SECURITIES AND EXCHANGE COMMISSION

FORM 497

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MUNICIPAL INVT TR FD MON PYMT SER 547 DEFINED ASSET FDS

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Def ined

Asset FundsSM

MUNICIPAL INVESTMENT TRUST FUND

Monthly Payment Series--547
A Unit Investment Trust
8,000 Units
/ / Tax-Free
/ / Diversified
/ / Investment Grade
6.17%
Estimated Current Return
6.27%
Estimated Long Term Return
as of September 20, 1994

This Defined Fund is a portfolio of preselected securities formed for the purpose of providing interest income which in the opinion of counsel is, with certain exceptions,exempt from regular Federal income taxes under existing law through investment in a fixed portfolio consisting primarily of long-term state, municipal and public authority Debt Obligations. The value of the Units of the Fund will fluctuate with the value of the Portfolio of underlying securities.

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 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 for the Fund 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.

Prospectus dated September 21, 1994.

READ AND RETAIN THIS PROSPECTUS FOR FUTURE REFERENCE.

SPONSORS:
Merrill Lynch,
Pierce, Fenner & Smith
Incorporated
Smith Barney Inc.
PaineWebber Incorporated
Prudential Securities
Incorporated
Dean Witter Reynolds Inc.

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.

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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.

CONTENTS

Investment Summary......................................	A-3
Tax-Free vs. Taxable Income.............................	A-5
Underwriting Account....................................	A-6
Fee Table...	A-7
Report of Independent Accountants.......................	A-8
Statement of Condition..................................	A-8
Portfolio...	A-9
Description of Fund Investments.........................	1
Risk Factors..	2
How To Buy..	16
How To Sell...	17
Income and Distributions................................	18
Exchange Option...	21
Taxes...	21
Administration of the Fund..............................	23
Trust Indenture...	24
Miscellaneous...	25
Appendix A..	A-1
Appendix B..	B-1
Appendix C..	C-1

INVESTMENT SUMMARY AS OF SEPTEMBER 20, 1994 (THE BUSINESS DAY PRIOR TO THE INITIAL DATE OF DEPOSIT)(a)

ESTIMATED CURRENT RETURN(b) (based on Public Offering Price)		6.17%
ESTIMATED LONG TERM RETURN(b) (based on Public Offering Price)		6.27%
PUBLIC OFFERING PRICE PER UNIT (including 4.50% sales charge)	$	963.15(c)
FACE AMOUNT OF SECURITIES--	$	8,000,000
NUMBER OF UNITS--		8,000
SPONSORS' REPURCHASE PRICE AND REDEMPTION PRICE PER UNIT(d) (based on bid side evaluation)	$	915.81(c)
FRACTIONAL UNDIVIDED INTEREST IN FUND REPRESENTED BY EACH UNIT--		1/8,000TH
CALCULATION OF PUBLIC OFFERING PRICE		
Aggregate offer side evaluation of Securities in Fund.....	$	7,358,506.80
Divided by 8,000 Units....................................	$	919.81
Plus sales charge of 4.50% of Public Offering Price (4.712% of net amount invested in Securities)(e)........		43.34
Public Offering Price per Unit............................		963.15
Plus accrued interest(f)..................................		1.15
Total...	$	964.30

PREMIUM AND DISCOUNT ISSUES IN PORTFOLIO
Face amount of Securities with offer side evaluation:
at par--22%
at a discount from par--78%

PERCENTAGE OF AGGREGATE FACE AMOUNT OF DEBT OBLIGATIONS ISSUED AT 'ORIGINAL ISSUE DISCOUNT' (see Taxes)...........	60%
CALCULATION OF ESTIMATED NET ANNUAL INTEREST RATE PER UNIT (based on face amount of $1,000 per Unit)	
Annual interest rate per Unit.............................	6.111%
Less estimated annual expenses per Unit ($1.71) expressed as a percentage...	.171%

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Estimated net annual interest rate per Unit..............	5.940%

DAILY RATE AT WHICH ESTIMATED NET INTEREST ACCRUES PER UNIT--	.0165%

MONTHLY INCOME DISTRIBUTIONS	
First distribution to be paid on the 25th day of December, 1994 to Holders of record on the 10th day of December, 1994..$	3.03
Calculation of second and following distributions:	
Estimated net annual interest rate per Unit times $1,000..$	59.40
Divided by 12...$	4.95
REDEMPTION PRICE PER UNIT LESS THAN:	
Public Offering Price by..................................$	47.34
Sponsors' Initial Repurchase Price by.....................$	4.00
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 if balance is less than $5.00 per Unit

SPONSORS' PROFIT (LOSS) ON DEPOSIT $78,454.70

TRUSTEE'S ANNUAL FEE AND EXPENSES(g)
$1.71 per Unit commencing January, 1995 (see Income and Distributions--Fund Expenses)
PORTFOLIO SUPERVISION FEE(h)
Maximum of $0.35 per $1,000 face amount of underlying Debt Obligations (see Income and Distributions--Fund Expenses)
EVALUATOR'S FEE FOR EACH EVALUATION
Minimum of $5.00 (see Income and Distributions-- Fund Expenses)
EVALUATION TIME
3:30 P.M. New York Time
MANDATORY TERMINATION DATE
Trust must be terminated no later than one year after the maturity date of the last maturing Debt Obligation listed under Portfolio (see Portfolio).
MINIMUM VALUE OF FUND
Trust may be terminated if value of Fund is less than 40% of the face amount of Securities in the Portfolio on the dates of their deposit.

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(a) The Indenture was signed and the deposit was 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 a 4.50% maximum 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 the Fund'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 and changes in Fund income after expenses.

(c) Plus accrued interest.

(d) During the initial offering period, the Fund's 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.)

(e) 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.

(f) 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 the Initial Date of Deposit

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(see How To Buy--Accrued Interest).

(g) During the first year the Trustee's Annual Fee and Expenses will be reduced by $0.41 per Unit. Estimated annual interest income per Unit (estimated annual interest rate per Unit times $1,000) will be $60.70, estimated expenses per Unit will be $1.30 and estimated net annual income per Unit will remain the same (see Description of the Fund--Income; Estimated Current Return; Estimated Long Term Return).

(h) The Sponsors may also be reimbursed for bookkeeping or other administrative expenses not exceeding their actual costs currently at a maximum annual rate of $0.10 per Unit.

OBJECTIVE OF THE FUND--To provide tax exempt income through investment in a fixed portfolio consisting primarily of long-term state, municipal and public authority Debt Obligations. There is no assurance that this objective will be met because it is subject to the continuing ability of the issuers of the Debt Obligations held by the Fund 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.

PORTFOLIO AT A GLANCE--

DIVERSIFICATION--The Portfolio is diversified among 15 issues. Spreading the investment among different securities and issuers reduces risk, but does not eliminate it. Because of possible maturity, sale or other disposition of Securities, the size, composition, and return of the Portfolio may change at any time.

INVESTMENT QUALITY--All of the issues are investment grade. Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. ('Standard & Poor's') rated 3 issues AA and 11 issues A. Moody's Investors Service ('Moody's') rated 1 issue Aa. (See Appendix A.)

CALL PROTECTION--Issuers are usually able to redeem bonds under optional refunding and sinking fund provisions. Optional refunding redemptions, which may redeem all or part of an issue, are in most cases initially at a premium, and then in subsequent years at declining prices, but typically not below par value. All of the Debt Obligations are subject to optional refunding redemptions, but not before 2002, and then at prices initially not less than 101.5% of par (see Portfolio). Bonds are also generally subject to mandatory sinking fund redemptions at par over the life of the issue and may also provide for redemption at par prior to optional or mandatory redemption dates or maturity, for example, if proceeds are not able to be used as contemplated, the project is condemned or sold or the project is destroyed and insurance proceeds are used to redeem the bonds.

DEBT OBLIGATIONS--The issues have maturity dates ranging from 2016 to 2033. Two issues are general obligations bonds; the remaining 13 issues are payable from the income of a specific project or authority and can be divided by source of revenue as follows: Hospitals/Health Care Facilities, 5; Housing, 4; Lease Rental, 1; State/Local Municipal Utilities, 1; Industrial Development Revenue, 1 and Special Tax, 1.

RISK FACTORS--Investment in the Fund 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. In addition, approximately 33% of the aggregate face amount of the Portfolio consists of Hospital/Health Care issues and 30% of the aggregate face amount of the Portfolio consists of Housing issues.* (See Risk Factors for a brief summary of certain investment risks pertaining to the obligations held by the Fund.)

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.

MONTHLY DISTRIBUTIONS--Monthly distributions of interest and any principal or premium received by the Fund will be made in cash on or shortly after the 25th day of each month to Holders of record on the 10th day of such month

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commencing with the first distribution on the date indicated on page A-3 (see Income and Distributions). Alternatively, Holders may elect to have their 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.)

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.)

TAXATION--In the opinion of special counsel to the Sponsors, 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

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* A Fund is considered to be 'concentrated' in a particular category when the debt obligations in that category constitute 25% or more of the aggregate face amount of the Portfolio. (See Risk Factors.)

the Fund. 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 taxes (except in certain circumstances depending on the Holder) but may be subject to 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.)

Def ined
Asset Funds

INVESTOR'S GUIDE
MUNICIPAL INVESTMENT
TRUST FUND
- ------------------------------
MONTHLY PAYMENT SERIES

DEFINED MUNICIPAL INVESTMENT TRUST FUNDS
Our defined portfolios of municipal bonds offer investors a simple and convenient way to earn monthly income. And by purchasing Defined Funds, investors not only avoid the problem of selecting municipal bonds by themselves, but also gain the advantage of a higher degree of safety by investing in bonds of several different issuers.

MONTHLY TAX-FREE INTEREST INCOME
The Fund 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. Depending on where you live, some of the income also may be exempt from certain state and local personal income taxes. 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 tax-exempt bonds. Reinvesting helps to compound your income tax-free.

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 Asset 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.

PROFESSIONAL SELECTION AND SUPERVISION
The Fund contains a variety of securities selected by experienced buyers and market analysts. Spreading your investment among different securities and issuers reduces your risk, but does not eliminate it. The Fund is not actively managed. However, the portfolio is regularly reviewed and a security can be sold if retaining it could be detrimental to investors' interest.

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 bonds in the Fund's portfolio at that time as determined by an

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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 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

<TABLE>
<CAPTION>

TAXABLE INCOME 1994* SINGLE RETURN	JOINT RETURN	% TAX BRACKET	3%	3.5%	4%	4.5%	5%	5.5%
			TAX-FREE YIELD OF IS EQUIVALENT TO A TAXABLE YIELD OF					
<S>	<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
$0-22,100		15.00	3.53	4.12	4.71	5.29	5.88	6.47
	$36,900-89,150	28.00	4.17	4.86	5.56	6.25	6.94	7.64
$22,100-53,500		28.00	4.17	4.86	5.56	6.25	6.94	7.64
	$89,150-140,000	31.00	4.35	5.07	5.80	6.52	7.25	7.97
$53,500-115,000		31.00	4.35	5.07	5.80	6.52	7.25	7.97
	$140,000-250,000	36.00	4.69	5.47	6.25	7.03	7.81	8.59
$115,000-250,000		36.00	4.69	5.47	6.25	7.03	7.81	8.59
	OVER $250,000	39.60	4.97	5.79	6.62	7.45	8.28	9.11
OVER $250,000		39.60	4.97	5.79	6.62	7.45	8.28	9.11

</TABLE>

TAXABLE INCOME 1994* SINGLE RETURN	6%	6.5%	7%
	7.06	7.65	8.24
$0-22,100	7.06	7.65	8.24
	8.33	9.03	9.72
$22,100-53,500	8.33	9.03	9.72
	8.70	9.42	10.14
$53,500-115,000	8.70	9.42	10.14
	9.38	10.16	10.94
$115,000-250,000	9.38	10.16	10.94
	9.93	10.76	11.59
OVER $250,000	9.93	10.76	11.59

To compare the yield of a taxable security with the yield of a tax-free security, find your taxable income and read across. The table incorporates current Federal income tax rates and assumes that all income would otherwise be taxed at the investor's highest tax rate. Yield figures are for example only.

*Based upon net amount subject to Federal income tax after deductions and exemptions. This table does not reflect the

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possible effect of other tax factors, such as the alternative minimum tax, personal exemptions, the phase out of the tax benefit of exemptions, itemized deductions or the possible partial disallowance of deductions. Consequently, holders are urged to consult their own tax advisers in this regard.

MUNICIPAL INVESTMENT TRUST FUND
MONTHLY PAYMENT 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.

My name (please print) ____

My address (please print): ____

City, State, Zip Code ____

This page is a self-mailer. Please complete the information above, cut along the dotted line, fold along the lines on the reverse side, tape, and mail with the Trustee's address displayed on the outside.

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(Fold along this line.)

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INVESTMENT SUMMARY AS OF SEPTEMBER 20, 1994 (CONTINUED)

PUBLIC OFFERING PRICE--During the initial offering period and any offering of additional Units, the Public Offering Price of the Units is based on the aggregate offer side evaluation of the underlying Securities in the Fund (the price at which they could be directly purchased by the public assuming they were available), divided by the number of Units outstanding plus a sales charge of 4.712%* of the offer side evaluation per Unit (the net amount invested); this results in a sales charge of 4.50%* of the Public Offering Price. 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 on subsequent dates, will vary from the Public Offering Price set forth on page A-3. (See How To Buy; How To Sell.)

ESTIMATED CURRENT RETURN; ESTIMATED LONG TERM RETURN--Estimated Return on a Unit shows the return based on the initial Public Offering Price and the maximum applicable sales charge of 4.50%* 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 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 of 4.50%*) 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 the Sponsors and the fees of the Evaluator, which are paid by the Fund, and with the exchange, redemption, sale 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 current return and long term return will fluctuate in the future. (See Income and Distributions--Returns.)

FUND PERFORMANCE--Information on the performance of the Fund for various periods, on the basis of changes in Unit price plus the amount of income and

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principal distributions reinvested, may be included from time to time in advertisements, sales literature, reports and other information furnished to current or prospective investors. Total return figures are not averaged, and may not reflect deduction of the sales charge, which would decrease the return. Average annualized return figures reflect deduction of the maximum sales charge. No provision is made for any income taxes payable.

Past performance may not be indicative of future results. The Fund is not actively managed. Unit price and return fluctuate with the value of the Bonds in the Portfolio, so there may be a gain or loss when Units are sold.

Fund performance may be compared to performance on the same basis (with distributions reinvested) of Moody's Municipal Bond Averages or performance data from publications such as Lipper Analytical Services, Inc., Morningstar Publications, Inc., Money Magazine, The New York Times, U.S. News and World Report, Barron's Business Week, CDA Investment Technology, Inc., Forbes Magazine or Fortune Magazine. As with other performance data, performance comparisons should not be considered representative of the Fund's relative performance for any future period.

UNDERWRITING--Two of the Sponsors have participated as sole underwriter, managing underwriter or member of an underwriting syndicate from which 15% of the Debt Obligations in the Portfolio were acquired.

UNDERWRITING ACCOUNT

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

Merrill Lynch, Pierce, Fenner & Smith Incorporated	P.O. Box 9051, Princeton, N.J. 08543-9051	73.12%
Smith Barney Inc.	Two World Trade Center--101st Floor New York, N.Y. 10048	3.75
PaineWebber Incorporated	1285 Avenue of the Americas, New York, N.Y. 10019	12.50
Prudential Securities Incorporated	One Seaport Plaza--199 Water Street, New York, N.Y. 10292	3.13
Dean Witter Reynolds Inc.	Two World Trade Center--59th Floor, New York, N.Y. 10048	7.50
		100.00%

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* This 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).

FEE TABLE

THIS FEE TABLE IS INTENDED TO ASSIST INVESTORS IN UNDERSTANDING THE COSTS AND EXPENSES THAT AN INVESTOR IN THE FUND WILL BEAR DIRECTLY OR INDIRECTLY. SEE HOW TO BUY AND INCOME AND DISTRIBUTIONS--FUND EXPENSES. ALTHOUGH THE FUND 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)	
Trustee's Fee	.076%
Portfolio Supervision, Bookkeeping and Administrative Fees	.044%
Other Operating Expenses	.066%
Total	.186%

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1Based on the mean of the bid and offer side evaluations; this figure may differ from that set forth as estimated annual expenses per unit expressed as a percentage on p. A-3.

EXAMPLE

	CUMULATIVE EXPENSES PAID FOR PERIOD OF:		
	1 YEAR	3 YEARS	5 YEARS
An investor would pay the following expenses on a $1,000 investment, assuming the Fund's estimated operating expense ratio of .186% and a 5% annual return on the investment throughout the periods..................	$ 47	$ 51	$ 55
	10 YEARS		
An investor would pay the following expenses on a $1,000 investment, assuming the Fund's estimated operating expense ratio of .186% and a 5% annual return on the investment throughout the periods..................	$ 68		

The Example assumes reinvestment of all distributions into additional units of the Fund (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 the Fund 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. 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, Monthly Payment Series--547, Defined Asset Funds:

We have audited the accompanying statement of condition, including the portfolio, of Municipal Investment Trust Fund, Monthly Payment Series--547, Defined Asset Funds as of September 21, 1994. This financial statement is the responsibility of the Trustee. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. The deposit on September 21, 1994 of an irrevocable letter or letters of credit for the purchase of securities, as described in the statement 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Municipal Investment Trust Fund, Monthly Payment Series--547, Defined Asset Funds at September 21, 1994 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
New York, N.Y.
September 21, 1994

MUNICIPAL INVESTMENT TRUST FUND
MONTHLY PAYMENT SERIES--547
DEFINED ASSET FUNDS
STATEMENT OF CONDITION AS OF INITIAL DATE OF DEPOSIT, SEPTEMBER 21, 1994

TRUST PROPERTY

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Investment in Debt Obligations(1):		
Contracts to purchase Debt Obligations...................		$ 7,358,506.80
Accrued interest to Initial Date of Deposit on underlying Debt Obligations........................		149,095.97
Total......................		$ 7,507,602.77
LIABILITY AND INTEREST OF HOLDERS		
Liability--Accrued interest to Initial Date of Deposit on underlying Debt Obligations(2).....................		$ 149,095.97
Interest of Holders-- 8,000 Units of fractional undivided interest outstanding:		
Cost to investors(3)..............	$ 7,705,226.80	
Gross underwriting commissions(4)..................	(346,720.00)	
Net amount applicable to investors......		7,358,506.80
Total.......................		$ 7,507,602.77

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(1) Aggregate cost to the Fund of the Debt Obligations listed under Portfolio is based upon 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 Fund under Portfolio. An irrevocable letter or letters of credit in the amount of $7,436,628.90 have been deposited with the Trustee. The amount of such letter or letters of credit includes $7,280,052.10 (equal to the purchase price to the Sponsors) for the purchase of $8,000,000 face amount of Debt Obligations in connection with contracts to purchase Debt Obligations, plus $156,576.80 covering accrued interest 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 have been issued by Banca Di Roma, New York Branch.

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

(3) Aggregate public offering price (exclusive of interest) computed on the basis of the offering 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 a sales charge of 4.50% on all Units computed on the basis set forth under How To Buy.

PORTFOLIO OF MUNICIPAL INVESTMENT TRUST FUND, MONTHLY PAYMENT SERIES--547 DEFINED ASSET FUNDS

ON THE INITIAL DATE OF DEPOSIT, SEPTEMBER 21, 1994

<TABLE>
<CAPTION>

	PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR	RATINGS OF ISSUES (1)	FACE AMOUNT	COUPON	MATURITIES
<S>		<C>	<C>	<C>	<C>
1)	Alaska Hsg. Finance Corp., Insured Mtge. Prog. Bonds, 1993 First Ser.	A+	$ 600,000	5.90%	12/1/33
2)	City of Valdez, Alaska, Marine Terminal Rev. Refunding Bonds (BP Pipelines (Alaska) Inc. Project), Ser. 1993 B	AA-	600,000	5.50	10/1/28
3)	State Pub. Wks. Board of the State of California, Lease Rev. Rfdg. Bonds (The Regents of the Univ. of California), 1993 Ser. A	A-	600,000	5.50	6/1/21
4)	Metro. Pier and Expos. Auth. (Illinois) McCormick Place Expansion Proj. Bonds, Ser. 1992 A	A+	600,000	6.50	6/15/22
5)	Indiana Hlth. Fac. Financing Auth., Hosp. Rfdg.	A	600,000	5.625	7/1/23

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Rev. Bonds (Welborn Mem. Baptist Hosp. Proj.), Ser. 1993

6)	Comm. Dev. Adm. Dept. of Hsg. and Comm. Dev., State of Maryland, Multi-Family Hsg. Rev. Bonds (Insured Mtge. Loans), 1994 Ser. C	Aa(m)	600,000	6.65	5/15/25
7)	Massachusetts Hlth. and Educl. Facilities Auth., Rev. Bonds, Jordan Hosp. Iss., Ser. C	A-	600,000	6.875	10/1/22

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<S>	OPTIONAL REFUNDING REDEMPTIONS(2)	SINKING FUND REDEMPTIONS (2)	COST OF DEBT OBLIGATIONS TO FUND (3)	YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3)
		<C>	<C>	<C>
1)	12/1/03 @ 102	12/1/24	$ 526,290.00	6.800%
2)	10/1/03 @ 102	--	503,928.00	6.700
3)	6/1/03 @ 102	6/1/15	510,966.00	6.700
4)	6/15/03 @ 102	6/15/07	592,326.00	6.600
5)	7/1/03 @ 102	7/1/19	511,380.00	6.800
6)	5/15/04 @ 102	5/15/15	600,000.00	6.649
7)	10/1/02 @ 102	10/1/03	583,650.00	7.100

</TABLE>

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<S>	PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR	RATINGS OF ISSUES (1)	FACE AMOUNT	COUPON	MATURITIES
		<C>	<C>	<C>	<C>
8)	Michigan State Hosp. Finance Auth., Hosp. Rev. and Refunding Bonds (The Detroit Med. Ctr. Obligated Group), Ser. 1993 B	A-	$ 200,000	5.50%	8/15/23
9)	Montana Bd. of Hsg., Single Family Prog. Bonds, 1994 Ser. C (Federally Insured or Gtd. Mtge. Loans)	AA+	600,000	6.70	12/1/26
10)	New Hampshire Higher Educl. and Hlth. Fac. Auth., Healthcare Rev. Bonds, Exeter Hosp./Healthcare Iss., Ser. 1993	A	600,000	6.00	10/1/23
11)	New Hampshire Higher Educl. and Hlth. Fac. Auth., Hosp. Rev. Bonds, Nashua Mem. Hosp. Iss., Ser. 1993	A-	600,000	6.00	10/1/23
12)	The City of New York, NY, G.O. Bonds, Fiscal 1994 Ser. C	A-	115,000	5.50	10/1/16
13)	The City of New York, NY, G.O. Bonds, Fiscal 1993 Ser. E	A-	485,000	6.00	5/15/21
14)	North Carolina Eastern Muni. Power Agency, Power System Rev. Bonds, Ser. 1985 G	A-	600,000	5.75	12/1/16
15)	Rhode Island Hsg. and Mtge. Finance Corp., Homeownership Opportunity Bonds, Ser. 15-B	AA+	600,000	6.75	10/1/17
			$ 8,000,000		

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OPTIONAL REFUNDING REDEMPTIONS(2)	SINKING FUND REDEMPTIONS (2)	COST OF DEBT OBLIGATIONS TO FUND (3)	YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3)

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

8)	8/15/04 @ 102	8/15/14	$ 164,050.00	6.950%
9)	12/1/04 @ 102	--	600,000.00	6.699
10)	10/1/02 @ 102	10/1/14	543,018.00	6.750
11)	10/1/03 @ 102	10/1/14	539,520.00	6.800
12)	10/1/03 @ 101.5	--	99,815.40	6.650
13)	5/15/03 @ 101.5	--	445,831.40	6.650
14)	9/1/03 @ 102.5	12/1/12	537,732.00	6.650
15)	4/1/04 @ 102	4/1/15	600,000.00	6.750
			$ 7,358,506.80	

</TABLE>

See Footnotes on following page.

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NOTES

(1) All ratings are by Standard & Poor's unless followed by '(m)' which indicates a Moody's rating. Moody's ratings have been furnished by the Evaluator but not confirmed with Moody's. Any rating followed by a '*' is subject to submission and review of final documentation. Any rating followed by 'p' is provisional and assumes the successful completion of the project being financed. (See Appendix A.)

(2) Debt Obligations are first subject to optional redemptions (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 with premium prior to the dates shown.
Certain Debt Obligations may be redeemed at par pursuant to mandatory redemption provisions which require redemption from amounts in excess of scheduled principal payments. 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 any related credit support expires prior to maturity and is not renewed or substitute credit support not obtained, if interest on the Debt Obligations becomes subject to taxation, 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 acquired 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 Fund. 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 offer 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 $7,326,506.80 which is $32,000.00 (.40% of the aggregate face amount) lower than the aggregate Cost of Debt Obligations to Fund based on the offer side evaluation.

Yield to Maturity on Initial Date of Deposit of Debt Obligations was

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computed on the basis of the offer side evaluation at the Evaluation Time on the business day prior to 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 September 19, 1994 to September 20, 1994. All contracts are expected to be settled by the initial settlement date for purchase of Units, except for the Debt Obligations in Portfolio Numbers 6 and 9 (approximately 15% of the aggregate face amount of the Portfolio) which have been purchased on a when, as and if issued basis, or have a delayed delivery, and are expected to be settled 8 to 14 days, respectively, after the settlement date for purchase of Units.

+ See Footnote (3).

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.

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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 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

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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 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

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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 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 and disallowances 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 and the impact of deregulation.

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

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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 and additional factors including (a) the effects of inflation upon the costs of operation and construction, (b) uncertainties in predicting future load requirements, (c) increased financing requirements coupled with limited availability of capital, (d) exposure to cancellation and penalty charges on new generating units under construction, (e) problems of cost and availability of fuel, (f) litigation and proposed legislation designed to delay or prevent construction of generating and other facilities, (g) the uncertain effects of conservation on the use of electric energy and (h) increased competition as a result of the availability of other energy sources and state deregulation efforts. 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 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

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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 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.

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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 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

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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.

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

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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 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.

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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.

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

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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 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).

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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 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 $1,988,000,000 and policyholders' surplus of approximately $749,000,000 as of March 31, 1994. 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. After an initial public offering completed in February 1992 and the sale by Merrill Lynch & Co. of its stake, EFSG is 49.8%-owned by the public, 29.9% by US West Financial Services, 14.1% by Manufacturers Life Insurance Co. and 6.2% by senior management. Both ERC and Asset Guaranty are rated 'AAA' for claims paying ability by Duff & Phelps, ERC is rated triple-A for claims-paying-ability for both S&P and Moody's. Asset Guaranty received a 'AA' claims-paying-ability rating from S&P during August 1993, but remains unrated by Moody's. As of March 31, 1994 Asset Guaranty had admitted assets of approximately $142,000,000 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

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company in the U.S. as measured by net premiums written, and CGC management. As of March 31, 1994, CGIC had total admitted assets of approximately $288,000,000 and policyholders' surplus of approximately $171,000,000.

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 March 31, 1994 CAPMAC's admitted assets were approximately $188,000,000 and its policyholders' surplus was approximately $145,000,000.

Connie Lee is a wholly owned subsidiary of College Construction Loan 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 March 31, 1994, its total admitted assets were approximately $185,000,000 and policyholders' surplus was approximately $104,000,000.

Continental is a wholly-owned subsidiary of CNA Financial Corp. and was incorporated under the laws of Illinois in 1948. As of March 31, 1994, Continental had policyholders' surplus of approximately $3,410,000,000 and admitted assets of approximately $19,140,000,000. 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 March 31, 1994, its total admitted assets were approximately $1,995,000,000 and its policyholders' surplus was approximately $805,000,000.

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 March 31, 1994, FSA had policyholders' surplus of approximately $368,000,000 and total admitted assets of approximately $759,000,000.

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 March 31, 1994, the total admitted assets of Firemen's were approximately $2,206,000,000 and its policyholders' surplus was approximately $422,000,000.

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 March 31, 1994, MBIA had admitted assets of approximately $3,152,000,000 and policyholders' surplus of approximately $998,000,000.

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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 March 31, 1994, the total admitted assets and policyholders' surplus of National Union were approximately $8,517,000,000 and approximately $1,422,000,000, 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 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

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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 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

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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 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

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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 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,

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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.

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).

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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.

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.

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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 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

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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 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

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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 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

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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 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

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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.

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); Bank of New York, a New York banking corporation with its Unit Investment Trust Department at 101 Barclay Street, New York, New York 10286 (which is subject to regulation by the New York Superintendent of Banks, 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. Emmet Marvin & Martin, 120 Broadway, New York, New York 10271, act as counsel for the Bank of New York, as Trustee. Bingham, Dana & Gould, 150 Federal Street, Boston, Massachusetts 02110, act as counsel for The First National Bank

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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 LLP, 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 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

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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 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.

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 14 16 18 20%

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.

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

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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 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,

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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.

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
INTERMEDIATE SERIES (TEN YEAR MATURITIES)				
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
INTERMEDIATE SERIES (SHORT INTERMEDIATE MATURITIES)				
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

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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>

NAME OF EXCHANGE FUND	MAXIMUM APPLICABLE SALES CHARGE(A)	REDUCED SALES CHARGE 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.

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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.

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(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.

<TABLE>
<CAPTION>

NAME OF EXCHANGE FUND	MAXIMUM APPLICABLE SALES CHARGE(A)	REDUCED SALES CHARGE FOR SECONDARY MARKET(B)	INVESTMENT CHARACTERISTICS
<S>	<C>	<C>	<C>
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

Def ined
Asset FundsSM

SPONSORS:
Merrill Lynch,
Pierce, Fenner & Smith Incorporated
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

MUNICIPAL INVESTMENT
TRUST FUND
Monthly Payment Series--547
A Unit Investment Trust
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.

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