAA	600,000	5.25	1/1/18	1/1/03 @ 102
			$ 4,000,000			

<CAPTION>

<S>	SINKING FUND REDEMPTIONS (2) <C>	COST OF DEBT OBLIGATIONS TO TRUST (3) <C>	YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3) <C>
1.	7/1/15	$ 509,320.00	6.150%+
2.	2/15/21	564,570.00	6.200
3.	--	565,392.00	6.200
4.	--	611,547.30	6.250
5.	2/15/18	545,292.00	6.200
6.	1/1/20	429,199.30	6.150
7.	1/1/16	530,100.00	6.200
		$ 3,755,420.60	

</TABLE>

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NOTES

(1) All ratings are by Standard & Poor's. Any rating followed by '*' is subject to submission and review of final documentation. Any rating followed by a 'p' is provisional and assumes the successful completion of the project being financed. (See Appendix A.)

(2) Debt Obligations are first subject to optional redemption (which may be exercised in whole or in part) on the dates and at the prices indicated under the Optional Refunding Redemptions column in the table. In subsequent years Debt Obligations are redeemable at declining prices, but typically not below par value. Some issues may be subject to sinking fund redemption or extraordinary redemption without premium prior to the dates shown.

Certain Debt Obligations may provide for redemption at par prior or in addition to any optional or mandatory redemption dates or maturity, for example, if proceeds are not able to be used as contemplated, if the project is sold by the owner, if the project is condemned or sold, if the project is destroyed and insurance proceeds are used to redeem the Debt Obligations, if interest on the Debt Obligations becomes subject to taxation, if any related credit support expires prior to maturity and is not renewed or substitute credit support not obtained, if, in the case of housing obligations, mortgages are prepaid, or in other special circumstances.

Sinking fund redemptions are all at par and generally redeem only part of an issue. Some of the Debt Obligations have mandatory sinking funds which contain optional provisions permitting the issuer to increase the principal amount of Debt Obligations called on a mandatory redemption date. The sinking fund redemptions with optional provisions may, and optional refunding redemptions generally will, occur at times when the redeemed Debt Obligations have an offer side evaluation which represents a premium over par. To the extent that the Debt Obligations were deposited in the Trust at a price higher than the redemption price, this will represent a loss of capital when compared with the original Public Offering Price of the Units. Monthly distributions will generally be reduced by the amount of the income which would otherwise have been paid with respect to redeemed Debt Obligations and there will be distributed to Holders any principal amount and premium received on such redemption after satisfying any redemption requests received by the Trust. The current return and long term return in this event may be affected by redemptions. The tax effect on Holders of redemptions and related distributions is described under Taxes.

(3) Evaluation of Debt Obligations by the Evaluator is made on the basis of current offer side evaluation. The offering side evaluation is greater than the current bid side evaluation of the Debt Obligations, which is the basis on which Redemption Price per Unit is determined (see How To Sell). The aggregate value based on the bid side evaluation at the Evaluation Time on

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the business day prior to the Initial Date of Deposit was $3,739,420.60, which is $16,000.00 (.40% of the aggregate face amount) lower than the aggregate Cost of Debt Obligations to Trust based on the offer side evaluation.

Yield to Maturity on the Initial Date of Deposit of Debt Obligations was computed on the basis of the offer side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit. Percentages in this column represent Yield to Maturity on Initial Date of Deposit unless followed by '+' which indicates yield to an earlier redemption date. (See Income and Distributions--Returns for a description of the computation of yield price.)

All Debt Obligations are represented entirely by contracts to purchase such Debt Obligations, which were entered into by the Sponsors during the period August 22, 1994 to August 23, 1994. All contracts are expected to be settled by the initial settlement date for purchase of Units.

All Debt Obligations have been insured or guaranteed to maturity by the indicated insurance company (see Risk Factors--Obligations Backed by Insurance).

+ See Footnote (3).

MUNICIPAL INVESTMENT TRUST FUND, MULTISTATE SERIES - 70
ON THE INITIAL DATE OF DEPOSIT,
DEFINED ASSET FUNDS
AUGUST 24, 1994

PORTFOLIO OF THE PENNSYLVANIA TRUST (INSURED)

<TABLE><CAPTION>

<S>	PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR <C>	RATINGS OF ISSUES (1) <C>	FACE AMOUNT <C>	COUPON <C>	MATURITIES <C>	OPTIONAL REFUNDING REDEMPTIONS (2) <C>
1.	Dauphin County Gen. Auth. Hosp. Rev. Rfdg. Bonds, HAPSCO Group Inc., Tax Exempt Loan Prog. (The Western Pennsylvania Hosp. Proj.), 1992 Ser. B (MBIA Ins.)	AAA	$ 200,000	6.25%	7/1/16	7/1/02 @ 102
2.	Delaware Cnty. Auth., PA, Hosp. Rev. Bonds (Crozer-Chester Med. Ctr.), Ser. of 1994 (MBIA Ins.)	AAA	600,000	5.30	12/15/20	12/15/03 @ 102
3.	Pennsylvania Intergovernmental Cooperation Auth., Spec. Tax Rev. Bonds (City of Philadelphia Funding Prog.), Ser. 1993 (MBIA Ins.)	AAA	600,000	5.625	6/15/23	6/15/03 @ 100
4.	Pennsylvania Higher Educl. Fac. Auth., Univ. Rev. and Rfdg. Bonds (Duquesne Univ. Proj.), Ser. A of 1993 (MBIA Ins.)	AAA	400,000	5.50	9/1/20	9/1/03 @ 102
5.	Pennsylvania Higher Educ. Fac. Auth. Rev. Bonds, State Sys. of Higher Educ., Ser. J (AMBAC Ins.)	AAA	600,000	5.625	6/15/19	6/15/04 @ 100
6.	City of Philadelphia, PA, Wtr. and Wastewater Rev. Bonds, Ser. 1993 (MBIA Ins.)	AAA	600,000	5.25	6/15/23	6/15/03 @ 102
7.	The Philadelphia Muni. Auth., PA, Lease Rev. Rfdg. Bonds, 1993 Ser. A (Financial Guaranty Ins.)	AAA	400,000	5.625	11/15/18	11/15/03 @ 102
8.	Westmoreland County Indl. Dev. Auth., PA, Hosp. Rev. Bonds (Westmoreland Hlth. Sys. Prog.), Ser. 1992 A (AMBAC Ins.)	AAA	600,000	6.00	7/1/22	7/1/03 @ 102
			$ 4,000,000			

<CAPTION>

<S>	SINKING FUND REDEMPTIONS (2) <C>	COST OF DEBT OBLIGATIONS TO TRUST (3) <C>	YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3) <C>
1.	7/1/09	$ 200,708.00	6.200%+
2.	12/15/12	519,882.00	6.350
3.	6/15/16	546,414.00	6.300
4.	9/1/13	361,668.00	6.250
5.	6/15/15	549,444.00	6.300
6.	6/15/20	513,162.00	6.350

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7.	11/15/15	366,632.00	6.300
8.	7/1/12	580,260.00	6.250
		$ 3,638,170.00	

</TABLE>

NOTES

(1) All ratings are by Standard & Poor's. Any rating followed by '*' is subject to submission and review of final documentation. Any rating followed by a 'p' is provisional and assumes the successful completion of the project being financed. (See Appendix A.)

(2) Debt Obligations are first subject to optional redemption (which may be exercised in whole or in part) on the dates and at the prices indicated under the Optional Refunding Redemptions column in the table. In subsequent years Debt Obligations are redeemable at declining prices, but typically not below par value. Some issues may be subject to sinking fund redemption or extraordinary redemption without premium prior to the dates shown.

Certain Debt Obligations may provide for redemption at par prior or in addition to any optional or mandatory redemption dates or maturity, for example, if proceeds are not able to be used as contemplated, if the project is sold by the owner, if the project is condemned or sold, if the project is destroyed and insurance proceeds are used to redeem the Debt Obligations, if interest on the Debt Obligations becomes subject to taxation, if any related credit support expires prior to maturity and is not renewed or substitute credit support not obtained, if, in the case of housing obligations, mortgages are prepaid, or in other special circumstances.

Sinking fund redemptions are all at par and generally redeem only part of an issue. Some of the Debt Obligations have mandatory sinking funds which contain optional provisions permitting the issuer to increase the principal amount of Debt Obligations called on a mandatory redemption date. The sinking fund redemptions with optional provisions may, and optional refunding redemptions generally will, occur at times when the redeemed Debt Obligations have an offer side evaluation which represents a premium over par. To the extent that the Debt Obligations were deposited in the Trust at a price higher than the redemption price, this will represent a loss of capital when compared with the original Public Offering Price of the Units. Monthly distributions will generally be reduced by the amount of the income which would otherwise have been paid with respect to redeemed Debt Obligations and there will be distributed to Holders any principal amount and premium received on such redemption after satisfying any redemption requests received by the Trust. The current return and long term return in this event may be affected by redemptions. The tax effect on Holders of redemptions and related distributions is described under Taxes.

(3) Evaluation of Debt Obligations by the Evaluator is made on the basis of current offer side evaluation. The offering side evaluation is greater than the current bid side evaluation of the Debt Obligations, which is the basis on which Redemption Price per Unit is determined (see How To Sell). The aggregate value based on the bid side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit was $3,622,170.00, which is $16,000.00 (.40% of the aggregate face amount) lower than the aggregate Cost of Debt Obligations to Trust based on the offer side evaluation.
Yield to Maturity on the Initial Date of Deposit of Debt Obligations was computed on the basis of the offer side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit. Percentages in this column represent Yield to Maturity on Initial Date of Deposit unless followed by '+' which indicates yield to an earlier redemption date. (See Income and Distributions--Returns for a description of the computation of yield price.)

All Debt Obligations are represented entirely by contracts to purchase such Debt Obligations, which were entered into by the Sponsors during the period August 22, 1994 to August 23, 1994. All contracts are expected to be settled by the initial settlement date for purchase of Units.

All Debt Obligations have been insured or guaranteed to maturity by the indicated insurance company (see Risk Factors--Obligations Backed by Insurance).

\+ See Footnote (3).

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MUNICIPAL INVESTMENT TRUST FUND
DEFINED ASSET FUNDS
PROSPECTUS PART B
AMT SERIES
INSURED SERIES
INTERMEDIATE TERM SERIES
MONTHLY PAYMENT SERIES
STATE SERIES

DESCRIPTION OF FUND INVESTMENTS

PORTFOLIO SELECTION

Experienced professional buyers and research analysts for Defined Asset Funds, with information on the markets for suitable securities and on thousands of issues, selected securities for the Fund's portfolio (the 'Portfolio'), considering its investment objective and other factors including: (1) the quality of the Debt Obligations, as evidenced by a rating in the category A or better by at least one recognized rating organization (see Appendix A) or comparable credit enhancement or (in the opinion of Defined Asset Funds research) credit characteristics; (2) yield and price relative to comparable securities; (3) diversification as to purpose and location of issuer, subject to availability of suitable debt obligations; and (4) maturities (including call protection). There is no leverage or borrowing to increase the risk to the Fund, nor does the Portfolio contain other kinds of securities to enhance yield.

Composition of the Portfolio is summarized under Investment Summary and the names and certain characteristics of the debt obligations in the Portfolio (the 'Debt Obligations' or the 'Securities') are listed in the financial statements.

Yields on debt obligations depend on factors including general conditions of the municipal bond market and the general bond markets, size of a particular offering, and the maturity and rating of the particular issue. Ratings represent opinions of the rating organizations as to the quality of securities rated, but these are general (not absolute) standards of quality. Yields can vary among obligations with similar maturities, coupons and ratings.

Neither the Sponsors nor the Trustee are liable for any default, failure or defect in a Security. If a contract to purchase any Debt Obligation fails (a 'Failed Debt Obligation'), the Sponsors are authorized to deposit Replacement Securities which (i) are tax-exempt bonds issued by a state or political subdivision or a U.S. territory or possession; (ii) have a fixed maturity or disposition date substantially similar to the Failed Debt Obligation; (iii) are rated A or better by at least one recognized rating organization or have comparable credit characteristics; and (iv) are not when, as and if issued. Replacement Securities must be deposited within 110 days after deposit of the failed contract, at a cost not exceeding funds reserved for purchasing the Failed Debt Obligation and at a yield to maturity and current return, as of the date the failed contract was deposited, substantially equivalent (considering then current market conditions and relative creditworthiness) to those of the Failed Debt Obligation.

Because each Defined Fund is a portfolio of preselected securities, purchasers know in advance what they are investing in. The Portfolio is listed in the prospectus so that generally the securities, maturities, call dates and ratings are known when they buy. Of course, the Portfolio changes somewhat over time as additional Securities are deposited, as Securities are called or redeemed, or as they are sold to meet redemptions and in the limited circumstances described below.

PORTFOLIO SUPERVISION

The Fund is a unit investment trust which follows a buy and hold investment strategy. Traditional methods of investment management for mutual funds typically involve frequent changes in fund holdings based on economic, financial and market analyses. Because the Fund is not actively managed, it may retain an issuer's securities despite adverse financial developments. However, Defined Asset Funds' experienced financial analysts regularly review the Portfolio, and the Sponsors may instruct the Trustee to sell securities in the following circumstances: (i) default in payment of amounts due on the security; (ii) institution of certain legal proceedings; (iii) other legal questions or impediments affecting the security or payments thereon; (iv) default under certain

documents adversely affecting debt service or in payments on other securities of the same issuer or guarantor; (v) decline in projected income pledged for debt service on a revenue bond; (vi) if a security becomes taxable or otherwise inconsistent with the Fund's investment objectives; (vii) a right to sell or redeem the security pursuant to a guarantee or other credit support; or (viii) decline in security price or other market or credit factors (including advance

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refunding) that, in the opinion of Defined Asset Funds research, makes retention of the security detrimental to the interests of Holders. If there is a payment default on any Security and the Agent for the Sponsors fails to instruct the Trustee within 30 days after notice of the default, the Trustee will sell the Security.

The Trustee must reject any offer by an issuer of a Debt Obligation to exchange another security pursuant to a refunding or refinancing plan unless (a) the Debt Obligation is in default or (b) in the written opinion of Defined Asset Funds research analysts, a default is probable in the reasonably foreseeable future, and the Sponsors instruct the Trustee to accept the offer or take any other action with respect to the offer as the Sponsors consider appropriate.

RISK FACTORS

An investment in units of beneficial interest in the Fund ('Units') should be made with an understanding of the risks which an investment in fixed-rate debt obligations may entail, including the risk that the value of the Portfolio and hence of the Units will decline with increases in interest rates. In recent years there have been wide fluctuations in interest rates and thus in the value of fixed-rate debt obligations generally. The Sponsors cannot predict future economic policies or their consequences or, therefore, the course or extent of any similar fluctuations in the future. To the extent that payment of amounts due on Debt Obligations depends on revenue from publicly held corporations, an investor should understand that these Debt Obligations, in many cases, do not have the benefit of covenants which would prevent the corporations from engaging in capital restructurings or borrowing transactions in connection with corporate acquisitions, leveraged buyouts or restructurings, which could have the effect of reducing the ability of the corporation to meet its obligations and may in the future result in the ratings of the Debt Obligations and the value of the underlying Portfolio being reduced.

The Securities are generally not listed on a national securities exchange. Whether or not the Securities are listed, the principal trading market for the Securities will generally be in the over-the-counter market. As a result, the existence of a liquid trading market for the Securities may depend on whether dealers will make a market in the Securities. There can be no assurance that a market will be made for any of the Securities, that any market for the Securities will be maintained or of the liquidity of the Securities in any markets made. In addition, the Fund may be restricted under the Investment Company Act of 1940 from selling Securities to any Sponsor. The price at which the Securities may be sold to meet redemptions and the value of the Fund will be adversely affected if trading markets for the Securities are limited or absent.

Certain of the Securities in the Fund may have been deposited at a market discount. Securities trade at less than par value because the interest rates on the Securities are lower than interest on comparable debt securities being issued at currently prevailing interest rates. The current returns of securities trading at a market discount are lower than the current returns of comparably rated debt securities of a similar type issued at currently prevailing interest rates because discount securities tend to increase in market value as they approach maturity and the full principal amount becomes payable. If currently prevailing interest rates for newly issued and otherwise comparable securities increase, the market discount of previously issued securities will become deeper and if currently prevailing interest rates for newly issued comparable securities decline, the market discount of previously issued securities will be reduced, other things being equal. Market discount attributable to interest rate changes does not indicate a lack of market confidence in the issue.

Certain of the Securities in the Fund may have been deposited at a market premium. Securities trade at a premium because the interest rates on the Securities are higher than interest on comparable debt securities being issued at currently prevailing interest rates. The current returns of securities trading at a market premium are higher than the current returns of comparably rated debt securities of a similar type issued at currently prevailing interest rates because premium securities tend to decrease in market value as they approach maturity when the face amount becomes payable. Because part of the purchase price is thus returned not at maturity but through current income payments, an early redemption of a premium security at par will result in a reduction in yield to the Fund. If currently prevailing interest rates for newly issued and otherwise comparable securities increase, the market premium of previously issued securities will decline and if currently prevailing interest rates for newly issued comparable securities decline, the market premium of previously issued securities will increase, other things being equal. Market premium attributable to interest rate changes does not indicate market confidence in the issue.

Holders of Units will be 'at risk' with respect to Securities purchased on a when, as and if issued basis or for delayed delivery (i.e., either a gain or loss may result from fluctuations in the offering side evaluation of the Securities) from the date they commit for Units.

As set forth under Investment Summary and Portfolio, the Fund may contain or be concentrated in one or more of the types of Debt Obligations discussed

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below. An investment in the Fund should be made with an understanding of the risks that these securities may entail, certain of which are described below. In addition, investment in a single State Trust, as opposed to a Fund which invests in the obligations of several states, may involve some additional risk due to the decreased diversification of economic, political, financial and market risks. Political restrictions on the ability to tax and budgetary constraints affecting the state government may result in reductions of, or delays in the payment of, state aid to cities, counties, school districts and other local units of government which, in turn, may strain the financial operations and have an adverse impact on the creditworthiness of these entities. State agencies, colleges and universities and health care organizations, with municipal debt outstanding, may also be negatively impacted by reductions in state appropriations.

GENERAL OBLIGATION BONDS

Certain of the Debt Obligations in the Portfolio may be general obligations of a governmental entity that are secured by the taxing power of the entity. General obligation bonds are backed by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. However, the taxing power of any governmental entity may be limited by provisions of state constitutions or laws and an entity's credit will depend on many factors, including an 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 and the extent to which the entity relies on Federal or state aid, access to capital markets or other factors beyond the entity's control.

As a result of the recession's adverse impact upon both revenue and expenditures, as well as other factors, many state and local governments have confronted deficits which were the most severe in recent years. Many issuers are facing highly difficult choices about significant tax increases and/or spending reductions in order to restore budgetary balance. Failure to implement these actions on a timely basis could force the issuers to issue additional debt to finance deficits or cash flow needs.

In addition, certain of the Debt Obligations in the Fund may be obligations of issuers who rely in whole or in part on ad valorem real property taxes as a source of revenue. Certain proposals, in the form of state legislative proposals or voter initiatives, to limit ad valorem real property taxes have been introduced in various states, and an amendment to the constitution of the State of California, providing for strict limitations on ad valorem real property taxes, has had a significant impact on the taxing powers of local governments and on the financial condition of school districts and local governments in California. It is not possible at this time to predict the final impact of such measures, or of similar future legislative or constitutional measures, on school districts and local governments or on their abilities to make future payments on their outstanding debt obligations.

MORAL OBLIGATION BONDS

The Fund may also include 'moral obligation' bonds. If an issuer of moral obligation bonds is unable to meet its obligations, the repayment of the bonds becomes a moral commitment but not a legal obligation of the state or municipality in question. Even though the state may be called on to restore any deficits in capital reserve funds of the agencies or authorities which issued the bonds, any restoration generally requires appropriation by the state legislature and accordingly does not constitute a legally enforceable obligation or debt of the state. The agencies or authorities generally have no taxing power.

REFUNDED DEBT OBLIGATIONS

Refunded Debt Obligations are typically secured by direct obligations of the U.S. Government, or in some cases obligations guaranteed by the U.S. Government, placed in an escrow account maintained by an independent trustee until maturity or a predetermined redemption date. These obligations are generally noncallable prior to maturity or the predetermined redemption date. In a few isolated instances, however, bonds which were thought to be escrowed to maturity have been called for redemption prior to maturity.

INDUSTRIAL DEVELOPMENT REVENUE BONDS ('IDRS')

IDRs, including pollution control revenue bonds, are tax-exempt securities issued by states, municipalities, public authorities or similar entities ('issuers') to finance the cost of acquiring, constructing or improving various projects, including pollution control facilities and certain manufacturing facilities. These projects are usually operated by corporations. IDRs are not general obligations of governmental entities backed by their taxing power. Issuers are only obligated to pay amounts due on the IDRs to the extent that funds are available from the unexpended proceeds of the IDRs or from receipts or revenues under arrangements between the issuer and the corporate operator of the project. These arrangements may be in the form of a lease, installment sale agreement, conditional sale agreement or loan agreement, but in each case the

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payments to the issuer are designed to be sufficient to meet the payments of amounts due on the IDRs.

IDRs are generally issued under bond resolutions, agreements or trust indentures pursuant to which the revenues and receipts payable to the issuer by the corporate operator of the project have been assigned and pledged to the holders of the IDRs or a trustee for the benefit of the holders of the IDRs. In certain cases, a mortgage on the underlying project has been assigned to the holders of the IDRs or a trustee as additional security for the IDRs. In addition, IDRs are frequently directly guaranteed by the corporate operator of the project or by an affiliated company. Regardless of the structure, payment of IDRs is solely dependent upon the creditworthiness of the corporate operator of the project, corporate guarantor and credit enhancer. Corporate operators or guarantors that are industrial companies may be affected by many factors which may have an adverse impact on the credit quality of the particular company or industry. These include cyclicality of revenues and earnings, regulatory and environmental restrictions, litigation resulting from accidents or environmentally-caused illnesses, extensive competition (including that of low-cost foreign companies), unfunded pension fund liabilities or off-balance sheet items, and financial deterioration resulting from leveraged buy-outs or takeovers. However, as discussed below, certain of the IDRs in the Portfolio may be additionally insured or secured by letters of credit issued by banks or otherwise guaranteed or secured to cover amounts due on the IDRs in the event of default in payment by an issuer.

STATE AND LOCAL MUNICIPAL UTILITY OBLIGATIONS

The ability of utilities to meet their obligations under revenue bonds issued on their behalf is dependent on various factors, including the rates they may charge their customers, the demand for their services and the cost of providing those services. Utilities, in particular investor-owned utilities, are subject to extensive regulation relating to the rates which they may charge customers. Utilities can experience regulatory, political and consumer resistance to rate increases. Utilities engaged in long-term capital projects are especially sensitive to regulatory lags in granting rate increases. Any difficulty in obtaining timely and adequate rate increases could adversely affect a utility's results of operations.

The demand for a utility's services is influenced by, among other factors, competition, weather conditions and economic conditions. Electric utilities, for example, have experienced increased competition as a result of the availability of other energy sources, the effects of conservation on the use of electricity, self-generation by industrial customers and the generation of electricity by co-generators and other independent power producers. Also, increased competition will result if federal regulators determine that utilities must open their transmission lines to competitors. Utilities which distribute natural gas also are subject to competition from alternative fuels, including fuel oil, propane and coal.

The utility industry is an increasing cost business making the cost of generating electricity more expensive and heightening its sensitivity to regulation. A utility's costs are affected by its cost of capital, the availability and cost of fuel and other factors. There can be no assurance that a utility will be able to pass on these increased costs to customers through increased rates. Utilities incur substantial capital expenditures for plant and equipment. In the future they will also incur increasing capital and operating expenses to comply with environmental legislation such as the Clean Air Act of 1990, and other energy, licensing and other laws and regulations relating to, among other things, air emissions, the quality of drinking water, waste water discharge, solid and hazardous substance handling and disposal, and siting and licensing of facilities. Environmental legislation and regulations are changing rapidly and are the subject of current public policy debate and legislative proposals. It is increasingly likely that many utilities will be subject to more stringent environmental standards in the future that could result in significant capital expenditures. Future legislation and regulation could include, among other things, regulation of so-called electromagnetic fields associated with electric transmission and distribution lines as well as emissions of carbon dioxide and other so-called greenhouse gases associated with the burning of fossil fuels. Compliance

with these requirements may limit a utility's operations or require substantial investments in new equipment and, as a result, may adversely affect a utility's results of operations.

The electric utility industry in general is subject to various external factors including (a) the effects of inflation upon the costs of operation and construction, (b) substantially increased capital outlays and longer construction periods for larger and more complex new generating units, (c) uncertainties in predicting future load requirements, (d) increased financing requirements coupled with limited availability of capital, (e) exposure to cancellation and penalty charges on new generating units under construction, (f) problems of cost and availability of fuel, (g) compliance with rapidly changing and complex environmental, safety and licensing requirements, (h) litigation and proposed legislation designed to delay or prevent construction of generating and

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other facilities, (i) the uncertain effects of conservation on the use of electric energy, (j) uncertainties associated with the development of a national energy policy, (k) regulatory, political and consumer resistance to rate increases and (l) increased competition as a result of the availability of other energy sources. These factors may delay the construction and increase the cost of new facilities, limit the use of, or necessitate costly modifications to, existing facilities, impair the access of electric utilities to credit markets, or substantially increase the cost of credit for electric generating facilities. The Sponsors cannot predict at this time the ultimate effect of such factors on the ability of any issuers to meet their obligations with respect to Debt Obligations.

The National Energy Policy Act ('NEPA'), which became law in October, 1992, makes it mandatory for a utility to permit non-utility generators of electricity access to its transmission system for wholesale customers, thereby increasing competition for electric utilities. NEPA also mandated demand-side management policies to be considered by utilities. NEPA prohibits the Federal Energy Regulatory Commission from mandating electric utilities to engage in retail wheeling, which is competition among suppliers of electric generation to provide electricity to retail customers (particularly industrial retail customers) of a utility. However, under NEPA, a state can mandate retail wheeling under certain conditions. California, Michigan, New Mexico and Ohio have instituted investigations into the possible introduction of retail wheeling within their respective states, which could foster competition among the utilities. Retail wheeling might result in the issue of stranded investment (investment in assets not being recovered in base rates), thus hampering a utility's ability to meet its obligations.

There is concern by the public, the scientific community, and the U.S. Congress regarding environmental damage resulting from the use of fossil fuels. Congressional support for the increased regulation of air, water, and soil contaminants is building and there are a number of pending or recently enacted legislative proposals which may affect the electric utility industry. In particular, on November 15, 1990, legislation was signed into law that substantially revises the Clean Air Act (the '1990 Amendments'). The 1990 Amendments seek to improve the ambient air quality throughout the United States by the year 2000. A main feature of the 1990 Amendments is the reduction of sulphur dioxide and nitrogen oxide emissions caused by electric utility power plants, particularly those fueled by coal. Under the 1990 Amendments the U.S. Environmental Protection Agency ('EPA') must develop limits for nitrogen oxide emissions by 1993. The sulphur dioxide reduction will be achieved in two phases. Phase I addresses specific generating units named in the 1990 Amendments. In Phase II the total U.S. emissions will be capped at 8.9 million tons by the year 2000. The 1990 Amendments contain provisions for allocating allowances to power plants based on historical or calculated levels. An allowance is defined as the authorization to emit one ton of sulphur dioxide.

The 1990 Amendments also provide for possible further regulation of toxic air emissions from electric generating units pending the results of several federal government studies to be presented to Congress by the end of 1995 with respect to anticipated hazards to public health, available corrective technologies, and mercury toxicity.

Electric utilities which own or operate nuclear power plants are exposed to risks inherent in the nuclear industry. These risks include exposure to new requirements resulting from extensive federal and state regulatory oversight, public controversy, decommissioning costs, and spent fuel and radioactive waste disposal issues. While nuclear power construction risks are no longer of paramount concern, the emerging issue is radioactive waste disposal. In addition, nuclear plants typically require substantial capital additions and modifications throughout their operating lives to meet safety, environmental, operational and regulatory requirements and to replace and upgrade various plant systems. The high degree of regulatory monitoring and controls imposed on nuclear plants could cause a plant to be out of service or on limited service for long periods. When a nuclear facility owned by an investor-owned utility or a state or local municipality is out of service or operating on a limited service basis, the utility operator or its owners may be liable for the recovery of replacement power costs. Risks of substantial liability also arise from the operation of nuclear facilities and from the use, handling, and possible radioactive emissions associated with nuclear fuel. Insurance may not cover all types or amounts of loss which may be

experienced in connection with the ownership and operation of a nuclear plant and severe financial consequences could result from a significant accident or occurrence. The Nuclear Regulatory Commission has promulgated regulations mandating the establishment of funded reserves to assure financial capability for the eventual decommissioning of licensed nuclear facilities. These funds are to be accrued from revenues in amounts currently estimated to be sufficient to pay for decommissioning costs. Since there have been very few nuclear plants decommissioned to date, these estimates may be unrealistic.

The ability of state and local joint action power agencies to make payments on bonds they have issued is dependent in large part on payments made to them pursuant to power supply or similar agreements. Courts in Washington, Oregon and

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Idaho have held that certain agreements between the Washington Public Power Supply System ('WPPSS') and the WPPSS participants are unenforceable because the participants did not have the authority to enter into the agreements. While these decisions are not specifically applicable to agreements entered into by public entities in other states, they may cause a reexamination of the legal structure and economic viability of certain projects financed by joint action power agencies, which might exacerbate some of the problems referred to above and possibly lead to legal proceedings questioning the enforceability of agreements upon which payment of these bonds may depend.

LEASE RENTAL OBLIGATIONS

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

SINGLE FAMILY AND MULTI-FAMILY HOUSING OBLIGATIONS

Multi-family housing revenue bonds and single family mortgage revenue bonds are state and local housing issues that have been issued to provide financing for various housing projects. Multi-family housing revenue bonds are payable primarily from the revenues derived from mortgage loans to housing projects for low to moderate income families. Single-family mortgage revenue bonds are issued for the purpose of acquiring from originating financial institutions notes secured by mortgages on residences.

Housing obligations are not general obligations of the issuer although certain obligations may be supported to some degree by Federal, state or local housing subsidy programs. Budgetary constraints experienced by these programs as well as the failure by a state or local housing issuer to satisfy the qualifications required for coverage under these programs or any legal or administrative determinations that the coverage of these programs is not available to a housing issuer, probably will result in a decrease or elimination of subsidies available for payment of amounts due on the issuer's obligations. The ability of housing issuers to make debt service payments on their obligations will also be affected by various economic and non-economic developments including, among other things, the achievement and maintenance of sufficient occupancy levels and adequate rental income in multi-family projects, the rate of default on mortgage loans underlying single family issues and the ability of mortgage insurers to pay claims, employment and income conditions prevailing in local markets, increases in construction costs, taxes, utility costs and other operating expenses, the managerial ability of project managers, changes in laws and governmental regulations and economic trends generally in the localities in which the projects are situated. Occupancy of multi-family housing projects may also be adversely affected by high rent levels and income limitations imposed under Federal, state or local programs.

All single family mortgage revenue bonds and certain multi-family housing revenue bonds are prepayable over the life of the underlying mortgage or mortgage pool, and therefore the average life of housing obligations cannot be determined. However, the average life of these obligations will ordinarily be less than their stated maturities. Single-family issues are subject to mandatory redemption in whole or in part from prepayments on underlying mortgage loans; mortgage loans are frequently partially or completely prepaid prior to their final stated maturities as a result of events such as declining interest rates, sale of the mortgaged premises, default, condemnation or casualty loss. Multi-family issues are characterized by mandatory redemption at par upon the occurrence of monetary defaults or breaches of covenants by the project operator. Additionally, housing obligations are generally subject to mandatory partial redemption at par to the extent that proceeds from the sale of the obligations are not allocated within a stated period (which may be within a year

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of the date of issue). To the extent that these obligations were valued at a premium when a Holder purchased Units, any prepayment at par would result in a loss of capital to the Holder and, in any event, reduce the amount of income that would otherwise have been paid to Holders.

The tax exemption for certain housing revenue bonds depends on qualification under Section 143 of the Internal Revenue Code of 1986, as amended (the 'Code'), in the case of single family mortgage revenue bonds or Section 142(a)(7) of the Code or other provisions of Federal law in the case of certain multi-family housing revenue bonds (including Section 8 assisted bonds). These sections of the Code or other provisions of Federal law contain certain ongoing requirements, including requirements relating to the cost and location of the residences financed with the proceeds of the single family mortgage revenue bonds and the income levels of tenants of the rental projects financed with the proceeds of the multi-family housing revenue bonds. While the issuers of the bonds and other parties, including the originators and servicers of the single-family mortgages and the owners of the rental projects financed with the multi-family housing revenue bonds, generally covenant to meet these ongoing requirements and generally agree to institute procedures designed to ensure that these requirements are met, there can be no assurance that these ongoing requirements will be consistently met. The failure to meet these requirements could cause the interest on the bonds to become taxable, possibly retroactively from the date of issuance, thereby reducing the value of the bonds, subjecting the Holders to unanticipated tax liabilities and possibly requiring the Trustee to sell the bonds at reduced values. Furthermore, any failure to meet these ongoing requirements might not constitute an event of default under the applicable mortgage or permit the holder to accelerate payment of the bond or require the issuer to redeem the bond. In any event, where the mortgage is insured by the Federal Housing Administration, its consent may be required before insurance proceeds would become payable to redeem the mortgage bonds.

HOSPITAL AND HEALTH CARE FACILITY OBLIGATIONS

The ability of hospitals and other health care facilities to meet their obligations with respect to revenue bonds issued on their behalf is dependent on various factors, including the level of payments received from private third-party payors and government programs and the cost of providing health care services.

A significant portion of the revenues of hospitals and other health care facilities is derived from private third-party payors and government programs, including the Medicare and Medicaid programs. Both private third-party payors and government programs have undertaken cost containment measures designed to limit payments made to health care facilities. Furthermore, government programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which may materially decrease the rate of program payments for health care facilities. Certain special revenue obligations (i.e., Medicare or Medicaid revenues) may be payable subject to appropriations by state legislatures. There can be no assurance that payments under governmental programs will remain at levels comparable to present levels or will, in the future, be sufficient to cover the costs allocable to patients participating in such programs. In addition, there can be no assurance that a particular hospital or other health care facility will continue to meet the requirements for participation in such programs.

The costs of providing health care services are subject to increase as a result of, among other factors, changes in medical technology and increased labor costs. In addition, health care facility construction and operation is subject to federal, state and local regulation relating to the adequacy of medical care, equipment, personnel, operating policies and procedures, rate-setting, and compliance with building codes and environmental laws. Facilities are subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensing and accreditation. These regulatory requirements are subject to change and, to comply, it may be necessary for a hospital or other health care facility to incur substantial capital expenditures or increased operating expenses to effect changes in its facilities, equipment, personnel and services.

Hospitals and other health care facilities are subject to claims and legal actions by patients and others in the ordinary course of business. Although these claims are generally covered by insurance, there can be no assurance that a claim will not exceed the insurance coverage of a health care facility or that insurance coverage will be available to a facility. In addition, a substantial increase in the cost of insurance could adversely affect the results of operations of a hospital or other health care facility. The Clinton Administration may impose regulations which could limit price increases for hospitals or the level of reimbursements for third-party payors or other measures to reduce health care costs and make health care available to more individuals, which would reduce profits for hospitals. Some states, such as New Jersey, have significantly changed their reimbursement systems. If a hospital cannot adjust to the new system by reducing expenses or raising rates, financial difficulties may arise. Also, Blue Cross has denied reimbursement for some hospitals for services other than emergency room services. The lost volume would reduce revenues unless replacement patients were found.

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Certain hospital bonds may provide for redemption at par at any time upon the sale by the issuer of the hospital facilities to a non-affiliated entity, if the hospital becomes subject to ad valorem taxation, or in various other circumstances. For example, certain hospitals may have the right to call bonds at par if the hospital may be legally required because of the bonds to perform procedures against specified religious principles or to disclose information that is considered confidential or privileged. Certain FHA-insured bonds may provide that all or a portion of those bonds, otherwise callable at a premium, can be called at par in certain circumstances. If a hospital defaults upon a bond obligation, the realization of Medicare and Medicaid receivables may be uncertain and, if the bond obligation is secured by the hospital facilities, legal restrictions on the ability to foreclose upon the facilities and the limited alternative uses to which a hospital can be put may severely reduce its collateral value.

The Internal Revenue Service is currently engaged in a program of intensive audits of certain large tax-exempt hospital and health care facility organizations. Although these audits have not yet been completed, it has been reported that the tax-exempt status of some of these organizations may be revoked. At this time, it is uncertain whether any of the hospital and health care facility obligations held by the Fund will be affected by such audit proceedings.

AIRPORT, PORT AND HIGHWAY REVENUE OBLIGATIONS

Certain facility revenue bonds are payable from and secured by the revenues from the ownership and operation of particular facilities, such as airports (including airport terminals and maintenance facilities), bridges, marine terminals, turnpikes and port authorities. For example, the major portion of gross airport operating income is generally derived from fees received from signatory airlines pursuant to use agreements which consist of annual payments for airport use, occupancy of certain terminal space, facilities, service fees, concessions and leases. Airport operating income may therefore be affected by the ability of the airlines to meet their obligations under the use agreements. The air transport industry is experiencing significant variations in earnings and traffic, due to increased competition, excess capacity, increased aviation fuel, deregulation, traffic constraints and other factors. As a result, several airlines are experiencing severe financial difficulties. Several airlines including America West Airlines have sought protection from their creditors under Chapter 11 of the Bankruptcy Code. In addition, other airlines such as Midway Airlines, Inc., Eastern Airlines, Inc. and Pan American Corporation have been liquidated. However, Continental Airlines and Trans World Airlines have emerged from bankruptcy. The Sponsors cannot predict what effect these industry conditions may have on airport revenues which are dependent for payment on the financial condition of the airlines and their usage of the particular airport facility. Furthermore, proposed legislation would provide the U.S. Secretary of Transportation with the temporary authority to freeze airport fees upon the occurrence of disputes between a particular airport facility and the airlines utilizing that facility.

Similarly, payment on bonds related to other facilities is dependent on revenues from the projects, such as use fees from ports, tolls on turnpikes and bridges and rents from buildings. Therefore, payment may be adversely affected by reduction in revenues due to such factors and increased cost of maintenance or decreased use of a facility, lower cost of alternative modes of transportation or scarcity of fuel and reduction or loss of rents.

SOLID WASTE DISPOSAL BONDS

Bonds issued for solid waste disposal facilities are generally payable from dumping fees and from revenues that may be earned by the facility on the sale of electrical energy generated in the combustion of waste products. The ability of solid waste disposal facilities to meet their obligations depends upon the continued use of the facility, the successful and efficient operation of the facility and, in the case of waste-to-energy facilities, the continued ability of the facility to generate electricity on a commercial basis. All of these factors may be affected

by a failure of municipalities to fully utilize the facilities, an insufficient supply of waste for disposal due to economic or population decline, rising construction and maintenance costs, any delays in construction of facilities, lower-cost alternative modes of waste processing and changes in environmental regulations. Because of the relatively short history of this type of financing, there may be technological risks involved in the satisfactory construction or operation of the projects exceeding those associated with most municipal enterprise projects. Increasing environmental regulation on the federal, state and local level has a significant impact on waste disposal facilities. While regulation requires more waste producers to use waste disposal facilities, it also imposes significant costs on the facilities. These costs include compliance with frequently changing and complex regulatory requirements, the cost of obtaining construction and operating permits, the cost of conforming to prescribed and changing equipment standards and required methods of operation and, for incinerators or waste-to-energy facilities, the cost of disposing of

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the waste residue that remains after the disposal process in an environmentally safe manner. In addition, waste disposal facilities frequently face substantial opposition by environmental groups and officials to their location and operation, to the possible adverse effects upon the public health and the environment that may be caused by wastes disposed of at the facilities and to alleged improper operating procedures. Waste disposal facilities benefit from laws which require waste to be disposed of in a certain manner but any relaxation of these laws could cause a decline in demand for the facilities' services. Finally, waste-to-energy facilities are concerned with many of the same issues facing utilities insofar as they derive revenues from the sale of energy to local power utilities (see State and Local Municipal Utility Obligations above).

SPECIAL TAX BONDS

Special tax bonds are payable from and secured by the revenues derived by a municipality from a particular tax such as a tax on the rental of a hotel room, on the purchase of food and beverages, on the rental of automobiles or on the consumption of liquor. Special tax bonds are not secured by the general tax revenues of the municipality, and they do not represent general obligations of the municipality. Therefore, payment on special tax bonds may be adversely affected by a reduction in revenues realized from the underlying special tax due to a general decline in the local economy or population or due to a decline in the consumption, use or cost of the goods and services that are subject to taxation. Also, should spending on the particular goods or services that are subject to the special tax decline, the municipality may be under no obligation to increase the rate of the special tax to ensure that sufficient revenues are raised from the shrinking taxable base.

TRANSIT AUTHORITY OBLIGATIONS

Mass transit is generally not self-supporting from fare revenues. Therefore, additional financial resources must be made available to ensure operation of mass transit systems as well as the timely payment of debt service. Often such financial resources include Federal and state subsidies, lease rentals paid by funds of the state or local government or a pledge of a special tax such as a sales tax or a property tax. If fare revenues or the additional financial resources do not increase appropriately to pay for rising operating expenses, the ability of the issuer to adequately service the debt may be adversely affected.

MUNICIPAL WATER AND SEWER REVENUE BONDS

Water and sewer bonds are generally payable from user fees. The ability of state and local water and sewer authorities to meet their obligations may be affected by failure of municipalities to utilize fully the facilities constructed by these authorities, economic or population decline and resulting decline in revenue from user charges, rising construction and maintenance costs and delays in construction of facilities, impact of environmental requirements, failure or inability to raise user charges in response to increased costs, the difficulty of obtaining or discovering new supplies of fresh water, the effect of conservation programs and the impact of 'no growth' zoning ordinances. In some cases this ability may be affected by the continued availability of Federal and state financial assistance and of municipal bond insurance for future bond issues.

UNIVERSITY AND COLLEGE OBLIGATIONS

The ability of universities and colleges to meet their obligations is dependent upon various factors, including the size and diversity of their sources of revenues, enrollment, reputation, management expertise, the availability and restrictions on the use of endowments and other funds, the quality and maintenance costs of campus facilities, and, in the case of public institutions, the financial condition of the relevant state or other governmental entity and its policies with respect to education. The institution's ability to maintain enrollment levels will depend on such factors as tuition costs, demographic trends, geographic location, geographic diversity and quality of the student body, quality of the faculty and the diversity of program offerings.

Legislative or regulatory action in the future at the Federal, state or local level may directly or indirectly affect eligibility standards or reduce or eliminate the availability of funds for certain types of student loans or grant programs, including student aid, research grants and work-study programs, and may affect indirect assistance for education.

PUERTO RICO

The Portfolio may contain Debt Obligations of issuers which will be affected by general economic conditions in Puerto Rico. Puerto Rico's unemployment rate remains significantly higher than the U.S. unemployment rate. Furthermore, the economy is largely dependent for its development upon U.S. policies and programs that are being reviewed and may be eliminated.

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

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

In a plebiscite held in November, 1993, the Puerto Rican electorate chose to continue Puerto Rico's Commonwealth status. Previously proposed legislation, which was not enacted, would have preserved the federal tax exempt status of the outstanding debts of Puerto Rico and its public corporations regardless of the outcome of the referendum, to the extent that similar obligations issued by states are so treated and subject to the provisions of the Code currently in effect. There can be no assurance that any pending or future legislation finally enacted will include the same or similar protection against loss of tax exemption. The November 1993 plebiscite can be expected to have both direct and indirect consequences on such matters as the basic characteristics of future Puerto Rico debt obligations, the markets for these obligations, and the types, levels and quality of revenue sources pledged for the payment of existing and future debt obligations. Such possible consequences include legislative proposals seeking restoration of the status of Section 936 benefits otherwise subject to the limitations discussed above. However, no assessment can be made at this time of the economic and other effects of a change in federal laws affecting Puerto Rico as a result of the November 1993 plebiscite.

OBLIGATIONS BACKED BY LETTERS OF CREDIT

Certain Debt Obligations may be secured by letters of credit issued by commercial banks or savings banks, savings and loan associations and similar institutions ('thrifts') or are direct obligations of banks or thrifts pursuant to 'loans-to-lenders' programs. The letter of credit may be drawn upon, and the Debt Obligations consequently redeemed, if an issuer fails to pay amounts due on the Debt Obligation or defaults under its reimbursement agreement with the issuer of the letter of credit or, in certain cases, if the interest on the Debt Obligation is deemed to be taxable and full payment of amounts due is not made by the issuer. The letters of credit are irrevocable obligations of the issuing institutions, which are subject to extensive governmental regulations which may limit both the amounts and types of loans and other financial commitments which may be made and interest rates and fees which may be charged.

The profitability of financial institutions (and therefore their ability to honor letters of credit or guarantees) is largely dependent upon the availability and cost of funds for the purpose of financing lending operations under

prevailing money market conditions. Also, general economic conditions play an important part in the operations of this industry and exposure to credit losses arising from possible financial difficulties of borrowers might affect an institution's ability to meet its obligations. In the late 1980's and early 1990's the credit ratings of U.S. banks and bank holding companies were subject to extensive downgrades due primarily to deterioration in asset quality and the attendant impact on earnings and capital adequacy. Major U.S. banks, in particular, suffered from a decline in asset quality in the areas of construction and commercial real estate loans. These problem loans have been largely addressed. During the early 1990's the credit ratings of many foreign banks have also been subject to significant downgrades due to a deterioration in asset quality which has negatively impacted earnings and capital adequacy. The decline in asset quality of major foreign banks has been brought about largely by recessionary conditions in their local economies. The Federal Deposit Insurance Corporation ('FDIC') indicated that in 1990, 168 federally insured banks with an aggregate total of $45.7 billion in assets failed and that in 1991, 124 federally insured banks with an aggregate total of $64.3 billion in assets failed. During 1992, the FDIC resolved 120 failed banks with combined assets of $44.2 billion. In 1993, a total of 41 banks with combined assets of $3.5 billion were closed. The 1993 total was the lowest level in twelve years. Bank holding companies and other financial institutions may not be as highly regulated as banks, and may be more able to expand into other non-financial and non-traditional businesses.

Historically, thrifts primarily financed residential and commercial real estate by making fixed-rate mortgage loans and funded those loans from various types of deposits. Thrifts were restricted as to the types of accounts which

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could be offered and the rates that could be paid on those accounts. During periods of high interest rates, large amounts of deposits were withdrawn as depositors invested in Treasury bills and notes and in money market funds which provided liquidity and high yields not subject to regulation. As a result the cost of thrifts' funds exceeded income from mortgage loan portfolios and other investments, and their financial positions were adversely affected. Laws and regulations eliminating interest rate ceilings and restrictions on types of accounts that may be offered by thrifts were designed to permit thrifts to compete for deposits on the basis of current market rates and to improve their financial positions.

Recent legislation, including the Financial Institutions Reform, Recovery and Enforcement Act of 1989, the Federal Deposit Insurance Corporation Improvement Act of 1991 ('FDICIA') and the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 have significantly altered the legal rules and regulations governing banks and thrifts and mandated early and aggressive regulatory intervention for unhealthy institutions. For those thrifts that have failed, either the FDIC or the Resolution Trust Corporation ('RTC') will be appointed as receiver or conservator. Periodic efforts by recent Administrations to introduce legislation broadening the ability of banks and thrifts to compete with new products generally have not been successful, but if enacted could lead to more failures as a result of increased competition and added risks. Failure to enact such legislation, on the other hand, may lead to declining earnings and an inability to compete with unregulated financial institutions. Efforts to expand the ability of federal thrifts to branch on an interstate basis have been initially successful through promulgation of regulations. Legislation to liberalize interstate branching for banks has been stalled in Congress, but may be more successful this year. Consolidation is likely to continue in both cases. The Securities and Exchange Commission ('SEC') is attempting to require the expanded use of market value accounting by banks and thrifts, and has imposed rules requiring market accounting for investment securities held for sale. Adoption of these and similar rules may result in increased volatility in the reported health of the industry and mandated regulatory intervention to correct such problems.

Investors should realize that should the FDIC or the RTC make payment under a letter of credit prior to the scheduled maturity or disposition dates of the related Debt Obligation their investment will be returned sooner than originally anticipated. The possibility of such early payment has been increased significantly by the enactment of FDICIA, which requires federal regulators of insured banks, savings banks, and thrifts to act more quickly to address the problems of undercapitalized institutions than previously, and specifies in more detail the actions they must take. One such requirement virtually compels the appointment of a receiver or conservator for any institution when its ratio of tangible equity to total assets declines to two percent. Others force aggressive intervention in the business of an institution at even earlier stages of deterioration.

Certain letters of credit or guarantees backing Debt Obligations may have been issued by a foreign bank or corporation or similar entity (a 'Foreign Guarantee'). On the basis of information available to the Sponsors at the present time no Foreign Guarantee is subject to exchange control restrictions under existing law which would materially interfere with payments to the Fund under the Foreign Guarantee. However, there can be no assurance that exchange control regulations might not be adopted in the future which might affect adversely the payment to the Fund. Nor are there any withholding taxes under existing law applicable to payments made on any Foreign Guarantee. While there can be no assurance that withholding taxes might not be imposed in the future, provision

is made in the instruments governing any Foreign Guarantee that, in substance, to the extent permitted by applicable law, additional payments will be made by the guarantor so that the total amount paid, after deduction of any applicable tax, will not be less than the amount then due and payable on the Foreign Guarantee. The adoption of exchange control regulations and other legal restrictions could have an adverse impact on the marketability of any Debt Obligations backed by a Foreign Guarantee and on the ability of the Fund to satisfy its obligation to redeem Units tendered to the Trustee for redemption (see How to Sell).

OBLIGATIONS BACKED BY INSURANCE

Certain Debt Obligations (the 'Insured Debt Obligations') may be insured or guaranteed by AMBAC Indemnity Corporation ('AMBAC'), Asset Guaranty Reinsurance Co. ('Asset Guaranty'), Capital Guaranty Insurance Company ('CGIC'), Capital Markets Assurance Corp. ('CAPMAC'), Connie Lee Insurance Company ('Connie Lee'), Continental Casualty Company ('Continental'), Financial Guaranty Insurance Company ('Financial Guaranty'), Financial Security Assurance Inc. ('FSA'), Firemen's Insurance Company of Newark, New Jersey ('Firemen's'), Municipal Bond Investors Assurance Corporation ('MBIA') or National Union Fire Insurance Company of Pittsburgh, Pa. ('National Union') (collectively, the 'Insurance Companies'). The claims-paying ability of each of these companies, unless otherwise indicated, is rated AAA by Standard & Poor's or another acceptable national rating agency. The ratings are subject to change at any time at the

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discretion of the rating agencies. In determining whether to insure bonds, the Insurance Companies severally apply their own standards. The cost of this insurance is borne either by the issuers or previous owners of the bonds or by the Sponsors. The insurance policies are non-cancellable and will continue in force so long as the Insured Debt Obligations are outstanding and the insurers remain in business. The insurance policies guarantee the timely payment of principal and interest on but do not guarantee the market value of the Insured Debt Obligations or the value of the Units. The insurance policies generally do not provide for accelerated payments of principal or cover redemptions resulting from events of taxability. If the issuer of any Insured Debt Obligation should fail to make an interest or principal payment, the insurance policies generally provide that the Trustee or its agent shall give notice of nonpayment to the Insurance Company or its agent and provide evidence of the Trustee's right to receive payment. The Insurance Company is then required to disburse the amount of the failed payment to the Trustee or its agent and is thereafter subrogated to the Trustee's right to receive payment from the issuer.

Financial information relating to the Insurance Companies has been obtained from publicly available information. No representation is made as to the accuracy or adequacy of the information or as to the absence of material adverse changes since the information was made available to the public. Standard & Poor's has rated the Units of any Insured Fund AAA because the Insurance Companies have insured the Debt Obligations. The assignment of such AAA ratings is due to Standard & Poor's assessment of the creditworthiness of the Insurance Companies and of their ability to pay claims on their policies of insurance. In the event that Standard & Poor's reassesses the creditworthiness of any Insurance Company which would result in the rating of an Insured Fund being reduced, the Sponsors are authorized to direct the Trustee to obtain other insurance.

The following are brief descriptions of certain Insurance Companies. The financial information presented for each company has been determined on a statutory basis and is unaudited.

AMBAC is a Wisconsin-domiciled stock insurance company, regulated by the Insurance Department of the State of Wisconsin, and licensed to do business in various states, with admitted assets of approximately $1,956,000,000 and policyholders' surplus of approximately $737,000,000 as of December 31, 1993. AMBAC is a wholly-owned subsidiary of AMBAC Inc., a financial holding company which is publicly owned following a complete divestiture by Citibank during the first quarter of 1992.

Asset Guaranty is a New York State insurance company licensed to write financial guarantee, credit, residual value and surety insurance. Asset Guaranty commenced operations in mid-1988 by providing reinsurance to several major monoline insurers. The parent holding company of Asset Guaranty, Asset Guarantee Inc. (AGI), merged with Enhance Financial Services (EFS) in June, 1990 to form Enhance Financial Services Group Inc. (EFSG). The two main, 100%-owned subsidiaries of EFSG, Asset Guaranty and Enhance Reinsurance Company, share common management and physical resources. EFSG is 14% owned by Merrill Lynch & Co. Inc. and its affiliates. Both EFSG and Asset Guaranty are rated 'AAA' for claims paying ability by Duff & Phelps but are not rated by Standard & Poor's. As of December 31, 1993 Asset Guaranty had admitted assets of approximately $138,000,000 and policyholders' surplus of approximately $73,000,000.

CGIC, a monoline bond insurer headquartered in San Francisco, California, was established in November 1986 to assume the financial guaranty business of United States Fidelity and Guaranty Company ('USF&G'). It is a wholly-owned subsidiary of Capital Guaranty Corporation ('CGC') whose stock is owned by: Constellation

Investments, Inc., an affiliate of Baltimore Gas & Electric, Fleet/Norstar Financial Group, Inc., Safeco Corporation, Sibag Finance Corporation, an affiliate of Siemens AG, USF&G, the eighth largest property/casualty company in the U.S. as measured by net premiums written, and CGC management. As of December 31, 1993, CGIC had total admitted assets of approximately $285,000,000 and policyholders' surplus of approximately $168,000,000.

CAPMAC commenced operations in December 1987, as the second mono-line financial guaranty insurance company (after FSA) organized solely to insure non-municipal obligations. CAPMAC, a New York corporation, is a wholly-owned subsidiary of CAPMAC Holdings, Inc. (CHI), which was sold in 1992 by Citibank (New York State) to a group of 12 investors led by the following: Dillon Read's Saratoga Partners II; L.P., an acquisition fund; Caprock Management, Inc., representing Rockefeller family interests; Citigrowth Fund, a Citicorp venture capital group; and CAPMAC senior management and staff. These groups control approximately 70% of the stock of CHI. CAPMAC had traditionally specialized in guaranteeing consumer loan and trade receivable asset-backed securities. Under the new ownership group CAPMAC intends to become involved in the municipal bond insurance business, as well as their traditional non-municipal business. As of December 31, 1993 CAPMAC's admitted assets were approximately $182,000,000 and its policyholders' surplus was approximately $146,000,000.

Connie Lee is a wholly owned subsidiary of College Construction Loan

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Insurance Association ('CCLIA'), a government-sponsored enterprise established by Congress to provide American academic institutions with greater access to low-cost capital through credit enhancement. Connie Lee, the operating insurance company, was incorporated in 1987 and began business as a reinsurer of tax-exempt bonds of colleges, universities, and teaching hospitals with a concentration on the hospital sector. During the fourth quarter of 1991 Connie Lee began underwriting primary bond insurance which will focus largely on the college and university sector. CCLIA's founding shareholders are the U.S. Department of Education, which owns 36% of CCLIA, and the Student Loan Marketing Association ('Sallie Mae'), which owns 14%. The other principal owners are: Pennsylvania Public School Employees' Retirement System, Metropolitan Life Insurance Company, Kemper Financial Services, Johnson family funds and trusts, Northwestern University, Rockefeller & Co., Inc. administered trusts and funds, and Stanford University. Connie Lee is domiciled in the state of Wisconsin and has licenses to do business in 47 states and the District of Columbia. As of December 31, 1993, its total admitted assets were approximately $182,000,000 and policyholders' surplus was approximately $105,000,000.

Continental is a wholly-owned subsidiary of CNA Financial Corp. and was incorporated under the laws of Illinois in 1948. As of December 31, 1993, Continental had policyholders' surplus of approximately $3,598,000,000 and admitted assets of approximately $23,849,000,000. Continental is the lead property-casualty company of a fleet of carriers nationally known and marketed as 'CNA Insurance Companies'. CNA is rated AA+ by Standard & Poor's.

Financial Guaranty, a New York stock insurance company, is a wholly-owned subsidiary of FGIC Corporation, which is wholly owned by General Electric Capital Corporation. The investors in the FGIC Corporation are not obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty commenced its business of providing insurance and financial guarantees for a variety of investment instruments in January 1984 and is currently authorized to provide insurance in 49 states and the District of Columbia. It files reports with state regulatory agencies and is subject to audit and review by those authorities. As of December 31, 1993, its total admitted assets were approximately $1,947,000,000 and its policyholders' surplus was approximately $777,000,000.

FSA is a monoline property and casualty insurance company incorporated in New York in 1984. It is a wholly-owned subsidiary of Financial Security Assurance Holdings Ltd., which was acquired in December 1989 by US West, Inc., the regional Bell Telephone Company serving the Rocky Mountain and Pacific Northwestern states. U.S. West is currently seeking to sell FSA. FSA is licensed to engage in the surety business in 42 states and the District of Columbia. FSA is engaged exclusively in the business of writing financial guaranty insurance, on both tax-exempt and non-municipal securities. As of December 31, 1993, FSA had policyholders' surplus of approximately $357,000,000 and total admitted assets of approximately $748,000,000.

Firemen's, which was incorporated in New Jersey in 1855, is a wholly-owned subsidiary of The Continental Corporation and a member of The Continental Insurance Companies, a group of property and casualty insurance companies the claims paying ability of which is rated AA-by Standard & Poor's. It provides unconditional and non-cancellable insurance on industrial development revenue bonds. As of December 31, 1993, the total admitted assets of Firemen's were approximately $2,253,000,000 and its policyholders' surplus was approximately $503,000,000.

MBIA is the principal operating subsidiary of MBIA Inc. The principal shareholders of MBIA Inc. were originally Aetna Casualty and Surety Company, The Fund American Companies, Inc., subsidiaries of CIGNA Corporation and Credit Local de France, CAECL, S.A. These principal shareholders now own approximately 13% of the outstanding common stock of MBIA Inc. following a series of four public equity offerings over a five-year period. As of December 31, 1993, MBIA had admitted assets of approximately $3,051,000,000 and policyholders' surplus of approximately $978,000,000.

National Union is a stock insurance company incorporated in Pennsylvania and a wholly-owned subsidiary of American International Group, Inc. National Union was organized in 1901 and is currently licensed to provide insurance in 50 states and the District of Columbia. It files reports with state insurance regulatory agencies and is subject to regulation, audit and review by those authorities including the State of New York Insurance Department. As of December 31, 1993, the total admitted assets and policyholders' surplus of National Union were approximately $7,993,000,000 and approximately $1,401,000,000, respectively.

Insurance companies are subject to regulation and supervision in the jurisdictions in which they do business under statutes which delegate regulatory, supervisory and administrative powers to state insurance commissioners. This regulation, supervision and administration relate, among other things, to: the standards of solvency which must be met and maintained; the licensing of insurers and their agents; the nature of and limitations on investments; deposits of securities for the benefit of policyholders; approval

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of policy forms and premium rates; periodic examinations of the affairs of insurance companies; annual and other reports required to be filed on the financial condition of insurers or for other purposes; and requirements regarding reserves for unearned premiums, losses and other matters. Regulatory agencies require that premium rates not be excessive, inadequate or unfairly discriminatory. Insurance regulation in many states also includes 'assigned risk' plans, reinsurance facilities, and joint underwriting associations, under which all insurers writing particular lines of insurance within the jurisdiction must accept, for one or more of those lines, risks that are otherwise uninsurable. A significant portion of the assets of insurance companies is required by law to be held in reserve against potential claims on policies and is not available to general creditors.

Although the Federal government does not regulate the business of insurance, Federal initiatives can significantly impact the insurance business. Current and proposed Federal measures which may significantly affect the insurance business include pension regulation (ERISA), controls on medical care costs, minimum standards for no-fault automobile insurance, national health insurance, personal privacy protection, tax law changes affecting life insurance companies or the relative desirability of various personal investment vehicles and repeal of the current antitrust exemption for the insurance business. (If this exemption is eliminated, it will substantially affect the way premium rates are set by all property-liability insurers.) In addition, the Federal government operates in some cases as a co-insurer with the private sector insurance companies.

Insurance companies are also affected by a variety of state and Federal regulatory measures and judicial decisions that define and extend the risks and benefits for which insurance is sought and provided. These include judicial redefinitions of risk exposure in areas such as products liability and state and Federal extension and protection of employee benefits, including pension, workers' compensation, and disability benefits. These developments may result in short-term adverse effects on the profitability of various lines of insurance. Longer-term adverse effects can often be minimized through prompt repricing of coverages and revision of policy terms. In some instances these developments may create new opportunities for business growth. All insurance companies write policies and set premiums based on actuarial assumptions about mortality, injury, the occurrence of accidents and other insured events. These assumptions, while well supported by past experience, necessarily do not take account of future events. The occurrence in the future of unforeseen circumstances could affect the financial condition of one or more insurance companies. The insurance business is highly competitive and with the deregulation of financial service businesses, it should become more competitive. In addition, insurance companies may expand into non-traditional lines of business which may involve different types of risks.

LITIGATION AND LEGISLATION

To the best knowledge of the Sponsors, there is no litigation pending as of the Initial Date of Deposit in respect of any Debt Obligations which might reasonably be expected to have a material adverse effect upon the Fund. At any time after the Initial Date of Deposit, litigation may be initiated on a variety of grounds, or legislation may be enacted, with respect to Debt Obligations in the Fund. Litigation, for example, challenging the issuance of pollution control revenue bonds under environmental protection statutes may affect the validity of Debt Obligations or the tax-free nature of their interest. While the outcome of litigation of this nature can never

be entirely predicted, opinions of bond counsel are delivered on the date of issuance of each Debt Obligation to the effect that the Debt Obligation has been validly issued and that the interest thereon is exempt from Federal income tax. In addition, other factors may arise from time to time which potentially may impair the ability of issuers to make payments due on Debt Obligations.

Under the Federal Bankruptcy Act, a political subdivision or public agency or instrumentality of any state, including municipalities, may proceed to restructure or otherwise alter the terms of its obligations, including those of the type comprising the Fund's Portfolio. The Sponsors are unable to predict what effect, if any, this type of legislation might have on the Fund.

From time to time Congress considers proposals to tax the interest on state and local obligations, such as the Debt Obligations. The Supreme Court clarified in South Carolina v. Baker (decided April 20, 1988) that the U.S. Constitution does not prohibit Congress from passing a nondiscriminatory tax on interest on state and local obligations. This type of legislation, if enacted into law, could adversely affect an investment in Units. Holders are urged to consult their own tax advisers.

PAYMENT OF THE DEBT OBLIGATIONS AND LIFE OF THE FUND

Because certain of the Debt Obligations from time to time may be redeemed or prepaid or will mature in accordance with their terms or may be sold under certain circumstances described herein, no assurance can be given that the Fund will retain for any length of time its present size and composition. Many of the

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Debt Obligations may be subject to redemption prior to their stated maturity dates pursuant to optional refunding or sinking fund redemption provisions or otherwise (see Portfolio in Part A). In general, optional refunding redemption provisions are more likely to be exercised when the offer side evaluation is at a premium over par than when it is at a discount from par. Generally, the offer side evaluation of Debt Obligations will be at a premium over par when market interest rates fall below the coupon rate on the Debt Obligations. The percentage of the face amount of Debt Obligations which were acquired on the Date of Deposit at an offer side evaluation in excess of par is set forth under Investment Summary. Certain Debt Obligations in the Portfolio may be subject to sinking fund provisions early in the life of the Fund. These provisions are designed to redeem a significant portion of an issue gradually over the life of the issue; obligations to be redeemed are generally chosen by lot. Additionally, the size and composition of the Fund will be affected by the level of redemptions of Units that may occur from time to time and the consequent sale of Debt Obligations (see How to Sell--Redemption). Principally, this will depend upon the number of Holders seeking to sell or redeem their Units and whether or not the Sponsors continue to reoffer Units acquired by them in the secondary market. Factors that the Sponsors will consider in the future in determining to cease offering Units acquired in the secondary market include, among other things, the diversity of the Portfolio remaining at that time, the size of the Fund relative to its original size, the ratio of Fund expenses to income, the Fund's current and long-term returns, the degree to which Units may be selling at a premium over par relative to other funds sponsored by the Sponsors and the cost of maintaining a current prospectus for the Fund. These factors may also lead the Sponsors to seek to terminate the Fund earlier than would otherwise be the case (see Trust Indenture).

LIQUIDITY

Certain of the Debt Obligations may have been guaranteed or similarly secured by insurance companies or other corporations or entities. The guarantee or similar commitment may constitute a security (a 'Restricted Security') that cannot, in the opinion of counsel, be sold publicly by the Trustee without registration under the Securities Act of 1933, as amended, or similar provisions of law subsequently enacted. The Sponsors nevertheless believe that, should a sale of these Debt Obligations be necessary in order to meet redemption, the Trustee should be able to consummate a sale with institutional investors. Up to 40% of the Portfolio may consist of Debt Obligations purchased from various banks and thrifts and other Debt Obligations with guarantees which may constitute Restricted Securities.

The Portfolio may contain certain Debt Obligations purchased directly from issuers. These Debt Obligations are generally issued under bond resolutions or trust indentures providing for the issuance of bonds in publicly saleable denominations (usually $100,000), may be sold free of the registration requirements of the Securities Act of 1933 and are otherwise structured in contemplation of ready marketability. In addition, the Sponsors generally obtain letters of intention to repurchase or to use best efforts to remarket these Debt Obligations from the issuers, the placement agents acting in connection with their sale or the entities providing the additional credit support, if any. These letters do not express legal obligations; however, in the opinion of the Sponsors, these Debt Obligations should be readily marketable.

TAX EXEMPTION

In the opinion of bond counsel rendered on the date of issuance of each Debt Obligation, the interest on each Debt Obligation is excludable from gross income under existing law for regular Federal income tax purposes (except in certain circumstances depending on the Holder) but may be subject to state and local taxes and may be a preference item for purposes of the Alternative Minimum Tax (see Portfolio in Part A; Taxes below). As discussed under Taxes below, interest on some or all of the Debt Obligations may become subject to regular Federal income tax, perhaps retroactively to their date of issuance, as a result of changes in Federal law or as a result of the failure of issuers (or other users of the proceeds of the Debt Obligations) to comply with certain ongoing requirements.

Moreover, the Internal Revenue Service has announced an expansion of its examination program with respect to tax-exempt bonds. The expanded examination program will consist of, among other measures, increased enforcement against abusive transactions, broader audit coverage (including the expected issuance of audit guidelines) and expanded compliance achieved by means of expected revisions to the tax-exempt bond information return forms. At this time, it is uncertain whether the tax exempt status of any of the Debt Obligations would be affected by such proceedings, or whether such effect, if any, would be retroactive.

In certain cases, a Debt Obligation may provide that if the interest on the Debt Obligation should ultimately be determined to be taxable, the Debt Obligation would become due and payable by its issuer, and, in addition, may provide that any related letter of credit or other security could be called upon if the issuer failed to satisfy all or part of its obligation. In other cases, however, a Debt Obligation may not provide for the acceleration or redemption of

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the Debt Obligation or a call upon the related letter of credit or other security upon a determination of taxability. In those cases in which a Debt Obligation does not provide for acceleration or redemption or in which both the issuer and the bank or other entity issuing the letter of credit or other security are unable to meet their obligations to pay the amounts due on the Debt Obligation as a result of a determination of taxability, the Trustee would be obligated to sell the Debt Obligation and, since it would be sold as a taxable security, it is expected that it would have to be sold at a substantial discount from current market price. In addition, as mentioned above, under certain circumstances Holders could be required to pay income tax on interest received prior to the date on which the interest is determined to be taxable.

HOW TO BUY

Units are available from any of the Underwriters and other broker-dealers at the Public Offering Price (including the applicable sales charge) plus a proportionate share of any cash held by the Fund in the Capital Account (unless allocated to the purchase of specific securities) and net accrued and undistributed interest. Because both the value of Securities and accrued interest change, the Public Offering Price varies each Business Day.

PUBLIC OFFERING PRICE

In the initial offering period, the Public Offering Price is based on the next offer side evaluation of the Securities, and includes a sales charge based on the number of Units of a single Fund or Trust purchased on the same or any preceding day by a single purchaser. See Initial Offering Sales Charge Schedule in Appendix B. The purchaser or his dealer must notify the Sponsors at the time of purchase of any previous purchase to be aggregated and supply sufficient information to permit confirmation of eligibility; acceptance of the purchase order is subject to such confirmation. Purchases of Fund Units may not be aggregated with purchases of any other unit trust. This procedure may be amended or terminated at any time without notice.

In the secondary market (after the initial offering period), the Public Offering Price is based on the next bid side evaluation of the Securities, and includes a sales charge based (a) on the number of Units of the Fund and any other Series of Municipal Investment Trust Fund purchased in the secondary market on the same day by a single purchaser (see Secondary Market Sales Charge Schedule in Appendix B) and (b) the maturities of the underlying Securities (see Effective Sales Charge in Appendix B). To qualify for a reduced sales charge, the dealer must confirm that the sale is to a single purchaser or is purchased for its own account and not for distribution. For these purposes, Units held in the name of the purchaser's spouse or child under 21 years of age are deemed to be purchased by a single purchaser. A trustee or other fiduciary purchasing securities for a single trust estate or single fiduciary account is also considered a single purchaser.

In the secondary market, the Public Offering Price is further reduced depending on the maturities of the various bonds in the Portfolio, by determining a sales charge percentage for each bond, as stated in Effective Sales Charge in Appendix B. The sales charges so determined, multiplied by the bid side evaluation of the Securities, are aggregated and the total divided by the number of Units outstanding to determine the Effective Sales Charge. On any purchase, the Effective Sales Charge is multiplied by the applicable secondary market sales charge

percentage (depending on the number of Units purchased) in order to determine the sales charge component of the Public Offering Price.

Employees of certain Sponsors and Sponsor affiliates and non-employee directors of Merrill Lynch & Co. Inc. may purchase Units at any time at prices including a sales charge of not less than $5 per Unit.

SECURITIES EVALUATIONS

The Public Offering Price is based on the evaluation of Securities in the Fund, at the offer or bid side as described above, at the Evaluation Time next following receipt of the order. Evaluations are determined by the Evaluator as described under Redemption on each Business Day (this excludes Saturdays, Sundays and the following holidays as observed by the New York Stock Exchange: New Year's Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas).

ACCRUED INTEREST

Net accrued interest is added to the Public Offering Price, the Sponsors' Repurchase Price and the Redemption Price per Unit. This represents the interest accrued on the Securities, net of Fund expenses, from the Initial Date of Deposit to, but not including, the settlement date for Units (less any prior distributions of interest income to Holders). Securities deposited also carry accrued but unpaid interest up to the Initial Date of Deposit. To avoid having Holders pay this additional accrued interest (which earns no return) when they purchase Units, the Trustee advances and distributes this amount to the

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Sponsors; it recovers this advance from interest received on the Debt Obligations. Because of varying interest payment dates on the Securities, accrued interest at any time will exceed the interest actually received by the Fund.

CERTIFICATES

Certificates for Units are issued upon request, and are transferable upon payment of any taxes or governmental charges and compliance with the requirements for redeeming Certificates (see Redemption). Certain Sponsors collect additional charges for registering and shipping Certificates to purchasers. Lost or mutilated Certificates can be replaced upon delivery of satisfactory indemnity and payment of costs.

COMPARISON OF PUBLIC OFFERING PRICE, SPONSORS' INITIAL REPURCHASE PRICE, SECONDARY MARKET REPURCHASE PRICE AND REDEMPTION PRICE

On the business day prior to the Initial Date of Deposit the Public Offering Price per Unit (which includes the sales charge) and the Sponsors' Initial Repurchase Price per Unit (each based on the offer side evaluation of the Securities in the Fund--see above) exceeded the Sponsors' Repurchase Price and the Redemption Price per Unit (each based on the bid side evaluation thereof--see How to Sell--Redemption) by the amounts set forth under the Investment Summary.

The initial Public Offering Price per Unit of the Trust and the Initial Repurchase Price are based on the offer side evaluations of the Securities. The secondary market Public Offering Price and the Sponsors' Repurchase Price in the secondary market are based on bid side evaluations of the Securities. In the past, the bid prices of publicly offered tax-exempt issues have been lower than the offer prices by as much as 3 1/2% or more of face amount in the case of inactively traded issues and as little as 1/2 of 1% in the case of actively traded issues, but the difference between the offer and bid prices has averaged between 1 and 2% of face amount; the difference on the day before the date of this Prospectus is stated in a note to the Portfolio.

HOW TO SELL

SPONSORS' MARKET FOR UNITS

Holders can cash in Units at any time without a fee. The Sponsors (although not obligated to do so) normally repurchase any Units offered for sale, at the repurchase price next computed after receipt of the order. Because of the sales charge and fluctuations in the market value of the Securities (among other reasons) the repurchase price may be less than the investor's cost for the Units. Holders disposing of Units should consult their financial professional as to current market prices to determine if other broker-dealers or banks offer higher prices for those Units.

The Sponsors may discontinue this market without prior notice if the supply of Units exceeds demand or for other business reasons; in that event, the Sponsors may still purchase Units at the redemption price as a service to Holders. Although the Sponsors may reoffer Units repurchased, alternatively they may redeem those Units; see Redemption for a description of certain consequences of redemptions to remaining Holders.

REDEMPTION

Holders may redeem Units by tendering to the Trustee Certificates (if issued) or a request for redemption. Certificates must be properly endorsed or accompanied by a written transfer instrument. Each Holder must sign the Certificate, transfer instrument or request exactly as the name appears on the face of the Certificate; signatures must be guaranteed by an eligible guarantor institution or in another manner acceptable to the Trustee. In certain instances, additional documents may be required such as a certificate of death, trust instrument, certificate of corporate authority or appointment as executor, administrator or guardian. If the Sponsors are maintaining a market for Units, they will purchase any Units tendered at the price described in the preceding section. If the Sponsors do not purchase Units tendered, the Trustee is authorized in its discretion to sell Units in the over-the-counter market if it believes it will obtain for the redeeming Holder a higher net price.

Redemptions may be suspended or payment postponed in limited circumstances: (1) if the New York Stock Exchange is closed other than for customary weekend and holiday closings; (2) if the SEC determines that trading on that Exchange is restricted or an emergency exists making disposal or evaluation of the Securities not reasonably practicable; or (3) for any other period which the SEC by order permits.

On the seventh calendar day after tender (the preceding Business Day if the seventh day is not a Business Day), the Holder will be mailed an amount per Unit equal to the Redemption Price Per Unit at the Evaluation Time next following receipt of the tender. As noted above, this price may be more or less than the cost of those Units.

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Redemption Price per Unit is computed each Business Day by adding (a) the aggregate bid side evaluation of the Securities, (b) cash in the Fund (excluding cash held to pay contracts to purchase Securities or in a reserve account), (c) accrued but unpaid interest on the Securities up to but not including the payment date and (d) the aggregate value of any other Fund assets; deducting (v) unpaid taxes or other governmental charges, (w) accrued but unpaid Fund expenses, (x) unreimbursed Trustee advances, (y) cash held to redeem Units or for distribution to Holders and (z) the aggregate value of any other Fund liabilities; and dividing the result by the Units outstanding as of the computation. Evaluations of Securities are determined by the Evaluator as follows: During the initial syndicate offering period for any Debt Obligation, its evaluation will be at the syndicate offer price unless the Evaluator determines that this price does not accurately reflect the market value. For Securities traded over-the-counter, the evaluation is generally based on the closing sales prices on that market (unless the Evaluator deems these prices inappropriate for valuation). If closing sales prices are not available, the evaluation is generally determined on the basis of current bid or offer prices for the Securities or (if not available) for comparable securities or by appraising the value or any combination of these methods.

The value of any insurance is reflected in the market value of any Insured Debt Obligation. The Sponsors believe that this is a fair method of valuing the Insured Debt Obligations and the insurance.

If cash is not available in the Fund's Income and Capital Accounts to pay redemptions, the Trustee is authorized to sell Securities. Securities to be sold will be selected by the Agent for the Sponsors in accordance with procedures specified in the Indenture, based on market and credit factors that they determine are in the best interests of the Fund. The Sponsors are authorized to specify minimum face amounts in which Securities are sold, to obtain a better price for the Fund. When Securities are sold (or mature or are called), the size and diversity of the Fund is reduced. Sales to meet redemptions are often made at times when Securities would not otherwise be sold, and may result in lower prices than might be realized otherwise.

INCOME AND DISTRIBUTIONS

INCOME

Income is received by the Fund upon semi-annual payments of interest on the Debt Obligations held in the Portfolio. Some of the Debt Obligations may be purchased on a when, as and if issued basis or may have a delayed delivery (see Portfolio). Since interest on these Debt Obligations does not begin to accrue until the date of delivery to the Fund, in order to provide tax-exempt income to the Holders for this non-accrual period, the Trustee's Annual Fee and Expenses is reduced by the interest that would have accrued on these Debt Obligations between the initial settlement date for Units and the delivery dates of the Debt Obligations. This eliminates reduction in Monthly Income Distributions. Should when-issued Debt Obligations be issued later than expected, the fee reduction will be increased correspondingly. If the amount of the Trustee's Annual Fee and Expenses is insufficient to cover the additional accrued interest, the Sponsors will treat the contracts as Failed Debt Obligations. As the Trustee is authorized to draw on the letter of credit deposited by the Sponsors before the

settlement date for these Debt Obligations and deposit the proceeds in an account for the Fund on which it pays no interest, its use of these funds compensates the Trustee for the reduction described above.

RETURNS

Estimated Current Return represents annual cash to be received from interest-bearing Debt Obligations in the Portfolio (net of estimated annual expenses) divided by the Public Offering Price (including sales charge).

Estimated Long-Term Return is a measure of the estimated return earned over the estimated life of the Fund. This represents an average of the yields to maturity (or earliest call date for obligations trading at a premium over the call price) of the Debt Obligations in the Portfolio, calculated in accordance with accepted bond practice and adjusted to reflect expenses and sales charges. Bonds are customarily offered on a 'yield price' basis, which reflects computation of yield to maturity (or call date) and not only the interest payable but amortization or accretion to a specified date of any premium over or discount from par (maturity) value in the bond's purchase price. In calculating Estimated Long Term Return, the average yield for the Portfolio is derived by weighing each Debt Obligation's yield by its market value and the time remaining to the date to which the Debt Obligation is priced. The average Portfolio yield so computed is adjusted to reflect estimated expenses and the maximum sales charge. This calculation does not reflect certain delays in distributing income nor the timing of other receipts and distributions on Units; depending on maturities, it may therefore overstate or understate the impact of sales charges. Both of these factors may result in a lower figure.

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Both Estimated Current Return and Estimated Long Term Return can fluctuate with changes in Portfolio composition, in market value of the Debt Obligations, in Fund expenses and sales charges; these returns therefore can vary materially from the figures at the time of purchase. Any difference between Estimated Current Return and Estimated Long Term Return will probably fluctuate at least as frequently. These figures may not be directly comparable to yield figures used to measure other investments, and since the estimated returns are based on various assumptions and variables, returns received by Holders may be higher or lower.

FUND ACCOUNTS

Interest received is credited to an Income Account and other receipts to a Capital Account. A Reserve Account may be created by withdrawing from the Income or Capital Accounts amounts considered appropriate by the Trustee to reserve for any material amount that may be payable out of the Fund. Monies held by the Trustee in the various accounts for the Fund do not bear interest.

DISTRIBUTIONS

The initial estimated net annual interest rate per Unit is stated in Investment Summary. This is based on $1,000 face amount per Unit, after deducting estimated annual Fund expenses. The rate will change as Securities mature, are called or sold or otherwise disposed of, as Replacement Securities are deposited and as Fund expenses change. Because the Portfolio is not actively managed, income distributions may not be affected by changes in interest rates. Subject to the financial conditions of the issuers of the Securities, the amount of income should be substantially maintained as long as the Portfolio remains unchanged; however, optional bond redemptions or other Portfolio changes may occur more frequently when interest rates decline, which would result in early return of principal.

Each Unit receives an equal share of monthly distributions of interest income and any principal distributed, substantially equal to the proportionate income during the month preceding the Record Day less estimated expenses. Interest on the Debt Obligations is received by the Fund on a semi-annual or annual basis. Therefore, it takes several months after the Initial Date of Deposit for the Trustee to receive sufficient interest payments on the Securities to begin distributions to Holders; see Investment Summary for estimates of the first and following Monthly Income Distributions. When a Security is sold, redeemed or otherwise disposed of, accrued interest is received by the Fund. Further, because interest on the Securities is not received by the Fund at a constant rate throughout the year, any Monthly Income Distribution may be more or less than the interest actually received. To eliminate fluctuations in the Monthly Income Distribution, the Trustee will advance amounts necessary to provide approximately equal distributions; it will be reimbursed, without interest, from interest received on the Securities. However, the amount of Monthly Income Distributions will change over time as described above.

Along with the Monthly Income Distributions, the Trustee will distribute the Holder's pro rata share of the distributable cash balance of the Capital Account, computed as of the close of business on the preceding Record Day (if at least equal to the Minimum Capital Distribution stated in Investment Summary). Principal proceeds received from disposition of any Security after a Record Day and prior to the related Distribution Day will be

held in the Capital Account subject to distribution on the second following Distribution Day. The first distribution for a purchaser of Units between a Record Day and the related Distribution Day will be made on the second following Distribution Day.

Any funds held to acquire Replacement Securities which have not been used to purchase Securities within 90 days after the initial deposit, unless promptly used to purchase Replacement Securities, will be distributed to Holders together with the attributable sales charge and interest attributable to those funds. This interest will not be exempt from tax.

INVESTMENT ACCUMULATION PROGRAM

Distributions of interest and any principal or premium received by the Fund will be paid in cash unless the Holder elects to have these distributions reinvested without sales charge in the Municipal Fund Accumulation Program, Inc. (the 'Program'). The Program is an open-end management investment company whose investment objective is to obtain income that is exempt from regular Federal income taxes through investment in a diversified portfolio consisting primarily of state, municipal and public authority debt obligations rated A or better or with comparable credit characteristics. Reinvesting compounds earnings free from Federal tax. Holders participating in the Program will be subject to State and local income taxes to the same extent as if the distributions had been received in cash, and most of the income on the Program is subject to State and local income taxes. For more complete information about the Program, including charges and expenses, return the enclosed form for a prospectus. Read it carefully

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before you decide to participate. Notice of election to participate must be received by the Trustee in writing at least ten days before the Record Day for the first distribution to which the notice is to apply.

FUND EXPENSES

See Trustee's Annual Fee and Expenses under Investment Summary for estimated annual Fund expenses; if actual expenses exceed the estimate, the excess will be borne by the Fund. The annual fee solely for the Trustee's services is $0.70 per $1,000 face amount of Debt Obligations, payable in monthly installments. The Trustee also benefits when it holds cash for the Fund in non-interest bearing accounts. Possible additional charges include Trustee fees and expenses for extraordinary services, costs of indemnifying the Trustee and the Sponsors to the extent permitted by law and the Indenture, costs of action taken to protect the Fund and other legal fees and expenses, Fund termination expenses and any governmental charges. The Trustee has a lien on Fund assets to secure reimbursement of these amounts, and may sell Securities for this purpose. The Sponsors receive an annual fee for Portfolio supervisory services at the maximum stated under Investment Summary, based on the initial face amount in any calendar year. While this may exceed their costs of providing these services to the Fund, the total supervision fees from all Municipal Investment Trust Fund Series will not exceed their costs for these services to all of those Series during any calendar year. The Sponsors may also be reimbursed for their costs of providing bookkeeping and administrative services to the Fund. The Trustees's, Sponsors' and Evaluators fees may be adjusted for inflation without Holders' approval.

LOW COSTS

All expenses in establishing the Fund, including the cost of the initial preparation and printing of documents relating to the Fund, cost of the initial evaluation, the initial fees and expenses of the Trustee, legal expenses, advertising and selling expenses and any other out-of-pocket expenses, will be paid from the Underwriting Account at no charge to the Fund.

Sales charges on Defined Asset Funds range from under 1.0% to 5.5%. This may be less than you might pay to buy a comparable mutual fund. Defined Asset Funds have no 12b-1 or back-end load fees. These Funds can be a cost-effective way to purchase and hold investments. Annual operating expenses are generally lower than for managed funds. Because Defined Funds have no management fees, limited transaction costs and no ongoing marketing expenses, operating expenses are generally less than 0.25% a year. When compounded annually, small differences in expense ratios can make a big difference in expenses.

EXCHANGE OPTION

Holders may exchange Units (except of Short Intermediate Series) at a reduced sales charge for units of one or more series of the types listed in Appendix C ('Exchange Funds'). This includes the current maximum sales charge and exchange fee for each type of Exchange Fund. (If units held less than five months are exchanged for a series with a higher regular sales charge, the Holder will pay the difference between the sales charges paid on the units exchanged and the regular sales charge for the units acquired, if greater than the exchange fee.)

The current return from taxable fixed income securities is normally higher than that available from tax exempt fixed income securities. Certain of the Exchange Funds do not provide for periodic payments of interest and are best suited for purchase by IRA's, Keogh plans, pension funds or other tax-deferred retirement plans. Consequently, some of the Exchange Funds may be inappropriate investments for some Holders. Appendix C lists certain characteristics of each type of Exchange Fund which a Holder should consider in determining whether it would be an appropriate investment and therefore an appropriate exchange for Units of the Fund.

Holders of Exchange Funds can similarly exchange units of those funds for Units of the Fund. However, units of series offered at a maximum applicable sales charge below 3.50% of the public offering price (including certain series of Exchange Funds listed in Appendix C) are not eligible for exchange except that Holders may exchange Units of the Fund for Freddie Mac or Select Ten Series during their initial offering periods. Holders of other registered unit investment trusts originally offered at a maximum applicable sales charge of at least 3.0% ('Conversion Trusts') may similarly acquire Units at the exchange fee.

To make an exchange, a Holder should contact his financial professional to find out what suitable Exchange Funds are available and to obtain a prospectus. The Holder may only acquire units of an Exchange Fund in which the Sponsors maintain a secondary market and which are lawfully available for sale in the state where the Holder resides. Except for the sales charge, an exchange is like any other purchase and sale of units in the secondary market. An exchange is a taxable event normally requiring recognition of any gain or loss on the units exchanged. However, the Internal Revenue Service may seek to disallow a loss if the portfolio of the units acquired is not materially different from the

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portfolio of the units exchanged; Holders should consult their own tax advisers. If the proceeds of units exchanged is insufficient to acquire a whole number of Exchange Fund units, the Holder may pay the difference in cash (not exceeding the price of a single unit acquired).

As the Sponsors are not obligated to maintain a secondary market in any series, there can be no assurance that units of a desired series will be available for exchange. The Exchange Option may be amended or terminated by the Sponsors at any time, without notice to Holders.

TAXES

The following discussion addresses only the tax consequences of Units held as capital assets and does not address the tax consequences of Units held by dealers, financial institutions or insurance companies.

In the opinion of Davis Polk & Wardwell, special counsel for the Sponsors, under existing law:

The Fund is not an association taxable as a corporation for Federal income tax purposes, and income received by the Fund will be treated as the income of the Holders in the manner set forth below.

Each Holder will be considered the owner of a pro rata portion of each Debt Obligation in the Fund under the grantor trust rules of Sections 671-679 of the Internal Revenue Code of 1986, as amended (the 'Code'). In order to determine the face amount of a Holder's pro rata portion of each Debt Obligation on the Initial Date of Deposit, see Face Amount under Portfolio. The total cost to a Holder of his Units, including sales charges, is allocated to his pro rata portion of each Debt Obligation, in proportion to the fair market values thereof on the date the Holder purchases his Units, in order to determine his tax basis for his pro rata portion of each Debt Obligation. In order for a Holder who purchases his Units on the Initial Date of Deposit to determine the fair market value of his pro rata portion of each Debt Obligation on such date, see Cost of Debt Obligations to Fund under Portfolio.

Each Holder will be considered to have received the interest on his pro rata portion of each Debt Obligation when interest on the Debt Obligation is received by the Fund. In the opinion of bond counsel (delivered on the date of issuance of the Debt Obligation), such interest will be excludable from gross income for regular Federal income tax purposes (except in certain limited circumstances referred to below). Amounts received by the Fund pursuant to a bank letter of credit, guarantee or insurance policy with respect to payments of principal, premium or interest on a Debt Obligation will be treated for Federal income tax purposes in the same manner as if such amounts were paid by the issuer of the Debt Obligation.

The Fund may contain Debt Obligations which were originally issued at a discount ('original issue discount'). The following principles will apply to each Holder's pro rata portion of any Debt Obligation originally issued at a discount. In general, original issue discount is defined as the difference between the price at which a debt obligation was issued and its stated redemption price at maturity. Original issue discount on a tax-exempt obligation issued after September 3, 1982 is deemed to accrue as tax-exempt interest over the life of the obligation under a formula based on the compounding of interest. Original issue discount on a tax-exempt obligation issued before July 2, 1982 is deemed to accrue as tax-exempt interest ratably over the life of the obligation. Original issue discount on any tax-exempt obligation issued during the period beginning July 2, 1982 and ending September 3, 1982 is also deemed to accrue as tax-exempt interest over the life of the obligation, although it is not clear whether such accrual is ratable or is determined under a formula based on the compounding of interest. If a Holder's tax basis for his pro rata portion of a Debt Obligation issued with original issue discount is greater than its 'adjusted issue price' but less than its stated redemption price at maturity (as may be adjusted for certain payments), the Holder will be considered to have purchased his pro rata portion of the Debt Obligation at an 'acquisition premium'. A Holder's adjusted tax basis for his pro rata portion of the Debt Obligation issued with original issue discount will include original issue discount accrued during the period such Holder held his Units. Such increases to the Holder's tax basis in his pro rata portion of the Debt Obligation resulting from the accrual of original issue discount, however, will be reduced by the amount of any such acquisition premium.

If a Holder's tax basis for his pro rata portion of a Debt Obligation exceeds the redemption price at maturity thereof (subject to certain adjustments), the Holder will be considered to have purchased his pro rata portion of the Debt Obligation with 'amortizable bond premium'. The Holder is required to amortize such premium over the term of the Debt Obligation. Such amortization is only a reduction of basis for his pro rata portion of the Debt Obligation and does not result in any deduction against the Holder's income. Therefore, under some circumstances, a Holder may

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recognize taxable gain when his pro rata portion of a Debt Obligation is disposed of for an amount equal to or less than his original tax basis therefor.

A Holder will recognize taxable gain or loss when all or part of his pro rata portion of a Debt Obligation is disposed of by the Fund for an amount greater or less than his adjusted tax basis. Any such taxable gain or loss will be capital gain or loss, except that any gain from the disposition of a Holder's pro rata portion of a Debt Obligation acquired by the Holder at a 'market discount' (i.e., where the Holder's original tax basis for his pro rata portion of the Debt Obligation (plus any original issue discount which will accrue thereon until its maturity) is less than its stated redemption price at maturity) would be treated as ordinary income to the extent the gain does not exceed the accrued market discount. Capital gains are generally taxed at the same

rate as ordinary income. However, the excess of net long-term capital gains over net short-term capital losses may be taxed at a lower rate than ordinary income for certain noncorporate taxpayers. A capital gain or loss is long-term if the asset is held for more than one year and short-term if held for one year or less. The deduction of capital losses is subject to limitations. A Holder will also be considered to have disposed of all or part of his pro rata portion of each Debt Obligation when he sells or redeems all or some of his Units.

Under Section 265 of the Code, a Holder (except a corporate Holder) is not entitled to a deduction for his pro rata share of fees and expenses of the Fund, because the fees and expenses are incurred in connection with the production of tax-exempt income. Further, if borrowed funds are used by a Holder to purchase or carry Units of the Fund, interest on this indebtedness will not be deductible for Federal income tax purposes. In addition, under rules used by the Internal Revenue Service, the purchase of Units may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of Units.

Under the income tax laws of the State and City of New York, the Fund is not an association taxable as a corporation and income received by the Fund will be treated as the income of the Holders in the same manner as for Federal income tax purposes, but will not necessarily be tax-exempt.

Holders will be taxed in the manner described above regardless of whether the distributions from the Fund are actually received by the Holders or are automatically reinvested in the Municipal Fund Accumulation Program, Inc.

From time to time proposals are introduced in Congress and state legislatures which, if enacted into law, could have an adverse impact on the tax-exempt status of the Debt Obligations. It is impossible to predict whether any legislation in respect of the tax status of interest on the Debt Obligations may be proposed and eventually enacted at the Federal or state level.

The foregoing discussion relates only to Federal and certain aspects of New York State and City income taxes. Depending on their state of residence, Holders may be subject to state and local taxation and should consult their own tax advisers in this regard.

* * *

The Fund may include Debt Obligations issued after August 7, 1986 (see Investment Summary--Taxation and Portfolio in Part A). Interest (including any original issue discount) on certain of these Debt Obligations will be a preference item for purposes of the alternative minimum tax ('AMT'). In addition, a corporate Holder should be aware that the accrual or receipt of tax-exempt interest not subject to the AMT may give rise to an alternative minimum tax liability (or increase an existing liability) because the interest income will be included in the corporation's 'adjusted current earnings' for purposes of the adjustment to alternative minimum taxable income required by Section 56(g) of the Code, and will be taken into account for purposes of the environmental tax on corporations under Section 59A of the Code, which is based on alternative minimum taxable income. In addition, interest on the Debt Obligations must be taken into consideration in computing the portion, if any, of social security benefits that will be included in an individual's gross income and subject to Federal income tax. Holders are urged to consult their own tax advisers concerning an investment in Units.

At the time of issuance of each Debt Obligation, an opinion relating to the validity of the Debt Obligation and to the exemption of interest thereon from regular Federal income taxes was or will be rendered by bond counsel. Neither the Sponsors nor Davis Polk & Wardwell have made or will make any review of the proceedings relating to the issuance of the Debt Obligations or the basis for these opinions. The tax exemption is dependent upon the issuer's (and other users') compliance with certain ongoing requirements, and the opinion of bond counsel assumes that these requirements will be complied with. However, there

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can be no assurance that the issuer (and other users) will comply with these requirements, in which event the interest on the Debt Obligation could be determined to be taxable retroactively from the date of issuance.

In the case of certain Debt Obligations, the opinions of bond counsel indicate that interest on these Debt Obligations received by a 'substantial user' of the facilities being financed with the proceeds of such Debt Obligations, or persons related thereto, for periods while such Debt Obligations are held by such a user or related person, will not be exempt from regular Federal income taxes, although interest on such Debt Obligations received by others would be exempt from regular Federal income taxes. 'Substantial user' is defined under U.S. Treasury Regulations to include only a person whose gross revenue derived with respect to the facilities financed by the issuance of bonds is more than 5% of the total revenue derived by all users of these facilities, or who occupies more than 5% of the usable area of these facilities or for whom these facilities or a part thereof were

specifically constructed, reconstructed or acquired. 'Related persons' are defined to include certain related natural persons, affiliated corporations, partners and partnerships.

After the end of each calendar year, the Trustee will furnish to each Holder an annual statement containing information relating to the interest received by the Fund on the Debt Obligations, the gross proceeds received by the Fund from the disposition of any Debt Obligation (resulting from redemption or payment at maturity of any Debt Obligation or the sale by the Fund of any Debt Obligation), and the fees and expenses paid by the Fund. The Trustee will also furnish annual information returns to each Holder and to the Internal Revenue Service. Holders are required to report to the Internal Revenue Service the amount of tax-exempt interest received during the year.

ADMINISTRATION OF THE FUND

RECORDS

The Trustee keeps a register of the names, addresses and holdings of all Holders. The Trustee also keeps records of the transactions of the Fund, including a current list of the Securities and a copy of the Indenture, which may be inspected by Holders at reasonable times during business hours.

REPORTS TO HOLDERS

With each distribution, the Trustee includes a statement of the interest and any other receipts being distributed. Within five days after deposit of Debt Obligations in exchange or substitution for Debt Obligations (or contracts) previously deposited, the Trustee will send a notice to each Holder, identifying both the Debt Obligations removed and the Replacement Securities deposited. The Trustee sends each record Holder an annual report summarizing transactions in the Fund's accounts and amounts distributed during the year and Securities held, number of Units outstanding and Redemption Price at year end, among other matters. Holders may obtain copies of Securities evaluations from the Trustee to enable them to comply with Federal and state tax reporting requirements. Fund accounts are audited annually by independent accountants selected by the Sponsors; audited financial statements are available on request.

TRUST INDENTURE

The Fund is a 'unit investment trust' created under New York law by a Trust Indenture (the 'Indenture') among the Sponsors, the Trustee and the Evaluator. This Prospectus summarizes various provisions of the Indenture, but each statement herein is qualified in its entirety by reference to the Indenture.

The Indenture may be amended by the Sponsors and the Trustee, without consent by Holders: (a) to cure ambiguities or to correct or supplement any defective or inconsistent provision, (b) to make any amendment required by the SEC or other governmental agency, or (c) to make any other change not materially adverse to the interest of Holders (as determined in good faith by the Sponsors). The Indenture may also be amended upon consent of Holders of 51% of the Units. No amendment may reduce the interest of any Holder in the Fund without the Holder's consent or reduce the percentage of Units required to consent to any amendment without unanimous consent of Holders. Holders will be notified on the substance of any amendment.

The Fund will be terminated, and any remaining Securities sold, no later than the mandatory termination date specified in Investment Summary. It will terminate earlier upon the disposition of the last Security, upon direction of the Sponsors if total assets are below the minimum value specified in Investment Summary or upon consent of Holders of 51% of the Units. The Trustee will notify each Holder in writing within a reasonable time before termination, specifying when Certificates should be surrendered. After termination, the Trustee will sell any remaining Securities and distribute (by check mailed to the Holder) each Holder's pro rata interest in the Fund, net of any unpaid fees, taxes, governmental and other charges and subject to surrender of any outstanding Certificate by the Holder.

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Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed as Agent for the Sponsors by the other Sponsors.

The Trustee may resign upon notice to the Sponsors; it may be removed by direction of Holders of 51% of the Units at any time or by the Sponsors without consent of Holders if it becomes incapable of acting or bankrupt, its affairs are taken over by public authorities, or if for any reason the Sponsors determine in good faith that its replacement is in the best interest of the Holders. The Evaluator may resign or be removed by the Sponsors and the Trustee without consent of Holders. The resignation or removal of either becomes effective upon acceptance of appointment by a successor; in this case, the Sponsors (and the Trustee in the case of a successor Evaluator) will use their best efforts to appoint a successor promptly; however, if upon resignation no successor has accepted

appointment within 30 days after notification, the resigning Trustee or Evaluator may apply to a court of competent jurisdiction to appoint a successor.

Any Sponsor may resign if one remaining Sponsor maintains a net worth of $2,000,000 and is agreeable to the resignation. A new Sponsor may be appointed by the remaining Sponsors and the Trustee to assume the duties of the resigning Sponsor. If there is only one Sponsor and it fails to perform its duties or becomes incapable of acting or bankrupt or its affairs are taken over by public authorities, the Trustee may (a) appoint a successor Sponsor at rates of compensation deemed by the Trustee to be reasonable and not exceeding amounts prescribed by the SEC, or (b) terminate the Indenture and liquidate the Fund or (c) continue to act as Trustee without terminating the Indenture.

The Sponsors, the Trustee and the Evaluator are not liable to any other party (including Holders) for any act or omission in the conduct of their responsibilities absent bad faith, willful misfeasance, negligence (gross negligence in the case of a Sponsor) or reckless disregard of duty. The Trustee will not be personally liable for taxes or other governmental charges with respect to the Securities or interest thereon. The Indenture contains other customary provisions limiting liability of the Trustee.

MISCELLANEOUS

TRUSTEE

The Trustee is named on the back cover of the Prospectus and is either Bankers Trust Company, a New York banking corporation with its corporate trust office at 4 Albany Street, 7th Floor, New York, New York 10015 (which is subject to supervision by the New York Superintendent of Banks, the FDIC and the Board of Governors of the Federal Reserve System ('Federal Reserve')); The Chase Manhattan Bank, N.A., a national banking association with its Unit Trust Department at 1 Chase Manhattan Plaza--3B, New York, New York 10081 (which is subject to supervision by the Comptroller of the Currency, the FDIC and the Federal Reserve); or (acting as Co-Trustees) Investors Bank & Trust Company, a Massachusetts trust company with its unit investment trust servicing group at One Lincoln Plaza, Boston, Massachusetts 02111 (which is subject to supervision by the Massachusetts Commissioner of Banks, the FDIC and the Federal Reserve) and The First National Bank of Chicago, a national banking association with its corporate trust office at One First National Plaza, Suite 0126, Chicago, Illinois 60670-0126 (which is subject to supervision by the Comptroller of the Currency, the FDIC and the Federal Reserve). Unless otherwise indicated, when Investors Bank & Trust and The First National Bank of Chicago act as Co-Trustees, the term 'Trustee' in this Prospectus refers to these banks as co-trustee.

LEGAL OPINION

The legality of the Units has been passed upon by Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, as special counsel for the Sponsors. Bingham, Dana & Gould, 150 Federal Street, Boston, Massachusetts 02110, act as counsel for The First National Bank of Chicago and Investors Bank & Trust Company, as Co-Trustees. Hawkins, Delafield & Wood, 67 Wall Street, New York, New York 10005, act as counsel for Bankers Trust Company, as Trustee.

AUDITORS

The Statement of Condition in Part A was audited by Deloitte & Touche, independent accountants, as stated in their opinion. It is included in reliance upon that opinion given on the authority of that firm as experts in accounting and auditing.

SPONSORS

Each Sponsor is a Delaware corporation and is engaged in the underwriting, securities and commodities brokerage business and is a member of the New York Stock Exchange, Inc., other major securities exchanges and commodity exchanges, and the National Association of Securities Dealers, Inc. Merrill Lynch, Pierce, Fenner & Smith Incorporated, a subsidiary of Merrill Lynch & Co., Inc., is

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engaged in the investment advisory business. Smith Barney Inc., an investment banking and securities broker-dealer firm, is an indirect wholly-owned subsidiary of The Travelers Inc. Prudential Securities Incorporated, a wholly-owned subsidiary of Prudential Securities Group Inc. and an indirectly wholly-owned subsidiary of the Prudential Insurance Company of America, is engaged in the investment advisory business. Dean Witter Reynolds Inc., a principal operating subsidiary of Dean Witter, Discover & Co., is engaged in the investment advisory business. PaineWebber Incorporated is engaged in the investment advisory business and is a wholly-owned subsidiary of PaineWebber

Group Inc. Each Sponsor, or one of its predecessor corporations, has acted as Sponsor of a number of series of unit investment trusts. Each Sponsor has acted as principal underwriter and managing underwriter of other investment companies. The Sponsors, in addition to participating as members of various selling groups or as agents of other investment companies, execute orders on behalf of investment companies for the purchase and sale of securities of these companies and sell securities to these companies in their capacities as brokers or dealers in securities.

PUBLIC DISTRIBUTION

On the Initial Date of Deposit, the Sponsors, acting as managers for the underwriters ('Underwriters') named under Underwriting Account, deposited the Debt Obligations listed under Portfolio (or purchase contracts for these Securities together with a letter of credit to complete the purchase), in exchange for Units representing the entire ownership of the Fund.

During the initial offering period Units will be distributed to the public at the Public Offering Price through the Underwriting Account and dealers. The initial offering period is 30 days or less if all Units are sold. If some Units initially offered have not been sold, the Sponsors may extend the initial offering period for up to four additional successive 30-day periods. Upon the completion of the initial offering, Units which remain unsold or were repurchased may be offered by this Prospectus at the secondary market Public Offering Price.

The Sponsors intend to qualify Units for sale in all states in which qualification is deemed necessary through the Underwriting Account and by dealers who are members of the National Association of Securities Dealers, Inc. The Sponsors do not intend to qualify Units for sale in any foreign countries and this Prospectus does not constitute an offer to sell Units in any country where Units cannot lawfully be sold. Sales to dealers and to introducing dealers, if any, will initially be made at prices which represent a concession of the applicable rate specified in Appendix B, but the Agent for the Sponsors reserves the right to change the rate of the concession to dealers and the concession to introducing dealers from time to time. Any dealer or introducing dealer may reallow a concession up to the concession to dealers.

UNDERWRITERS' AND SPONSORS' PROFITS

Upon sale of the Units, the Underwriters will receive sales charges at the rates listed in Appendix B. The Sponsors also realized the profit or loss on deposit of the Securities stated in Investment Summary. This is the difference between the cost of the Securities to the Fund (based on the offer side evaluation of the Securities on the Initial Date of Deposit) and the Sponsors' cost of the Securities. The amount of any additional fees received in connection with the direct placement of certain Debt Obligations deposited in the Portfolio is also stated in Investment Summary. In addition, a Sponsor or Underwriter may realize profits or sustain losses on Debt Obligations it deposits in the Fund which were acquired from underwriting syndicates of which it was a member. During the initial offering period the Underwriting Account also may realize profits or sustain losses as a result of fluctuations after the Initial Date of Deposit in the Public Offering Price of the Units (see Investment Summary). In maintaining a secondary market for Units (see Market for Units), the Sponsors will also realize profits or sustain losses in the amount of any difference between the prices at which they buy Units and the prices at which they resell these Units (which include the sales charge) or the prices at which they redeem the Units. Cash, if any, made available by buyers of Units to the Sponsors prior to a settlement date for the purchase of Units may be used in the Sponsors' businesses to the extent permitted by Rule 15c3-3 under the Securities Exchange Act of 1934 and may be of benefit to the Sponsors.

DEFINED ASSET FUNDS

Each Sponsor (or a predecessor) has acted as Sponsor of various series of Defined Asset Funds. A subsidiary of Merrill Lynch, Pierce, Fenner & Smith Incorporated succeeded in 1970 to the business of Goodbody & Co., which had been a co-Sponsor of Defined Asset Funds since 1964. That subsidiary resigned as Sponsor of each of the Goodbody series in 1971. Merrill Lynch, Pierce, Fenner & Smith Incorporated has been co-Sponsor and the Agent for the Sponsors of each series of Defined Asset Funds created since 1971. Shearson Lehman Brothers Inc. ('Shearson') and certain of its predecessors were underwriters beginning in 1962 and co-Sponsors from 1965 to 1967 and from 1980 to 1993 of various Defined Asset Funds. As a result of the acquisition of certain of Shearson's assets by Smith

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Barney, Harris Upham & Co. Incorporated and The Travelers Inc. (formerly Primerica Corporation), Smith Barney Inc. now serves as co-Sponsor of various Defined Asset Funds. Prudential Securities Incorporated and its predecessors have been underwriters of Defined Asset Funds since 1961 and co-Sponsors since 1964, in which year its predecessor became successor co-Sponsor to the original Sponsor. Dean Witter Reynolds Inc. and its predecessors have been underwriters of various Defined Asset Funds since 1964 and

co-Sponsors since 1974. PaineWebber Incorporated and its predecessor have co-Sponsored certain Defined Asset Funds since 1983.

The Sponsors have maintained secondary markets in Defined Asset Funds for over 20 years. For decades informed investors have purchased unit investment trusts for dependability and professional selection of investments. Defined Asset Funds offers an array of simple and convenient investment choices, suited to fit a wide variety of personal financial goals--a buy and hold strategy for capital accumulation, such as for children's education or a nest egg for retirement, or attractive, regular current income consistent with relative protection of capital. There are Defined Funds to meet the needs of just about any investor. Unit investment trusts are particularly suited for the many investors who prefer to seek long-term profits by purchasing sound investments and holding them, rather than through active trading. Few individuals have the knowledge, resources or capital to buy and hold a diversified portfolio on their own; it would generally take a considerable sum of money to obtain the breadth and diversity offered by Defined Funds. Sometimes it takes a combination of Defined Funds to plan for your objectives.

One of the most important investment decisions an investor faces may be how to allocate his investments among asset classes. Diversification among different kinds of investments can balance the risks and rewards of each one. Most investment experts recommend stocks for long-term capital growth. Long-term corporate bonds offer relatively high rates of interest income. By purchasing both defined equity and defined bond funds, investors can receive attractive current income, as well as growth potential, offering some protection against inflation.

The following chart shows the average annual compounded rate of return of selected asset classes over the 10-year and 20-year periods ending December 31, 1993, compared to the rate of inflation over the same periods. Of course, this chart represents past performance of these investment categories and there is no guarantee of future results, either of these categories or of Defined Funds. Defined Funds also have sales charges and expenses, which are not reflected in the chart.

Asset class	Period	Return
Stocks (S&P 500)	20 yr	12.76%
	10 yr	14.94%
Small-company stocks	20 yr	18.82%
	10 yr	9.96%
Long-term corporate bonds	20 yr	10.16%
	10 yr	14.00%
U.S. Treasury bills (short-term)	20 yr	7.49%
	10 yr	6.35%
Consumer Price Index	20 yr	5.92%
	10 yr	3.73%

0 2 4 6 8 10 12%

Source: Ibbotson Associates (Chicago).
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Instead of having to select individual securities on their own, purchasers of Defined Funds benefit from the expertise of Defined Asset Funds' experienced buyers and research analysts. In addition, they gain the advantage of diversification by investing in units of a Defined Fund holding securities of several different issuers. Such diversification reduces risk, but does not eliminate it. While the portfolio of managed funds, such as mutual funds, continually changes, defined bond funds offer a defined portfolio and a schedule of income distributions defined in the prospectus. Investors know, generally, when they buy, the issuers, maturities, call dates and ratings of the securities in the portfolio. Of course, the portfolio may change somewhat over time as additional securities are deposited, as securities mature or are called or redeemed or as they are sold to meet redemptions and in the limited other circumstances. Investors buy bonds for dependability--they know what they can expect to earn and that principal is distributed as the bonds mature. Investors also know at the time of purchase their estimated

income and current and long-term returns, subject to credit and market risks and to changes in the portfolio or the fund's expenses.

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Defined Asset Funds offers a variety of fund types. The tax exemption for municipal bonds, which makes them attractive to high-bracket taxpayers, is offered by Defined Municipal Investment Trust Funds. Defined Municipal Investment Trust Funds have provided investors with tax-free income for more than 30 years. Municipal Defined Funds offer a simple and convenient way for investors to earn monthly income free from regular Federal income tax. Defined Corporate Income Funds, with higher current returns than municipal or government funds, are suitable for Individual Retirement Accounts and other tax-advantaged accounts and provide investors a simple and convenient way to earn monthly income. Defined Government Securities Income Funds provide a way to participate in markets for U.S. government securities while earning an attractive current return. Defined International Bond Funds, invested in bonds payable in foreign currencies, offer a potential to profit from changes in currency values and possibly from interest rates higher than paid on comparable U.S. bonds, but investors incur a higher risk for these potentially greater returns. Historically, stocks have offered growth of capital, and thus some protection against inflation, over the long term. Defined Equity Income Funds offer participation in the stock market, providing current income as well as the possibility of capital appreciation. The S&P Index Trusts offer a convenient and inexpensive way to participate in broad market movements. Concept Series seek to capitalize on selected anticipated economic, political or business trends. Utility Stock Series, consisting of stocks of issuers with established reputations for regular cash dividends, seek to benefit from dividend increases. Select Ten Portfolios seek total return by investing for one year in the ten highest yielding stocks on a designated stock index.

APPENDIX A

DESCRIPTION OF RATINGS (AS DESCRIBED BY THE RATING COMPANIES THEMSELVES)

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

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 highest 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 in higher rated categories.

BB, B, CCC, CC--Debt rated BB, B, CCC and CC 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 CC the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

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

A provisional rating, indicated by 'p' following a rating, assumes the successful completion of the project being financed by the issuance of the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion.

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

MOODY'S INVESTORS SERVICE, INC.

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

Aa--Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of

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protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

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

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

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

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

Rating symbols may include numerical modifiers 1, 2 or 3. The numerical modifier 1 indicates that the security ranks at the high end, 2 in the mid-range, and 3 nearer the low end, of the generic category. These modifiers of rating symbols give investors a more precise indication of relative debt quality in each of the historically defined categories.

Conditional ratings, indicated by 'Con.', are sometimes given when the security for the bond depends upon the completion of some act or the fulfillment of some condition. Such bonds are given a conditional rating that denotes their probable credit stature upon completion of that act or fulfillment of that condition.

NR--Should no rating be assigned, the reason may be one of the following: (a) an application for rating was not received or accepted; (b) the issue or issuer belongs to a group of securities that are not rated as a matter of policy; (c) there is a lack of essential data pertaining to the issue or issuer or (d) the issue was privately placed, in which case the rating is not published in Moody's publications.

FITCH INVESTORS SERVICE, INC.

AAA--These bonds are considered to be investment grade and of the highest quality. The obligor has an extraordinary ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA--These bonds are considered to be investment grade and of high quality. The obligor's ability to pay interest and repay principal, while very strong, is somewhat less than for AAA rated securities or more subject to possible change over the term of the issue.

A--These bonds are considered to be investment grade and of good 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--These bonds are considered to be investment grade and of satisfactory 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 weaken this ability than bonds with higher ratings.

A '+' or a '-' sign after a rating symbol indicates relative standing in its rating.

DUFF & PHELPS CREDIT RATING CO.

AAA--Highest credit quality. The risk factors are negligible, being only slightly more than for risk-free U.S. Treasury debt.

AA--High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic condtions.

A--Protection factors are average but adequate. However, risk factors are more variable and greater in periods of economic stress.

A '+' or a '-' sign after a rating symbol indicates relative standing in its rating.

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APPENDIX B
INITIAL OFFERING SALES CHARGE SCHEDULE

<TABLE><CAPTION>

NUMBER OF UNITS	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF OFFER SIDE PUBLIC OFFERING PRICE	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE	PRIMARY MARKET CONCESSION TO INTRODUCING DEALERS
MONTHLY PAYMENT SERIES, MULTISTATE SERIES, INSURED SERIES				
<S>	<C>	<C>	<C>	<C>
Less than 250......................	4.50%	4.712%	2.925%	$ 32.40
250 - 499..........................	3.50	3.627	2.275	25.20
500 - 749..........................	3.00	3.093	1.950	21.60
750 - 999..........................	2.50	2.564	1.625	18.00
1,000 or more......................	2.00	2.041	1.300	14.40
<CAPTION> INTERMEDIATE SERIES (TEN YEAR MATURITIES)				
<S>	<C>	<C>	<C>	<C>
Less than 250......................	4.00%	4.167%	2.600%	$ 28.80
250 - 499..........................	3.00	3.093	1.950	21.60
500 - 749..........................	2.50	2.564	1.625	18.00
750 - 999..........................	2.00	2.040	1.300	14.40
1,000 or more......................	1.50	1.523	0.975	10.00
<CAPTION> INTERMEDIATE SERIES (SHORT INTERMEDIATE MATURITIES)				
<S>	<C>	<C>	<C>	<C>
Less than 250......................	2.75%	2.828%	1.788%	$ 19.80
250 - 499..........................	2.25	2.302	1.463	16.20
500 - 749..........................	1.75	1.781	1.138	12.60
750 - 999..........................	1.25	1.266	0.813	9.00
1,000 or more......................	1.00	1.010	0.650	7.20

</TABLE>

SECONDARY MARKET SALES CHARGE SCHEDULE

NUMBER OF UNITS	ACTUAL SALES CHARGE AS % OF EFFECTIVE SALES CHARGE	DEALER CONCESSION AS % OF EFFECTIVE SALES CHARGE
1-249	100%	65%
250-499	80%	52%
500-749	60%	39%
750-999	45%	29.25%
1,000 or more	35%	22.75%

EFFECTIVE SALES CHARGE

TIME TO MATURITY	(AS PERCENT OF BID SIDE EVALUATION)	(AS PERCENT OF PUBLIC OFFERING PRICE
Less than six months	0%	0%
Six months to 1 year	0.756%	0.75%
Over 1 year to 2 years	1.523%	1.50%
Over 2 years to 4 years	2.564%	2.50%
Over 4 years to 8 years	3.627%	3.50%
Over 8 years to 15 years	4.712%	4.50%
Over 15 years	5.820%	5.50%

For this purpose, a Security will be considered to mature on its stated maturity date unless it has been called for redemption or funds or securities have been placed in escrow to redeem it on an earlier date, or is subject to a mandatory tender, in which case the earlier date will be considered the maturity date.

APPENDIX C
EXCHANGE FUNDS

<TABLE><CAPTION>

	MAXIMUM	REDUCED SALES CHARGE

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NAME OF EXCHANGE FUND	APPLICABLE SALES CHARGE(A)	FOR SECONDARY MARKET(B)	INVESTMENT CHARACTERISTICS
<S>	<C>	<C>	<C>
DEFINED ASSET FUNDS-- MUNICIPAL INVESTMENT TRUST FUND			
Monthly Payment, State and Multistate Series	5.50%(c)	$15 per unit	long-term, fixed rate, tax-exempt income
Intermediate Term Series	4.50%(c)	$15 per unit	intermediate-term, fixed rate, tax-exempt income
Insured Series	5.50%(c)	$15 per unit	long-term, fixed rate, tax-exempt income, underlying securities insured by insurance companies
AMT Monthly Payment Series	5.50%(c)	$15 per unit	long-term, fixed rate, income exempt from regular federal income tax but partially subject to AMT
DEFINED ASSET FUNDS-- MUNICIPAL INCOME FUND			
Insured Discount Series	5.50%(c)	$15 per unit	long-term, fixed rate, insured, tax-exempt current income, taxable capital gains
DEFINED ASSET FUNDS-- INTERNATIONAL BOND FUND			
Multi-Currency Series	3.75%	$15 per unit	intermediate-term, fixed rate, payable in foreign currencies, taxable income
Australian and New Zealand Dollar Bond Series	3.75%	$15 per unit	intermediate-term, fixed rate, payable in Australian and New Zealand dollars, taxable income
Australian Dollar Bonds Series	3.75%	$15 per unit	intermediate-term, fixed rate, payable in Australian dollars, taxable income
Canadian Dollar Bonds Series	3.75%	$15 per unit	short intermediate-term, fixed rate, payable in Canadian dollars, taxable income
DEFINED ASSET FUNDS-- CORPORATE INCOME FUND			
Monthly Payment Series	5.50%	$15 per unit	long-term, fixed rate, taxable income
Intermediate Term Series	4.75%	$15 per unit	intermediate-term, fixed rate, taxable income
Cash or Accretion Bond Series and SELECT Series	3.50%	$15 per 1,000 units	intermediate-term, fixed rate, underlying securities are collateralized compound interest obligations, taxable income, appropriate for IRA's or tax-deferred retirement plans
Insured Series	5.50%	$15 per unit	long-term, fixed rate, taxable income, underlying securities are insured
DEFINED ASSET FUNDS-- GOVERNMENT SECURITIES INCOME FUND			
GNMA Series (other than those below)	4.25%	$15 per unit	long-term, fixed rate, taxable income, underlying securities backed by the full faith and credit of the United States
GNMA Series E or other GNMA Series having units with an initial face value of $1.00	4.25%	$15 per 1,000 units	long-term, fixed rate, taxable income, underlying securities backed by the full faith and credit of the United States, appropriate for IRA's or tax-deferred retirement plans
Freddie Mac Series	3.75%	$15 per 1,000 units	intermediate term, fixed rate, taxable income, underlying securities are backed by Federal Home Loan Mortgage Corporation but not by U.S. Government.
DEFINED ASSET FUNDS--EQUITY INCOME FUND			
Utility Common Stock Series	4.50%	$15 per 1,000 units(d)	dividends, taxable income, underlying securities are common stocks of public utilities
Concept Series	4.00%	$15 per 100 units	underlying securities constitute a professionally selected portfolio of common stocks consistent with an investment idea or concept
Select Ten Portfolios (domestic and international)	2.75%	$17.50 per 1,000 units	10 highest dividend yielding stocks in a designated stock index; seeks higher total return than that stock index; terminates after one year

</TABLE>

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(a) As described in the prospectuses relating to certain Exchange Funds, this sales charge for secondary market sales may be reduced on a graduated scale in the case of quantity purchases.

(b) The reduced sales charge for Units acquired during their initial offering period is: $20 per unit for Series for which the Reduced Sales Charge for Secondary Market (above) is $15 per unit; $20 per 100 units for Series for which the Reduced Sales Charge for Secondary Market (above) is $15 per 100 units and $20 per 1,000 units for Series for which the Reduced Sales Charge for Secondary Market is $15 per 1,000 unit.

(c) Subject to reduction depending on the maturities of the underlying Securities.

(d) The reduced sales charge for the Sixth Utility Common Stock Series of Equity Income Fund is $15 per 2,000 units and for prior Utility Common Stock Series is $7.50 per unit.

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APPENDIX D

THE CALIFORNIA TRUST

The Portfolio of the California Trust contains different issues of debt obligations issued by or on behalf of the State of California (the 'State') and counties, municipalities and other political subdivisions and other public authorities thereof or by the Government of Puerto Rico or the Government of Guam or by their respective authorities, all rated in the category A or better by at least one national rating organization (see Investment Summary). Investment in the California Trust should be made with an understanding that the value of the underlying Portfolio may decline with increases in interest rates.

RISK FACTORS--Economic Factors. The Governor's 1993-1994 Budget, introduced on January 8, 1993, proposed general fund expenditures of $37.3 billion, with projected revenues of $39.9 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 Department of Finance of the State of California's May Revision of General Fund Revenues and Expenditures (the 'May Revision'), released on May 20, 1993, projected the State would have an accumulated deficit of about $2.75 billion by June 30, 1993 essentially unchanged from the prior year. The Governor proposed to eliminate this deficit over an 18-month period. Unlike previous 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 1993-1994 budget act (the '1993-94 Budget Act') was signed by the Governor on June 30, 1993, along with implementing legislation. The Governor vetoed about $71 million in spending.

The 1993-94 Budget Act is predicated on general fund revenues and transfers estimated at $40.6 billion, $400 million below 1992-93 (and the second consecutive year of actual decline). The principal reasons for declining revenue are 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 carryforwards, and repeal by initiative of a sales tax on candy and snack foods.

The 1993-94 Budget Act also assumes special fund revenues of $11.9 billion, an increase of 2.9 percent over 1992-93.

The 1993-94 Budget Act includes general fund expenditures of $38.5 billion (a 6.3 percent 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 includes special fund expenditures of $12.1 billion, a 4.2 percent increase. The 1993-94 Budget Act reflects the following major adjustments:

1. Changes in local government financing to shift about $2.6 billion in property taxes from cities, counties, special districts and redevelopment agencies to school and community college districts, thereby reducing general fund support by an equal amount. About $2.5 billion would be permanent, reflecting termination of the State's 'bailout' of local governments following the property tax cuts of Proposition 13 in 1978 (See 'Constitutional, Legislative and Other Factors' below).

The property tax revenue losses for cities and counties are offset in part by additional sales tax revenues and mandate relief. The temporary 0.5 percent sales tax has been extended through December 31, 1993, for allocation to counties for public safety programs. The voters approved Proposition 172 in November 1993 and the 0.5 percent sales tax was extended permanently for public safety purposes.

Legislation also has been enacted to eliminate state mandates in order to provide local governments flexibility in making their programs responsive to local needs. Legislation provides mandate relief for local justice systems which affect county audit requirements, court reporter fees, and court consolidation; health and welfare relief involving advisory boards, family planning, state audits and realignment maintenance efforts; and relief in areas such as county welfare department self-evaluations, noise guidelines and recycling requirements.

2. The 1993-94 Budget Act keeps K-12 Proposition 98 funding on a cash basis at the same per-pupil level as 1992-93 by providing schools a $609 million loan payable from future years' Proposition 98 funds.

3. The 1993-94 Budget Act assumed receipt of about $692 million of aid to the State from the federal government to offset health and welfare costs associated with foreign immigrants living in the State, which would reduce a like amount of General Fund expenditures. About $411 million of this amount was one-time funding. Congress ultimately appropriated only $450 million.

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4. Reductions of $600 million in health and welfare programs and $400 million in support for higher education (partly offset by fee increases at all three units of higher education) and various miscellaneous cuts (totalling approximately $150 million) in State government services in many agencies, up to 15 percent. The 1993-94 Budget Act suspended the 4 percent automatic budget reduction 'trigger', as was done in 1992-93, so cuts could be focused.

5. A 2-year suspension of the renters' tax credit ($390 million expenditure reduction in 1993-94).

6. Miscellaneous one-time items, including deferral of payment to the Public Employees Retirement Fund ($339 million) and a change in accounting for debt service from accrual to cash basis, saving $107 million.

The 1993-94 Budget Act contains no general fund tax/revenue increases other than a two year suspension of the renters' tax credit. The 1993-94 Budget Act suspended the 4 percent automatic budget reduction trigger, as was done in 1992-93 so cuts could be focused.

Administration reports during the course of the 1993-94 Fiscal Year have indicated that while economic recovery appears to have started in the second half of the fiscal year, recessionary conditions continued longer than had been anticipated when the 1993-94 Budget Act was adopted. Overall, revenues for the 1993-94 Fiscal Year were about $800 million lower than original projections, and expenditures were about $780 million higher, primarily because of higher health and welfare caseloads, lower property taxes which require greater State support for K-14 education to make up the shortfall, and lower than anticipated federal government payments for immigration-related costs. The most recent reports, however, in May and June, 1994, indicated that revenues in the second half of the 1993-94 Fiscal Year have been very close to the projections made on the Governor's Budget of January 10, 1994, which is consistent with a slow turnaround in the economy.

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.

Despite such damage, on the whole, the vast majority of structures in the areas, including large manufacturing and commercial buildings and all modern high-rise offices, survived the earthquake with minimal or no damage, validating the cumulative effect of strict building codes and thorough preparation for such an emergency by the State and local agencies.

State-owned facilities including transportation corridors and facilities such as Interstate Highways 5 and 10 and State Highways 14, 118 and 210, and certain other State facilities, such as the campus at California State University--Northridge (which was heavily damaged and is only partly open), the Van Nuys State Office Building and the University of California at Los Angeles, sustained some damage. Aside from the road and bridge closures, it is not expected that this damage will interfere significantly with ongoing State government operations. Work to date has allowed reopening of the most heavily damaged sections of the Santa Monica Freeway (Interstate 10).

The State in conjunction with the federal government is committed to providing assistance to local governments, individuals and businesses suffering damage as a result of the earthquake, as well as to provide for the repair and replacement of State-owned facilities. The federal government will provide substantial earthquake assistance.

The President immediately allocated some available disaster funds, and Congress has approved additional funds for a total of at least $9.5 billion of federal funds for earthquake relief, including assistance to homeowners and small businesses, and costs for repair of damaged public facilities. The Governor has announced that the State will have to pay about $1.9 billion for earthquake relief costs, including a 10 percent match to some of the federal funds, and costs for some programs not covered by the federal aid. The Governor proposed to cover $1.05 billion of these costs from a general obligation bond issue which was on the June, 1994 ballot, but it was not approved by the voters. The Governor subsequently announced that the State's share for transportation projects

would come from existing Department of Transportation funds (thereby delaying other, non-earthquake related projects), the the State's share for certain other costs (including local school building repairs) would come from reallocating existing bond funds, and that a proposed program for homeowner and small business aid supplemental to federal aid would have to be abandoned. Some other costs will be borrowed from the federal government in a manner similar to that

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used by the State of Florida after Hurricane Andrew; pursuant to Summit Bill 2383, repayment will have to be addressed in 1995-96 or beyond.

The 1994-95 Fiscal Year represents the fourth consecutive year the Governor and Legislature will be faced with a very difficult budget environment to produce a balanced budget. Many program cuts and budgetary adjustments have already been made in the last three years. The Governor's Budget proposal, as updated in May and June, 1994, recognized that the accumulated deficit could not be repaid in one year, and proposed a two-year solution. The budget proposal sets forth revenue and expenditure forecasts and revenue and expenditure proposals which result in operating surpluses for the budget for both 1994-95 and 1995-96, and lead to the elimination of the accumulated budget deficit, estimated at about $2.0 billion at June 30, 1994, by June 30, 1996.

The 1994-95 Budget Act, signed by the Govennor on July 8, 1994, projects revenues and transfers of $41.9 billion, about $2.1 billion higher than revenues in 1993-94. Also included in this figure is a projected receipt of about $360 million from the Federal Government to reimburse the State's cost of incarcerating undocumented immigrants. The State will not know how much the Federal Government will actually provide until the Federal FY 1995 Budget is completed. Completion of the Federal Budget is expected by October 1994. The Legislature took no action on a proposal in the January Governor's Budget to undertake an expansion of the transfer of certain programs to counties, which would also have transferred to counties 0.5% of the State's current sales tax.

The Budget act projects Special Fund revenues of $12.1 billion, a decrease of 2.4% from 1993-94 estimated revenues.

The 1994-95 Budget Act projects General Fund expenditures of $40.9 billion, an increase of $1.6 billion over 1993-94. The Budget Act also projects Special Fund expenditures of $13.7 billion, a 5.4% increase over 1993-94 estimated expenditures. The principal features of the Budget Act were the following:

1. Receipt of additional federal aid in 1994-95 of about $400 nillion for costs of refugee assistance and medical care for undocumented immigrants, thereby offsetting a similar General Fund cost. The State will not know how much of these funds it will receive until the Federal FY 1995 Budget is passed.

2. Reductions of approximately $1.1 billion in health and welfare costs.

3. A General Fund increase of approximately $38 million in support for the University of California and $65 million for California State University. It is anticipated that student fees for both the U.C. and C.S.U. will increase up to 10%.

4. Proposition 98 funding for K-14 schools is increased by $526 million from 1993-94 levels, representing an increase for enrollment growth and inflation. Consistent with previous budget agreements, Proposition 98 funding provides approximately $4,217 per student for K-12 schools, equal to the level in the past three years.

5. Legislation enacted with the Budget clarifies laws passed in 1992 and 1993 which require counties and other local agencies to transfer funds to local school districts, thereby reducing State aid. Some counties had implemented a method of making such transfers which provided less money for schools if there were redevelopment agency projects. The new legislation bans this method of transfer. If all counties had implemented this method, General Fund aid to K-12 schools would have been $300 million higher in each of the 1994-95 and 1995-96 Fiscal Years.

6. The 1994-95 Budget Act provides funding for anticipated growth in the State's prison inmate population, including provisions for implementing recent legislation (the so-called 'Three Strikes' law) which requires mandatory life prison terms for certain third-time felony offenders.

7. Additional miscellaneous cuts ($500 million) and fund transfers ($255 milliion) totalling in the aggregate approximately $755 million.

The 1994-95 Budget Act contains no tax increases. Under legislation encated for the 1993-94 Budget, the renters' tax credit was suspended for two years (1993 and 1994). A ballot proposition to permanently restore the

renters' tax credit after this year failed at the June, 1994 election. The Legislature enacted a further one-year suspension of the renters' tax credit, for 1995, saving about $390 million in the 1995-96 Fiscal Year.

The 1994-95 Budget assumes that the State will use a cash flow borrowing program in 1994-95 which combines one-year notes and warrants. Issuance of warrants allows the State to defer repayment of approximately $1.0 billion of its accumulated budget deficit into the 1995-96 Fiscal Year.

A key feature of the 1993-94 Budget Act was a plan to retire by December 31, 1994 the $2.8 billion budget deficit which had been accumulated by June 30,

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1993. The original deficit retirement plan anticipated a combined program to balance the budget over 1993-94 and 1994-95 Fiscal Years, and projected a General Fund balance of $260 million on June 30, 1995. Because fiscal conditions did not improve as projected in 1993-94, the revenue assumptions of the original deficit retirement plan could not be met, and the Governor indicated in the June 1994 revisions that the General Fund condition would be about $1 billion worse at June 30, 1994 than was projected at the start of the year. Accordingly, the 1994-95 Budget Act anticipates deferring retirement of about $1 billion of the carryover budget deficit to the 1995-96 Fiscal Year, when it is intended to be fully retired. This 22-month deficit reduction plan uses existing statutory authority to borrow $4 billion externally of which approximately $1 billion is the carryover budget deficit.

Constitutional, Legislative and Other Factors. Certain California constitutional amendments, legislative measures, executive orders, administrative regulations and voter initiatives could result in the adverse effects described below. The following information constitutes only a brief summary, does not purport to be a complete description, and is based on information drawn from official statements and prospectuses relating to securities offerings of the State of California and various local agencies in California, available as of the date of this Prospectus. While the Sponsors have not independently verified such information, they have no reason to believe that such information is not correct in all material respects.

Certain Debt Obligations in the Portfolio may be obligations of issuers which rely in whole or in part on California State revenues for payment of these obligations. Property tax revenues and a portion of the State's general fund surplus are distributed to counties, cities and their various taxing entities and the State assumes certain obligations theretofore paid out of local funds. Whether and to what extent a portion of the State's general fund will be distributed in the future to counties, cities and their various entities, is unclear.

In 1988, California enacted legislation providing for a water's-edge combined reporting method if an election fee was paid and other conditions met. On October 6, 1993, California Governor Pete Wilson signed Senate Bill 671 (Alquist) which modifies the unitary tax law by deleting the requirements that a taxpayer electing to determine its income on a water's-edge basis pay a fee and file a domestic disclosure spreadsheet and instead requiring an annual information return. Significantly, the Franchise Tax Board can no longer disregard a taxpayer's election. The Franchise Tax Board is reported to have estimated state revenue losses from the Legislation as growing from $27 million in 1993-94 to $616 million in 1999-2000, but others, including Assembly Speaker Willie Brown, disagree with that estimate and assert that more revenue will be generated for California, rather than less, because of an anticipated increase in economic activity and additional revenue generated by the incentives in the Legislation.

Certain of the Debt Obligations may be obligations of issuers who rely in whole or in part on ad valorem real property taxes as a source of revenue. On June 6, 1978, California voters approved an amendment to the California Constitution known as Proposition 13, which added Article XIIIA to the California Constitution. The effect of Article XIIIA is to limit ad valorem taxes on real property and to restrict the ability of taxing entities to increase real property tax revenues. On November 7, 1978, California voters approved Proposition 8, and on June 3, 1986, California voters approved Proposition 46, both of which amended Article XIIIA.

Section 1 of Article XIIIA limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2), to be collected by the counties and apportioned according to law; provided that the 1% limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on (i) any indebtedness approved by the voters prior to July 1, 1978, or (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIIIA defines 'full cash value' to mean '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 may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data, or reduced in the event of declining

property value caused by damage, destruction or other factors. The California State Board of Equalization has adopted regulations, binding on county assessors, interpreting the meaning of 'change in ownership' and 'new construction' for purposes of determining full cash value of property under Article XIIIA.

Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters prior to July 1, 1978,

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and that each county will levy the maximum tax permitted by Article XIIIA of $4.00 per $100 assessed valuation (based on the former practice of using 25%, instead of 100%, of full cash value as the assessed value for tax purposes). The legislation further provided that, for the 1978/79 fiscal year only, the tax levied by each county was to be apportioned among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years. The apportionment of property taxes for fiscal years after 1978/79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1979/80 and is designed to provide a permanent system for sharing State taxes and budget funds with local agencies. Under Chapter 282, cities and counties receive more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy ($4.00 per $100 assessed valuation) and the bonded debt tax rate.

On November 6, 1979, an initiative known as 'Proposition 4' or the 'Gann Initiative' was approved by the California voters, which added Article XIIIB to the California Constitution. Under Article XIIIB, State and local governmental entities have an annual 'appropriations limit' and are not allowed to spend certain moneys called 'appropriations subject to limitation' in an amount higher than the 'appropriations limit.' Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of 'appropriations subject to limitation,' including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the 'appropriations limit' is required to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, population, and certain services provided by these entities. Article XIIIB also provides that if these entities' revenues in any year exceed the amounts permitted to be spent, the excess is to be returned by revising tax rates or fee schedules over the subsequent two years.

At the November 8, 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 4%) to the State School Fund and be expended solely for purposes of instructional improvement and accountability. No such transfer or allocation of funds will be required if certain designated state officials determine that annual student expenditures and class size meet certain criteria as set forth in Proposition 98. Any funds allocated to the State School Fund shall cause the appropriation limits established in Article XIIIB to be annually increased for any such allocation made in the prior year.

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, state monies to support school districts and community college districts shall equal or exceed the lesser of (i) an amount equalling the percentage of state general revenue bonds for school and community college districts in fiscal year 1986-87, or (ii) an amount equal to the prior year's state general fund proceeds of taxes appropriated under Article XIIIB plus allocated proceeds of local taxes, after adjustment under Article XIIIB. The initiative permits the enactment of legislation, by a two-thirds vote, to suspend the minimum funding requirement for one year.

On June 30, 1989, the California Legislature enacted Senate Constitutional Amendment 1, a proposed modification of the California Constitution to alter the spending limit and the education funding provisions of Proposition 98. Senate Constitutional Amendment 1, on the June 5, 1990 ballot as Proposition 111, was approved by the voters and took effect on July 1, 1990. Among a number of important provisions, Proposition 111 recalculates spending limits for the State and for local governments, allows greater annual increases in the limits, allows the averaging of two years' tax revenues before requiring action regarding excess tax revenues, reduces the amount of the funding guarantee in recession years for school districts and community college districts (but with a floor of 40.9 percent of State general fund tax revenues), removes the provision of Proposition 98 which included excess moneys transferred to school districts and community college districts in the base calculation for the next year, limits the amount of State tax revenue over the limit which would be transferred to

school districts and community college districts, and exempts increased gasoline taxes and truck weight fees from the State appropriations limit. Additionally, Proposition 111 exempts from the State appropriations limit funding for capital outlays.

Article XIIIB, like Article XIIIA, may require further interpretation by both the Legislature and the courts to determine its applicability to specific situations involving the State and local taxing authorities. Depending upon the interpretation, Article XIIIB may limit significantly a governmental entity's ability to budget sufficient funds to meet debt service on bonds and other

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obligations.

On November 4, 1986, California voters approved an initiative statute known as Proposition 62. This initiative (i) requires that any tax for general governmental purposes imposed by local governments be approved by resolution or ordinance adopted by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the electorate of the governmental entity, (ii) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (iii) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (iv) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA, (v) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governments, (vi) requires that any tax imposed by a local government on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988, (vii) requires that, in the event a local government fails to comply with the provisions of this measure, a reduction in the amount of property tax revenue allocated to such local government occurs in an amount equal to the revenues received by such entity attributable to the tax levied in violation of the initiative, and (viii) permits these provisions to be amended exclusively by the voters of the State of California.

In September 1988, the California Court of Appeal in City of Westminster v. County of Orange, 204 Cal. App. 3d 623, 215 Cal. Rptr. 511 (Cal. Ct. App. 1988), held that Proposition 62 is unconstitutional to the extent that it requires a general tax by a general law city, enacted on or after August 1, 1985 and prior to the effective date of Proposition 62, to be subject to approval by a majority of voters. The Court held that the California Constitution prohibits the imposition of a requirement that local tax measures be submitted to the electorate by either referendum or initiative. It is not possible to predict the impact of this decision on charter cities, on special taxes or on new taxes imposed after the effective date of Proposition 62.

On November 8, 1988, California voters approved Proposition 87. Proposition 87 amended Article XVI, Section 16, of the California Constitution by authorizing the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenue raised by increased property tax rates levied to repay bonded indebtedness of local governments which is approved by voters on or after January 1, 1989. It is not possible to predict whether the California Legislature will enact such a prohibition nor is it possible to predict the impact of Proposition 87 on redevelopment agencies and their ability to make payments on outstanding debt obligations.

Certain Debt Obligations in the Portfolio may be obligations which are payable solely from the revenues of health care institutions. Certain provisions under California law may adversely affect these revenues and, consequently, payment on those Debt Obligations.

The Federally sponsored Medicaid program for health care services to eligible welfare beneficiaries in California is known as the Medi-Cal program. Historically, the Medi-Cal Program has provided for a cost-based system of reimbursement for inpatient care furnished to Medi-Cal beneficiaries by any hospital wanting to participate in the Medi-Cal program, provided such hospital met applicable requirements for participation. California law now provides that the State of California shall selectively contract with hospitals to provide acute inpatient services to Medi-Cal patients. Medi-Cal contracts currently apply only to acute inpatient services. Generally, such selective contracting is made on a flat per diem payment basis for all services to Medi-Cal beneficiaries, and generally such payment has not increased in relation to inflation, costs or other factors. Other reductions or limitations may be imposed on payment for services rendered to Medi-Cal beneficiaries in the future.

Under this approach, in most geographical areas of California, only those hospitals which enter into a Medi-Cal contract with the State of California will be paid for non-emergency acute inpatient services rendered to Medi-Cal beneficiaries. The State may also terminate these contracts without notice under certain circumstances

and is obligated to make contractual payments only to the extent the California legislature appropriates adequate funding therefor.

In February 1987, the Governor of the State of California announced that payments to Medi-Cal providers for certain services (not including hospital acute inpatient services) would be decreased by ten percent through June 1987. However, a federal district court issued a preliminary injunction preventing application of any cuts until a trial on the merits can be held. If the injunction is deemed to have been granted improperly, the State of California would be entitled to recapture the payment differential for the intended reduction period. It is not possible to predict at this time whether any decreases will ultimately be implemented.

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California enacted legislation in 1982 that authorizes private health plans and insurers to contract directly with hospitals for services to beneficiaries on negotiated terms. Some insurers have introduced plans known as 'preferred provider organizations' ('PPOs'), which offer financial incentives for subscribers who use only the hospitals which contract with the plan. Under an exclusive provider plan, which includes most health maintenance organizations ('HMOs'), private payors limit coverage to those services provided by selected hospitals. Discounts offered to HMOs and PPOs may result in payment to the contracting hospital of less than actual cost and the volume of patients directed to a hospital under an HMO or PPO contract may vary significantly from projections. Often, HMO or PPO contracts are enforceable for a stated term, regardless of provider losses or of bankruptcy of the respective HMO or PPO. It is expected that failure to execute and maintain such PPO and HMO contracts would reduce a hospital's patient base or gross revenues. Conversely, participation may maintain or increase the patient base, but may result in reduced payment and lower net income to the contracting hospitals.

These Debt Obligations may also be insured by the State of California pursuant to an insurance program implemented by the Office of Statewide Health Planning and Development for health facility construction loans. If a default occurs on insured Debt Obligations, the State Treasurer will issue debentures payable out of a reserve fund established under the insurance program or will pay principal and interest on an unaccelerated basis from unappropriated State funds. At the request of the Office of Statewide Health Planning and Development, Arthur D. Little, Inc. prepared a study in December, 1983, to evaluate the adequacy of the reserve fund established under the insurance program and based on certain formulations and assumptions found the reserve fund substantially underfunded. In September of 1986, Arthur D. Little, Inc. prepared an update of the study and concluded that an additional 10% reserve be established for 'multi-level' facilities. For the balance of the reserve fund, the update recommended maintaining the current reserve calculation method. In March of 1990, Arthur D. Little, Inc. prepared a further review of the study and recommended that separate reserves continue to be established for 'multi-level' facilities at a reserve level consistent with those that would be required by an insurance company.

Certain Debt Obligations in the Portfolio may be obligations which are secured in whole or in part by a mortgage or deed of trust on real property. California has five principal statutory provisions which limit the remedies of a creditor secured by a mortgage or deed of trust. Two limit the creditor's right to obtain a deficiency judgment, one limitation being based on the method of foreclosure and the other on the type of debt secured. Under the former, a deficiency judgment is barred when the foreclosure is accomplished by means of a nonjudicial trustee's sale. Under the latter, a deficiency judgment is barred when the foreclosed mortgage or deed of trust secures certain purchase money obligations. Another California statute, commonly known as the 'one form of action' rule, requires creditors secured by real property to exhaust their real property security by foreclosure before bringing a personal action against the debtor. The fourth statutory provision limits any deficiency judgment obtained by a creditor secured by real property following a judicial sale of such property to the excess of the outstanding debt over the fair value of the property at the time of the sale, thus preventing the creditor from obtaining a large deficiency judgment against the debtor as the result of low bids at a judicial sale. The fifth statutory provision gives the debtor the right to redeem the real property from any judicial foreclosure sale as to which a deficiency judgment may be ordered against the debtor.

Upon the default of a mortgage or deed of trust with respect to California real property, the creditor's nonjudicial foreclosure rights under the power of sale contained in the mortgage or deed of trust are subject to the constraints imposed by California law upon transfers of title to real property by private power of sale. During the three-month period beginning with the filing of a formal notice of default, the debtor is entitled to reinstate the mortgage by making any overdue payments. Under standard loan servicing procedures, the filing of the formal notice of default does not occur unless at least three full monthly payments have become due and remain unpaid. The power of sale is exercised by posting and publishing a notice of sale for at least 20 days after expiration of the three-month reinstatement period. Therefore, the effective minimum period for foreclosing on a mortgage could

be in excess of seven months after the initial default. Such time delays in collections could disrupt the flow of revenues available to an issuer for the payment of debt service on the outstanding obligations if such defaults occur with respect to a substantial number of mortgages or deeds of trust securing an issuer's obligations.

In addition, a court could find that there is sufficient involvement of the issuer in the nonjudicial sale of property securing a mortgage for such private sale to constitute 'state action,' and could hold that the private-right-of-sale proceedings violate the due process requirements of the Federal or State Constitutions, consequently preventing an issuer from using the nonjudicial foreclosure remedy described above.

Certain Debt Obligations in the Portfolio may be obligations which finance

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the acquisition of single family home mortgages for low and moderate income mortgagors. These obligations may be payable solely from revenues derived from the home mortgages, and are subject to California's statutory limitations described above applicable to obligations secured by real property. Under California antideficiency legislation, there is no personal recourse against a mortgagor of a single family residence purchased with the loan secured by the mortgage, regardless of whether the creditor chooses judicial or nonjudicial foreclosure.

Under California law, mortgage loans secured by single-family owner-occupied dwellings may be prepaid at any time. Prepayment charges on such mortgage loans may be imposed only with respect to voluntary prepayments made during the first five years during the term of the mortgage loan, and cannot in any event exceed six months' advance interest on the amount prepaid in excess of 20%of the original principal amount of the mortgage loan. This limitation could affect the flow of revenues available to an issuer for debt service on the outstanding debt obligations which financed such home mortgages.

CALIFORNIA TAXES

In the opinion of O'Melveny & Myers, Los Angeles, California, special counsel on California tax matters, under existing California law:

> The Trust Fund is not an association taxable as a corporation for California tax purposes. Each Holder will be considered the owner of a pro rata portion of the Trust Fund and will be deemed to receive his pro rata portion of the income therefrom. To the extent interest on the Debt Obligations is exempt from California personal income taxes, said interest is similarly exempt from California personal income taxes in the hands of the Holders, except to the extent such Holders are banks or corporations subject to the California franchise tax. Holders will be subject to California income tax on any gain on the disposition of all or part of his pro rata portion of a Debt Obligation in the Trust Fund. A Holder will be considered to have disposed of all or part of his pro rata portion of each Debt Obligation when he sells or redeems all or some of his Units. A Holder will also be considered to have disposed of all or part of his pro rata portion of a Debt Obligation when all or part of the Debt Obligation is sold by the Trust Fund or is redeemed or paid at maturity. The Debt Obligations and the Units are not taxable under the California personal property tax law.

THE FLORIDA TRUST

RISK FACTORS--The State Economy. In 1980 Florida ranked seventh among the fifty states with a population of 9.7 million people. The State has grown dramatically since then and, as of April 1, 1993, ranked fourth with an estimated population of 13.6 million, an increase of approximately 44.7% since 1980. Since the beginning of the eighties, Florida has surpassed Ohio, Illinois and Pennsylvania in total population. Florida's attraction, as both a growth and retirement state, has kept net migration fairly steady with an average of 292,988 new residents each year, from 1982 through 1993. Since 1983 the prime working age population (18-44) has grown at an average annual rate of 2.6%. The share of Florida's total working age population (18-59) to total State population is approximately 54%. Non-farm employment has grown by approximately 64.4% since 1980. The service sector is Florida's largest employment sector, presently accounting for 32.1% of total non-farm employment. Manufacturing jobs in Florida are concentrated in the area of high-tech and value-added sectors, such as electrical and electronic equipment, as well as printing and publishing. Job gains in Florida's manufacturing sector have exceeded national averages increasing by 11.7% between 1980 and 1993. Foreign Trade has contributed significantly to Florida's employment growth. Florida's dependence on highly cyclical construction and construction related manufacturing has declined. Total contract construction employment as a share of total non-farm employment has fallen from 10% in 1973, to 7% in 1980 to 5% in 1993. Although the job creation rate for the State of Florida since 1980 is over two times the rate for the nation as a whole, since 1989 the unemployment rate for the State has risen faster than the national average. The average rate of unemployment for Florida since 1980 is 6.5%, while the national average is 7.1%. Because Florida has a proportionately greater

retirement age population, property income (dividends, interest and rent) and transfer payments (Social Security and pension benefits) are a relatively more important source of income. In 1993, Florida employment income represented 62% of total personal income while nationally, employment income represented 72% of total personal income.

The ability of the State and its local units of government to satisfy the Debt Obligations may be affected by numerous factors which impact on the economic vitality of the State in general and the particular region of the State in which the issuer of the Debt Obligation is located. South Florida is particularly susceptible to international trade and currency imbalances and to economic dislocations in Central and South America, due to its geographical location and its involvement with foreign trade, tourism and investment capital. The central and northern portions of the State are impacted by problems in the

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agricultural sector, particularly with regard to the citrus and sugar industries. Short-term adverse economic conditions may be created in these areas, and in the State as a whole, due to crop failures, severe weather conditions or other agriculture-related problems. The State economy also has historically been somewhat dependent on the tourism and construction industries and is sensitive to trends in those sectors.

The State Budget. The State operates under a biennial budget which is formulated in even numbered years and presented for approval to the Legislature in odd numbered years. A supplemental budget request process is utilized in the even numbered years for refining and modifying the primary budget. Under the State Constitution and applicable statutes, the State budget as a whole, and each separate fund within the State budget, must be kept in balance from currently available revenues during each State fiscal year. (The State's fiscal year runs from July 1 through June 30). The Governor and the Comptroller of the State are charged with the responsibility of ensuring that sufficient revenues are collected to meet appropriations and that no deficit occurs in any State fund.

The financial operations of the State covering all receipts and expenditures are maintained through the use of three types of funds: the General Revenue Fund, Trust Funds and Working Capital Fund. The majority of the State's tax revenues are deposited in the General Revenue Fund and moneys in the General Revenue Fund are expended pursuant to appropriations acts. In fiscal year 1992-93, expenditures for education, health and welfare and public safety represented approximately 49%, 30% and 11%, respectively, of expenditures from the General Revenue Fund. The Trust Funds consist of moneys received by the State which under law or trust agreement are segregated for a purpose authorized by law. Revenues in the General Revenue Fund which are in excess of the amount needed to meet appropriations may be transferred to the Working Capital Fund.

State Revenues. Estimated General Revenue and Working Capital Fund revenues of $13,582.7 million for 1993-94 (excluding Hurricane Andrew related revenues and expenses) represent an increase of 8.4% over revenues for 1992-93. This amount reflects a transfer of $190 million, out of an estimated $220 million in non-recurring revenue due to Hurricane Andrew, to a hurricane relief trust fund. Estimated Revenue for 1994-95 of $14,293.5 million (excluding Hurricane Andrew impacts) represent an increase of 5.2% over 1993-1994. This amount reflects a transfer of $159 million in non-recurring revenue due to Hurricane Andrew, to a hurricane relief trust fund.

In fiscal year 1992-1993, the State derived approximately 62% of its total direct revenues for deposit in the General Revenue Fund, Trust Funds and Working Capital Fund from State taxes. Federal funds and other special revenues accounted for the remaining revenues. The greatest single source of tax receipts in the State is the 6% sales and use tax. For the fiscal year ended June 30, 1993, receipts from the sales and use tax totalled $9,426 million, an increase of approximately 12.5% over fiscal year 1991-92. This amount includes non-recurring increases attributable to the rebuilding and reconstruction following the hurricane. The second largest source of State tax receipts is the tax on motor fuels including the tax receipts distributed to local governments. Receipts from the taxes on motor fuels are almost entirely dedicated to trust funds for specific purposes or transferred to local governments and are not included in the General Revenue Fund. For the fiscal year ended June 30, 1992, collections of this tax totalled $1,475.5 million.

The State currently does not impose a personal income tax. However, the State does impose a corporate income tax on the net income of corporations, organizations, associations and other artificial entities for the privilege of conducting business, deriving income or existing within the State. For the fiscal year ended June 30, 1993, receipts from the corporate income tax totalled $846.6 million, an increase of approximately 5.6% from fiscal year 1991-92. The Documentary Stamp Tax collections totalled $639 million during fiscal year 1992-93, or approximately 27% over fiscal year 1991-92. The Alcoholic Beverage Tax, an excise tax on beer, wine and liquor totalled $442.2 million in 1992-93, an increase of 1.6% from fiscal year 1991-92. The Florida lottery produced sales of $2.13 billion of which $810.4 million was used for education in fiscal year 1992-93.

While the State does not levy ad valorem taxes on real property or tangible personal property, counties, municipalities and school districts are authorized by law, and special districts may be authorized by law, to levy ad valorem taxes. Under the State Constitution, ad valorem taxes may not be levied by counties, municipalities, school districts and water management districts in excess of the following respective millages upon the assessed value of real estate and tangible personal property; for all county purposes, ten mills; for all municipal purposes, ten mills; for all school purposes, ten mills; and for water management purposes, either 0.05 mill or 1.0 mill, depending upon geographic location. These millage limitations do not apply to taxes levied for payment of bonds and taxes levied for periods not longer than two years when authorized by a vote of the electors. (Note: one mill equals one-tenth of one cent).

The State Constitution and statutes provide for the exemption of homesteads

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from certain taxes. The homestead exemption is an exemption from all taxation, except for assessments for special benefits, up to a specific amount of the assessed valuation of the homestead. This exemption is available to every person who has the legal or equitable title to real estate and maintains thereon his or her permanent home. All permanent residents of the State are currently entitled to a $25,000 homestead exemption from levies by all taxing authorities, however, such exemption is subject to change upon voter approval.

On November 3, 1992, the voters of the State of Florida passed an amendment to the Florida Constitution establishing a limitation on the annual increase in assessed valuation of homestead property commencing January 1, 1994, of the lesser of 3% or the increase in the Consumer Price Index during the relevant year, except in the event of a sale thereof during such year, and except as to improvements thereto during such year. The amendment did not alter any of the millage rates described above.

Since municipalities, counties, school districts and other special purpose units of local governments with power to issue general obligation bonds have authority to increase the millage levy for voter approved general obligation debt to the amount necessary to satisfy the related debt service requirements, the amendment is not expected to adversely affect the ability of these entities to pay the principal of or interest on such general obligation bonds. However, in periods of high inflation, those local government units whose operating millage levies are approaching the constitutional cap and whose tax base consists largely of residential real estate, may, as a result of the above-described amendment, need to place greater reliance on non-ad valorem revenue sources to meet their operating budget needs.

A joint resolution to amend the State Constitution has been adopted by the Florida Legislature. The amendment, if approved by the voters of the state at the November 1994 general election, would limit the amount of taxes, fees, licenses and charges imposed by the Legislature and collected during any fiscal year to the amount of revenues allowed for the prior fiscal year, plus an adjustment for growth. Growth is defined as the amount equal to the average annual rate of growth in Florida personal income over the most recent twenty quarters times the state revenues allowed for the prior fiscal year. The revenues allowed for any fiscal year could be increased by a two-thirds vote of the Legislature, The limit would be effective starting with fiscal year 1995-1996. Any excess revenues generated would be put in the budget stabilization fund until it is fully funded and then refunded to taxpayers. Included among the categories of revenues which are exempt from the proposed revenue limitation, however, are revenues pledged to state bonds.

State General Obligation Bonds and State Revenue Bonds. The State Constitution does not permit the State to issue debt obligations to fund governmental operations. Generally, the State Constitution authorizes State bonds pledging the full faith and credit of the State only to finance or refinance the cost of State fixed capital outlay projects, upon approval by a vote of the electors, and provided that the total outstanding principal amount of such bonds does not exceed 50% of the total tax revenues of the State for the two preceding fiscal years. Revenue bonds may be issued by the State or its agencies without a vote of the electors only to finance or refinance the cost of State fixed capital outlay projects which are payable solely from funds derived directly from sources other than State tax revenues.

Exceptions to the general provisions regarding the full faith and credit pledge of the State are contained in specific provisions of the State Constitution which authorize the pledge of the full faith and credit of the State, without electorate approval, but subject to specific coverage requirements, for: certain road projects, county education projects, State higher education projects, State system of Public Education and construction of air and water pollution control and abatement facilities, solid waste disposal facilities and certain other water facilities.

Local Bonds. The State Constitution provides that counties, school districts, municipalities, special districts and local governmental bodies with taxing powers may issue debt obligations payable from ad valorem taxation

and maturing more than 12 months after issuance, only (i) to finance or refinance capital projects authorized by law, provided that electorate approval is obtained; or (ii) to refund outstanding debt obligations and interest and redemption premium thereon at a lower net average interest cost rate.

Counties, municipalities and special districts are authorized to issue revenue bonds to finance a variety of self-liquidating projects pursuant to the laws of the State, such revenue bonds to be secured by and payable from the rates, fees, tolls, rentals and other charges for the services and facilities furnished by the financed projects. Under State law, counties and municipalities are permitted to issue bonds payable from special tax sources for a variety of purposes, and municipalities and special districts may issue special assessment bonds.

Bond Ratings. General obligation bonds of the State are currently rated Aa by Moody's and AA by Standard & Poor's.

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Litigation. Due to its size and its broad range of activities, the State (and its officers and employees) are involved in numerous routine lawsuits. The managers of the departments of the State involved in such routine lawsuits believed that the results of such pending litigation would not materially affect the State's financial position. In addition to the routine litigation pending against the State, its officers and employees, the following lawsuits and claims are also pending:

A. In a suit, plaintiff has sought title to Hugh Taylor Birch State Recreation Area by virtue of a reverter clause in the deed from Hugh Taylor Birch to the State. A final judgment at trial was entered in favor of the State. The case has been appealed to the Fourth District Court of Appeal. The Department of Natural Resources anticipates the area will remain in State lands; however, in the event the court should rule in favor of the plaintiff, the State is subject to a loss of real property valued at approximately $400 million.

B. In a suit, the Florida Supreme Court prospectively invalidated a tax preference methodology under former Sections 554.06 and 565.12 of the Florida Statutes (1985). This ruling was appealed to the United States Supreme Court which reversed the State Supreme Court and remanded the matter back to the State court. The Supreme Court's opinion suggested that one of the State's options for correcting the constitutional problems would be to assess and collect back taxes at the higher rates applicable to those who were ineligible for the tax preference from all taxpayers who had benefitted from the tax preference during the contested tax period. The State chose to seek a recovery of taxes from those who benefitted from the tax preference by requiring them to pay taxes at the higher rate that applied to out-of-state manufacturers and distributors. The Florida Supreme Court remanded the matter to the Circuit Court for the 2nd Judicial Circuit to hear arguments on the method chosen by the State to provide a clear and certain remedy. The trial court's decision against the State is on appeal at the First District Court of Appeal. With the exception of two parties, all parties have settled their claims with the State. Should an unfavorable outcome result in this case, approximately $33 million may be refunded.

C. A class action suit brought against the Department of Corrections, alleging race discrimination in hiring and employment practices, originally went to trial in 1982 with the Department prevailing on all claims except a partial summary judgment to a plaintiff sub-class claiming a discriminatory impact on hiring caused by an examination requirement. Jurisdictional aspects of the testing issue were appealed to the Eleventh Circuit Court of Appeals which vacated the trial court's order and was upheld by the United States Supreme Court. The district court consolidated three successor lawsuits with this case and entered a final judgment in favor of the State. The judgment, however, has been appealed to the Eleventh Circuit Court of Appeals. Should the department fail in future appeals, the liability of the State for back pay and other monetary relief could exceed $40 million.

D. Complaints were filed in the Second Judicial Circuit seeking a declaration that Sections 624.509, 624.512 and 624.514, F.S. (1988) violate various U.S. and Florida Constitutional provisions. Relief was sought in the form of a tax refund. The Florida Supreme Court reversed the trial court in favor of the State. Plaintiffs have petitioned for certiorari with the United States Supreme Court. The State has settled all outstanding litigation in this area. Similar issues had been raised in the following cases which were part of the settlement: Ford Motor Company v. Bill Gunter, Case No. 86-3714, 2nd Judicial Circuit, and General Motors Corporation v. Tom Gallagher, Case Nos. 90-2045 and 88-2925, 2nd Judicial Circuit, where the plaintiffs are challenging Section 634.131, F.S., which imposes taxes on the premiums received for certain motor vehicle service agreements. Current estimates indicate that the State's potential refund exposure under the remaining refund application yet to be denied is approximately $150 million. However, the State hopes that refund

exposure will be reduced as these refund requests begin to be denied based upon the Florida Supreme Court decision in the instant case.

E. In two cases, plaintiffs have sought approximately $25 million in intangible tax refunds based partly upon claims that Florida's intangible tax statutes are unconstitutional.

F. A lawsuit was filed against the Department of Health and Rehabilitative Services (DHRS) and the Comptroller of the State of Florida involving a number of issues arising out of the implementation of a DHRS computer system and seeking declaratory relief and money damages. The estimated potential liability to the State is in excess of $40 million.

G. Plaintiffs in a case have sought a declaration that statutory assessments on certain hospital net revenues are invalid, unconstitutional, and unenforceable and request temporary and permanent injunctive relief be granted prohibiting the enforcement or collection of the assessment and that all monies paid to the State by the plaintiffs and the class members

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within the four years preceding the filing of the action be reimbursed by the defendants with interest. An unfavorable outcome to this case could result in the possibility of refunds exceeding $50 million. This case was voluntarily dismissed but may be refiled.

H. In an inverse condemnation suit claiming that the actions of the State constitute a taking of certain leases for which compensation is due, the Circuit judge granted the State's motion for summary judgment finding that the State had not deprived plaintiff of any royalty rights they might have. Plaintiff has appealed. Additionally, plaintiff's request for a drilling permit was rejected after administrative proceedings before the Department of Environmental Protection. Plaintiff is expected to challenge the decision.

I. In an inverse condemnation suit alleging the regulatory taking of property without compensation in the Green Swamp Area of Critical State Concern, discovery is concluding and a motion for a summary judgment will likely be made. If the judgment should be for the plaintiff, condemnation procedures would be instituted with costs of $30 million, plus interest from 1975.

J. In two cases, plaintiffs have challenged the constitutionality of the $295 fee imposed on the issuance of certificates of title for vehicles previously titled outside the State. The circuit court granted summary judgment to the plaintiff, finding that the fee violated the Commerce Clause of the U.S. Constitution. The Court enjoined further collection of the fee and has ordered refunds to all those who have paid since the statute came into existence in mid-1991. The State has noticed an appeal and is entitled to a stay of the lower court ruling's effectiveness, thus the fee continues to be collected during the appeal. The potential refund exposure may be in excess of $100 million.

K. Santa Rosa County has filed a complaint for declaratory relief against the State requesting the Circuit Court to: (1) find that Section 206.60(2)(a), F.S., does not allow the Department to deduct administrative expenses unrelated to the collection, administration, and distribution of the county gas tax; and (2) order the department to pay Santa Rosa County all moneys shown to have been unlawfully deducted from the motor fuel tax revenues plus interest. Santa Rosa County obtained a prospective injunction, but was denied the refund it sought. There has been no appeal by either party. The Legislature changed the statute in accordance with the Court's decision.

L. Lee Memorial Hospital has contested the calculation of its disproportionate share payment for the 1992-93 State fiscal year. An unfavorable outcome to this case could result in a possible settlement of $20 to $30 million.

M. A lawsuit has challenged the freezing of nursing home reimbursement rates for the period January 1, 1990 through July 1, 1990. The First District Court of Appeal ruled against the Agency for Health Care Administration (AHCA). The AHCA has petitioned the Florida Supreme Court for review of this declaration. An unfavorable outcome to this case could result in a potential liability of $40 million.

Summary. Many factors including national, economic, social and environmental policies and conditions, most of which are not within the control of the State or its local units of government, could affect or could have an adverse impact on the financial condition of the State. Additionally, the limitations placed by the State Constitution on the State and its local units of government with respect to income taxation, ad valorem taxation, bond indebtedness and other matters discussed above, as well as other applicable statutory limitations, may constrain the revenue-generating capacity of the State and its local units of government and, therefore, the ability of the issuers of the Debt Obligations to satisfy their obligations thereunder.

The Sponsors believe that the information summarized above describes some of the more significant matters relating to the Florida Trust. For a discussion of the particular risks with each of the Debt Obligations, and other factors to be considered in connection therewith, reference should be made to the Official Statement and other offering materials relating to each of the Debt Obligations included in the portfolio of the Florida Trust. The foregoing information regarding the State, its political subdivisions and its agencies and authorities constitutes only a brief summary, does not purport to be a complete description of the matters covered and is based solely upon information drawn from official statements relating to offerings of certain bonds of the State. The Sponsors and their counsel have not independently verified this information and the Sponsors have no reason to believe that such information is incorrect in any material respect. None of the information presented in this summary is relevant to Puerto Rico or Guam Debt Obligations which may be included in the Florida Trust.

For a general description of the risks associated with the various types of Debt Obligations comprising the Florida Trust, see the discussion under 'Risk Factors', above.

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FLORIDA TAXES

In the opinion of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida, special counsel on Florida tax matters, under existing Florida law:

1. The Florida Trust will not be subject to income, franchise or other taxes of a similar nature imposed by the State of Florida or its subdivisions, agencies or instrumentalities.

2. Because Florida does not impose a personal income tax, non-corporate Holders of Units of the Florida Trust will not be subject to any Florida income taxes with respect to (i) amounts received by the Florida Trust on the Debt Obligations it holds; (ii) amounts which are distributed by the Florida Trust to non-corporate Holders of Units of the Florida Trust; or (iii) any gain realized on the sale or redemption of Debt Obligations by the Florida Trust or of a Unit of the Florida Trust by a non-corporate Holder. However, corporations as defined in Chapter 220, Florida Statutes (1991), which are otherwise subject to Florida income taxation will be subject to tax on their respective share of any income and gain realized by the Florida Trust and on any gain realized by a corporate Holder on the sale or redemption of Units of the Florida Trust by the corporate Holder.

3. The Units will be subject to Florida estate taxes only if held by Florida residents, or if held by non-residents deemed to have business situs in Florida. The Florida estate tax is limited to the amount of the credit for state death taxes provided for in Section 2011 of the Internal Revenue Code of 1986, as amended.

4. Bonds issued by the State of Florida or its political subdivisions are exempt from Florida intangible personal property taxation under Chapter 199, Florida Statutes (1991), as amended. Bonds issued by the Government of Puerto Rico or by the Government of Guam, or by their authority, are exempt by Federal statute from taxes such as the Florida intangible personal property tax. Thus, the Florida Trust will not be subject to Florida intangible personal property tax on any Debt Obligations in the Florida Trust issued by the State of Florida or its political subdivisions, by the Government of Puerto Rico or by its authority or by the Government of Guam or by its authority. In addition, the Units of the Florida Trust will not be subject to the Florida intangible personal property tax if the Florida Trust invests solely in such Florida, Puerto Rico or Guam debt obligations.

THE NEW JERSEY TRUST

The Portfolio of the New Jersey Trust contains different issues of debt obligations issued by or on behalf of the State of New Jersey (the 'State') and counties, municipalities and other political subdivisions and other public authorities thereof or by the Government of Puerto Rico or the Government of Guam or by their respective authorities, all rated in the category A or better by at least one national rating organization (see Investment Summary). Investment in the New Jersey Trust should be made with an understanding that the value of the underlying Portfolio may decline with increases in interest rates.

RISK FACTORS--Prospective investors should consider the recent financial difficulties and pressures which the State of New Jersey and certain of its public authorities have undergone.

The State's 1994 Fiscal Year budget became law on June 30, 1993.

The New Jersey State Constitution prohibits the legislature from making appropriations in any fiscal year in excess of the total revenue on hand and anticipated, as certified by the Governor. It additionally prohibits a debt

or liability that exceeds 1% of total appropriations for the year, unless it is in connection with a refinancing to produce a debt service savings or it is approved at a general election. Such debt must be authorized by law and applied to a single specified object or work. Laws authorizing such debt provide the ways and means, exclusive of loans, to pay as it becomes due and the principal within 35 years from the time the debt is contracted. These laws may not be repealed until the principal and interest are fully paid. These Constitutional provisions do not apply to debt incurred because of war, insurrection or emergencies caused by disaster.

Pursuant to Article VIII, Section II, par. 2 of the New Jersey Constitution, no monies may be drawn from the State Treasury except for appropriations made by law. In addition, the monies for the support of State government and all State purposes, as far as can be ascertained, must be provided for in one general appropriation law covering one and the same fiscal year. The State operates on a fiscal year beginning July 1 and ending June 30. For example, 'fiscal 1994' refers to the year ended June 30, 1994.

In addition to the Constitutional provisions, the New Jersey statutes contain provisions concerning the budget and appropriation system. Under these

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provisions, each unit of the State requests an appropriation from the Director of the Division of Budget and Accounting, who reviews the budget requests and forwards them with his recommendations to the Governor. The Governor then transmits his recommended expenditures and sources of anticipated revenue to the legislature, which reviews the Governor's Budget Message and submits an appropriations bill to the Governor for his signature by July 1 of each year. At the time of signing the bill, the Governor may revise appropriations or anticipated revenues. That action can be reversed by a two-thirds vote of each House. No supplemental appropriation may be enacted after adoption of the act, except where there are sufficient revenues on hand or anticipated, as certified by the Governor, to meet the appropriation. Finally, the Governor may, during the course of the year, prevent the expenditure of various appropriations when revenues are below those anticipated or when he determines that such expenditure is not in the best interest of the State.

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 economic recovery is likely to be slow and uneven in both New Jersey and the nation. Some sectors, like commercial and industrial construction, will undoubtedly lag because of continued excess capacity. Also, employers in rebounding sectors can be expected to remain cautious about hiring until they become convinced that improved business will be sustained. Other firms will continue to merge or downsize to increase profitability. As a result, job gains will probably come grudgingly and unemployment will recede at a correspondingly slow pace.

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.

Finally, even in the labor market there are signs of recovery. Thanks to a reduced layoff rate and the reappearance of job opportunities in some parts of the economy, unemployment in the State has been receding since July 1992, when it peaked at 9.6% according to U.S. Bureau of Labor Statistics estimates based on the federal government's monthly household survey. The same survey showed joblessness dropped to an average of 6.7% in the fourth quarter of 1993. The unemployment rate registered an average of 7.8% in the first quarter of 1994, but this rate cannot be compared with prior date due to the changes in the U.S. Department of Labor procedures for determining the unemployment rate that went into effect in January 1994.

For Fiscal Year 1994, the State has made appropriations of $119.9 million for principal and interest payments for general obligation bonds. For Fiscal Year 1995, the Governor has recommended appropriations of $103.5 million for principal and interest payments for general obligation bonds. Of the $15,410.7 million appropriated in Fiscal Year 1994 from the General Fund, the Property Tax Relief Fund, the Gubernatorial

Elections Fund, the Casino Control Fund and the Casino Revenue Fund, $5,812.4 million (37.8%) was appropriated for State Aid to Local Governments, $3,698.9 million (24.0%) is appropriated for Grants-in-Aid, $5,335.5 million (34.6%) for Direct State Services, $119.9 million (0.7%) for Debt Service on State general obligation bonds and $443.9 million (2.9%) for Capital Construction.

State Aid to Local Governments was the largest portion of Fiscal Year 1994 appropriations. In Fiscal Year 1994, $5,812.4 million of the State's appropriations consisted of funds which are distributed to municipalities, counties and school districts. The largest State Aid appropriation, in the amount of $4,044.3 million, is provided for local elementary and secondary education programs. Of this amount, $2,538.2 million was provided as foundation aid to school districts by formula based upon the number of students and the ability of a school district to raise taxes from its own base. In addition, the State provided $582.5 million for special education programs for children with disabilities. A $293.0 million program was also funded for pupils at risk of educational failure, including basic skills improvement. The State appropriated $776.9 million on behalf of school districts as the employer share of the teachers' pension and benefits programs, $263.8 million to pay for the cost of

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pupil transportation and $57.4 million for transition aid, which guaranteed school districts a 6.5% increase over the aid received in Fiscal Year 1991 and is being phased out over four years.

Appropriations to the State Department of Community Affairs totalled $650.4 million in State Aid monies for Fiscal Year 1994. The principal programs funded were the Supplemental Municipal Property Tax Act ($365.7 million); the Municipal Revitalization Program ($165.0 million); municipal aid to urban communities to maintain and upgrade municipal services ($40.4 million); and the Safe and Clean Neighborhoods Program ($58.9 million). Appropriations to the State Department of the Treasury totalled $327.5 million in State Aid monies for Fiscal Year 1994. The principal programs funded by these appropriations were payments under the Business Personal Property Tax Replacement Programs ($158.7 million); the cost of senior citizens, disabled and veterans property tax deductions and exemptions ($41.7 million); aid to densely populated municipalities ($33.0 million); Municipal Purposes Tax Assistance ($30.0 million); and payments to municipalities for services to state owned property ($34.9 million); and the Safe and Clean Communities program ($15.0 million).

Other appropriations of State Aid in Fiscal Year 1994 include welfare programs ($477.4 million); aid to county colleges ($114.6 million); and aid to county mental hospitals ($88.8 million).

The second largest portion of appropriations in Fiscal Year 1994 is applied to Direct State Services: the operation of State government's 19 departments, the Executive Office, several commissions, the State Legislature and the Judiciary. In Fiscal Year 1994, appropriations for Direct State Services aggregated $5,335.5 million. Some of the major appropriations for Direct State Services during Fiscal Year 1994 are detailed below.

$602.3 million was appropriated for programs administered by the State Department of Human Services. Of that amount, $448.2 million was appropriated for mental health and mental retardation programs, including the operation of seven psychiatric institutions and nine schools for the retarded.

The State Department of Labor is appropriated $51.4 million for the administration of programs for workers' compensation, unemployment and disability insurance, manpower development, and health safety inspection.

The State Department of Health is appropriated $37.6 million for the prevention and treatment of diseases, alcohol and drug abuse programs, regulation of health care facilities and the uncompensated care program.

$673.0 million is appropriated to the State Department of Higher Education for the support of nine State colleges, Rutgers University, the New Jersey Institute of Technology, and the University of Medicine and Dentistry.

$932.6 million is appropriated to the State Department of Law and Public Safety and the State Department of Corrections. Among the programs funded by this appropriation are the administration of the State's correctional facilities and parole activities, the registration and regulation of motor vehicles and licensed drivers and the investigative and enforcement activities of the State Police.

$99.8 million is appropriated to the State Department of Transportation for the various programs it administers, such as the maintenance and improvement of the State highway system.

$156.4 million is appropriated to the State Department of Environmental Protection for the protection of air, land, water, forest, wildlife and shellfish resources and for the provision of outdoor recreational facilities.

The primary method for State financing of capital projects is through the sale of the general obligation bonds of the State. These bonds are backed by the full faith and credit of the State. tax revenues and certain other fees

are pledged to meet the principal and interest payments and if provided, redemption premium 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.

In addition to payment from bond proceeds, capital construction can also be funded by appropriation of current revenues on a pay-as-you-go basis. This amount represents 2.9 percent of the total budget for fiscal year 1994.

The aggregate outstanding general obligation bonded indebtedness of the State as of June 30, 1993 was $3,594.7 billion. The debt service obligation for outstanding indebtedness is $119.9 million for fiscal year 1994.

On January 18, 1994, Christine Todd-Whitman replaced James Florio as Governor of the State. As a matter of public record, Governor Whitman, during

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her campaign, publicized her intention to reduce taxes in the State. Effective January 1, 1994, the State's personal income tax rates were reduced by 5% for all taxpayers. Effective January 1, 1995, the State's personal income tax rates will be reduced. The effect of the tax reductions cannot be evaluated at this time.

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. This permanent commission was established in November, 1975, and is charged with the preparation of the State Capital Improvement Plan, which contains proposals for State spending for capital projects.

At any given time, there are various numbers of claims and cases pending against the State, State agencies and employees, seeking recovery of monetary damages that are primarily paid out of the fund created pursuant to the Tort Claims Act N.J.S.A. 59:1-1 et seq. In addition, at any given time there are various contract claims against the State and State agencies seeking recovery of monetary damages. The State is unable to estimate its exposure for these claims and cases. An independent study estimated an aggregate potential exposure of $50 million for tort claims pending, as of January 1, 1982. It is estimated that were a similar study made of claims currently pending the amount of estimated exposure would be higher. Moreover, New Jersey is involved in a number of other lawsuits in which adverse decisions could materially affect revenue or expenditures. Such cases include challenges to its system of educational funding, the methods by which the State Department of Human Services shares with county governments the maintenance recoveries and costs for residents in state psychiatric hospitals and residential facilities for the developmentally disabled.

Other lawsuits, that could materially affect revenue or expenditures include a suit by a number of taxpayers seeking refunds of taxes paid to the Spill Compensation Fund pursuant to NJSA 58:10-23.11, a suit alleging that unreasonably low Medicaid payment rates have been implemented for long-term care facilities in New Jersey, a suit alleging unfair taxation on interstate commerce, a suit by Essex County seeking to invalidate the State's method of funding the judicial system and a suit seeking return of moneys paid by various counties for maintenance of Medicaid or Medicare eligible residents of institutions and facilities for the developmentally disabled and a suit challenging the imposition of premium tax surcharges on insurers doing business in New Jersey, and assessments upon property and casualty liability insurers pursuant to the Fair Automobile Insurance Reform Act.

Legislation enacted June 30, 1992, which called for revaluation of several public employee pension funds, authorized an adjustment to the assumed rate of return on the investment of pension fund assets, and refunds $773 million in public employer contributions to the State from various pension funds, reflected as a revenue source for Fiscal Year 1992. It is estimated that savings of $226 million will be effected 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 the Superior Court. On May 5, 1994, the Appellate Division affirmed the decision of the trial court, dismissing the complaint. An adverse determination in this matter would have a significant impact on fiscal year 1993 and subsequent fiscal year fund balances.

Bond Ratings--Citing a developing pattern of reliance on non-recurring measures to achieve budgetary balance, four years of financial operations marked by revenue shortfalls and operating deficits, and the likelihood that financial pressures will persist, on August 24, 1992 Moody's lowered from Aaa to Aa1 the rating assigned to New Jersey general obligation bonds. The downgrade reflects Moody's concern that the state's chronic budgetary

problems detract from bondholder security. The Aa-1 rating from Moody's is equivalent to Standard & Poor's AA rating. On July 6, 1992, Standard & Poor's affirmed its AAI ratings on New Jersey's general obligation and various lease and appropriation backed debt, but its ratings outlook was revised to negative for the longer term horizon (beyond four months) for resolution of two items cited in the Credit Watch listing: (i) the Federal Health Care Facilities Administration ruling concerning retroactive medicaid hospital reimbursements and (ii) the state's uncompensated health care funding system, which is under review by the United States Supreme Court.

NEW JERSEY TAXES

In the opinion of Shanley & Fisher, P.C., Morristown, New Jersey, special counsel on New Jersey tax matters, under existing New Jersey law:

1. The proposed activities of the New Jersey Trust will not cause it to be subject to the New Jersey Corporation Business Tax Act.

2. The income of the New Jersey Trust will be treated as the income of

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individuals, estates and trusts who are the Holders of Units of the New Jersey Trust for purposes of the New Jersey Gross Income Tax Act, and interest which is exempt from tax under the New Jersey Gross Income Tax Act when received by the New Jersey Trust will retain its status as tax exempt in the hands of such Unit Holders. Gains arising from the sale or redemption by a Holder of his Units or from the sale or redemption by the New Jersey Trust of any Debt Obligation are exempt from taxation under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, to the extent such gains are attributable to Debt Obligations the interest on which is exempt from tax under the New Jersey Gross Income Tax Act.

3. Units of the New Jersey Trust may be subject, in the estates of New Jersey residents, to taxation under the Transfer Inheritance Tax Law of the State of New Jersey.

THE NEW YORK TRUST

The Portfolio of the New York Trust contains different issues of debt obligations issued by or on behalf of the State of New York (the 'State') and counties, municipalities and other political subdivisions and other public authorities thereof or by the Government of Puerto Rico or the Government of Guam or by their respective authorities, all rated in the category A or better by at least one national rating organization (see Investment Summary). Investment in the New York Trust should be made with an understanding that the value of the underlying Portfolio may decline with increases in interest rates.

RISK FACTORS--Prospective investors should consider the financial difficulties and pressures which the State of New York and several of its public authorities and municipal subdivisions have undergone. The following briefly summarizes some of these difficulties and the current financial situation, based principally on certain official statements currently available; copies may be obtained without charge from the issuing entity, or through the Agent for the Sponsors upon payment of a nominal fee. While the Sponsors have not independently verified this information, they have no reason to believe that it is not correct in all material respects.

New York State. In recent fiscal years, there have been extended delays in adopting the State's budget, repeated revisions of budget projections, significant revenue shortfalls (as well as increased expenses) and year-end borrowing to finance deficits. These developments reflect faster long-term growth in State spending than revenues and that the State was earlier and more severely affected by the recent economic recession than most of the rest of the country, as well as its substantial reliance on non-recurring revenue sources. The State's general fund incurred cash basis deficits of $775 million, $1,081 million and $575 million, respectively, for the 1990-1992 fiscal years. Measures to deal with deteriorating financial conditions included transfers from reserve funds, recalculating the State's pension fund obligations (subsequently ruled illegal), hiring freezes and layoffs, reduced aid to localities, sales of State property to State authorities, and additional borrowings (including issuance of additional short-term tax and revenue anticipation notes payable out of impounded revenues in the next fiscal year). The general fund realized a $671 million surplus for the fiscal year ended March 31, 1993, and a $1.54 billion surplus is projected for the fiscal year ended March 31, 1994.

Approximately $5.3 billion of State general obligation debt was outstanding at December 31, 1993. The State's net tax-supported debt (restated to reflect LGAC's assumption of certain obligations previously funded through issuance of short-term debt) was $23.4 billion at March 31, 1993, up from $11.7 billion in 1984. A proposed constitutional amendment passed by the Legislature would limit additional lease-purchase and contractual obligation financing for State facilities, but would authorize the State without voter referendum to

issue revenue bonds within a formula-based cap, secured solely by a pledge of certain State tax receipts. It would also restrict State debt to capital projects included in a multi-year capital financing plan. The proposal is subject to approval by the next legislature and by voters. Standard & Poor's reduced its rating of the State's general obligation bonds on January 13, 1992 to A-(its lowest rating for any state). Moody's reduced its ratings of State general obligation bonds from A1 to A on June 6, 1990 and to Baa1, its rating of $14.2 billion of appropriation-backed debt of the State and State agencies (over two-thirds of the total debt) on January 6, 1992.

In May 1991 (nearly 2 months after the beginning of the 1992 fiscal year), the State Legislature adopted a budget to close a projected $6.5 billion gap (including repayment of $905 million of fiscal 1991 deficit notes). Measures included $1.2 billion in new taxes and fees, $0.9 billion in non-recurring measures and about $4.5 billion of reduced spending by State agencies (including layoffs), reduced aid to localities and school districts, and Medicaid cost containment measures. After the Governor vetoed $0.9 billion in spending, the State adopted $0.7 billion in additional spending, together with various measures including a $100 million increase in personal income taxes and $180 million of additional non-recurring measures. Due primarily to declining revenues and escalating Medicaid and social service expenditures, $0.4 billion

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of administrative actions, $531 million of year-end short-term borrowing and a $44 million withdrawal from the Tax Stabilization Reserve Fund were required to meet the State's cash flow needs.

The State budget to close a projected $4.8 billion gap for the State's 1993 fiscal year (including repayment of the fiscal 1992 short-term borrowing) contained a combination of $3.5 billion of spending reductions (including measures to reduce Medicaid and social service spending, as well as further employee layoffs, reduced aid to municipalities and schools and reduced support for capital programs), deferral of scheduled tax reductions, and some new and increased fees. Nonrecurring measures aggregated $1.18 billion. The City and its Board of Education sued the Governor and various other State officials in March 1993, claiming that the State's formula for allocating aid to education discriminated against City schools by at least $274 million in the 1993 fiscal year.

To close a projected budget gap of nearly $3 billion for the fiscal year ended March 31, 1994, the State budget contained various measures including deferral of scheduled income tax reductions for a fourth year, some tax increases, $1.6 billion in spending cuts, especially for Medicaid, and further reduction of the State's work force. The budget increased aid to schools, and included a formula to channel more aid to districts with lower-income students and high property tax burdens. State legislation requires deposit of receipts from the petroleum business tax and certain other transportation-related taxes into funds dedicated to transportation purposes. Nevertheless, $516 million of these monies were retained in the general fund during this fiscal year. The Division of the Budget has estimated that non-recurring income items other than the $671 million surplus from the 1993 fiscal year aggregated $318 million. $89 million savings from bond refinancings was deposited in a reserve to fund litigation settlements, particularly to repay monies received under the State's abandoned property law, which the State will be required to give up as described below.

The budget for the fiscal year that began April 1, 1994 increases spending by 3.8% (greater than inflation for the first time in six years). Tax revenue projections are based on assumed modest growth in the State economy. It provides a tax credit for low income families and increases aid to education, especially in the poorer districts. The litigation fund will be increased to over $300 million. The State is reducing coverage and placing additional restrictions on certain health care services. Over $1 billion results from further postponement of scheduled reductions in personal income taxes and in taxes on hospital income; another $1 billion comes from rolling over the projected surplus from the previous fiscal year. Other non-recurring measures would be reduced to $78 million. The State Legislature passed legislation to implement a budget agreement more than two months after the beginning of the year. Taxes (principally business taxes) would be reduced by $450 million in the current fiscal year and by $1.7 billion annually after fully phased in. In November 1993 the State's Court of Appeals ruled unconstitutional 1990 legislation which postponed employee pension contributions by the State and localities (other than New York City). The amounts to be made up, estimated to aggregate $4 billion (half from the State), would be repaid in increasing amounts over 12-20 years under a plan proposed by the State Comptroller, trustee of the State pension system, and previous contribution levels will not be exceeded until 1999. State and other estimates are subject to uncertainties including the effects of Federal tax legislation and economic developments.

The State normally adjusts its cash basis balance by deferring until the first quarter of the succeeding fiscal year substantial amounts of tax refunds and other disbursements. For many years, it also paid in that quarter more than 40% of its annual assistance to local governments. Payment of these annual deferred obligations and the State's accumulated deficit was substantially financed by issuance of short-term tax and revenue anticipation notes shortly after the beginning of each fiscal year. The New York Local Government Assistance Corporation ('LGAC') was established in 1990 to issue long-term bonds over several years, payable from a portion of the

State sales tax, to fund certain payments to local governments traditionally funded through the State's annual seasonal borrowing. The legislation will normally limit the State's short-term borrowing, together with net proceeds of LGAC bonds ($4.0 billion to date), to a total of $4.7 billion. The State's last seasonal borrowing, in May 1993, was $850 million.

Generally accepted accounting principles ('GAAP') for municipal entities apply modified accrual accounting and give no effect to payment deferrals. On an audited GAAP basis, the State's government funds group recorded operating deficits of $1.2 billion and $1.4 billion for the 1990 and 1991 fiscal years. For the same periods the general fund recorded deficits (net of transfers from other funds) of $0.7 billion and $1.0 billion. Reflecting $1.6 billion and $881 million of payments by LGAC to local governments out of proceeds from bond sales, the general fund realized surpluses of $1.7 billion and $2.1 billion for the 1992 and 1993 fiscal years, respectively, leaving an accumulated deficit of $2.551 billion.

For decades, the State's economy has grown more slowly than that of the

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rest of the nation as a whole. Part of the reason for this decline has been attributed to the combined State and local tax burden, which is the second highest in the nation (about 40% above the national average). The State's dependence on Federal funds and sensitivity to changes in economic cycles, as well as the high level of taxes, may continue to make it difficult to balance State and local budgets in the future. The total employment growth rate in the State has been below the national average since 1984. The State lost 524,000 jobs in 1990-1993. It regained 60,000 jobs during the seven months ended May 1994, but continues to have higher unemployment than the national average.

New York City (the 'City'). The City is the State's major political subdivision. In 1975, the City encountered severe financial difficulties, including inability to refinance $6 billion of short-term debt incurred to meet prior annual operating deficits. The City lost access to the public credit markets for several years and depended on a variety of fiscal rescue measures including commitments by certain institutions to postpone demands for payment, a moratorium on note payment (later declared unconstitutional), seasonal loans from the Federal government under emergency congressional legislation, Federal guarantees of certain City bonds, and sales and exchanges of bonds by The Municipal Assistance Corporation for the City of New York ('MAC') to fund the City's debt.

MAC has no taxing power and pays its obligations out of sales taxes imposed within the City and per capita State aid to the City. The State has no legal obligation to back the MAC bonds, although it has a 'moral obligation' to do so. MAC is now authorized to issue bonds only for refunding outstanding issues and up to $1.5 billion should the City fail to fund specified transit and school capital programs. The State also established the Financial Control Board ('FCB') to review the City's budget, four-year financial plans, borrowings and major contracts. These were subject to FCB approval until 1986 when the City satisfied statutory conditions for termination of such review. The FCB is required to reimpose the review and approval process in the future if the City were to experience certain adverse financial circumstances. The City's fiscal condition is also monitored by a Deputy State Comptroller.

The City projects that it is emerging from four years of economic recession. From 1989 through 1993, the gross city product declined by 10.1% and employment, by almost 11%, while the public assistance caseload grew by over 25%. Unemployment averaged 10.8% in 1992 and 10.1% in 1993, peaking at 13.4% in January 1993, the highest level in 25 years. It dropped to 8.5% in June, 1994. The number of persons on welfare exceeds 1.1 million, the highest level since 1972, and one in seven residents is currently receiving some form of public assistance.

While the City, as required by State law, has balanced its budgets in accordance with GAAP since 1981, this has required exceptional measures in recent years. The FCB has commented that City expenditures have grown faster than revenues each year since 1986, masked in part by a large number of non-recurring gap closing actions. To eliminate potential budget gaps of $1-$3 billion each year since 1988 the City has taken a wide variety of measures. In addition to increased taxes and productivity increases, these have included hiring freezes and layoffs, reductions in services, reduced pension contributions, and a number of nonrecurring measures such as bond refundings, transfers of surplus funds from MAC, sales of City property and tax receivables. The FCB concluded that the City has neither the economy nor the revenues to do everything its citizens have been accustomed to expect.

The City closed a budget gap for the 1993 fiscal year (estimated at $1.2 billion) through actions including service reductions, productivity initiatives, transfer of $0.5 billion surplus from the 1992 fiscal year and $100 million from MAC. A November 1992 revision offset an additional $561 million in projected expenditures

through measures including a refunding to reduce current debt service costs, reduction in the reserve and an additional $81 million of gap closing measures. Over half of the City's actions to eliminate the gap were non-recurring.

The Financial Plan for the City's 1994 fiscal year relied on increases in State and Federal aid, as well as the 1993 $280 million surplus and a partial hiring freeze, to close a gap resulting primarily from labor settlements and decline in property tax revenues. The Plan contained over $1.3 billion of one-time revenue measures including bond refundings, sale of various City assets and borrowing against future property tax receipts. On July 2, 1993, the previous Mayor ordered spending reductions of about $130 million for the 1994 fiscal year and $400 million for the 1995 fiscal year. A new Mayor and City Comptroller assumed office in January 1994. Various fiscal monitors criticized reliance on non-recurring revenues, with attendant increases in the gaps for future years. The new Mayor initiated a program to reduce non-personnel costs by up to $150 million. The FCB reported that although a $98 million surplus was projected for the year (the surplus was actually $81 million), a $312 million shortfall in budgeted revenues and $904 million of unanticipated expenses (including an unbudgeted increase of over 3,300 in the number of employees and a record level of overtime), net of certain increased revenues and other savings, resulted in depleting prior years' surpluses by $326 million. The new City

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Comptroller critized retention of a proposal to sell delinquent property tax receivables.

The City's Financial Plan for the current fiscal year (that began July 1, 1994) proposes both to eliminate a projected $2.3 billion budget gap and to stabilize overall spending while beginning to reduce some business and other taxes. It calls for a reduction of 15,000 in the City work-force by June 1995 unless equivalent productivity savings are negotiated with unions; with the aid of $200 million from MAC, the City induced 6,800 workers to accept voluntary severance, and union leaders accepted transfer of remaining employees between agencies. The Plan projects about $560 million of increased State and Federal aid, some of which has not yet been approved. Non-recurring measures include $225 million from refinancing outstanding bonds (which will increase future debt service), extension of the repayment schedule of a debt to City pension funds and revision of actuarial assumptions to reduce contribution levels, and sale of a City-owned hotel. A proposal for City employees to bear $200 million of their health care costs must be negotiated with the unions, which have announced their opposition. In early July, the private members of the FCB issued a statement concluding that further budget cuts will be required to balance the current year's budget. In late July, citing lower than expected personal income tax collections and failure to obtain State approval for two initiatives, the Mayor ordered expenditure reductions of $250 million during the next six months and a contingency plan for another $200 million. A few days later, the State Comptroller concluded that an additional $150 million of gap closing measures will be required to balance the current fiscal year.

The Mayor is exploring the possibility of privitizing some of the City's services. The City Council passed legislation which would authorize the Council to hold hearings on any significant privitization and would require submission of a cost-benefit analysis. The Mayor has also been seeking greater control over spending by independent authorities and agencies such as the Board of Education, the Health and Hospital Corporation and the TA. The Mayor's efforts to reduce expenditures by the Board of Education, including appointment of another fiscal monitor, reduction in City funding of capital projects and rejection of a tentative labor contract, have strained relations with the Schools Chancellor. In March 1994 the Mayor reduced cash incentives to landlords renting apartments to the homeless, and it has been reported that he is considering proposals including eliminating City financing of a program that creates housing for single homeless people, requiring able-bodied welfare recipients to render community service, charging shelter occupants who refuse offers of treatment or training a modest rent for use of the shelter, and replacing some of the subsidies to day care centers with a voucher system. The Mayor is considering a plan to fingerprint welfare recipients in the City; this could be subject to legal challenge. Budget gaps of $1.5 billion, $2.0 billion and $2.4 billion are projected for the 1996 through 1998 fiscal years, respectively. The State Comptroller suggested the gaps could exceed these estimated by about $1.2 billion annually. The FCB commented that, in spite of the Mayor's measures, spending (principally debt service, Medicaid costs and health and pension benefits) would continue to increase faster than revenues.

A major uncertainty is the City's labor costs, which represent about 50% of its total expenditures. The City's workforce grew by 34% during the 1980s. A January 1993 agreement covering approximately 44% of City workers followed negotiations lasting nearly two years. Workers will receive wage and benefit raises totalling 8.25% over 39 months ending March 1995. An agreement announced in August 1993 provides wage increases for City teachers averaging 9% over the 48 1/2 months ending October 1995. The City is seeking to negotiate workforce productivity initiatives, savings from which would be shared with the workers involved. The Financial Plan assumes no further wage increases after the 1995 fiscal year. Also, costs of some previous wage increases

were offset by reduced contributions to pension funds; if fund performance is less than the 9% annual earnings projected (as is expected in the current fiscal year), the City could incur increased expenses in future years. Pension fund earnings assumptions are currently being reviewed, and future City pension contributions could be increased by a substantial amount.

Budget balance may also be adversely affected by the effect of the economy on economically sensitive taxes. Reflecting the downturn in real estate prices and increasing defaults, estimates of property tax revenues have been reduced. Other uncertainties include additional expenditures to combat deterioration in the City's infrastructure (such as bridges, schools and water supply), costs of developing alternatives to ocean dumping of sewage sludge (which the City expects to defray through increased water and sewer charges), cost of the AIDS epidemic, problems of drug addiction and homelessness and the impact of any future State assistance payment reductions. For example, the City may be ordered to spend up to $8 billion to construct water filtration facilities if it is not successful in implementing measures to prevent pollution of its watershed upstate. Elimination of any additional budget gaps will require various actions, including by the State, a number of which are beyond the City's control. Staten Island voters in 1993 approved a proposed charter under which Staten Island would secede from the City. Secession will require enabling legislation by the State Legislature; it would also be subject to legal challenge by the City. The effects of secession on the City cannot be determined at this time, but

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questions include responsibility for outstanding debt, a diminished tax base, and continued use of the Fresh Kills landfill, the City's only remaining garbage dump. A similar measure with respect to Queens was approved by the New York State Senate.

In December 1993, a report commissioned by the City was released, describing the nature of the City's structural deficit. It projects that the City will need to identify and implement $5 billion in annual gap closing measures by 1998. The report suggests a variety of possible measures for City consideration. While the new Mayor rejected out of hand many of the proposals such as tax increases, the State Comptroller urged him to reconsider the report.

The City sold $2.3 billion, $1.4 billion and $1.8 billion of short-term notes, respectively, during the 1992, 1993 and 1994 fiscal years. It expects to sell $2.1 billion during the current fiscal year. The FCB recently recommended development of a cash budgeting system to reduce short-term borrowing resulting from timing imbalances. At March 31, 1994, there were outstanding $21.3 billion of City bonds (not including City debt held by MAC), $4.4 billion of MAC bonds and $0.8 billion of City-related public benefit corporation indebtedness, each net of assets held for debt service. Standard & Poor's and Moody's during the 1975-80 period either withdrew or reduced their ratings of the City's bonds. Standard & Poor's currently rates the City's debt A-with a negative outlook while Moody's rates City bonds Baa1. City-related debt almost doubled since 1987, although total debt declined as a percentage of estimated full value of real property. The City's financing program projects long-term financing during fiscal years 1995-1998 to aggregate $17.8 billion. The City's latest Ten Year Capital Strategy plans capital expenditures of $45.6 billion during 1994-2003 (93% to be City funded). The State Comptroller has criticized some City bond refinancings for producing short-term savings at the expense of greater overall costs, especially in future years. Annual debt service is projected to increase.

Other New York Localities. In 1992, other localities had an aggregate of approximately $15.7 billion of indebtedness outstanding. In recent years, several experienced financial difficulties. A March 1993 report by Moody's Investors Service concluded that the decline in ratings of most of the State's largest cities in recent years resulted from the decline in the State's manufacturing economy. Seventeen localities had outstanding indebtedness for deficit financing at the close of their respective 1992 fiscal years. In response to requests from an unprecedented 10 local government units (including Nassau and Suffolk counties) in 1992 for legislative authority to issue bonds to fund deficits, the State Comptroller recommended legislation to establish earlier State oversight of municipal deficits. In September, 1992, the previous Comptroller proposed regulations which would prohibit use of certificates of participation by municipalities for deficit financing or refundings. Some local leaders complained that the deficits resulted from reduced State aid accompanied by increases in State-mandated expenditures. Any reductions in State aid to localities may cause additional localities to experience difficulty in achieving balanced budgets. If special local assistance were needed from the State in the future, this could adversely affect the State's as well as the localities' financial condition. Most localities depend on substantial annual State appropriations. Legal actions by utilities to reduce the valuation of their municipal franchises, if successful, could result in localities becoming liable for substantial tax refunds.

State Public Authorities. In 1975, after the Urban Development Corporation ('UDC'), with $1 billion of outstanding debt, defaulted on certain short-term notes, it and several other State authorities became unable to market their securities. Since 1975 the State has provided substantial direct and indirect financial assistance to

UDC, the Housing Finance Agency ('HFA'), the Environmental Facilities Corporation and other authorities. Practical and legal limitations on these agencies' ability to pass on rising costs through rents and fees could require further State appropriations. 18 State authorities had an aggregate of $63.5 billion of debt outstanding at September 30, 1993. Approximately $0.5 billion of State public authority obligations was State-guaranteed, $7.7 billion was moral obligation debt (including $4.8 billion of MAC debt) and $19.5 billion was financed under lease-purchase or contractual obligation financing arrangements with the State. Various authorities continue to depend on State appropriations or special legislation to meet their budgets.

The Metropolitan Transportation Authority ('MTA'), which oversees operation of the City's subway and bus system by the City Transit Authority (the 'TA') and operates certain commuter rail lines, has required substantial State and City subsidies, as well as assistance from several special State taxes. Projections of TA revenues were reduced due to declining ridership, increasing fare evasion, reductions in State and City aid and declining revenues from City real estate taxes. It was reported in December 1993 that a twenty-year trend in declining bus ridership is expected to continue. While the MTA used bond refinancings and other measures to avert a commuter rail line fare increase in 1992, measures including a fare increase eliminated the TA's 1992 budget gap. Measures to balance the TA's 1993 budget included increased funding by the City, increased bridge and tunnel tolls and allocation of part of the revenues from the Petroleum Business Tax. Cash basis gaps of $500-800 million are projected for

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each of the 1995, 1996 and 1997 years. Measures proposed to close these gaps include various additional State aid and possible fare increases. However, it was projected in May 1994 that the effect of the improving economy on transportation-dedicated taxes and on ridership, as well as implementation of cost savings, would permit deferral of fare increases until at least July 1995. A tentative agreement with TA workers reached in July 1993, which provides 10.4% wage increases over 39 months, would cost the MTA $337 million. The MTA Chairman stated that this cost would be partly offset by savings from work rule changes and that money for the settlement is available in the TA's budget. An earlier settlement with Long Island Railroad workers is expected to cost the MTA $14 million over 26 months.

The MTA's Chairman proposed a 5 year financial strategy, including a variety of fare changes; however, even if these are approved, an estimated $700 million in additional funds will be needed from State and City financial assistance. Substantial claims have been made against the TA and the City for damages from a 1990 subway fire and a 1991 derailment. The MTA infrastructure, especially in the City, needs substantial rehabilitation. In December 1993, a $9.5 billion MTA Capital Plan was finally approved for 1992-1996, although $500 million is contingent on increased contributions from the City; the City has until late 1994 to decide if it will make these contributions. The MTA's Chairman has threatened to raise subway fares and borrow more if the City fails to make up this amount. The City is seeking State and MAC approval to defer $245 million of capital contributions to the TA from the current fiscal year until 1998. It is anticipated that the MTA and the TA will continue to require significant State and City support. Moody's reduced its rating of certain MTA obligations to Baa on April 14, 1992.

A Federal District Court ruled in February 1993 that State surcharges of up to 24% on hospital bills paid by commercial insurance companies and health maintenance organizations, much of which is used to subsidize care of uninsured patients, violate Federal law; however, the Court permitted continuance of the system pending appeal of the ruling.

Litigation. The State and the City are defendants in numerous legal proceedings, including challenges to the constitutionality and effectiveness of various welfare programs, alleged torts and breaches of contract, condemnation proceedings and other alleged violations of laws. Adverse judgments in these matters could require substantial financing not currently budgeted. For example, in addition to real estate certiorari proceedings, claims in excess of $343 billion were outstanding against the City at June 30, 1993, for which it estimated its potential future liability at $2.2 billion. Another action seeks a judgment that, as a result of an overestimate by the State Board of Equalization and Assessment, the City's 1992 real estate tax levy exceeded constitutional limits. In March 1993, the U.S. Supreme Court ruled that if the last known address of a beneficial owner of accounts held by banks and brokerage firms cannot be ascertained, unclaimed funds therein belong to the state of the broker's incorporation rather than where its principal office is located. New York has obtained about $350 million of abandoned funds that could have to be paid to other States. It has agreed to pay Delaware $200 million over a five-year period. The case has been remanded to a special master to determine disposition of these monies.

Final adverse decisions in any of these cases could require extraordinary appropriations at either the State or City level or both.

NEW YORK TAXES

In the opinion of Davis Polk & Wardwell, special counsel for the Sponsors, under existing New York law:

> Under the income tax laws of the State and City of New York, the Trust is not an association taxable as a corporation and income received by the Trust will be treated as the income of the Holders in the same manner as for Federal income tax purposes. Accordingly, each Holder will be considered to have received the interest on his pro rata portion of each Debt Obligation when interest on the Debt Obligation is received by the Trust. In the opinion of bond counsel delivered on the date of issuance of the Debt Obligation, such interest will be exempt from New York State and City personal income taxes except where such interest is subject to Federal income taxes (see Taxes). A noncorporate Holder of Units of the Trust who is a New York State (and City) resident will be subject to New York State (and City) personal income taxes on any gain recognized when he disposes of all or part of his pro rata portion of a Debt Obligation. A noncorporate Holder who is not a New York State resident will not be subject to New York State or City personal income taxes on any such gain unless such Units are attributable to a business, trade, profession or occupation carried on in New York. A New York State (and City) resident should determine his tax basis for his pro rata portion of each Debt Obligation for New York State (and City) income tax purposes in the same manner as for Federal income tax purposes. Interest income on a Holder's pro rata portion of the Debt Obligations is generally not excludable from income in computing New York State and City corporate franchise taxes.

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THE PENNSYLVANIA TRUST

The Portfolio of the Pennsylvania Trust contains different issues of debt obligations issued by or on behalf of the State of Pennsylvania (the 'State') and counties, municipalities and other political subdivisions and other public authorities thereof or by the Government of Puerto Rico or the Government of Guam or by their respective authorities, all rated in the category A or better by at least one national rating organization (see Investment Summary). Investment in the Pennsylvania Trust should be made with an understanding that the value of the underlying Portfolio may decline with increases in interest rates.

RISK FACTORS--Prospective investors should consider the financial difficulties and pressures which the Commonwealth of Pennsylvania and certain of its municipal subdivisions have undergone. Both the Commonwealth and the City of Philadelphia are experiencing significant revenue shortfalls. There can be no assurance that the Commonwealth will not experience a further decline in economic conditions or that portions of the municipal obligations contained in the Portfolio of the Pennsylvania Trust will not be affected by such a decline. Without intending to be complete, the following briefly summarizes some of these difficulties and the current financial situation, as well as some of the complex factors affecting the financial situation in the Commonwealth. It is derived from sources that are generally available to investors and is based in part on information obtained from various agencies in Pennsylvania. No independent verification has been made of the following information.

State Economy. Pennsylvania has been historically identified as a heavy industry state although that reputation has changed recently as the industrial composition of the Commonwealth diversified when the coal, steel and railroad industries began to decline. The major new sources of growth in Pennsylvania are in the service sector, including trade, medical and the health services, education and financial institutions. Pennsylvania's agricultural industries are also an important component of the Commonwealth's economic structure, accounting for more than $3.6 billion in crop and livestock products annually while agribusiness and food related industries support $38 billion in economic activity annually.

Non-agricultural employment in the Commonwealth has increased steadily from 1984 to its 1992 level of 81.3 percent of the State's employment force. The growth in employment experienced in Pennsylvania is comparable to the nationwide growth in employment which has occurred during this period. In 1993, manufacturing employment represented 18.4 percent of all non-agricultural employment in the Commonwealth while the services sector accounted for 29.9 percent and the trade sector accounted for 22.4 percent.

The Commonwealth recently experienced a slowdown in its economy. Moreover, economic strengths and weaknesses vary in different parts of the Commonwealth. In general, heavy industry and manufacturing have recently been facing increasing competition from foreign producers. During 1993, the annual average unemployment rate in Pennsylvania was 7.0 percent compared to 6.8 percent for the United States. For July 1994 the unadjusted unemployment rate was 6.7 percent in Pennsylvania and 6.2 percent in the United States, while the seasonally adjusted unemployment rate for the Commonwealth was 6.5 percent and for the United States was 6.1 percent.

State Budget. The Commonwealth operates under an annual budget which is formulated and submitted for legislative approval by the Governor each February. The Pennsylvania Constitution requires that the Governor's

budget proposal consist of three parts: (i) a balanced operating budget setting forth proposed expenditures and estimated revenues from all sources and, if estimated revenues and available surplus are less than proposed expenditures, recommending specific additional sources of revenue sufficient to pay the deficiency; (ii) a capital budget setting forth proposed expenditures to be financed from the proceeds of obligations of the Commonwealth or its agencies or from operating funds; and (iii) a financial plan for not less than the succeeding five fiscal years, which includes for each year projected operating expenditures and estimated revenues and projected expenditures for capital projects. The General Assembly may add, change or delete any items in the budget prepared by the Governor, but the Governor retains veto power over the individual appropriations passed by the legislature. The Commonwealth's fiscal year begins on July 1 and ends on June 30.

All funds received by the Commonwealth are subject to appropriation in specific amounts by the General Assembly or by executive authorization by the Governor. Total appropriations enacted by the General Assembly may not exceed the ensuing year's estimated revenues, plus (less) the unappropriated fund balance (deficit) of the preceding year, except for constitutionally authorized debt service payments. Appropriations from the principal operating funds of the Commonwealth (the General Fund, the Motor License Fund and the State Lottery Fund) are generally made for one fiscal year and are returned to the unappropriated surplus of the fund if not spent or encumbered by the end of the fiscal year. The Constitution specifies that a surplus of operating funds at the end of a fiscal year must be appropriated for the ensuing year.

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Pennsylvania uses the 'Fund' method of accounting for receipts and disbursements. For purposes of government accounting, a 'fund' is an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or other resources together with all related liabilities and equities. In the Commonwealth, over 120 funds have been established by legislative enactment or in certain cases by administrative action for the purpose of recording the receipt and disbursement of moneys received by the Commonwealth. Annual budgets are adopted each fiscal year for the principal operating funds of the Commonwealth and several other special revenue funds. Expenditures and encumbrances against these funds may only be made pursuant to appropriation measures enacted by the General Assembly and approved by the Governor. 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 bond 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.

Financial information for the principal operating funds of the Commonwealth is maintained on a budgetary basis of accounting, which is used for the purpose of insuring compliance with the enacted operating budget. The Commonwealth also prepares annual financial statements in accordance with generally accepted accounting principles ('GAAP'). Budgetary basis financial reports are based on a modified cash basis of accounting as opposed to a modified accrual basis of accounting prescribed by GAAP. Financial information is adjusted at fiscal year-end to reflect appropriate accruals for financial reporting in conformity with GAAP.

Recent Financial Results. From fiscal 1984, when the Commonwealth first prepared its financial statements on a GAAP basis, through fiscal 1989, the Commonwealth reported a positive unreserved-undesignated fund balance for its government fund types (General Fund, Special Revenue Fund and Capital Projects Fund) at the fiscal year end. Slowing economic growth during 1990, leading to a national economic recession beginning in fiscal 1991, reduced revenue growth and increased expenditures and contributed to negative unreserved-undesignated fund balances at the end of the 1990 and 1991 fiscal years. At the end of fiscal 1990 and fiscal 1991, the unreserved-undesignated fund balance was a negative $205.8 million and a negative $1,189.2 million, respectively, a drop of $579.6 million and $983.4 million, respectively, from the year-earlier amounts. The decline in the fiscal 1990 unreserved-undesignated fund balance for government fund types was largely the result of a $718.2 million operating deficit in the General Fund which caused the total fund balance of the General Fund to fall to a negative $119.8 million at June 30, 1990. The decline in the fiscal 1991 unreserved-undesignated fund balance was principally the result of operating deficits of $1,076.6 million and $66.2 million, respectively, in the General Fund and the State Lottery Fund.

Rising demands on state programs caused by the economic recession, particularly for medical assistance and cash assistance programs, and the increased costs of special education programs and correction facilities and programs, contributed to increased expenditures in fiscal 1991 while tax revenues for the 1991 fiscal year were severely affected by the economic recession. Total corporation tax receipts and sales and use tax receipts during fiscal 1991 were, respectively, 7.3 percent and 0.9 percent below amounts collected during fiscal 1990. Personal income tax receipts also were affected by the recession but not to the extent of the other major General Fund taxes, increasing only 2.0 percent over fiscal 1990 collections.

The Commonwealth experienced a $454 million general fund deficit as of the end of its 1991 fiscal year. The deficit reflected below-estimate economic activity and growth rates of economic indicators and total tax revenue shortfalls of $817 million (4.1 percent) below those assumed in the enacted budget. Economic conditions also affected expenditure trends during the 1991 fiscal year, with expenditures for medical assistance costs and other human service programs running $512 million above estimates assumed in the 1991 budget. In January 1991, the Commonwealth initiated a number of cost-saving measures, including the firing of 2,000 state employees, deferral of paychecks and reduction of funds to state universities, which resulted in approximately $871 million in cost savings.

Actions taken during fiscal 1992 to bring the General Fund budget back into balance, including tax increases and expenditure restraints resulted in a $1.1 billion reduction for the unreserved-undesignated fund deficit for combined governmental fund types and a return to a positive fund balance. Total general fund revenues for fiscal 1992 were $14,516.8 million which is approximately 22 percent higher than fiscal 1991 revenues of $11,877.3 million due in large part to tax increases. The increased revenues funded substantial increases in education, social services and corrections programs. As a result of tax increases and certain appropriation lapses, fiscal 1992 ended with an $8.8 million surplus after having started the year with an unappropriated balance deficit of $454 million.

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Financial performance continued to improve during fiscal 1993 resulting in a positive unreserved-undesignated balance for combined governmental fund types at June 30, 1993, as a result of a $420.4 million increase in the balance. These gains were produced by continued efforts to control expenditures growth.

Fiscal 1994 Budget. On May 28, 1993, the Governor signed a $15 billion general fund budget, an increase of approximately five percent from the fiscal 1993 budget. A substantial amount of the increase is targeted for medical assistance programs and prisons.

Fiscal 1995 Budget. On June 16, 1994, the Governor signed a $15.7 billion general fund budget, an increase of over five percent from the fiscal 1994 budget. A substantial amount of the increase is targeted for human services and prisons.

Debt Limits and Outstanding Debt. The Constitution of Pennsylvania permits the issuance of the following types of debt: (i) debt to surpress 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.

Under the Pennsylvania Fiscal Code, the Auditor General is required annually to certify to the Governor and the General Assembly certain information regarding the Commonwealth's indebtedness. According to the most recent Auditor General certificate, the average annual tax revenues deposited in all funds in the five fiscal years ended June 30, 1993 was $15.5 billion, and, therefore, the net debt limitation for the 1994 fiscal year is $27.1 billion. Outstanding net debt totalled $4.0 billion at June 30, 1993, a decrease of $42.2 million from June 30, 1992. At February 28, 1994, the amount of debt authorized by law to be issued, but not yet incurred was $15.0 billion.

Debt Ratings. All outstanding general obligation bonds of the Commonwealth are rated AA-by Standard & Poor's and A1 by Moody's.

City of Philadelphia. The City of Philadelphia experienced a series of general fund deficits for fiscal years 1988 through 1992, which have culminated in the City's present serious financial difficulties. In its 1992 Comprehensive Annual Financial Report, Philadelphia reported a cumulative general fund deficit of $71.4 million for fiscal year 1992.

In June 1991, the Governor of Pennsylvania signed into law legislation establishing the Pennsylvania Inter-Governmental Cooperation Authority ('PICA'), a five-member board which would oversee the fiscal affairs of the City of Philadelphia. The legislation empowers PICA to issue notes and bonds on behalf of Philadelphia and also authorizes Philadelphia to levy a one-percent sales tax the proceeds of which would be used to pay off the bonds. In return for PICA's fiscal assistance, Philadelphia was required, among other things, to establish a five-year financial plan that includes balanced annual budgets. Under the legislation, if Philadelphia does not comply with such requirements, PICA may withhold bond revenues and certain state funding.

In May 1992, the City Council of Philadelphia approved the Mayor's first five-year plan and adopted a fiscal 1993 budget. On June 5, 1992, PICA sold approximately $480 million in bonds at yields ranging from 5.25 percent to 6.88 percent. The proceeds of the bonds were used to cover shortfalls accumulated over fiscal years 1988 through 1991, projected deficits for fiscal years 1992 and 1993, construction projects and other capital expenditures. In accordance with the enabling legislation, the authority was guaranteed a percentage of the wage tax revenue expected to be collected from Philadelphia residents to permit repayment of the bonds. In connection

with PICA's issuance of the bonds, S&P raised the rating on Philadelphia's general obligation bonds to 'BB.' Moody's rating is currently 'Ba.'

In January 1993, Philadelphia anticipated a cumulative general fund budget deficit of $57 million for fiscal year 1993. In response to the anticipated deficit, the Mayor unveiled a financial plan eliminating the budget deficit for fiscal year 1993 through significant service cuts that included a plan to privatize certain city-provided services. Due to an upsurge in tax receipts, cost-cutting and additional PICA borrowings, Philadelphia completed fiscal year 1993 with a balanced general fund budget.

In January 1994, the Mayor proposed a $2.3 billion city general fund budget that included no tax increases, no significant service cuts and a series of modest health and welfare program increases. At that time, the Mayor also unveiled a $2.2 billion program (the 'Philadelphia Economic Stimulus Program') designed to stimulate Philadelphia's economy and stop the loss of 1,000 jobs a month. However, the success of the Philadelphia Economic Stimulus Program has been predicated upon several contingencies including, among others, $250 million in revenues from riverboat gambling over the next three years, which first must be approved by the state legislature, and $100 million in federal 'empowerment zone' subsidies, which Philadelphia may or may not receive. As of January 1994, the 1994 Philadelphia general fund budget was running at a deficit of

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approximately $10 million. The Mayor has predicted that the general fund will be balanced at the end of fiscal year 1994.

Litigation. The Commonwealth is a party to numerous lawsuits in which an adverse final decision could materially affect the Commonwealth's governmental operations and consequently its ability to pay debt service on its obligations. The Commonwealth also faces tort claims made possible by the limited waiver of sovereign immunity effected by Act 152, approved September 28, 1978.

PENNSYLVANIA TAXES

The following summarizes the opinion of Dechert Price & Rhoads, Philadelphia, Pennsylvania, special counsel on Pennsylvania tax matters, under existing law:

1. The Pennsylvania Trust will be recognized as a trust and will not be taxable as a corporation for Pennsylvania state and local tax purposes.

2. Units of the Pennsylvania Trust are not subject to any of the personal property taxes presently in effect in Pennsylvania to the extent of that proportion of the Trust represented by Debt Obligations issued by the Commonwealth of Pennsylvania, its agencies and instrumentalities, or by any county, city, borough, town, township, school district, municipality or local housing or parking authority in the Commonwealth of Pennsylvania ('Pennsylvania Obligations'). The taxes referred to above include the County Personal Property Tax, the additional personal property taxes imposed on Pittsburgh residents by the School District of Pittsburgh and by the City of Pittsburgh. The City of Pittsburgh, the School District of Pittsburgh and Allegheny County cannot impose personal property taxes as of January 1, 1995. Fund Units may be taxable under the Pennsylvania inheritance and estate taxes.

3. The proportion of interest income representing interest income from Pennsylvania Obligations distributable to Holders of the Pennsylvania Trust is not taxable under the Pennsylvania Personal Income Tax or under the Corporate Net Income Tax imposed on corporations by Article IV of the Pennsylvania Tax Reform Code, nor will such interest be taxable under the Philadelphia School District Investment Income Tax imposed on Philadelphia resident individuals.

4. Although there is no published authority on the subject, counsel is of the opinion that any insurance proceeds paid in lieu of interest on defaulted tax-exempt debt obligations will be exempt from the Pennsylvania Personal Income Tax either as payment in lieu of tax-exempt interest or as payments of insurance proceeds which are not included in any of the classes of income specified as taxable under the Pennsylvania Personal Income Tax Law. Further, because such insurance proceeds are excluded from the Federal income tax base, such proceeds will not be subject to the Pennsylvania Corporate Net Income Tax. Proceeds from insurance policies are expressly excluded from the Philadelphia School District Investment Income Tax and, accordingly, insurance proceeds paid to replace defaulted payments under any Debt Obligations will not be subject to this tax.

5. The disposition by the Pennsylvania Trust of a Pennsylvania Obligation (whether by sale, exchange, redemption or payment at maturity) will not constitute a taxable event to a Holder under the Pennsylvania Personal Income Tax if the Pennsylvania Obligation was issued prior to February 1, 1994. Further, although there is no published authority on the subject, counsel is of the opinion that (i) a Holder of the Pennsylvania Trust will not have a taxable event under the Pennsylvania state and local income taxes referred to in the preceding paragraph upon the redemption or sale of his Unit to the extent that the Trust is then comprised of

Pennsylvania Obligations issued prior to February 1, 1994 and (ii) the disposition by the Trust of a Pennsylvania Obligation (whether by sale, exchange, redemption or payment at maturity) will not constitute a taxable event to a Holder under the Corporate Net Income Tax or the Philadelphia School District Investment Income Tax if the Pennsylvania Obligation was issued prior to February 1, 1984. (The School District tax has no application to gain on the disposition of property held by the taxpayer for more than six months.) Gains on the sale, exchange, redemption, or payment at maturity of a Pennsylvania Obligation issued on or after February 1, 1994, will be taxable under all of these taxes, as will gains on the redemption or sale of a unit to the extent that the Trust is comprised of Pennsylvania Obligations issued on or after February 1, 1994.

6. To the extent the value of Units is represented by obligations of the Commonwealth of Puerto Rico or obligations of the territory of Guam, such value will not be subject to Pennsylvania personal property taxes to the extent required by Federal statutes. The proportion of income received by Holders derived from interest on such obligations is not taxable under any of the Pennsylvania State and local income taxes referred to above. Although Federal law does not expressly exclude from taxation gain realized on the disposition of obligations of Puerto Rico or of Guam, because

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interest is exempt on such obligations, Pennsylvania does not tax gain from the disposition of such obligations under the Personal Income Tax.

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TRUST FUND
Multistate Series - 70
(Unit Investment Trusts)
PROSPECTUS

This Prospectus does not contain all of the information with respect to the investment company set forth in its registration statement and exhibits relating thereto which have been filed with the Securities and Exchange Commission, Washington, D.C. under the Securities Act of 1933 and the Investment Company Act of 1940, and to which reference is hereby made.

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

SPONSORS:
Merrill Lynch,
Pierce, Fenner & Smith Inc.
Unit Investment Trusts
P.O. Box 9051
Princeton, N.J. 08543-9051
(609) 282-8500
Smith Barney Inc.
Unit Trust Department
Two World Trade Center--101st Floor
New York, N.Y. 10048
1-800-298-UNIT
PaineWebber Incorporated
1200 Harbor Blvd.
Weehawken, N.J. 07087
(201) 902-3000
Prudential Securities Incorporated
One Seaport Plaza
199 Water Street
New York, N.Y. 10292
(212) 776-1000
Dean Witter Reynolds Inc.
Two World Trade Center--59th Floor
New York, N.Y. 10048
(212) 392-2222
EVALUATOR:
Kenny S&P Evaluation Services
65 Broadway
New York, N.Y. 10006
INDEPENDENT ACCOUNTANTS:
Deloitte & Touche LLP
1633 Broadway
3rd Floor
New York, N.Y. 10019
TRUSTEE:
The Chase Manhattan Bank, N.A.
Unit Trust Department
Box 2051
New York, N.Y. 10048

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