SECURITIES AND EXCHANGE COMMISSION

FORM 487

Pre-effective pricing amendment filed pursuant to Securities Act Rule 487

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FILER

TAX EXEMPT SECURITIES TRUST SERIES TEST 389

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

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

REGISTRATION NO. 33-52529

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO
FORM S-6

FOR REGISTRATION UNDER THE SECURITIES ACT
OF 1933 OF SECURITIES OF UNIT INVESTMENT
TRUSTS REGISTERED ON FORM N-8B-2

A. EXACT NAME OF TRUST:

TAX EXEMPT SECURITIES TRUST, SERIES 389

B. NAMES OF DEPOSITORS:

SMITH BARNEY SHEARSON INC.
KIDDER, PEABODY & CO. INCORPORATED

C. COMPLETE ADDRESSES OF DEPOSITORS' PRINCIPAL EXECUTIVE OFFICES:

SMITH BARNEY SHEARSON INC.	KIDDER, PEABODY & CO. INCORPORATED
1345 Avenue of the Americas	60 Broad Street
New York, New York 10105	New York, New York 10004

D. NAMES AND COMPLETE ADDRESSES OF AGENTS FOR SERVICE:

STEPHEN J. TREADWAY	GILBERT R. OTT, JR.
Smith Barney Shearson Inc.	Kidder, Peabody & Co. Incorporated
1345 Avenue of the Americas	10 Hanover Square
New York, New York 10105	New York, New York 10005

COPY TO:
PIERRE DE SAINT PHALLE, ESQ.
Davis Polk & Wardwell
450 Lexington Ave.
New York, New York 10017

E. TITLE AND AMOUNT OF SECURITIES BEING REGISTERED:

AN INDEFINITE NUMBER OF UNITS OF BENEFICIAL INTEREST PURSUANT TO RULE 24F-2 PROMULGATED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

F. PROPOSED MAXIMUM AGGREGATE OFFERING PRICE TO THE PUBLIC OF THE SECURITIES BEING REGISTERED:

INDEFINITE

G. AMOUNT OF FILING FEE;

$500 (AS REQUIRED BY RULE 24F-2)

H. APPROXIMATE DATE OF PROPOSED SALE TO PUBLIC:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THE REGISTRATION STATEMENT.

[X] Check box if it is proposed that this filing will become effective immediately upon filing pursuant to Rule 487.

Series 389

TAX EXEMPT SECURITIES TRUST UNITS	California Trust 131	Massachusetts Trust 76
	Connecticut Trust 93	Pennsylvania Trust 108

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11,500 UNITS

INVESTORS SHOULD READ AND RETAIN THIS PROSPECTUS FOR FUTURE REFERENCE.

IN THE OPINION OF COUNSEL UNDER EXISTING LAW, INTEREST INCOME TO THE TRUSTS AND TO UNIT HOLDERS (EXCEPT IN CERTAIN INSTANCES DEPENDING UPON THE UNIT HOLDERS) IS EXEMPT FROM REGULAR FEDERAL INCOME TAX AND FROM CERTAIN STATE AND LOCAL PERSONAL INCOME TAXES, TO THE EXTENT INDICATED, IN THE STATE FOR WHICH A STATE TRUST IS NAMED. CAPITAL GAINS, IF ANY, ARE SUBJECT TO TAX.

THE TAX EXEMPT SECURITIES TRUST, SERIES 389 consists of separate underlying unit investment trusts designated as California Trust 131, Connecticut Trust 93, Massachusetts Trust 76 and Pennsylvania Trust 108 (the "California Trust," the "Connecticut Trust", the "Massachusetts Trust," and the "Pennsylvania Trust," collectively, the "State Trusts" or, singularly, the "State Trust") (the "Trusts" or the "Trust" as the context requires). Each Trust was formed for the purpose of obtaining for its Unit holders tax-exempt interest income and conservation of capital through investment in a fixed portfolio of municipal bonds rated at the time of deposit in the category A or better by Standard & Poor's Corporation, Moody's Investors Service or Fitch Investors Service, Inc. (See "Portfolio of Securities".) Each State Trust is comprised of a fixed portfolio of interest-bearing obligations issued primarily by or on behalf of the state for which such State Trust is named and counties, municipalities, authorities or political subdivisions thereof. The interest on all bonds in each Trust is in the opinion of counsel under existing law, with certain exceptions, exempt from regular Federal income taxes (see Part B, "Taxes") and from certain state and local personal income taxes) in the state for which a State Trust is named, but may be subject to other state and local taxes. (See discussions of State and local taxes in Part C.)

THE PUBLIC OFFERING PRICE of the Units of each Trust during the initial public offering period is equal to the aggregate offering price of the underlying bonds in the Trust's portfolio divided by the number of Units outstanding in such Trust, plus a sales charge. The Public Offering Price of the Units of each Trust following the initial public offering period is equal to the aggregate bid price of the underlying bonds in the Trust's portfolio divided by the number of Units outstanding in such Trust, plus a sales charge. During the initial public offering period the sales charge is equal to 4.70% of the Public Offering Price (4.932% of the aggregate offering price of the bonds per Unit) for each Trust, and following the initial public offering period this charge will be equal to 5.00% of the Public Offering Price (5.263% of the aggregate bid price of the bonds per Unit) for each Trust. See Part B, "Public Offering--Distribution of Units" for a description of the initial public offering period. If the Units had been available for sale on March 16, 1994, the Public Offering Price per Unit (including the sales charge) would have been $1,025.28, $987.59, $1,015.31 and $1,016.95 for the California Trust, Connecticut Trust, Massachusetts Trust and Pennsylvania Trust, respectively. In addition, there will be added an amount equal to accrued interest from the day after the Date of Deposit to the date of settlement (normally five business days after purchase).

THE SPONSORS, although not obligated to do so, intend to maintain a market for the Units of the Trusts at prices based upon the aggregate bid price of the underlying bonds, as more fully described under "Public Offering--Market for Units" in Part B. If such a market is not maintained, a Unit holder may be able to dispose of his Units only through redemption, at prices that are also based upon the aggregate bid price of the underlying bonds.

MONTHLY DISTRIBUTIONS of principal and interest received by each Trust will be made on or shortly after the fifteenth day of each month to holders of record on the first day of that month. For further information regarding the distributions by each Trust, see "Summary of Essential Information".

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

The date of this Prospectus is March 17, 1994

TAX EXEMPT SECURITIES TRUST, SERIES 389

SUMMARY OF ESSENTIAL INFORMATION AS OF MARCH 16, 1994 +

SPONSORS	RECORD DATES
Smith Barney Shearson Inc. Kidder, Peabody & Co. Incorporated	The first day of each month, commencing April 1, 1994

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TRUSTEE

United States Trust Company of New York

DISTRIBUTION DATES

The fifteenth day of each month,** commencing April 15, 1994

EVALUATOR

Kenny S & P Evaluation Services, a division of Kenny Information Systems, Inc.

EVALUATION TIME

As of 1:00 P.M. on the Date of Deposit. Thereafter, as of 4:00 P.M. New York Time.

DATE OF DEPOSIT AND OF TRUST AGREEMENT

March 16, 1994

EVALUATOR'S FEE

The Evaluator will receive a fee of $.30 per bond per evaluation. (See Part B, "Evaluator--Responsibility" and "Public Offering--Offering Price".)

MANDATORY TERMINATION DATE*

Each Trust will terminate on the date of maturity, redemption, sale or other disposition of the last Bond held in the Trust.

SPONSORS' ANNUAL PORTFOLIO SUPERVISION FEE***

Maximum of $.25 per $1,000 face amount of the underlying Bonds.

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+ The Date of Deposit. The Date of Deposit is the date on which the Trust Agreement was signed and the deposit with the Trustee was made.
* The actual date of termination of each trust may be considerably earlier (see Part B, "Amendment and Termination of the Trust Agreement--Termination").

** The first monthly income distribution of $2.25, $2.04, $2.17, and $2.16 for the California Trust, Connecticut Trust, Massachusetts Trust and Pennsylvania Trust, respectively, will be made on April 15, 1994.
***In addition to this amount the Sponsors may be reimbursed for bookkeeping and other administrative expenses not exceeding their actual costs.

<TABLE>
<CAPTION>

<S>	CALIFORNIA TRUST 131 <C>	CONNECTICUT TRUST 93 <C>	MASSACHUSETTS TRUST 76 <C>	PENNSYLVANIA TRUST 108 <C>
Principal Amount of Bonds in Trust	$3,000,000	$2,500,000	$3,000,000	$3,000,000
Number of Units	3,000	2,500	3,000	3,000
Principal Amount of Bonds in Trust per Unit	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Fractional Undivided Interest in Trust per Unit	1/3,000	1/2,500	1/3,000	1/3,000
Minimum Value of Trust:				
Trust Agreement may be Terminated if Principal Amount is less than	$1,500,000	$1,250,000	$1,500,000	$1,500,000
Calculation of Public Offering Price per Unit*:				
Aggregate Offering Price of Bonds in Trust	$2,931,284	$2,352,917	$2,902,759	$2,907,445
Divided by Number of Units	$ 977.09	$ 941.17	$ 967.59	$ 969.15
Plus: Sales Charge (4.70% of the Public Offering Price)	$ 48.19	$ 46.42	$ 47.72	$ 47.80
Public Offering Price per Unit	$ 1,025.28	$ 987.59	$ 1,015.31	$ 1,016.95
Plus: Accrued Interest*	$ 1.12	$ 1.02	$ 1.08	$ 1.08
Total	$ 1,026.40	$ 988.61	$ 1,016.39	$ 1,018.03

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Sponsors' Initial Repurchase Price per Unit (per Unit Offering Price of Bonds)*	$ 977.09	$ 941.17	$ 967.59	$ 969.15
Approximate Redemption Price per Unit (per Unit Bid Price of Bonds)**	$ 973.09	$ 937.17	$ 963.59	$ 965.15
Difference Between per Unit Offering and Bid Prices of Bonds	$ 4.00	$ 4.00	$ 4.00	$ 4.00
Calculation of Estimated Net Annual Income per Unit				
Estimated Annual Income per Unit	$ 60.20	$ 54.88	$ 58.02	$ 57.88
Less: Estimated Trustee's Annual Fee***	$ 1.35	$ 1.41	$ 1.34	$ 1.33
Less: Other Estimated Annual Expenses	$ .89	$ .79	$ .88	$ .87
Estimated Net Annual Income per Unit	$ 57.96	$ 52.68	$ 55.80	$ 55.68
Calculation of Monthly Income Distribution per Unit:				
Estimated Net Annual Income per Unit	$ 57.96	$ 52.68	$ 55.80	$ 55.68
Divided by 12	$ 4.83	$ 4.39	$ 4.65	$ 4.64
Accrued interest from the day after the Date of Deposit to the first record date**	$ 2.25	$ 2.04	$ 2.17	$ 2.16
First distribution per unit	$ 2.25	$ 2.04	$ 2.17	$ 2.16
Daily Rate (360-day basis) of Income Accrual per Unit	$ .1610	$ .1463	$ .1550	$ .1546
Estimated Current Return based on Public Offering Price****	5.65%	5.33%	5.50%	5.48%
Estimated Long-Term Return****	5.64%	5.39%	5.49%	5.45%

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</TABLE>

* Accrued interest will be added from the day after the Date of Deposit to the date of settlement (normally five business days after purchase).

** This figure will also include accrued interest from the day after the Date of Deposit to the date of settlement (normally five business days after purchase) and the net of cash on hand in the relevant Trust, accrued expenses of such Trust and amounts distributable to holders of record of Units of such Trust as of a date prior to the computation date, on a pro rata share basis. (See Part B, "Redemption of Units -- Computation of Redemption Price per Unit.")

*** Per $1,000 principal amount of Bonds, plus expenses. (See Part B, "Rights of Unit Holders -- Distribution of Interest and Principal.")

**** The Estimated Current Return is calculated by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price per Unit. The Estimated Net Annual Interest Income per Unit will vary with changes in fees and expenses of the Trustee and the Evaluator and with the principal prepayment, redemption, maturity, exchange or sale of Bonds while the Public Offering Price will vary with changes in the offering price of the underlying Bonds; therefore, there is no assurance that the present Estimated Current Return indicated above will be realized in the future. The Estimated Long-Term Return is calculated using a formula which (1) takes into consideration, and factors in the relative weightings of, the market values, yields (which takes into account the amortization of premiums and the accretion of discounts) and estimated retirements of all of the Bonds in the Trust and (2) takes into account the expenses and sales charge associated with each Unit. Since the market values and estimated retirements of the Bonds and the expenses of the Trust will change, there is no assurance that the present Estimated Long-Term Return as indicated above will be realized in the future. The Estimated Current Return and Estimated Long-Term Return are expected to differ because the calculation of the Estimated Long-Term Return reflects the estimated date and amount of principal returned while the Estimated Current Return calculations include only Net Annual Interest Income and Public Offering Price as of the Date of Deposit. The effect of the delay in the payment to Unit holders for the first few months of Trust operations, which results in a lower true return to Unit holders, is not reflected in either calculation (a projected cash flow statement as of the Date of Deposit is available upon request from the Trustee).

PORTFOLIO SUMMARY AS OF DATE OF DEPOSIT

SERIES 389

CALIFORNIA TRUST 131

The Portfolio of the California Trust contains 10 issues of Bonds of issuers located in the State of California. All of the issues are payable from the income of specified projects or authorities and are not supported by the issuer's power to levy taxes. Although income to pay such Bonds may be derived from more than one source, the primary sources of such income and the percentage* of the Bonds in this Trust deriving income from such sources are as follows: hospital and health care facilities: 26.5%; housing facilities: 15.9%; transportation facilities: 26.1%; industrial development facilities: 8.4%; educational facilities: 15.5%; lease rental payments: 7.6%. The trust is considered to be concentrated in hospital/health care issues and transportation issues.+ (See Part B, "Tax Exempt Securities Trust--Portfolio--Risk Factors" for a brief summary of additional considerations relating to certain of these issues.) Four Bonds in this Trust have been issued with an

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"original issue discount." (See Part B, "Taxes.") the average life to maturity of the Bonds in the California Trust is 24.2 years.

As of the Date of Deposit, 79.4% of the Bonds in this Trust are rated by Standard & Poor's Corporation (15.9% rated AAA, 7.0% rated AA and 56.5% rated A); 20.6% are rated by Moody's Investors Service (8.4% rated Aa and 12.2% rated A). For a description of the meaning of the applicable rating symbols as published by the rating agencies, see Part B, "Bond Ratings." It should be emphasized, however, that the ratings of the rating agencies represent their opinions as to the quality of the Bonds which they undertake to rate, and that these ratings are general and are not absolute standards of quality and may change from time to time.

16.9% of the Bonds in the California Trust were acquired from a Sponsor as sole underwriter or from an underwriting syndicate in which a Sponsor participated, or otherwise from a Sponsor's own organization. (See Part B, "Public Offering--Sponsors' and Underwriters' Profits.")

CONNECTICUT TRUST 93

The Portfolio of the Connecticut Trust contains 8 issues of Bonds of issuers located in the State of Connecticut and the Commonwealth of Puerto Rico. Of the Bonds in this Trust one was issued by an issuer in the Commonwealth of Puerto Rico (representing 9.9% of the Bonds in the Trust) and that issue was issued to finance highway facilities. The remaining issues are payable from the income of specified projects or authorities and are not supported by the issuer's power to levy taxes. Although income to pay such Bonds may be derived from more than one source, the primary sources of such income and the percentage* of the Bonds in this Trust deriving income from such sources are as follows: hospital and health care facilities: 15.4%; housing facilities: 26.1%; power facilities: 9.4%; educational facilities: 19.7%; water and sewer facilities: 19.5%. The trust is considered to be concentrated in housing issues.+ (See Part B, "Tax Exempt Securities Trust--Portfolio--Risk Factors" for a brief summary of additional considerations relating to certain of these issues.) Five Bonds in this Trust have been issued with an "original issue discount." (See Part B, "Taxes.") the average life to maturity of the Bonds in the Connecticut Trust is 26.7 years.

As of the Date of Deposit, 100% of the Bonds in this Trust are rated by Standard & Poor's Corporation (34.8% rated AAA, 35.7% rated AA and 29.5% rated A). For a description of the meaning of the applicable rating symbols as published by the rating agencies, see Part B, "Bond Ratings." It should be emphasized, however, that the ratings of the rating agencies represent their opinions as to the quality of the Bonds which they undertake to rate, and that these ratings are general and are not absolute standards of quality and may change from time to time.

One of the Bonds in the Connecticut Trust were acquired from a Sponsor as sole underwriter or from an underwriting syndicate in which a Sponsor participated, or otherwise from a Sponsor's own organization. (See Part B, "Public Offering--Sponsors' and Underwriters' Profits.")

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*Percentages computed on the basis of the aggregate offering price of the Bonds in the Trust on the Date of Deposit.

+ A Trust is considered to be "concentrated" in a particular category when the Bonds in that category constitute 25% or more of the aggregate offering price of the Bonds in the Trust.

MASSACHUSETTS TRUST 76

The Portfolio of the Massachusetts Trust contains 8 issues of Bonds of issuers located in the Commonwealth of Massachusetts All of the issues are payable from the income of specified projects or authorities and are not supported by the issuer's power to levy taxes. Although income to pay such Bonds may be derived from more than one source, the primary sources of such income and the percentage* of the Bonds in this Trust deriving income from such sources are as follows: hospital and health care facilities: 44.1%; housing facilities: 25.5%; transportation facilities: 17.4%; water and sewer facilities. 13.0%; The Trust is considered to be concentrated in hospital/health care issues and housing issues.+ (See Part B, "Tax Exempt Securities Trust--Portfolio--Risk Factors" for a brief summary of additional considerations relating to certain of these issues.) Six Bonds in this Trust have been issued with an "original issue discount." (See Part B, "Taxes.") the average life to maturity of the Bonds in the Massachusetts Trust is 28.5 years.

As of the Date of Deposit, 100% of the Bonds in this Trust are rated by Standard & Poor's Corporation (56.5% rated AAA and 43.5% rated A). For a description of the meaning of the applicable rating symbols as published by

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the rating agencies, see Part B, "Bond Ratings." It should be emphasized, however, that the ratings of the rating agencies represent their opinions as to the quality of the Bonds which they undertake to rate, and that these ratings are general and are not absolute standards of quality and may change from time to time.

10.4% of the Bonds in the Massachusetts Trust were acquired from a Sponsor as sole underwriter or from an underwriting syndicate in which a Sponsor participated, or otherwise from a Sponsor's own organization. (See Part B, "Public Offering--Sponsors' and Underwriters' Profits.")

PENNSYLVANIA TRUST 108

The Portfolio of the Pennsylvania Trust contains 8 issues of Bonds of issuers located in the Commonwealth of Pennsylvania All of the issues are payable from the income of specified projects or authorities and are not supported by the issuer's power to levy taxes. Although income to pay such Bonds may be derived from more than one source, the primary sources of such income and the percentage* of the Bonds in this Trust deriving income from such sources are as follows: hospital and health care facilities: 33.8%; housing facilities: 16.8%; pollution control facilities: 15.9%; educational facilities: 17.1%; special tax: 16.4%. The Trust is considered to be concentrated in hospital issues.+ (See Part B, "Tax Exempt Securities Trust--Portfolio--Risk Factors" for a brief summary of additional considerations relating to certain of these issues.) All of the Bonds in this Trust have been issued with an "original issue discount." (See Part B, "Taxes.") the average life to maturity of the Bonds in the Pennsylvania Trust is 28.9 years.

As of the Date of Deposit, 91.4% of the Bonds in this Trust are rated by Standard & Poor's Corporation (82.8% rated AAA, and 8.6% rated A); 8.6% are rated Aa by Moody's Investors Service. For a description of the meaning of the applicable rating symbols as published by the rating agencies, see Part B, "Bond Ratings." It should be emphasized, however, that the ratings of the rating agencies represent their opinions as to the quality of the Bonds which they undertake to rate, and that these ratings are general and are not absolute standards of quality and may change from time to time.

28.5% of the Bonds in the Pennsylvania Trust were acquired from a Sponsor as sole underwriter or from an underwriting syndicate in which a Sponsor participated, or otherwise from a Sponsor's own organization. (See Part B, "Public Offering--Sponsors' and Underwriters' Profits.")

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* Percentages computed on the basis of the aggregate offering price of the Bonds in the Trust on the Date of Deposit.
+ A Trust is considered to be "concentrated" in a particular category when the Bonds in that category constitute 25% or more of the aggregate offering price of the Bonds in the Trust.

UNDERWRITING

The names and addresses of the Underwriters and the number of Units to be sold by them are as follows:

<TABLE>
<CAPTION>

	UNITS			
	CALIFORNIA TRUST 131	CONNECTICUT TRUST 93	MASSACHUSETTS TRUST 76	PENNSYLVANIA TRUST 108
<S>	<C>	<C>	<C>	<C>
Smith Barney Shearson Inc. .. 1345 Avenue of the Americas New York, New York 10105	2,050	1,900	1,900	2,650
Kidder, Peabody & Co. Incorporated.................... 60 Broad Street New York, New York 10004	750	250	1,000	250
Gruntal & Co. Incorporated... 14 Wall Street New York, New York 10005	--	250	100	--
Janney Montgomery Scott Inc. .... 1801 Market Street Philadelphia, Pennsylvania 19103	--	--	--	100
M.L. Stern & Co. Inc. .... 8350 Wilshire Boulevard Beverly Hills, California 90211	100	--	--	--

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Nathan & Lewis Securities, Inc. .... 119 West 40th Street New York, New York 10018	--	100	--	--
Sutro & Co. Inc. .... 201 California Street San Francisco, California 94111	100	--	--	--
Totals.......................	3,000	2,500	3,000	3,000

</TABLE>

INDEPENDENT AUDITORS' REPORT

To the Sponsors and Unit Holders of
Tax Exempt Securities Trust, Series 389:

We have audited the accompanying statements of financial condition, including the portfolios of securities, of Tax Exempt Securities Trust, Series 389 (comprising, respectively, California Trust 131, Connecticut Trust 93, Massachusetts Trust 76 and Pennsylvania Trust 108) as of March 16, 1994. These financial statements are the responsibility of the Trustee (see note 5 to the statements of financial condition). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation with the Trustee of an irrevocable letter of credit deposited on March 16, 1994, for the purchase of securities, as shown in the statements of financial condition and the portfolios of securities. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the respective trusts constituting Tax Exempt Securities Trust, Series 389 as of March 16, 1994, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK

New York, N.Y.

March 16, 1994

TAX EXEMPT SECURITIES TRUST, SERIES 389
STATEMENTS OF FINANCIAL CONDITION
AS OF DATE OF DEPOSIT, MARCH 16, 1994

<TABLE>
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	SERIES 389			
	TRUST PROPERTY			
	CALIFORNIA TRUST 131	CONNECTICUT TRUST 93	MASSACHUSETTS TRUST 76	PENNSYLVANIA TRUST 108
<S>	<C>	<C>	<C>	<C>
Investment in Tax-Exempt Securities:				
Bonds represented by purchase contracts backed by letter of credit (1).....	$2,931,284	$2,352,917	$2,902,759	$2,907,445
Accrued interest through the Date of Deposit on underlying bonds (1)(2).....	34,661	29,166	25,072	35,085
Total..	$2,965,945	$2,382,083	$2,927,831	$2,942,530

<CAPTION>

	LIABILITY AND INTEREST OF UNIT HOLDERS			
<S>	<C>	<C>	<C>	<C>

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Liability:				
Accrued interest through the Date of Deposit on underlying bonds (1)(2)....	$ 34,661	$ 29,166	$ 25,072	$ 35,085
Interest of Unit Holders:				
Units of fractional undivided interest outstanding (California Trust 131: 3,000; Connecticut Trust 93: 2,500; Massachusetts Trust 76: 3,000; Pennsylvania Trust 108: 3,000)				
Cost to investors (3)...	3,075,855	2,468,963	3,045,923	3,050,840
Less -- Gross underwriting commission (4).............................	144,571	116,046	143,164	143,395
Net amount applicable to investors....................................	2,931,284	2,352,917	2,902,759	2,907,445
Total...	$2,965,945	$2,382,083	$2,927,831	$2,942,530

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</TABLE>

(1) Aggregate cost to each Trust of the Bonds listed under the Portfolios of Securities on the immediately following pages is based on offering prices as of 1:00 P.M. on March 16, 1994, the Date of Deposit, determined by the Evaluator on the basis set forth in Part B, "Public Offering -- Offering Price." Morgan Guaranty Trust Company of New York issued an irrevocable letter of credit in the aggregate principal amount of $14,000,000 which was deposited with the Trustee for the purchase of $11,500,000 principal amount of Bonds pursuant to contracts to purchase such Bonds at the Sponsor's aggregate cost of $11,010,750 plus $123,984 representing accrued interest thereon through the Date of Deposit.

(2) The Indenture provides that the Trustee will advance amounts equal to the accrued interest on the underlying securities of each Trust (net of accrued expenses) through the Date of Deposit and that such amounts will be distributed to the Sponsors as Unit holders of record on such date, as set forth in Part B, "Rights of Unit Holders -- Distribution of Interest and Principal."

(3) Aggregate public offering price (exclusive of interest) computed on 3,000 Units each of the California Trust, the Massachusetts Trust and the Pennsylvania Trust, and on 2,500 Units of the Connecticut Trust, on the basis set forth in Part B, "Public Offering -- Offering Price."

(4) Sales charge of 4.70% computed on 3,000 Units each of the California Trust, Massachusetts Trust and the Pennsylvania Trust, and on 2,500 Units on the Connecticut Trust, on the basis set forth in Part B, "Public Offering -- Offering Price."

(5) The Trustee has custody of and responsibility for all accounting and financial books, records, financial statements and related data of each Trust and is responsible for establishing and maintaining a system of internal controls directly related to, and designed to provide reasonable assurance as to the integrity and reliability of, financial reporting of each Trust. The Trustee is also responsible for all estimates and accruals reflected in each Trust's financial statements. The Evaluator determines the price for each underlying Bond included in each Trust's Portfolio of Securities on the basis set forth in Part B, "Public Offering -- Offering Price." Under the Securities Act of 1933, as amended (the "Act"), the Sponsors are deemed to be issuers of each Trust's Units. As such, the Sponsors have the responsibility of issuers under the Act with respect to financial statements of each Trust included in the Registration Statement under the Act and amendment thereto.

TAX EXEMPT SECURITIES TRUST, SERIES 389
CALIFORNIA TRUST 131--PORTFOLIO OF SECURITIES
AS OF MARCH 16, 1994

<TABLE>
<CAPTION>

	Aggregate Principal	Securities Represented By Purchase Contracts	Ratings (1)	Redemption Provisions (2)	Cost of Securities to Trust (3)(4)	Yield on Date of Deposit (4)	Annual Interest Income to Trust
<C>		<S>	<C>	<C>	<C>	<C>	<C>
1.	$ 200,000	California Health Facilities Financing Authority Revenue Bonds, Kaiser Permanente, 6.50% Due 12/1/2020	AA	12/1/00 @ 102 SF 12/1/16 @ 100	$ 206,682	6.000%	$ 13,000
2.	400,000	Central California Joint Powers, Health Financing Authority, Certificates of Participation, Community Hospitals of Central California Project, 5.25% Due 2/1/2013	A*	2/1/03 @ 102 SF 2/1/05 @ 100	358,036	6.200	21,000
3.	250,000	Costa Mesa, California, Public Financing Authority Refunding Revenue Bonds, Public Facilities Project,	A+	10/1/03 @ 102	223,127	6.100	13,125

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		5.25% Due 10/1/2018		SF 10/1/09 @ 100			
4.	500,000	County of Los Angeles, California, Certificates of Participation, Disney Parking Project, 6.50% Due 3/1/2023	A	3/1/03 @ 102 SF 3/1/22 @ 100	515,795	6.100	32,500
5.	250,000	City of Sacramento, California, Refunding Certificates of Participation, Sacramento Light Rail Transit Project, 6.00% Due 7/1/2012	A+	7/1/01 @ 102 SF 7/1/08 @ 100	248,600	6.050	15,000
6.	240,000	San Bernardino County, California, Cerificates of Participation, Medical Center Financing Project, 5.50% Due 8/1/2024	A	8/1/04 @ 102 SF 8/1/23 @ 100	212,664	6.350	13,200
7.	250,000	The City of San Diego, California, Industrial Development Revenue Refunding Bonds, San Diego Gas & Electric Company, 5.90% Due 9/1/2018	Aa3*	9/1/03 @ 102	245,235	6.050	14,750
8.	455,000	Standard School District, California, Certificates of Participation, Capital Improvement Projects, 6.25% Due 3/1/2014	A-	3/1/04 @ 102 SF 3/1/09 @ 100	455,000	6.250	28,437
9.	155,000	City of Vallejo, California, Mortgage Revenue Refunding Bonds, FHA Insured Mortgage Loan, Sea Breeze Apartments Project, 5.65% Due 5/1/2027	AAA	5/1/03 @ 102 SF 11/1/03 @ 100	147,221	6.000	8,758
10.	300,000	City of Vista, California, Multifamily Housing Revenue Refunding Bonds, Vista Hacienda Project, 6.95% Due 4/1/2017	AAA	4/1/02 @ 102 SF 4/1/03 @ 100	318,924	6.100	20,850
	$ 3,000,000				$ 2,931,284		$ 180,620

</TABLE>

The Notes following the Portfolios are an integral part of each Portfolio of Securities.

TAX EXEMPT SECURITIES TRUST, SERIES 389
CONNECTICUT TRUST 93--PORTFOLIO OF SECURITIES
AS OF MARCH 16, 1994

<TABLE>
<CAPTION>

	Aggregate Principal	Securities Represented By Purchase Contracts	Ratings (1)	Redemption Provisions (2)	Cost of Securities to Trust (3)(4)	Yield on Date of Deposit (4)	Annual Interest Income to Trust
<C>		<S>	<C>	<C>	<C>	<C>	<C>
1.	$ 155,000	State of Connecticut Health and Educational Facilities Authority Revenue Refunding Bonds, Lawrence and Memorial Hospital, 5.00% Due 7/1/2022	AAA	7/1/03 @ 102 SF 7/1/14 @ 100	$ 137,848	5.800%	$ 7,750
2.	250,000	State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Nursing Home Program Issue, Saint Joseph's Living Center Project, 5.10% Due 11/1/2019	AA-	11/1/04 @ 102 SF 11/1/15 @ 100	223,722	5.900	12,750
3.	500,000	State of Connecticut Health and Educational Facilities Authority Revenue Bonds, The Taft School Issue, 5.25% Due 7/1/2013	A	7/1/00 @ 102 SF 7/1/09 @ 100	462,810	5.900	26,250
4.	500,000	Connecticut Housing Finance Authority, Housing Mortgage Finance Program Bonds, 6.30% Due 5/15/2024	AA	5/15/03 @ 102 SF 5/15/13 @ 100	512,025	6.000	31,500
5.	100,000	Connecticut Housing Finance Authority, Housing Mortgage Finance Program Bonds, 6.45% Due 11/15/2011	AA	11/15/02 @ 102 SF 11/15/08 @100	103,496	6.000	6,450
6.	245,000	Connecticut Municipal Electric Energy Cooperative, Power Supply System Revenue Bonds, 5.00% Due 1/1/2018	AAA	1/1/04 @ 102 SF 1/1/14 @ 100	221,316	5.750	12,250
7.	500,000	Connecticut Development Authority, Water Facilities Revenue Refunding Bonds, The Connecticut Water Company Project, 5.30% Due 9/1/2028	AAA	9/1/03 @ 100	459,420	5.850	26,500

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	Aggregate Principal	Securities Represented By Purchase Contracts	Ratings (1)	Redemption Provisions (2)	Cost of Securities to Trust (3)(4)	Yield on Date of Deposit (4)	Annual Interest Income to Trust
8.	250,000	Puerto Rico Highway and Transporation Authority, Highway Revenue Refunding Bonds, 5.50% Due 7/1/2019	A	7/1/03 @ 101.5 SF 7/1/16 @ 100	232,280	6.050	13,750
	$ 2,500,000				$ 2,352,917		$ 137,200

</TABLE>

The Notes following the Portfolios are an integral part of each Portfolio of Securities.

TAX EXEMPT SECURITIES TRUST, SERIES 389
MASSACHUSETTS TRUST 76--PORTFOLIO OF SECURITIES
AS OF MARCH 16, 1994

<TABLE>
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	Aggregate Principal	Securities Represented By Purchase Contracts	Ratings (1)	Redemption Provisions (2)	Cost of Securities to Trust (3)(4)	Yield on Date of Deposit (4)	Annual Interest Income to Trust
1.	$ 500,000	Massachusetts Bay Transportation Authority, General Transportation System Bonds, 6.10% Due 3/1/2023	A+	3/1/02 @ 102 SF 3/1/14 @ 100	$ 503,690	6.000%	$ 30,500
2.	250,000	Massachusetts Health and Educational Facilities Authority Revenue Bonds, Lahey Clinic Medical Center Issue, 5.375% Due 7/1/2023	AAA	7/1/03 @ 102 SF 7/1/16 @ 100	231,780	5.900	13,437
3.	395,000	Massachusetts Health and Educational Facilities Authority Revenue Bonds, Melrose-Wakefield Hospital Issue, 5.875% Due 7/1/2018	A-	7/1/02 @ 100 SF 7/1/17 @ 100	381,349	6.150	23,206
4.	200,000	Massachusetts Health and Educational Facilities Authority Revenue Bonds, New England Medical Center Hospitals Issue, 5.375% Due 7/1/2024	AAA	7/1/04 @ 102 SF 7/1/19 @ 100	185,242	5.900	10,750
5.	500,000	Massachusetts Health and Educational Facilities Authority Revenue Bonds, Winchester Hospital Issue, 5.75% Due 7/1/2024	AAA	7/1/04 @ 102 SF 7/1/15 @ 100	482,590	6.000	28,750
6.	325,000	Massachusetts State Housing Finance Agency, Residential Development Bonds, Section 8 Assisted, 6.875% Due 11/15/2021	AAA	5/15/02 @ 102 SF 5/1/13 @ 100	346,369	6.000	22,344
7.	430,000	Massachusetts Water Resources Authority, General Revenue Refunding Bonds, 5.00% Due 3/1/2022	A	3/1/03 @ 100 SF 3/1/18 @ 100	377,299	5.900	21,500
8.	400,000	Springfield-St James Development Corporation, Massachusetts, Multifamily Mortgage Revenue Refunding Bonds, St. James Commons, FHA Insured Mortgage, Section 8 Assisted, 5.90% Due 2/1/2024	AAA	8/1/02 @ 104 SF 8/1/09 @ 100	394,440	6.000	23,600
	$ 3,000,000				$ 2,902,759		$ 174,087

</TABLE>

The Notes following the Portfolios are an integral part of each Portfolio of Securities.

TAX EXEMPT SECURITIES TRUST, SERIES 389
PENNSYLVANIA TRUST 108--PORTFOLIO OF SECURITIES
AS OF MARCH 16, 1994

<TABLE>
<CAPTION>

Redemption	Cost of Securities	Yield on Date of	Annual Interest

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Aggregate Principal	Securities Represented By Purchase Contracts	Ratings (1)	Provisions (2)	to Trust (3)(4)	Deposit (4)	Income to Trust
1. $ 370,000	Pennsylvania Intergovernmental Cooperation Authority, Special Tax Revenue Refunding Bonds, City of Philadelphia Funding Program, 5.625% Due 6/15/2023	AAA	6/15/03 @ 100 SF 6/15/16 @ 100	$ 355,862	5.900%	$ 20,812
2. 140,000	Pennsylvania Intergovernmental Cooperation Authority, Special Tax Revenue Refunding Bonds, City of Philadelphia Funding Program, 5.00% Due 6/15/2022	AAA	6/15/03 @ 100 SF 6/15/14 @ 100	122,763	5.900	7,000
3. 250,000	Pennsylvania Higher Educational Facilities Authority Revenue Bonds, Thomas Jefferson University, Life Sciences Building Project, 6.00% Due 7/1/2019	Aa*	7/1/99 @ 102 SF 7/1/04 @ 100	250,000	5.999	15,000
4. 500,000	Pennsylvania Housing Finance Agency, Rental Housing Refunding Bonds, 5.80% Due 7/1/2018	AAA	7/1/03 @ 102 SF 1/1/15 @ 100	487,245	6.000	29,000
5. 500,000	Allegheny County, Pennsylvania, Hospital Development Authority Revenue Bonds, Health Center Presbyterian University, 6.25% Due 11/1/2023	AAA	11/1/02 @ 100 SF 11/1/13 @ 100	508,275	6.000	31,250
6. 500,000	Beaver County, Pennsylvania, Industrial Development Authority, Pollution Control Revenue Refunding Bonds, Ohio Edison Company, 5.45% Due 9/15/2033	AAA	9/15/03 @ 102	462,125	5.950	27,250
7. 500,000	Dauphin County, Pennsylvania, General Authority Hospital Revenue Bonds, HAPSCO Group, Inc., The Western Pennsylvania Hospital Project, 5.50% Due 7/1/2023	AAA	7/1/03 @ 102 SF 7/1/17 @ 100	472,225	5.900	27,500
8. 240,000	Gettysburg, Pennsylvania, Municipal Authority, College Revenue Bonds, Gettysburg College Project, 6.60% Due 2/15/2012	A-	2/15/02 @ 100 SF 2/15/08 @ 100	248,950	6.000	15,840
$3,000,000				$2,907,445		$ 173,652

</TABLE>

The Notes following the Portfolios are an integral part of each Portfolio of Securities.

NOTES TO PORTFOLIOS OF SECURITIES

(1) For a description of the meaning of the applicable rating symbols as published by Standard & Poor's Corporation and Moody's Investors Service(*), see Part B, "Bond Ratings."

(2) There is shown under this heading the year in which each issue of Bonds initially is redeemable and the redemption price of that year; unless otherwise indicated, each issue continues to be redeemable at declining prices thereafter, but not below par. "SF" indicates a sinking fund has been or will be established with respect to an issue of Bonds. The prices at which Bonds may be redeemed or called prior to maturity may or may not include a premium and, in certain cases, may be less than the cost of the Bonds to a Trust. Certain Bonds in a Portfolio, including Bonds listed as not being subject to redemption provisions, may be redeemed in whole or in part other than by operation of the stated redemption or sinking fund provisions under certain unusual or extraordinary circumstances specified in the instruments setting forth the terms and provisions of such Bonds. For example, see discussion of obligations of housing authorities in Part B, "Tax Exempt Securities Trust--Portfolio."

(3) Contracts to purchase Bonds were entered into during the period December 13, 1993, through March 23, 1994 with the final settlement date estimated to be March 28, 1994. The Profit to Sponsors on Deposit totals $21,402, $24,165, $16,336 and $21,752 for the California Trust, the Connecticut Trust, the Massachusetts Trust and the Pennsylvania Trust, respectively.

(4) Evaluation of the Bonds by the Evaluator is made on the basis of current offering prices for the Bonds. The current offering prices of the Bonds are greater than the current bid prices of the Bonds. The Redemption Price per Unit and the public offering price of the Units in the secondary market are determined on the basis of the current bid prices of the Bonds. (See Part

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B, "Public Offering--Offering Price" and "Rights of Unit Holders--Redemption of Units.") Yield of Bonds was computed on the basis of offering prices on the date of deposit. The aggregate bid price of the Bonds in the California Trust, the Connecticut Trust, the Massachusetts Trust and the Pennsylvania Trust, on March 16, 1994 was $2,919,284, $2,342,917, $2,890,759 and $2,895,445, respectively.

PROSPECTUS--PART B:

NOTE THAT PART B OF THIS PROSPECTUS MAY NOT BE DISTRIBUTED UNLESS ACCOMPANIED BY PART A.

TAX EXEMPT SECURITIES TRUST

THE TRUSTS

Each Trust is one of a series of similar but separate unit investment trusts created under the laws of the State of New York by a Trust Indenture and Agreement and related Reference Trust Agreement dated the Date of Deposit (collectively, the "Trust Agreement"), among Smith Barney Shearson Inc. and Kidder, Peabody & Co. Incorporated, as sponsors (the "Sponsors" or "Co-sponsors"), United States Trust Company of New York, as Trustee, and Kenny Information Systems, Inc., as Evaluator. Each Trust containing Bonds of a State for which such Trust is named (a "State Trust") and each National Trust, Selected Term Trust, Long-Intermediate Term Trust, Intermediate Term Trust, Short-Intermediate Term Trust and Short Term Trust are referred to herein as the "Trust" or "Trusts," unless the context requires otherwise. On the Date of Deposit, the Sponsors deposited contracts and funds (represented by a certified check or checks and/or an irrevocable letter or letters of credit, issued by a major commercial bank) for the purchase of certain interest-bearing obligations (the "Bonds") and/or Units of preceding Series of Tax Exempt Securities Trust (such Bonds and Units of preceding Series of Tax Exempt Securities Trust, if any, (the "Deposited Units") being referred to herein collectively as the "Securities"). The Trustee thereafter delivered to the Sponsors registered certificates of beneficial interest (the "Certificates") representing the units (the "Units") comprising the entire ownership of each Trust, which Units are being offered hereby. References to multiple Trusts in Part B herein should be read as references to a single Trust if Part A indicates the creation of only one Trust.

Notwithstanding the availability of the above-mentioned certified check or checks and/or irrevocable letter or letters of credit, it is expected that the Sponsors will pay for the Bonds as the contracts for their purchase become due. A substantial portion of such contracts have not become due by the date of this Prospectus. To the extent Units are sold prior to the settlement of such contracts, the Sponsors will receive the purchase price on such Units prior to the time at which they pay for Bonds pursuant to such contracts and have the use of such funds during this period.

OBJECTIVES

The objectives of a Trust are tax-exempt income and conservation of capital through an investment in a diversified portfolio of municipal bonds. There is, of course, no guarantee that a Trust's objectives will be achieved since the payment of interest and the preservation of principal are dependent upon the continued ability of the issuers of the bonds to meet such obligations. Subsequent to the Date of Deposit, the ratings of the Bonds set forth in Part A, "Portfolio of Securities" may decline due to, among other factors, a decline in creditworthiness of the issuer of said Bonds.

PORTFOLIO

The following factors, among others, were considered in selecting the Bonds for each Trust: (1) the Bonds are obligations of the states, counties, territories or municipalities of the United States and authorities or political subdivisions thereof, so that the interest on them will, in the opinion of recognized bond counsel to the issuing governmental authorities, be exempt from Federal tax under existing law to the extent described in "Taxes", (2) all the Bonds deposited in a State Trust are obligations of the State for which such Trust is named or of the counties, territories or municipalities of such State, and authorities or political subdivisions thereof, or of the Territory of Guam or the Commonwealth of Puerto Rico, so that the interest on them will, in the opinion of recognized bond counsel to the issuing governmental authorities, be exempt from Federal income tax under existing law to the extent described in "Taxes" and from state income taxes in the state for which such State Trust is named to the extent described in Part C, (3) the Bonds were chosen in part on the basis of their respective maturity dates, (4) the Bonds are diversified as to purpose of issue and location of issuer, except in the case of a State Trust where the Bonds are diversified only as to purpose of issue, and (5) in the opinion of the Sponsors, the Bonds are fairly valued relative to other bonds of comparable quality and maturity.

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The Bonds in the Portfolio of a Trust were chosen in part on the basis of their respective maturity dates. The Bonds in each Trust will have a dollar-weighted average portfolio maturity as designated in Part A, "Portfolio Summary as of Date of Deposit." For the actual maturity date of each of the Bonds contained in a Trust, which date may be earlier or later than the dollar-weighted average portfolio maturity of the Trust, see Part A, "Portfolio of Securities." A sale or other disposition of a Bond by the Trust prior to the maturity of such Bond may be at a price which results in a loss to the Trust. The inability of an issuer to pay the principal amount due upon the maturity of a Bond would result in a loss to the Trust.

In the event that any contract for the purchase of any Bond fails, the Sponsors are authorized under the Trust Agreement, subject to the conditions set forth below, to instruct the Trustee to acquire other securities (the "Replacement Bonds") for inclusion in the Portfolio of the affected Trust. Any Replacement Bonds must be deposited not later than the earlier of (i) the first monthly Distribution Date of the Trust and (ii) 90 days after such Trust was established. The cost and aggregate principal amount of a Replacement Bond may not exceed the cost and aggregate principal amount of the Bond which it replaces. In addition, a Replacement Bond must (1) be a tax-exempt bond; (2) have a fixed maturity or disposition date comparable to the Bond it replaces; (3) be purchased at a price that results in a yield to maturity and in a current return, in each case as of the execution and delivery of the Trust Agreement, which is approximately equivalent to the yield to maturity and current return of the Bond which it replaces; (4) be purchased within twenty days after delivery of notice of the failed contracts and; (5) be rated in a category A or better by Standard & Poor's Corporation, Moody's Investors Service, Fitch Investors Service, Inc., or Duff & Phelps Credit Rating Co. Whenever a Replacement Bond has been acquired for a Trust, the Trustee shall, within five days thereafter, notify all Unit holders of such Trust of the acquisition of the Replacement Bond.

In the event that a contract to purchase Bonds fails and Replacement Bonds are not acquired, the Trustee will, not later than the second monthly Distribution Date, distribute to Unit holders the funds attributable to the failed contract. The Sponsors will, in such a case, refund the sales charge applicable to the failed contract. If less than all the funds attributable to a failed contract are applied to purchase Replacement Bonds, the remaining moneys will be distributed to Unit holders not later than the second monthly Distribution Date. Moreover, the failed contract will reduce the Estimated Net Annual Income per Unit, and may lower the Estimated Current Return and Estimated Long-Term Return.

Risk Factors

Certain Bonds in a Trust may have been purchased by the Sponsors on a "when, as and if issued" basis; that is, they had not yet been issued by their governmental entity on the Date of Deposit (although such governmental entity had committed to issue such Bonds). Contracts relating to such "when, as and if issued" Bonds are not expected to be settled by the first settlement date for Units. In the case of these and/or certain other Bonds, the delivery of the Bonds may be delayed ("delayed delivery") or may not occur. Unit holders who purchased their Units of a Trust prior to the date such Bonds are actually delivered to the Trustee may have to make a downward adjustment in the tax basis of their Units for interest accruing on such "when, as and if issued" or "delayed delivery" Bonds during the interval between their purchase of Units and delivery of such Bonds, since the Trust and the Unit holders will not be reimbursing the Sponsors for interest accruing on such "when, as and if issued" or "delayed delivery" Bonds during the period between the settlement date for the Units and the delivery of such Bonds into the Trust. (See "Taxes.") Such adjustment has been taken into account in computing the Estimated Current Return and Estimated Long-Term Return set forth herein, which is slightly lower than Unit holders may receive after the first year. (See Part A, "Summary of Essential Information.") To the extent that the delivery of such Bonds is delayed beyond their respective expected delivery dates, the Estimated Current Return and Estimated Long-Term Return for the first year may be lower than indicated in the "Summary of Essential Information" in Part A.

Most of the Bonds in the Portfolio of a Trust are subject to redemption prior to their stated maturity date pursuant to sinking fund or call provisions. (See Part A, "Portfolio Summary as of Date of Deposit" for information relating to the particular Trust described therein.) In general, a call or redemption provision is more likely to be exercised when the offering price valuation of a bond is higher than its call or redemption price, as it might be in periods of declining interest rates, than when such price valuation is less than the bond's call or redemption price. To the extent that a Bond was deposited in a Trust at a price higher than the price at which it is redeemable, redemption will result in a loss of capital when compared with the original public offering price of the Units. Conversely, to the extent that a Bond was acquired at a price lower than the redemption price, redemption will result in an increase in capital when compared with the original public offering price of

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the Units. Monthly distributions will generally be reduced by the amount of the income which would otherwise have been paid with respect to redeemed bonds. The Estimated Current Return and Estimated Long-Term Return of the Units may be affected by such redemptions. Each Portfolio of Securities in Part A contains a listing of the sinking fund and call provisions, if any, with respect to each of the Bonds in a Trust. Because certain of the Bonds may from time to time under certain circumstances be sold or redeemed or will mature in accordance with their terms and the proceeds from such events will be distributed to Unit holders and will not be reinvested, no assurance can be given that a Trust will retain for any length of time its present size and composition. NEITHER THE SPONSORS NOR THE TRUSTEE SHALL BE LIABLE IN ANY WAY FOR ANY DEFAULT, FAILURE OR DEFECT IN ANY BOND.

The Portfolio of the Trust may consist of some Bonds whose current market values were below face value on the Date of Deposit. A primary reason for the market value of such Bonds being less than face value at maturity is that the interest coupons of such Bonds are at lower rates than the current market interest rate for comparably rated Bonds, even though at the time of the issuance of such Bonds the interest coupons thereon represented then prevailing interest rates on comparably rated Bonds then newly issued. Bonds selling at market discounts tend to increase in market value as they approach maturity when the principal amount is payable. A market discount tax-exempt Bond held to maturity will have a larger portion of its total return in the form of taxable ordinary income and less in the form of tax-exempt income than a comparable Bond bearing interest at current market rates. Under the provisions of the Internal Revenue

Code in effect on the date of this Prospectus any ordinary income attributable to market discount will be taxable but will not be realized until maturity, redemption or sale of the Bonds or Units.

As set forth under "Portfolio Summary as of Date of Deposit", the Trust may contain or be concentrated in one or more of the classifications of Bonds referred to below. A Trust is considered to be "concentrated" in a particular category when the Bonds in that category constitute 25% or more of the aggregate value of the Portfolio. (See Part A, "Portfolio Summary as of Date of Deposit" for information relating to the particular Trust described therein.) An investment in Units of the Trust should be made with an understanding of the risks that these investments may entail, certain of which are described below.

GENERAL OBLIGATION BONDS. Certain of the Bonds 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 recent recession's adverse impact upon both their revenues and expenditures, as well as other factors, many state and local governments are confronting deficits and potential deficits which are 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 depend upon market access to finance deficits or cash flow needs.

In addition, certain of the Bonds in the Trust may be obligations of issuers (including California 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 conditions 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.

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 industrial development facilities. These projects are usually operated by corporate entities. IDRs are not general obligations of governmental entities backed by their taxing power. Issuers are

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only obligated to pay amounts due on the IDRs to the extent that funds are available from the unexpended proceeds of the IDRs or receipts or revenues of the issuer under arrangements between the issuer and the corporate operator of a 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 under the issuer's arrangements with the corporate operator of a particular 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 another affiliated company. Regardless of the structure, payment of IDRs is solely dependent upon the creditworthiness of the corporate operator of the project or corporate guarantor. 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, 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.

HOSPITAL AND HEALTH CARE FACILITY BONDS. 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. There can be no assurance that payments under governmental programs will remain at levels comparable to present levels or will, in the future, be sufficient to cover the costs allocable to patients participating in such programs. In addition, there can be no assurance that a particular hospital or other health care facility will continue to meet the requirements for participation in such programs.

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

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

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Certain hospital bonds may provide for redemption at par at any time upon the sale by the issuer of the hospital facilities to a non-affiliated entity, if the hospital becomes subject to ad valorem taxation, or in various other circumstances. For example, certain hospitals may have the right to call bonds at par if the hospital may be legally required because of the bonds to perform procedures against specified religious principles or to disclose information that is considered confidential or privileged. Certain FHA-insured bonds may provide that all or a portion of these 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 bonds held by the Trust will be affected by such audit proceedings.

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

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

All single family mortgage revenue bonds and certain multi-family housing revenue bonds are prepayable over the life of the underlying mortgage or mortgage pool, and therefore the average life of housing obligations cannot be determined. However, the average

life of these obligations will ordinarily be less than their stated maturities. Single-family issues are subject to mandatory redemption in whole or in part from prepayments on underlying mortgage loans; mortgage loans are frequently partially or completely prepaid prior to their final stated maturities as a result of events such as declining interest rates, sale of the mortgaged premises, default, condemnation or casualty loss. Multi-family issues are characterized by mandatory redemption at par upon the occurrence of monetary defaults or breaches or 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

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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.

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

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

The utility industry is an increasing cost business making the cost of generating electricity more expensive and heightening its sensitivity to regulation. A utility's costs are influenced by the utility's cost of capital, the availability and cost of fuel and other factors. In addition, natural gas pipeline and distribution companies have incurred increased costs as a result of long-term natural gas purchase contracts containing "take or pay" provisions which require that they pay for natural gas even if natural gas is not taken by them. 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 some or many utilities will be subject to more stringent environmental standards in the future that could result in significant capital expenditures. Future legislation and regulation could include, among other things, regulation of so-called electromagnetic fields associated with electric transmission and distribution lines as well as emissions of carbon dioxide and other so-called greenhouse gases associated with the burning of fossil fuels. Compliance with these requirements may limit a utility's operations or require substantial investments in new equipment and, as a result, may adversely affect a utility's results of operations.

The electric utility industry in general is subject to various external factors including (a) the effects of inflation upon the costs of operation and construction, (b) substantially increased capital outlays and longer construction periods for larger and more complex new

generating units, (c) uncertainties in predicting future load requirements, (d) increased financing requirements coupled with limited availability of capital, (e) exposure to cancellation and penalty charges on new generating units under construction, (f) problems of cost and availability of fuel, (g) compliance with rapidly changing and complex environmental, safety and licensing requirements, (h) litigation and proposed legislation designed to delay or prevent construction of generating and other facilities, (i) the uncertain effects of conservation on the use of electric energy, (j) uncertainties associated with the development of a national energy policy, (k) regulatory,

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

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.

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 conducted over the next three to four years 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, decomissioning costs, and spent fuel and radioactive waste disposal issues. While nuclear power construction risks are no longer of paramount concern, the emerging issue is radioactive waste disposal. In addition, nuclear plants typically require substantial capital additions and modifications throughout their operating lives to meet safety, environmental, operational and regulatory requirements and to replace and upgrade various plant systems. The high degree of regulatory monitoring and controls imposed on nuclear plants could cause a plant to be out of service or on limited service for long periods. When a nuclear facility owned by an investor-owned utility or a state or local municipality is out of service or operating on a limited service basis, the utility operator or its owners may be liable for the recovery of replacement power costs. Risks of substantial liability also arise from the operation of nuclear facilities and from the use, handling, and possible radioactive emissions associated with nuclear fuel. Insurance may not cover all types or amounts of loss which may be experienced in connection with the ownership and operation of a nuclear plant and severe financial consequences could result from a significant accident or occurrence. The Nuclear Regulatory Commission has promulgated regulations mandating the establishment of funded reserves to assure financial capability for the eventual decommissioning of licensed nuclear facilities. These funds are to be accrued from revenues in amounts currently estimated to be sufficient to pay for decommissioning costs.

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 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.

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

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

LEASE RENTAL BONDS. Lease rental bonds 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 bonds are subject to the ability and willingness of the lessee government to meet its lease rental payments which include debt service on the bonds. 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 bonds 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 bonds are also subject to the risk of abatement in many states--rental bonds 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.

CAPITAL IMPROVEMENT FACILITY BONDS. The Portfolio of a Trust may contain Bonds which are in the capital improvement facilities category. Capital improvement bonds are bonds issued to provide funds to assist political subdivisions or agencies of a state through acquisition of the underlying debt of a state or local political subdivision or agency which bonds are secured by the proceeds of the sale of the bonds, proceeds from investments and the indebtedness of a local political subdivision or agency. The risks of an investment in such bonds include the risk of possible prepayment or failure of payment of proceeds on and default of the underlying debt.

SOLID WASTE DISPOSAL BONDS. Bonds issued for solid water disposal facilities are generally payable from tipping fees and from revenues that may be earned by the facility on the sale of electrical energy generated in the combustion of waste products. The ability of solid waste disposal facilities to meet their obligations depends upon the continued use of the facility, the successful and efficient operation of the facility and, in the case of waste-to-energy facilities, the continued ability of the facility to generate electricity on a commercial basis. All of these factors may be affected by a failure of municipalities to fully utilize the facilities, an insufficient supply of waste for disposal due to economic or population decline, rising construction and maintenance costs, any delays in construction of facilities, lower-cost alternative modes of waste processing and changes in environmental regulations.

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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 Power Facility Bonds above).

MORAL OBLIGATION BONDS. The Trust 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 BONDS. Refunded Bonds 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 to date, however, bonds which were thought to be escrowed to maturity have been called for redemption prior to maturity.

AIRPORT, PORT AND HIGHWAY REVENUE BONDS. 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, the current recession 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, within the past few months Northwest Airlines, 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.

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.

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 not 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

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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.

TAX ALLOCATION BONDS. Tax allocation bonds are typically secured by incremental tax revenues collected on property within the areas where redevelopment projects, financed by bond proceeds are located ("project areas"). Such payments are expected to be made from projected increases in tax revenues derived from higher assessed values of property resulting from development in the particular project area and not from an increase in tax rates. Special risk considerations include: reduction of, or a less than anticipated increase in, taxable values of property in the project area, caused either by economic factors beyond the Issuer's control (such as a relocation out of the project area by one or more major property owners) or by destruction of property due to natural or other disasters; successful appeals by property owners of assessed valuations; substantial delinquencies in the payment of property taxes; or imposition of any constitutional or legislative property tax rate decrease.

TRANSIT AUTHORITY BONDS. 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.

CONVENTION FACILITY BONDS. The Portfolio of a Trust may contain Bonds of issuers in the convention facilities category. Bonds in the convention facilities category include special limited obligation securities issued to finance convention and sports facilities payable from rental payments and annual governmental appropriations. The governmental agency is not obligated to make payments in any year in

which the monies have not been appropriated to make such payments. In addition, these facilities are limited use facilities that may not be used for purposes other than as convention centers or sports facilities.

PUERTO RICO. The Portfolio may contain bonds 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 Internal Revenue Code (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, without limitation, 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

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plebiscite.

LITIGATION AND LEGISLATION. To the best knowledge of the Sponsors, there is no litigation pending as of the Initial Date in respect of any Bonds which might reasonably be expected to have a material adverse effect upon the Trust. 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 Bonds in the Trust. Litigation, for example, challenging the issuance of pollution control revenue bonds under environmental protection statutes may affect the validity of Bonds 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 Bond to the effect that the Bond 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 the Bonds.

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

From time to time Congress considers proposals to tax the interest on state and local obligations, such as the Bonds. 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.

TAX EXEMPTION. In the opinion of bond counsel rendered on the date of issuance of each Bond, the interest on each Bond 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. As discussed under Taxes below, interest on some or all of the Bonds may become subject to regular Federal income tax, perhaps retroactively to their date of issuance, as a result of changes in Federal law or as a result of the failure of issuers (or other users of the proceeds of the Bonds) to comply with certain ongoing requirements.

Moreover, the Internal Revenue Service announced on June 14, 1993 that it will be expanding 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 Bonds would be affected by such proceedings, or whether such effect, if any, would be retroactive.

In certain cases, a Bond may provide that if the interest on the Bond should ultimately be determined to be taxable, the Bond 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 Bond may not provide for the acceleration or redemption of the Bond or a call upon the related letter of credit or other security upon a determination of taxability. In those cases in which a Bond 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 Bond as a result of a determination of taxability, the Trustee would be obligated to sell the Bond 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.

THE UNITS

On the Date of Deposit, each Unit in a Trust represented a fractional undivided interest in the principal and net income of such Trust as is set forth in Part A, "Summary of Essential Information."

If any Units are redeemed after the date of this Prospectus by the Trustee, the principal amount of Bonds in the affected Trust will be reduced by an amount allocable to redeemed Units and the fractional undivided interest in the affected Trust represented by each unredeemed Unit will be increased. Units will remain outstanding until redeemed upon tender to the Trustee by any Unit holder, which may include the Sponsors, or until the termination of the Trust Agreement. (See "Amendment and Termination of the Trust Agreement--Termination.")

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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 Trusts are not associations taxable as corporations for Federal income tax purposes, and income received by the Trusts will be treated as the income of the Unit holders ("Holders") in the manner set forth below.

Each Holder of Units of a Trust will be considered the owner of a pro rata portion of each Bond in the Trust 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 Bond on the Date of Deposit, see "Aggregate Principal" under "Portfolio of Securities". The total cost to a Holder of his Units, including sales charges, is allocated to his pro rata portion of each Bond, in proportion to the fair market values thereof on the date the Holder purchases his Units, in order to determine his tax cost for his pro rata portion of each Bond. In order for a Holder who purchases his Units on the Date of Deposit to determine the fair market value of his pro rata portion of each Bond on such date, see "Cost of Securities to Trust" under "Portfolio of Securities".

Each Holder of Units of a Trust will be considered to have received the interest on his pro rata portion of each Bond when interest on the Bond is received by the Trust. In the opinion of bond counsel (delivered on the date of issuance of each Bond), 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 a Trust pursuant to a bank letter of credit, guarantee or insurance policy with respect to payments of principal, premium or interest on a Bond in the Trust will be treated for Federal income tax purposes in the same manner as if such amounts were paid by the issuer of the Bond.

The Trusts may contain Bonds which were originally issued at a discount ("original issue discount"). The following principles will apply to each Holder's pro rata portion of any Bond 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 cost for his pro rata portion of a Bond issued with original issue discount is greater than its "adjusted issue price" but less than its stated redemption price at maturity (as may be adjusted for certain payments), the Holder will be considered to have purchased his pro rata portion of the Bond at an "acquisition premium." A Holder's adjusted tax basis for his pro rata portion of a Bond 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 Bond 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 Bond in the Holder's Trust 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 Bond with "amortizable bond premium". The Holder is required to amortize such bond premium over the term of the Bond. Such amortization is only a reduction of basis for his pro rata portion of the Bond 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 Bond 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 Bond in his Trust is disposed of by the Trust 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

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disposition of a Holder's pro rata portion of a Bond acquired by the Holder at a "market discount" (i.e., where the Holder's original basis for his pro rata portion of the Bond (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 Bond when he sells or redeems all or some of his Units.

Under the income tax laws of the State and City of New York, the Trust is not an association taxable as a corporation and income received by each Trust 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.

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 a Trust 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 any Trust, interest on such 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. Similar rules may be applicable for state tax purposes.

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 Bonds. It is impossible to predict whether any legislation in respect of the tax status of interest on such obligations may be proposed and eventually enacted at the Federal or state level.

The forgoing 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.

* * * * *

Interest on certain tax-exempt bonds issued after August 7, 1986 will be a preference item for purposes of the alternative minimum tax ("AMT"). The Sponsors believe that interest (including any original issue discount) on the Bonds should not be subject to the AMT for individuals or corporations under this rule. A corporate Holder should be aware, however, that the accrual or receipt of tax-exempt interest not subject to the AMT may give rise to an alternative minimum tax liability (or increase an existing liability) because the interest income will be included in the corporation's "adjusted current earnings" for purposes of the adjustment to alternative minimum taxable income required by Section 56(g) of the Code and will be taken into account for purposes of the environmental tax on corporations under Section 59A of the Code, which is based on an alternative minimum taxable income.

In addition, interest on the Bonds 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 Bond, an opinion relating to the validity of the Bond 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 Bonds 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 Bond could be determined to be taxable retroactively from the date of issuance.

In the case of certain of the Bonds, the opinions of bond counsel indicate that interest on such Bonds received by a "substantial user" of the facilities being financed with the proceeds of such Bonds, or persons related thereto, for periods while such Bonds are held

by such a user or related person, will not be exempt from regular Federal income taxes, although interest on such Bonds received by others would be

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exempt from regular Federal income taxes. "Substantial user" is defined under U.S. Treasury Regulations to include only a person 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 such facilities, or who occupies more than 5% of the usable area of such facilities or for whom such 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. Similar rules may be applicable for state tax purposes.

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 Trust on the Bonds, the gross proceeds received by the Trust from the disposition of any Bond (resulting from redemption or payment at maturity of any Bond or the sale by the Trust of any Bond), and the fees and expenses paid by the Trust. 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.

EXPENSES AND CHARGES

Initial Expenses

At no cost to a Trust the Sponsors have borne all the expenses of creating and establishing the Trust, including the cost of the initial preparation and execution of the Trust Agreement, initial preparation and printing of the certificates for Units, the fees of the Evaluator during the initial public offering, legal expenses, advertising and selling expenses and other out-of-pocket expenses.

Trustee's, Sponsors' and Evaluator's Fees

The Trustee will receive for its ordinary recurring services to a Trust an annual fee in the amount set forth under Part A, "Summary of Essential Information." For a discussion of the services performed by the Trustee pursuant to its obligations under the Trust Agreement, see "Rights of Unit Holders." The Trustee will receive the benefit of any reasonable cash balances in the Income and Principal Accounts.

The Portfolio supervision fee (the "Supervision Fee") which is earned for Portfolio supervisory services is based upon the greatest face amount of Bonds in the Trust at any time during the calendar year with respect to which the fee is being computed.

The Supervision Fee, which is not to exceed the amount set forth in Part A--"Summary of Essential Information", may exceed the actual costs of providing Portfolio supervisory services for such Trust, but at no time will the total amount the Sponsors receive for Portfolio supervisory services rendered to all series of Tax Exempt Securities Trust in any calendar year exceed the aggregate cost to them of supplying such services in such year. In addition, the Sponsors may also be reimbursed for bookkeeping and other administrative services provided to the Trust in amounts not exceeding their costs of providing these services.

The Evaluator will receive a fee in the amount set forth under Part A, "Summary of Essential Information," for each evaluation of the Bonds in a Trust. For a discussion of the services performed by the Evaluator pursuant to its obligations under the Trust Agreement, see "Evaluator--Responsibility" and "Public Offering--Offering Price."

Any of such fees may be increased without approval of the Unit holders by amounts not exceeding proportionate increases in consumer prices for services as measured by the United States Department of Labor's Consumer Price Index entitled "All Services Less Rent" or, if such Index is no longer published, in a similar Index to be determined by the Trustee and the Sponsors.

Other Charges

The following additional charges are or may be incurred by a Trust: all expenses of the Trustee (including fees and expenses of counsel and auditors) incurred in connection with its activities under the Trust Agreement, including reports and communications to Unit holders; expenses and costs of any action undertaken by the Trustee to protect a Trust and the rights and interests of the Unit holders; fees of the Trustee for any extraordinary services performed under the Trust Agreement; indemnification of the Trustee for any loss or liability accruing to it without gross negligence, bad faith or willful misconduct on its part, arising out of or in connection with its acceptance or administration of a Trust; to the extent lawful, expenses (including legal, accounting and printing expenses) of maintaining registration or qualification of the Units and/or a Trust under Federal or state securities laws subsequent to initial registration so long as the Sponsors are maintaining a market for

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the Units and all taxes and other governmental charges imposed upon the Bonds or any part of a Trust (no such taxes or charges are being levied or made or, to the knowledge of the Sponsors, contemplated). The above expenses, including the Trustee's fee, when paid by or owing to the Trustee, are secured by a lien on the Trust. In addition, the Trustee is empowered to sell Bonds in order to make funds available to pay all expenses.

PUBLIC OFFERING

OFFERING PRICE

During the initial public offering period, the Public Offering Price of the Units of a Trust is determined by adding to the Evaluator's determination of the aggregate OFFERING price of the Bonds per Unit a sales charge equal to a percentage of the Public Offering Price of the Units of the Trust, as set forth in the table below. After the initial public offering period, the Public Offering Price of the Units of a Trust will be determined by adding to the Evaluator's determination of the aggregate BID price of the Bonds per Unit a sales charge equal to 5.00%, 4.50%, 4.00% and 2.75% of the Public Offering Price (5.263%, 4.712%, 4.167% and 2.828% of the aggregate bid price of the Bonds per Unit) for a Trust whose Units had a sales charge (prior to any reduction) during the initial offering period of 4.70%, 3.75%, 3.70% and 2.70%, respectively. A proportionate share of accrued and undistributed interest on the Bonds in a Trust at the date of delivery of the Units of such Trust to the purchaser is also added to the Public Offering Price. (See "Rights of Unit Holders--Distribution of Interest and Principal.")

During the initial public offering period, the sales charge and dealer concession for a Trust will be reduced pursuant to the following scales (see Part A, "The Public Offering Price" for the unreduced sales charge to determine the applicable table):

UNITS PURCHASED+	PERCENT OF PUBLIC OFFERING PRICE	PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION	PERCENT OF PUBLIC OFFERING PRICE	PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION
1- 99..............	4.70%	4.932%	$33.00	3.75%	3.896%	$27.50
100-249..............	4.25%	4.439%	$32.00	3.75%	3.896%	$27.50
250-499..............	4.00%	4.167%	$30.00	3.50%	3.627%	$25.00
500-999..............	3.50%	3.627%	$25.00	3.25%	3.359%	$22.50
1,000 or more..........	3.00%	3.093%	$20.00	3.00%	3.093%	$20.00

UNITS PURCHASED+	PERCENT OF PUBLIC OFFERING PRICE	PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION	PERCENT OF PUBLIC OFFERING PRICE	PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION
1-249................	3.70%	3.842%	$25.00	2.70%	2.775%	$17.50
250-499................	3.25%	3.359%	$22.50	2.25%	2.302%	$15.00
500 or more............	3.00%	3.093%	$20.00	2.00%	2.041%	$13.00

The Sponsors may at any time change the amount by which the sales charge is reduced, or discontinue the discount completely.

Pursuant to employee benefit plans, Units of a Trust are available to employees of certain of the Sponsors, during the initial public offering period, at a Public Offering Price equal to the Evaluator's determination of the aggregate offering price of the Bonds of a Trust per Unit plus a sales charge of 1.25% of the Public Offering Price and after the initial public offering period, at a Public Offering Price equal to the Evaluator's determination of the aggregate bid price of the Bonds of a Trust per Unit plus a sales charge of 1.25% of the Public Offering Price. Sales through such plans to employees of the Sponsors result in less selling effort and selling expenses than sales to the general public.

METHOD OF EVALUATION

During the initial public offering period, the aggregate offering price of the Bonds is determined by the Evaluator (1) on the basis of current offering prices for the Bonds*, (2) if offering prices are not available for any Bonds, on the basis of current offering prices for comparable securities, (3) by appraisal, or (4) by any combination of the above. Such determinations are made each business day as of the Evaluation Time set forth in the "Summary of Essential Information," in Part A, effective for all sales made subsequent to the last preceding determination. Following the initial public offering period, the aggregate bid price of the Bonds (which is used to calculate the price at

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which the Sponsors repurchase and sell Units in the secondary market and the Redemption Price at which Units may be redeemed) will be determined by the Evaluator (1) on the basis of the current bid prices for the Bonds*, (2) if bid prices are not available for any Bonds, on the basis of current bid prices of comparable securities, (3) by appraisal, or (4) by any combination of the above. Such determinations will be made each business day as of the Evaluation Time set forth in the "Summary of Essential Information," in Part A, effective for all sales made subsequent to the last preceding determination. The term "business day," as used herein shall exclude Saturdays, Sundays and any day on which the New York Stock Exchange is closed. The difference between the bid and offering prices of

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+ The reduced sales charge is also applied on a dollar basis utilizing a breakpoint equivalent in the above table of $1,000 for one Unit, etc.

* Current offering or bid prices of the Deposited Units, if any, are based on prevailing weekly evaluations of the obligations underlying such Deposited Units.

the Bonds may be expected to average approximately 1 1/2% of principal amount. In the case of actively traded securities, the difference may be as little as 1/2 of 1%, and in the case of inactively traded securities such difference will usually not exceed 3%. The price at which Units may be repurchased by the Sponsors in the secondary market could be less than the price paid by the Unit holder. On the Date of Deposit for each Trust the aggregate current offering price of such Bonds per Unit exceeded the bid price of such Bonds per Unit by the amounts set forth under "Summary of Essential Information" in Part A. For information relating to the calculation of the Redemption Price per Unit, which is also based upon the aggregate bid price of the underlying Bonds and which may be expected to be less than the Public Offering Price per Unit, see "Rights of Unit Holders--Redemption of Units."

DISTRIBUTION OF UNITS

During the initial public offering period Units of a Trust will be distributed to the public at the Public Offering Price determined in the manner provided above (see "Public Offering--Offering Price") through the Underwriters and dealers. The initial public offering period is 30 days unless all Units of a Trust are sold prior thereto, in which case the initial public offering period terminates with the sale of all Units. So long as all Units initially offered have not been sold, the Sponsors may extend the initial public offering period for up to four additional successive 30-day periods. Upon completion of the initial public offering, Units which remain unsold or which may be acquired in the secondary market (see "Public Offering--Market for Units") may be offered by this Prospectus at the Public Offering Price determined in the manner provided above (see "Public Offering--Offering Price").

It is the Sponsors' intention to qualify Units of a Trust for sale in several states through the Underwriters and dealers who are members of the National Association of Securities Dealers, Inc. Units of a State Trust will not be offered for sale in the State of Virginia. Units will initially be sold to dealers at prices which represent a concession equal to the amount designated in the tables under "Public Offering--Offering Price" herein, for a Trust with an unreduced sales charge as specified in Part A--"The Public Offering Price." The Sponsors reserve the right to change the amount of the concession to dealers from time to time. After the initial offering period the dealer concession is negotiated on a case-by-case basis.

Sales will be made only with respect to whole Units, and the Sponsors reserve the right to reject, in whole or in part, any order for the purchase of Units. A purchaser does not become a Unit holder (Certificate holder) or become entitled to exercise the rights of a Unit holder (including the right to redeem his Units) until he has paid for his Units. Generally, such payment must be made within five business days after an order for the purchase of Units has been placed. The price paid by a Unit holder is the Public Offering Price in effect at the time his order is received, plus accrued interest (see "Public Offering--Method of Evaluation"). This price may be different from the Public Offering Price in effect on any other day, including the day on which he made payment for the Units.

MARKET FOR UNITS

Following the initial public offering period the Sponsors, although not obligated to do so, presently intend to maintain a market for the Units of a Trust and continuously to offer to purchase such Units at prices based upon the aggregate bid price of the underlying Bonds. For information relating to the method and frequency of the Evaluator's determination of the aggregate bid price of the underlying Bonds, see "Public Offering--Method of Evaluation." The Sponsors may cease to maintain such a market at any time and from time to time without notice if the supply of Units of a Trust of this Series exceeds demand or for any other reason. In this event the Sponsors may nonetheless purchase Units, as a service to Unit holders, at prices based on the current Redemption Price of those Units. In the event that a market is not maintained for the

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Units of a Trust, a Unit holder of such Trust desiring to dispose of his Units may be able to do so only by tendering such Units to the Trustee for redemption at the Redemption Price, which is based upon the aggregate bid price of the underlying Bonds. The aggregate bid price of the underlying Bonds of a Trust may be expected to be less than the aggregate offering price.

EXCHANGE OPTION

Unit holders may elect to exchange any or all of their Units of this series for units of one or more of any series of Tax Exempt Securities Trust (the "Exchange Trust") available for sale in the state in which the Unit holder resides at a Public Offering Price for the units of the Exchange Trust to be acquired based on a fixed sales charge of $25 per unit. The Sponsors reserve the right to modify, suspend or terminate this plan at any time without further notice to Unit holders. Therefore, there is no assurance that a market for units will in fact exist on any given date on which a Unit holder wishes to sell his Units of this series and thus there is no assurance that the Exchange Option will be available to a Unit holder. Exchanges will be effected in whole units ONLY. Any excess proceeds from Unit

holders' Units being surrendered will be returned and Unit holders will NOT be permitted to advance any new money in order to complete an exchange.

An exchange of Units pursuant to the Exchange Option for units of an Exchange Trust will generally constitute a "taxable event" under the Code, i.e., a Holder will recognize a gain or loss at the time of exchange. However, an exchange of Units of this Trust for units of any other series of the Tax Exempt Securities Trust which are grantor trusts for U.S. Federal income tax purposes will not constitute a taxable event to the extent that the underlying securities in each trust do not differ materially either in kind or in extent. Unit holders are urged to consult their own tax advisors as to the tax consequences to them of exchanging Units in particular cases.

Units of the Exchange Trust will be sold under the Exchange Option at the bid prices of the underlying securities in the particular portfolio involved per unit plus a fixed charge of $25 per unit. As an example, assume that a Unit holder, who has three units of a trust with a current price of $1,020 per unit based on the bid prices of the underlying securities, desires to exchange his Units for units of a series of an Exchange Trust with a current price of $880 per unit based on the bid prices of the underlying securities. In this example, the proceeds from the Unit holder's units will aggregate $3,060. Since only whole units of an Exchange Trust may be purchased under the Exchange Option, the Unit holder would be able to acquire three units in the Exchange Trust for a total cost of $2,715 ($2,640 for the units and $75 for the sales charge). The remaining $345 would be returned to the Unit holder in cash.

REINVESTMENT PROGRAMS

Distributions of interest and principal, if any, are made to Unit holders monthly. The Unit holder will have the option of either receiving his monthly income check from the Trustee or participating in one of the reinvestment programs offered by certain of the Sponsors provided such Unit holder meets the minimum qualifications of the reinvestment program and such program lawfully qualifies for sale in the jurisdiction in which the Unit holder resides. Upon enrollment in a reinvestment program, the Trustee will direct monthly interest distributions and principal distributions, if any, to the reinvestment program selected by the Unit holder. Since each Sponsor has arranged for different reinvestment alternatives, Unit holders should contact the Sponsors for more complete information, including charges and expenses. The appropriate prospectus will be sent to the Unit holder. The Unit holder should read the prospectus for a reinvestment program carefully before deciding to participate. Participation in the reinvestment program will apply to all Units of a Trust owned by a Unit holder and may be terminated at any time by the Unit holder, or the program may be modified or terminated by the Trustee or the program's Sponsor.

SPONSORS' AND UNDERWRITERS' PROFITS

For their services the Underwriters (see Part A, "Underwriting") receive a commission based on the sales charge of a particular Trust (see "Public Offering--Offering Price") as adjusted pursuant to the Agreement Among Underwriters. The Sponsors receive a gross commission equal to the applicable sales charge for any Units they have underwritten, and receive the difference between the applicable sales charge and the Underwriter's commission for the remainder of the Units. In addition, the Sponsors may realize profits or sustain losses, as the case may be, in the amount of any difference between the cost of the Bonds to a Trust (which is based on the aggregate offering price of the underlying Bonds on the Date of Deposit) and the purchase price of such Bonds to the Sponsors (which is the cost of the Bonds at the time they were acquired for the account of a Trust and the cost of the Deposited Units at the time they were acquired by the Sponsors). (See Part A, "Portfolio of Securities"--Note (3).) Under certain circumstances, an Underwriter may be

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entitled to share in such profits, if any, realized by the Sponsors. A Sponsor may also realize profits or sustain losses with respect to Bonds deposited in a Trust which were acquired from its own organization or from underwriting syndicates of which it was a member. During the initial public offering period the Underwriters also may realize profits or sustain losses as a result of fluctuations after the Date of Deposit in the offering prices of the Bonds and hence in the Public Offering Price received by the Underwriters for Units. Cash, if any, made available to the Sponsors prior to the anticipated first settlement date for the purchase of Units may be used in the Sponsors' businesses to the extent permitted by applicable regulations and may be of use to the Sponsors.

In maintaining a market for the Units of a Trust (see "Public Offering--Market for Units"), the Sponsors will also realize profits or sustain losses in the amount of any difference between the price at which they buy such Units and the price at which they resell or redeem such Units (see "Public Offering--Offering Price").

RIGHTS OF UNIT HOLDERS

CERTIFICATES

Ownership of Units of a Trust is evidenced by registered certificates executed by the Trustee and the Sponsors. Certificates are transferable by presentation and surrender to the Trustee properly endorsed or accompanied by a written instrument or instruments of transfer.

Certificates may be issued in denominations of one Unit or any multiple thereof. A Unit holder may be required to pay $2.00 per certificate reissued or transferred, and to pay any governmental charge that may be imposed in connection with each such transfer or interchange. For new certificates issued to replace destroyed, stolen or lost certificates, the Unit holder must furnish indemnity satisfactory to the Trustee and must pay such expenses as the Trustee may incur. Mutilated certificates must be surrendered to the Trustee for replacement.

DISTRIBUTION OF INTEREST AND PRINCIPAL

Interest and principal received by a Trust will be distributed on each monthly Distribution Date on a pro rata basis to Unit holders in such Trust of record as of the preceding Record Date. All distributions will be net of applicable expenses and funds required for the redemption of Units and, if applicable, reimbursements to the Trustee for interest payments advanced to Unit holders on previous Monthly Distribution Dates. (See Part A, "Summary of Essential Information," "Tax Exempt Securities Trust--Expenses and Charges" and "Rights of Unit Holders--Redemption of Units.")

The Trustee will credit to the Interest Account of a Trust all interest received by such Trust, including that part of the proceeds of any disposition of Bonds of such Trust which represents accrued interest. Other receipts will be credited to the Principal Account of a Trust. The pro rata share of the Interest Account and the pro rata share of cash in the Principal Account represented by each Unit of a Trust will be computed by the Trustee each month as of the Record Date. (See Part A, "Summary of Essential Information.") Proceeds received from the disposition of any of the Bonds subsequent to a Record Date and prior to the next succeeding Distribution Date will be held in the Principal Account and will not be distributed until the following Distribution Date. The distribution to the Unit holders as of each Record Date will be made on the following Distribution Date or shortly thereafter and shall consist of an amount substantially equal to one-twelfth of such holders' pro rata share of the estimated annual income to the Interest Account after deducting estimated expenses (the "Monthly Income Distribution") plus such holders' pro rata share of the cash balance in the Principal Account computed as of the close of business on the preceding Record Date. Persons who purchase Units between a Record Date and a Distribution Date will receive their first distribution on the second Distribution Date following their purchase of Units. No distribution need be made from the Principal Account if the balance therein is less than an amount sufficient to distribute $1.00 per Unit. The Monthly Income Distribution per Unit initially will be in the amount shown under Part A, "Summary of Essential Information" for a Trust and will change as the income and expenses of such Trust change and as Bonds are exchanged, redeemed, paid or sold.

Normally, interest on the Bonds in the Portfolio of a Trust is paid on a semi-annual basis. Because Bond interest is not received by a Trust at a constant rate throughout the year, any Monthly Income Distribution may be more or less than the amount credited to the Interest Account as of the Record Date. In order to eliminate fluctuations in Monthly Income Distributions resulting from such variances, the Trustee is required by the Trust Agreement to advance such amounts as may be necessary to provide Monthly Income Distributions of approximately equal amounts. The Trustee will be reimbursed, without interest, for any such advances from funds available from the Interest Account on the

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next ensuing Record Date or Record Dates, as the case may be. If all or a portion of the Bonds for which advances have been made subsequently fail to pay interest when due, the Trustee may recoup advances made by it in anticipation of receipt of interest payments on such Bonds by reducing the amount distributed per Unit in one or more Monthly Interest Distributions. If units are redeemed subsequent to such advances by the Trustee, but prior to receipt by the Trustee of actual notice of such failure to pay interest, the amount of which was so advanced by the Trustee, each remaining Unit holder will be subject to a greater pro rata reduction in his Monthly Interest Distribution than would have occurred absent such redemptions. Funds which are available for future distributions, payments of expenses and redemptions are in accounts which are non-interest bearing to Unit holders and are available for use by United States Trust Company of New York, pursuant to normal banking procedures. The Trustee is entitled to the benefit of any reasonable cash balances in the Income and Principal Accounts. Because of the varying interest payment dates of the Bonds comprising a Trust Portfolio, accrued interest at any point in time will be greater than the amount of interest actually received by a Trust and distributed to Unit holders. This excess accrued but undistributed interest amount will be added to the value of the units on any purchase made after the Date of Deposit. If a Unit holder sells all or a portion of his Units a portion of his sale proceeds will be allocable to his proportionate share of the accrued interest. Similarly, if a Unit holder redeems all or a portion of his Units, the Redemption Price per Unit which he is entitled to receive from the Trustee will also include his accrued interest on the Bonds. (See "Rights of Unit Holders--Redemption of Units--Computation of Redemption Price per Unit.") The Trustee is also entitled to withdraw from the Interest Account, and to the extent funds are not sufficient therein, from the Principal Account, on one or more Record Dates as may be appropriate, amounts sufficient to recoup advances which it has made in anticipation of the receipt by the Trust of interest in respect of Bonds which subsequently fail to pay interest when due.

As of the first day of each month the Trustee will deduct from the Interest Account of a Trust and, to the extent funds are not sufficient therein, from the Principal Account of such Trust, amounts necessary to pay the expenses of such Trust. (See "Tax Exempt Securities Trust--Expenses and Charges.") The Trustee also may withdraw from said accounts such amounts, if any, as it deems necessary to establish a reserve for any governmental charges payable out of a Trust. Amounts so withdrawn shall not be considered a

part of the Trust's assets until such time as the Trustee shall return all or any part of such amounts to the appropriate account. In addition, the Trustee may withdraw from the Interest Account and the Principal Account such amounts as may be necessary to cover redemption of Units by the Trustee. (See "Rights of Unit Holders--Redemption of Units.")

The Trustee has agreed to advance to a Trust the amount of accrued interest due on the Bonds of such Trust from their respective issue dates or previous interest payment dates through the Date of Deposit. This accrued interest amount will be paid to the Sponsors as the holders of record of all Units on the first settlement date for the Units. Consequently, when the Sponsors sell Units of a Trust, the amount of accrued interest to be added to the Public Offering Price of the Units purchased by an investor will include only accrued interest from the day after the Date of Deposit, to, but not including, the date of settlement of the investor's purchase (normally five business days after purchase), less any distributions from the Interest Account. The Trustee will recover its advancements to a Trust (without interest or other cost to such Trust) from interest received on the Bonds deposited in such Trust.

REPORTS AND RECORDS

The Trustee shall furnish Unit holders in connection with each distribution a statement of the amount of interest, if any, and the amount of other receipts, if any, which are being distributed, expressed in each case as a dollar amount per Unit. In the event that the issuer of any of the Bonds fails to make payment when due of any interest or principal and such failure results in a change in the amount which would otherwise be distributed as a monthly distribution, the Trustee will, with the first such distribution following such failure, set forth in an accompanying statement, the issuer and the Bond, the amount of the reduction in the distribution per Unit resulting from such failure, the percentage of the aggregate principal amount of Bonds which such Bond represents and, to the extent then determined, information regarding any disposition or legal action with respect to such Bond. Within a reasonable time after the end of each calendar year, the Trustee will furnish to each person who at any time during the calendar year was a Unit holder of record, a statement (1) as to the Interest Account: interest received (including amounts representing interest received upon any disposition of Bonds), deductions for payment of applicable taxes and for fees and expenses of a Trust, redemptions of Units and the balance remaining after such distributions and deductions, expressed both as a total dollar amount and as a dollar amount representing the pro rata share of each Unit outstanding on the last business day of such calendar year; (2) as to the Principal Account: the dates of disposition of any Bonds and the net proceeds received therefrom (excluding any portion

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representing interest), deductions for payments of applicable taxes and for fees and expenses of a Trust, redemptions of Units, and the balance remaining after such distributions and deductions, expressed both as a total dollar amount and as a dollar amount representing the pro rata share of each Unit outstanding on the last business day of such calendar year; (3) a list of the Bonds held and the number of Units outstanding on the last business day of such calendar year; (4) the Redemption Price per Unit based upon the last computation thereof made during such calendar year; and (5) amounts actually distributed during such calendar year from the Interest Account and from the Principal Account, separately stated, expressed both as total dollar amounts and as dollar amounts representing the pro rata share of each Unit outstanding. The accounts of a Trust shall be audited not less frequently than annually by independent auditors designated by the Sponsors, and the report of such auditors shall be furnished by the Trustee to Unit holders upon request.

The Trustee shall keep available for inspection by Unit holders at all reasonable times during usual business hours, books of record and account of its transactions as Trustee including records of the names and addresses of Unit holders, certificates issued or held, a current list of Bonds in the Portfolio of a Trust and a copy of the Trust Agreement.

REDEMPTION OF UNITS

Units may be tendered to the Trustee for redemption at its unit investment trust office at 770 Broadway, New York, New York 10003, upon payment of any relevant tax. At the present time there are no specific taxes related to the redemption of the Units. No redemption fee will be charged by the Sponsors or the Trustee. Units redeemed by the Trustee will be cancelled.

Certificates for Units to be redeemed must be properly endorsed or accompanied by a written instrument of transfer. Unit holders must sign exactly as their name appears on the face of the certificate with the signature guaranteed by an officer of a national bank or trust company or by a member of either the New York, Midwest or Pacific Stock Exchange. In certain instances the Trustee may require additional documents such as, but not limited to, trust instruments, certificates of death, appointments as executor or administrator or certificates of corporate authority.

Within seven calendar days following such tender, the Unit holder will be entitled to receive in cash an amount for each Unit tendered equal to the Redemption Price per Unit computed as of the Evaluation Time set forth in the "Summary of Essential Information" in Part A on the date of tender. (See "Redemption of Units--Computation of Redemption Price per Unit.") The "date of tender" is deemed to be the date on which Units are received by the Trustee, except as regards Units received after the close of trading on the New York Stock Exchange, the date of tender is the next day on which such Exchange is open for trading, and such Units will be deemed to have been tendered to the Trustee on such day for redemption at the Redemption Price computed on that day. For information relating

to the purchase by the Sponsors of Units tendered to the Trustee for redemption at prices in excess of the Redemption Price, see "Redemption of Units--Purchase by the Sponsors of Units Tendered for Redemption."

Accrued interest paid on redemption shall be withdrawn from the Interest Account, or, if the balance therein is insufficient, from the Principal Account. All other amounts paid on redemption shall be withdrawn from the Principal Account. The Trustee is empowered to sell Bonds in order to make funds available for redemption. Such sales, if required, could result in a sale of Bonds by the Trustee at a loss. To the extent Bonds are sold, the size and diversity of a Trust will be reduced.

The Trustee reserves the right to suspend the right of redemption and to postpone the date of payment of the Redemption Price per Unit for any period during which the New York Stock Exchange is closed, other than weekend and holiday closings, or trading on that Exchange is restricted or during which (as determined by the Securities and Exchange Commission) an emergency exists as a result of which disposal or evaluation of the underlying Bonds is not reasonably practicable, or for such other periods as the Securities and Exchange Commission has by order permitted.

COMPUTATION OF REDEMPTION PRICE PER UNIT--The Redemption Price per Unit of a Trust is determined by the Trustee on the basis of the bid prices of the Bonds in such Trust as of the Evaluation Time on the date any such determination is made. The Redemption Price per Unit of a Trust is each Unit's pro rata share, determined by the Trustee, of: (1) the aggregate value of the Bonds in such Trust on the bid side of the market (determined by the Evaluator as set forth below), (2) cash on hand in such Trust (other than funds covering contracts to purchase Bonds), and accrued and unpaid interest on the Bonds as of the date of computation, less (a) amounts representing taxes or governmental charges payable out of such Trust, (b) the accrued expenses of such Trust, and (c) cash held for distribution to Unit holders of such Trust of record as of a date

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prior to the evaluation. The Evaluator may determine the value of the Bonds in the Trust (1) on the basis of current bid prices for the Bonds, (2) if bid prices are not available for any Bonds, on the basis of current bid prices for comparable securities, (3) by appraisal, or (4) by any combination of the above.

The difference between the bid and offering prices of the Bonds may be expected to average approximately 1 1/2% of principal amount. In the case of actively traded securities, the difference may be as little as 1/2 of 1%, and in the case of inactively traded securities such difference usually will not exceed 3%. The price at which Units may be redeemed could be less than the price paid by the Unit holder. On the Date of Deposit for each Trust the aggregate current offering price of such Bonds per Unit exceeded the bid price of such Bonds per Unit by the amounts set forth under Part A, "Summary of Essential Information."

PURCHASE BY THE SPONSORS OF UNITS TENDERED FOR REDEMPTION--The Trust Agreement requires that the Trustee notify the Sponsors of any tender of Units for redemption. So long as the Sponsors are maintaining a bid in the secondary market, the Sponsors, prior to the close of business on the second succeeding business day, will purchase any Units tendered to the Trustee for redemption at the price so bid by making payment therefor to the Unit holder in an amount not less than the Redemption Price not later than the day on which the Units would otherwise have been redeemed by the Trustee. (See "Public Offering--Market for Units.")

The offering price of any Units resold by the Sponsors will be the Public Offering Price determined in the manner provided in this Prospectus. (See "Public Offering--Offering Price.") Any profit resulting from the resale of such Units will belong to the Sponsors which likewise will bear any loss resulting from a lower offering or redemption price subsequent to their acquisition of such Units. (See "Public Offering--Sponsors' and Underwriters' Profits.")

SPONSORS

Smith Barney Shearson Inc., 1345 Avenue of the Americas, New York, New York 10105 ("Smith Barney"), was incorporated in Delaware in 1960 and traces its history through predecessor partnerships to 1873. Smith Barney, an investment banking and securities broker-dealer firm, is a member of the New York Stock Exchange, Inc. and other major securities and commodities exchanges, the National Association of Securities Dealers, Inc. and the Securities Industry Association. Smith Barney is an indirect wholly-owned subsidiary of The Travelers Inc.

Kidder, Peabody & Co. Incorporated, 60 Broad Street, New York, New York 10004 ("Kidder, Peabody"), was incorporated in Delaware in 1956 and traces its history through predecessor partnerships to 1865. Kidder, Peabody, an investment banking and securities broker-dealer firm, is a member of the New York Stock Exchange, Inc. and other major securities and option exchanges, the National Association of Securities Dealers, Inc. and the Securities Industry Association.

Smith Barney sponsors seven open-end investment companies, Smith Barney Equity Funds, Inc., Smith Barney Funds, Inc., Smith Barney Variable Account Funds, Smith Barney Tax Free Money Fund, Inc., Smith Barney Money Funds, Inc., Smith Barney Muni Bond Funds and Smith Barney World Funds, Inc. and three closed-end investment companies: Smith Barney Intermediate Municipal Fund, Inc., The Inefficient-Market Fund, Inc. and Smith Barney Municipal Fund, Inc . Smith Barney also sponsors all Series of Corporate Securities Trust, Government Securities Trust and Harris, Upham Tax-Exempt Fund and acts as co-sponsor of certain trusts of The Equity Income Fund, Concept Series. Kidder, Peabody sponsors Target Corporate High Yield Series Unit Trust and a family of open-end

investment companies, presently including: Kidder, Peabody Government Money Fund, Inc., Kidder, Peabody Premium Account Fund, Kidder, Peabody Tax Exempt Money Fund, Inc., Kidder, Peabody Cash Reserve Fund, Inc., Kidder, Peabody Equity Income Fund, Inc., Kidder, Peabody Government Income Fund, Inc., Kidder, Peabody California Tax Exempt Money Fund, Liquid Institutional Reserves (Government Securities Income Fund, Money Market Fund and Treasury Securities Fund), Kidder, Peabody Global Equity Fund, Kidder, Peabody Intermediate Fixed Income Fund, Kidder, Peabody Adjustable Rate Government Fund, Kidder, Peabody Global Fixed Income Fund, Kidder, Peabody Municipal Money Market Series (Connecticut, New Jersey and New York), Kidder, Peabody Municipal Bond Fund, Kidder, Peabody Emerging Markets Equity Fund, Kidder, Peabody Small Cap Equity Fund, Institutional Adjustable Rate Government Portfolio and Kidder, Peabody Asset Allocation Fund. Kidder Peabody Asset Management, Inc., a subsidiary of Kidder, Peabody, is the investment adviser and/or manager of each of these open-end investment companies. The Sponsors have acted previously as managing underwriters of other investment companies. In addition to participating as a member of various underwriting and selling groups or as agent of other investment companies, the Sponsors also execute orders for the purchase and

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sale of securities of investment companies and sell securities to such companies in their capacities as brokers or dealers in securities.

LIMITATIONS ON LIABILITY

The Sponsors are jointly and severally liable for the performance of their obligations arising from their responsibilities under the Trust Agreement, but will be under no liability to Unit holders for taking any action or refraining from any action in good faith or for errors in judgment or responsible in any way for depreciation or loss incurred by reason of the sale of any Bonds, except in cases of willful misfeasance, bad faith, gross negligence or reckless disregard of their obligations and duties. (See "Tax Exempt Securities Trust--Portfolio" and "Sponsors--Responsibility.")

RESPONSIBILITY

The Sponsors are empowered to direct the Trustee to dispose of Bonds when certain events occur that adversely affect the value of the Bonds, including default in payment of interest or principal, default in payment of interest or principal on other obligations of the same issuer, institution of legal proceedings, default under other documents adversely affecting debt service, decline in price or the occurrence of other market or credit factors, or decline in projected income pledged for debt service on revenue Bonds and advanced refunding that, in the opinion of the Sponsors, may be detrimental to the interests of the Unit holders.

The Sponsors intend to provide portfolio services for each Trust in order to determine whether the Trustee should be directed to dispose of any such Bonds.

It is the responsibility of the Sponsors to instruct the Trustee to reject any offer made by an issuer of any of the Bonds to issue new obligations in exchange and substitution for any Bonds pursuant to a refunding or refinancing plan, except that the Sponsors may instruct the Trustee to accept such an offer or to take any other action with respect thereto as the Sponsors may deem proper if the issuer is in default with respect to such Bonds or in the judgment of the Sponsors the issuer will probably default in respect to such Bonds in the foreseeable future.

Any obligations so received in exchange or substitution will be held by the Trustee subject to the terms and conditions of the Trust Agreement to the same extent as Bonds originally deposited thereunder. Within five days after the deposit of obligations in exchange or substitution for underlying Bonds, the Trustee is required to give notice thereof to each Unit holder, identifying the Bonds eliminated and the Bonds substituted therefor. Except as stated in this and the preceding paragraph, the acquisition by a Trust of any securities other than the Bonds initially deposited in the Trust is prohibited.

Smith Barney Shearson Inc. has been appointed by Kidder, Peabody & Co. Incorporated as agent for purposes of taking any action required or permitted to be taken by the Sponsors under the Trust Agreement. If the Sponsors are unable to agree with respect to action to be taken jointly by them under the Trust Agreement and they cannot agree as to which Sponsor shall act as sole Sponsor, then Smith Barney Shearson Inc. shall act as sole Sponsor. If one of the Sponsors fails to perform its duties under the Trust Agreement or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, that Sponsor is automatically discharged under the Trust Agreement and the remaining Sponsor acts as Sponsor.

RESIGNATION

Any Sponsor may resign provided that at the time of such resignation each remaining Sponsor maintains a net worth of $1,000,000 and is agreeable to such resignation. Concurrently with or subsequent to such resignation a new Sponsor may be appointed by the remaining Sponsors and the Trustee to assume the duties of the resigning Sponsor. If all Sponsors resign or otherwise fail or become unable to perform their duties under the Trust Agreement, and no express provision is made for action by the Trustee in such event, the Trustee may appoint a successor sponsor or terminate the Trust Agreement and liquidate the Trusts.

TRUSTEE

The Trustee is United States Trust Company of New York, with its principal place of business at 114 West 47th Street, New York, New York 10036. United States Trust Company of New York has, since its establishment in 1853, engaged primarily in the management of trust and agency accounts for individuals and corporations. The Trustee is a member of the New York Clearing House Association and is subject to supervision and examination by the Superintendent of Banks of the State of New York, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System. In connection with the storage and handling of certain Bonds deposited in the Trust, the Trustee

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may use the services of The Depository Trust Company. These services may include safekeeping of the Bonds and coupon-clipping, computer book-entry transfer and institutional delivery services. The Depository Trust Company is a limited purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System and a clearing agency registered under the Securities Exchange Act of 1934.

LIMITATIONS ON LIABILITY

The Trustee shall not be liable or responsible in any way for depreciation or loss incurred by reason of the disposition of any moneys, securities or certificates or in respect of any evaluation or for any action taken in good faith reliance on prima facie properly executed documents except in cases of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties. In addition, the Trustee shall not be personally liable for any taxes or other governmental charges imposed upon or in respect of a Trust which the Trustee may be required to pay under current or future law of the United States or any other taxing authority having jurisdiction. (See "Tax Exempt Securities Trust-- Portfolio.") For information relating to the responsibilities and indemnification of the Trustee under the Trust Agreement, reference is made to the material set forth under "Rights of Unit Holders", "Sponsors--Resignation" and "Other Charges."

RESIGNATION

By executing an instrument in writing and filing the same with the Sponsors, the Trustee and any successor may resign. In such an event the Sponsors are obligated to appoint a successor trustee as soon as possible. If the Trustee becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, the Sponsors may remove the Trustee and appoint a successor as provided in the Trust Agreement. Such resignation or removal shall become effective upon the acceptance of appointment by the successor trustee. If no successor has accepted the appointment within thirty days after notice of resignation, the retiring trustee may apply to a court of competent jurisdiction for the appointment of a successor. The resignation or removal of a trustee becomes effective only when the successor trustee accepts its appointment as such or when a court of competent jurisdiction appoints a successor trustee.

EVALUATOR

The Evaluator is Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc., with main offices located at 65 Broadway, New York, New York 10006.

LIMITATIONS ON LIABILITY

The Trustee, Sponsors and Unit holders may rely on any evaluation furnished by the Evaluator and shall have no responsibility for the accuracy thereof. Determination by the Evaluator under the Trust Agreement shall be made in good faith upon the basis of the best information available to it; provided, however, that the Evaluator shall be under no liability to the Trustee, the Sponsors, or Unit holders for errors in judgment. But this provision shall not protect the Evaluator in cases of willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties.

RESPONSIBILITY

The Trust Agreement requires the Evaluator to evaluate the Bonds of a Trust on the basis of their bid prices on the last business day of June and December in each year, on the day on which any Unit of such Trust is tendered for redemption and on any other day such evaluation is desired by the Trustee or is requested by the Sponsors. For information relating to the responsibility of the Evaluator to evaluate the Bonds on the basis of their offering prices, see "Public Offering--Offering Price."

RESIGNATION

The Evaluator may resign or may be removed by the joint action of the Sponsors and the Trustee, and in such event, the Sponsors and the Trustee are to use their best efforts to appoint a satisfactory successor. Such resignation or removal shall become effective

upon the acceptance of appointment by a successor evaluator. If upon resignation of the Evaluator no successor has accepted appointment within thirty days after notice of resignation, the Evaluator may apply to a court of competent jurisdiction for the appointment of a successor.

AMENDMENT AND TERMINATION OF THE TRUST AGREEMENT

AMENDMENT

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The Sponsors and the Trustee have the power to amend the Trust Agreement without the consent of any of the Unit holders when such an amendment is (1) to cure any ambiguity or to correct or supplement any provision of the Trust Agreement which may be defective or inconsistent with any other provision contained therein, or (2) to make such other provisions as shall not adversely affect the interests of the Unit holders; provided, that the Trust Agreement is not amended to increase the number of Units issuable thereunder or to permit the deposit or acquisition of securities either in addition to or in substitution for any of the Bonds initially deposited in a Trust, except for the substitution of certain refunding securities for such Bonds or to permit the Trustee to engage in business or investment activities not specifically authorized in the Trust Agreement as originally adopted. In the event of any amendment, the Trustee is obligated to notify promptly all Unit holders of the substance of such amendment.

TERMINATION

The Trust Agreement provides that if the principal amount of Bonds held in Trust is less than 50% of the principal amount of the Bonds originally deposited in such Trust, the Trustee may in its discretion and will, when directed by the Sponsors, terminate such Trust. A Trust may be terminated at any time by 100% of the Unit holders. However, in no event may a Trust continue beyond the Mandatory Termination Date set forth under Part A, "Summary of Essential Information." In the event of termination, written notice thereof will be sent by the Trustee to all Unit holders. Within a reasonable period after termination, the Trustee will sell any Bonds remaining in the affected Trust, and, after paying all expenses and charges incurred by such Trust, will distribute to each Unit holder, upon surrender for cancellation of his certificate for Units, his pro rata share of the balances remaining in the Interest and Principal Account of such Trust.

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.

AUDITORS

The Statements of Financial Condition and the Portfolios of Securities included in this Prospectus have been audited by KPMG Peat Marwick, independent auditors, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

BOND RATINGS+

ALL RATINGS SHOWN UNDER PART A, "PORTFOLIO OF SECURITIES", EXCEPT THOSE IDENTIFIED OTHERWISE, ARE BY STANDARD & POOR'S CORPORATION.

STANDARD & POOR'S CORPORATION

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

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

The ratings are based on current information furnished to Standard & Poor's by the issuer and obtained by Standard & Poor's from other sources it considers reliable. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information.

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+As described by the rating agencies.

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

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

II. Nature of and provisions of the obligation; and

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

AAA--This is the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay interest and repay

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principal.

AA--Bonds rated AA have a very strong capacity to pay interest and repay principal, and in the majority of instances they differ from AAA issues only in small degrees.

A--Bonds rated A have a strong capacity to pay interest and repay principal, although they are somewhat more susceptible to the adverse affects of changes in circumstances and economic conditions than bonds in higher-rated categories.

BBB--Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to weakened capacity to pay interest and repay principal for bonds in this category than for bonds in the higher-rated categories.

Plus (+) or Minus (-): To provide more detailed indications of credit quality, the ratings from "AA" to "BB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Provisional Ratings: The letter "p" following a rating indicates the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the issuance of the bonds being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. Accordingly, the investor should exercise his own judgment with respect to such likelihood and risk.

Conditional rating(s), indicated by "Con" are given to bonds for which the continuance of the security rating is contingent upon Standard & Poor's receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flows and/or the security rating is conditional upon the issuance of insurance by the respective insurance company.

MOODY'S INVESTORS SERVICE

A brief description of the applicable Moody's Investors Service's rating symbols and their meanings is as follows:

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

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

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 "Aa," "A" and "Baa" are to give investors a more precise indication of relative debt quality in each of the historically defined categories.

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.

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

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

BBB--These bonds are considered to be investment grade and of satisfactory quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however are more likely to weaken this ability than bonds with higher ratings.

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

FEDERAL TAX FREE VS. TAXABLE INCOME

This table shows the approximate yields which taxable securities must earn in various income brackets to produce, after Federal income tax, returns equivalent to specified tax-exempt bond yields. The table is computed on the theory that the taxpayer's highest bracket tax rate is applicable to the entire amount of any increase or decrease in his or her taxable income resulting from a switch from taxable to tax-exempt securities or vice versa. The table reflects the Federal income tax rates and the tax brackets for the 1993 taxable year under the Code as in effect on the date of this Prospectus. Because the Federal rate brackets are subject to adjustment based on changes in the Consumer Price Index, the taxable equivalent yields for subsequent years may vary somewhat from those indicated in the table. Use this table to find your tax bracket. Read across to determine the approximate taxable yield you would need to equal a return free of Federal income tax.

1994 TAX YEAR

TAXABLE INCOME BRACKET*			TAX EXEMPT YIELD							
JOINT RETURN	SINGLE RETURN	% TAX RATE	3.5%	4%	4.5%	5.00%	5.50%	6.00%	6.50%	7.00%
			TAXABLE EQUIVALENT YIELD							
UP TO $36,900	UP TO $22,100	15.0%	4.117	4.705	5.294	5.882	6.470	7.059	7.647	8.235
$ 36,900- 89,150	$ 22,100- 53,500	28.0%	4.861	5.555	6.250	6.944	7.638	8.333	9.028	9.722
$ 89,150-140,000	$ 53,500-115,000	31.0%	5.072	5.797	6.521	7.246	7.971	8.696	9.420	10.145
$140,000-250,000	$115,000-250,000	36.0%	5.468	6.250	7.031	7.812	8.593	9.375	10.156	10.937
OVER $250,000	OVER $250,000	39.6%	5.794	6.622	7.450	8.278	9.105	9.933	10.761	11.589

* The income amount shown is income subject to Federal income tax reduced by adjustments to income, exemptions, and itemized deductions or the standard deduction. It is assumed that the investor is not subject to the alternative minimum tax. Where applicable, investors should take into account the provisions of the Code under which the benefit of certain itemized deductions and the benefit of personal exemptions are limited in the case of higher income individuals. Under the Code, individual taxpayers with adjusted gross income in excess of a $111,800 threshold amount are subject to an overall limitation on certain itemized deductions, requiring a reduction equal to the lesser of (i) 3% of adjusted gross income in excess of the $111,800 threshold amount or (ii) 80% of the amount of such itemized deductions otherwise allowable. The benefit of each personal exemption is phased-out for married taxpayers filing a joint return with adjusted gross income in excess of $167,700 and for single taxpayers with adjusted gross income in excess of $111,800. Personal exemptions are phased out at the rate of two percentage points for each $2,500 (or fraction thereof) of adjusted gross income in excess of the applicable threshold amount. The first three Federal tax brackets, the threshold amounts at which itemized deductions are subject to reduction, and the range over which personal exemptions are phased out will be adjusted for inflation for each year. The 36.0% and 39.6% Federal tax brackets will be adjusted for inflation for each year after 1994.

PROSPECTUS--PART C:

NOTE: PART C OF THIS PROSPECTUS MAY NOT BE DISTRIBUTED UNLESS ACCOMPANIED BY PARTS A AND B.

TAX EXEMPT SECURITIES TRUST--THE STATE TRUSTS

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Potential purchasers of the Units of a State Trust should consider the fact that the Trust's Portfolio consists primarily of Bonds issued by the state for which such State Trust is named or its municipalities or authorities and realize the substantial risks associated with an investment in such Bonds. Each State Trust is subject to certain additional risk factors. The Sponsors believe the discussions of risk factors summarized below describe some of the more significant aspects of the State Trusts. The sources of such information are the official statements of issuers as well as other publicly available documents. While the Sponsors have not independently verified this information, they have no reason to believe that such information is not correct in all material respects. Investment in a State Trust should be made with an understanding that the value of the underlying Portfolio may decline with increases in interest rates.

CALIFORNIA TRUST

RISK FACTORS--The economy of California (the "State") is the largest among the 50 states and one of the largest in the world. The State's July 1, 1992 population of 31 million represented over 12.0% of the total United States population. Total employment is about 14 million, the majority of which was in the service, trade and manufacturing sectors.

Since the start of the 1990-91 fiscal year, the State has faced the worst economic, fiscal and budget conditions since the 1930s. Construction, manufacturing (especially aerospace), exports and financial services, among others, have all been severely affected. Job losses have been the worst of any post-war recession. Employment levels are expected to stabilize by late 1993. However, pre-recession job levels are not expected to be reached for several more years. Unemployment reached 10% in November 1992 and is expected to remain above 9% through 1993 and 1994. According to the Department of Finance, recovery from the recession in California is not expected in meaningful terms until late 1993 or 1994, notwithstanding signs of recovery elsewhere in the nation.

After three years of recession, California's economy seems to be stabilizing, however, economic signals remain mixed. On the plus side, nonfarm employment in April was essentially unchanged from the December level. The unemployment rate seems to be moving down, although the large April drop, from 9.4% to 8.6%, probably exaggerates the improvement. Personal income growth is improving gradually, from gains of 2% or less in 1991 to slightly over 3% at the beginning of 1993, and taxable sales are stabilizing after a lengthy decline.

There are still ample signs of weakness. Manufacturing employment continues to decline, with deep losses in aerospace, reflecting defense cuts and weak commercial markets. Despite strong output and sales gains, electronics firms continue to cut payrolls. All manufacturing industries, with the exception of apparel and textiles, are posting employment losses. Housing, usually an engine of recovery, remains in a slump. Permit volume has averaged a 95,000 unit annual rate in recent months, actually somewhat below 1992's 98,000 total. Nonresidential construction continues to hit new recession lows, reflecting oversupplied commercial office, retail and hotel markets. Employment continues to decline in normally stable industries such as banking, the utilities and most segments of wholesale and retail trade. Food, department and apparel stores are shedding jobs, and government employment is down 30,000 jobs over the past year.

The Department of Finance, in its May 1993 Revision of the Governor's 1993-94 Budget, states that it expects this essentially flat pattern of economic activity to persist throughout 1993, with employment by year end only marginally higher than in April. Gains in service industries, mainly health care, temporary agencies (in business services), motion picture production and amusements are expected to continue. There should be modest increases in wholesale and retail trade. The finance and transportation and utilities groups will be stable to down slightly. Assuming a modest pickup in homebuilding, construction employment will also be flat this year. Against these, manufacturing and government will continue to lose jobs. The largest losses in percentage terms will be in aerospace manufacturing and the Federal Department of Defense, reflecting cuts in the military budget. Budget constraints will also affect State and local government.

The recession has seriously affected State tax revenues, which basically mirror economic conditions. It has also caused increased expenditures for health and welfare programs. The State has also been facing a structural imbalance in its budget with the largest programs supported by the General Fund--K-14 education (kindergarten through community college), health, welfare and corrections--growing at rates significantly higher than the growth rates for the principal revenue sources of the General Fund. As a result, the State has experienced recurring budget deficits; the State Controller reports that expenditures exceeded revenues for four of the last five completed fiscal years. Revenues declined in 1990-91 over 1989-90, the first time since the 1930s. By June 30, 1993, according to the

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Department of Finance, the State's Reserve for Economic Uncertainties had a deficit, on a budget basis, of approximately $2.75 billion. A further consequence of the large budget imbalances over the last three fiscal years has been that the State depleted its available cash resources and has had to use a series of external borrowings to meet its cash needs.

1992-93 BUDGET. By the time the 1992-93 Governor's Budget was presented in January 1992, it was evident the recession was much deeper than earlier anticipated. To balance the proposed budget, program reductions totalling $4.365 billion and revenue and transfer increases of $872 million were proposed for the 1991-92 and 1992-93 fiscal years. By the time of the Governor's May Revision, issued on May 20, 1992, the Administration estimated that the 1992-93 Budget needed to address a gap of about $7.9 billion, much of which was needed to repay the accumulated budget deficits of the previous two years.

The severity of the budget actions needed led to a long delay in adopting the budget. With the failure to adopt a budget by July 1, 1992, which would have allowed the State to carry out its normal annual cash flow borrowing, the Controller was forced to issue registered warrants to pay a variety of obligations representing prior years' or continuing appropriations, and mandates from court orders. Available funds were used to make constitutionally-mandated payments, such as debt service on bonds and revenue anticipations warrants. Between July 1 and September 4, 1992, the Controller issued a total of approximately $3.8 billion of registered warrants. After that date, all remaining outstanding registered warrants (about $2.9 billion) were called for redemption from proceeds of the issuance of 1992 Interim Notes after the budget was adopted.

The 1992-93 Budget Act, signed by the Governor on September 2, 1992, provided for expenditures of $57.4 billion and consisted of General Fund expenditures of $40.8 billion and Special Fund and Bond Fund expenditures of $16.6 billion. The Department of Finance estimated in September 1992 that there would be a balance in the Special Fund for Economic Uncertainties of $28 million on June 30, 1993.

The $7.9 billion budget gap was closed through a combination of increased revenues and transfers and expenditure cuts such as:

1. General Fund savings in health and welfare programs totalling $1.6 billion.

2. General Fund reductions of $1.9 billion for K-12 schools and community colleges.

3. General Fund savings of $1.3 billion by revising the State aid program to local governments originally enacted after Proposition 13.

4. Program cuts for higher education totaling $415 million.

5. A total of $1.6 billion of transfers and accelerated collections of State revenues.

6. Approximately $1.0 billion from various additional program reductions.

Shortly after the 1992-93 Budget Act was enacted, it became evident the economic conditions in the State were not beginning to improve in the second half of 1992, as assumed by the Department of Finance's May 1992 economic estimates. This was exacerbated by enactment of an initiative measure in November 1992 repealing a sales tax for certain candy, snack foods and bottled water, reducing revenues by about $300 million for a full fiscal year ($200 million in 1992-93). The Governor's Budget proposal for 1993-94, released on January 8, 1993 (the "January Governor's Budget"), confirmed the earlier forecasts about the State's economy and the 1992-93 Budget Act. The January Governor's Budget projected that the economy would not start meaningful recovery from the recession until late 1993 or 1994. With the economy continuing in recession throughout the 1992-93 fiscal year, revenues were projected about $2.5 billion lower than anticipated when the 1992-93 Budget Act was signed, leading to a projected $2.1 billion budget deficit at June 30, 1993 (compared to the Budget Act projection of a $28 million balance). That deficit amount was projected if, by March 1993, the Legislature adopted several actions proposed by the Governor to save about $475 million in the 1992-93 fiscal year. The Legislature did not adopt any of the Governor's proposals.

On May 20, 1993, the Department of Finance released its May Revision to the January Governor's Budget (the "May Revision"), updating revenue and expenditure projections and proposals for the 1992-93 and 1993-94 fiscal years. The May Revision projected that the General Fund will end the fiscal year on June 30, 1993 with an accumulated budget deficit of about $2.8 billion, and a negative fund balance of about $2.2 billion (the difference being certain reserves for encumbrances and school funding costs). The Governor projected revenues for 1992-93 of $41.0 billion, $1.0 billion less than in the 1991-92 fiscal year. On the expenditure side, the continued recession increased health and welfare costs above the original Budget Act projections. Also, property tax

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receipts at the local level were less than projected, so that the State will not get the full $1.3 billion benefit from the property tax shift enacted in the 1992-93 Budget Act. Overall, the May Revision projected total General Fund expenditures of $41.1 billion for the 1992-93 fiscal year, about $300 million higher than the Budget Act and $2.2 billion less than fiscal year 1991-92.

The January Governor's Budget had projected that, because of severely reduced revenues, the State would face a cash flow shortfall in May 1993, necessitating additional external borrowing. The State met this cash flow need by issuing $3.0 billion of revenue anticipation notes on April 26, 1993, which matured on June 24, 1993. The State also issued the 1993 Revenue Participation Warrants in the principal amount of $2.0 billion to meet cash flow requirements for the end of the 1992-93 fiscal year and the start of the 1993-94 fiscal year.

1993-94 BUDGET. The 1993-94 fiscal year represents the third consecutive year the Governor and the Legislature were faced with a very difficult budget environment, requiring revenue actions and expenditure cuts totalling multiple billions of dollars to produce a balanced budget.

The Governor's Budget introduced on January 8, 1993 proposed General Fund expenditures of $37.33 billion, with projected revenues of $39.87 billion. It also proposed Special Fund expenditures of $12.35 billion and Special Fund Revenues of $12.10 billion. To balance the budget in the face of declining revenues, the Governor proposed a series of revenue shifts from local government, reliance on increased federal aid, and reductions in State spending.

The May Revision of the Governor's Budget, released on May 20, 1993, indicated that the revenue projections of the January Budget Proposal were tracking well, with the full year 1992-93 about $80 million higher than the January projection. Personal income tax revenue was higher than projected, sales tax was close to target, and bank and corporation taxes were lagging behind projections. The May Revision projected the State would have about $2.7 billion accumulated deficit by June 30, 1993. The Governor proposed to repay this deficit over an 18-month period. He also agreed to retain the 0.5% sales tax scheduled to expire June 30 for a six-month period, dedicated to local public safety purposes, with a November election to determine a permanent extension. Unlike previous years, the Governor's Budget and May Revision did not calculate a "gap" to be closed, but rather set forth revenue and expenditure forecasts and proposals designed to produce a balanced budget.

The 1993-94 Budget Act, signed by the Governor on June 30, 1993, is predicated on revenue and transfer estimates of $40.6 billion, about $700 million higher than the January Governor's Budget, but still about $400 million below 1992-93 (and the second consecutive year of actual decline). The principal reasons for this decline are the continued weak economy and the expiration (or repeal) of three fiscal steps taken in 1991--a half cent temporary sales tax (which generates about $1.5 billion annually), a deferral of operating loss carry forwards ($440 million), and repeal by initiative of a sales tax on candy and snack foods ($300 million). The Governor also proposes a number of fiscal steps (tax credits and the like) to stimulate job growth, which could result in short-term revenue costs. The 1993-94 Budget Act assumes Special Fund revenues of $11.8 billion, an increase of 5.0% over 1992-93.

The 1993-94 Budget Act includes General Fund expenditures of $38.5 billion (a 6.5% reduction from projected 1992-93 expenditures of $41.2 billion), in order to keep a balanced budget within the available revenues. The Budget also includes Special Fund expenditures of $12.1 billion, a 4.2% increase. The Budget Act reflects the following major adjustments:

1. Changes in local government financing to shift about $2.6 billion in property taxes from cities, counties, special districts and redevelopment agencies to school and community college districts.

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

3. Receipt in 1993-94 of about $550 million in aid from the federal government to offset health and welfare costs associated with foreign immigrants living in the State, which would reduce a like amount of General Fund expenditures.

4. Reductions of $0.3 billion in health and welfare programs.

5. Reductions of $400 million in support for higher education.

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

7. Various miscellaneous cuts (totalling approximately $150 million) in

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State government services in many agencies, up to 15%.

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

A key feature of the 1993-94 Budget Act is a plan to retire the projected $2.8 billion accumulated deficit over an 18-month period by the use of external borrowing. The Budget Act estimates that about $1.6 billion of the deficit elimination loan would be repaid by December 23, 1993 from the proceeds of the $2.0 billion Revenue Anticipation Warrants issued on June 23, 1993.

The 1993-94 Budget Act continues to predict that population growth in the 1990's will keep upward pressure on major State programs, such as K-14 education, health, welfare and corrections, outstripping projected revenue growth in an economy only very slowly emerging from a deep recession. The Governor's health, welfare and local government reductions continue his efforts to keep expenditures in line with resources in the long term. The Budget Act also proposes significant restructuring of State government, with elimination and consolidation of several agencies and numerous smaller boards, and change to a "performance budgeting" concept which would be more efficient and cost-effective (with a pilot project to be implemented in 1994-95). The Governor also proposes initiatives in the field of information technology to increase governmental productivity.

On June 2, 1993, the Commission on State Finance ("COSF") issued its Quarterly General Fund Forecast, which assessed the Governor's May Revision. The COSF report projected stagnant economic conditions through 1994, and agreed generally with the

Governor's economic projections, although the COSF showed slightly lower growth than the Governor in some California economic factors. The COSF projects lower revenues and higher expenditures in 1993-94 than the May Revision, and notes that the May Revision continues the use of off-book loans to schools and has no built-in protection against downside risk.

The COSF projects about $700 million lower revenues in 1993-94 than the May Revision, principally because COSF believes most of the increase in personal income taxes seen late in 1992-93 came from a one-time income shift, rather than reflecting a permanent base of greater tax revenues. COSF also shows other major taxes (and local property taxes) a little weaker than the May Revision, with a resulting increase in expenditures to make up the property tax shortfall for school financing. Altogether, COSF projects in its "primary forecast" that the fund balance at June 30, 1994 would be over $800 million more negative than the May Revision forecast, and the negative difference would grow to $1.9 billion by June 30, 1995.

The COSF report includes two alternative forecasts based on either continued recession, or stronger recovery. The pessimistic forecast is $3.8 billion worse at June 30, 1995 than the Primary Forecast, and the optimistic forecast is about $3.8 billion better. The COSF also expressed concern that the proposed $2.6 billion shift of property taxes could materially impact local governments' fiscal stability.

THE FOREGOING DISCUSSION OF THE 1993-94 FISCAL YEAR BUDGET IS BASED IN LARGE PART ON STATEMENTS MADE IN A RECENT "PRELIMINARY OFFICIAL STATEMENT" DISTRIBUTED BY THE STATE OF CALIFORNIA. IN THAT DOCUMENT, THE STATE INDICATED THAT ITS DISCUSSION OF THE 1993-94 FISCAL YEAR BUDGET IS BASED ON ESTIMATES AND PROJECTIONS OF REVENUES AND EXPENDITURES FOR THE CURRENT FISCAL YEAR AND MUST NOT BE CONSTRUED AS STATEMENTS OF FACT. THE STATE NOTED FURTHER THAT THE ESTIMATES AND PROJECTIONS ARE BASED UPON VARIOUS ASSUMPTIONS WHICH MAY BE AFFECTED BY NUMEROUS FACTORS, INCLUDING FUTURE ECONOMIC CONDITIONS IN THE STATE AND THE NATION, AND THAT THERE CAN BE NO ASSURANCE THAT THE ESTIMATES WILL BE ACHIEVED.

STATE APPROPRIATIONS LIMIT. The State is subject to an annual appropriations limit imposed by Article XIIIB of the State Constitution (the "Appropriations Limit"), and is prohibited from spending "appropriations subject to limitation" in excess of the Appropriations Limit. Article XIIIB, originally adopted in 1979, was modified substantially by Propositions 98 and 111 in 1988 and 1990, respectively "Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the reasonable cost of providing the regulation, product or service. The Appropriations Limit is based on the limit for the prior year, adjusted annually for certain changes, and is tested over consecutive two-year periods. Any excess of the aggregate proceeds of taxes received over such two-year period above the combined Appropriation Limits for those two years is divided equally between transfers to K-14 districts and refunds to taxpayers.

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Exempted from the Appropriations Limit are debt service costs of certain bonds, court or federally mandated costs, and, pursuant to Proposition 111, qualified capital outlay projects and appropriations or revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. Some recent initiatives were structured to create new tax revenues dedicated to specific uses and expressly exempted from the Article XIIIB limits. The Appropriations Limit may also be exceeded in cases of emergency arising from civil disturbance or natural disaster declared by the Governor and approved by two-thirds of the Legislature. If not so declared and approved, the Appropriations Limit for the next three years must be reduced by the amount of the excess.

Article XIIIB, as amended by Proposition 98 on November 8, 1988, also establishes a minimum level of state funding for school and community college districts and requires that excess revenues up to a certain limit be transferred to schools and community college districts instead of returned to the taxpayers. Determination of the minimum level of funding is based on several tests set forth in Proposition 98. During fiscal year 1991-92 revenues were smaller than expected, thus reducing the payment owed to schools in 1991-92 under alternate "test" provisions. In response to the changing revenue situation, and to fully fund the Proposition 98 guarantee in the 1991-92 and 1992-93 fiscal years without exceeding it, the Legislature enacted legislation to reduce 1991-92 appropriations. The amount budgeted to schools but which exceeded the reduced appropriation was treated as a non-Proposition 98 short-term loan in 1991-92. As part of the 1992-93 Budget, $1.1 billion of the amount budgeted to K-14 schools was designated to "repay" the prior year loan, thereby reducing cash outlays in 1992-93 by that amount.

Because of the complexities of Article XIIIB, the ambiguities and possible inconsistencies in its terms, the applicability of its exceptions and exemptions and the impossibility of predicting future appropriations, the Sponsors cannot predict the impact of this or related legislation on the Bonds in the Trust Portfolio. Other Constitutional amendments affecting state and local taxes and appropriations have been proposed from time to time. If any such initiatives are adopted, the State could be pressured to provide additional financial assistance to local governments or appropriate revenues as mandated by such initiatives. Propositions such as Proposition 98 and others that may be adopted in the future, may place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

STATE INDEBTEDNESS. As of June 30, 1993, the State had over $17.64 billion aggregate amount of its general obligation bonds outstanding. General obligation bond authorizations in the aggregate amount of approximately $7.24 billion remained unissued as of June 30, 1993. The State also builds and acquires capital facilities through the use of lease purchase borrowing. As of June 30, 1992, the State had approximately $2.88 billion of outstanding Lease-Purchase Debt.

In addition to the general obligation bonds, State agencies and authorities had approximately $21.87 billion aggregate principal amount of revenue bonds and notes outstanding as of March 31, 1993. Revenue bonds represent both obligations payable from State revenue-producing enterprises and projects, which are not payable from the General Fund, and conduit obligations payable only from revenues paid by private users of facilities financed by such revenue bonds. Such enterprises and projects include transportation projects, various public works and exposition projects, educational facilities (including the California State University and University of California systems), housing, health facilities and pollution control facilities.

LITIGATION. The State is a party to numerous legal proceedings, many of which normally occur in governmental operations. In addition, the State is involved in certain other legal proceedings that, if decided against the State, might require the State to make significant future expenditures or impair future revenue sources. Examples of such cases include challenges to the State's method of taxation of certain businesses, challenges to certain vehicle license fees, and challenges to the State's use of Public Employee Retirement System funds to offset future State and local pension contributions. Other cases which could significantly impact revenue or expenditures involve reimbursement to school districts for voluntary school desegregation and state mandated costs, challenges to Medi-Cal eligibility, recovery for flood damages, and liability for toxic waste cleanup. Because of the prospective nature of these proceedings, it is not presently possible to predict the outcome of such litigation or estimate the potential impact on the ability of the State to pay debt service on its obligations.

On November 1, 1993 the United States Supreme Court agreed to review the California court decisions in Barclays Bank International, Ltd. v. Franchise

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Tax Board and Colgate-Palmolive Company, Inc. v. Franchise Tax Board which upheld California's worldwide combined reporting ("WWCR") method of taxing corporations engaged in a unitary business operation against challenges under the foreign commerce and due process clauses. In 1983, in Container Corporation v. Franchise Tax Board, the Supreme Court held that the WWCR method did not violate the foreign commerce clause in the case of a domestic-based unitary business group with foreign-domiciled subsidiaries, but specifically left open the question of whether a different result would obtain for a foreign-based multinational unitary business. Barclays concerns a foreign-based multinational and Colgate-Palmolive concerns a domestic-based multinational in light of federal foreign policy developments since 1983. In a brief filed at the Supreme Court's request, the Clinton Administration had argued that the Court should not hear the Barclays case, even though there are "serious questions" about the California Supreme Court's analysis and holdings, because the recent changes in the law noted below means the issue in Barclays "lacks substantial recurring importance." The Clinton Administration had previously decided not to become involved in the Barclays petition. The United States Government under the Bush Administration, along with various foreign Governments, had appeared as amicus on behalf of Barclays before the California Courts. The Clinton Administration has filed an amicus brief on the merits supporting the California Franchise Tax Board, arguing that the Court should judge WWCR by looking at federal policies in effect at the time the taxes were collected and stating that the federal government had not indicated to the States during the 1970s and 1980s that it objected to WWCR. The fiscal impact on the State of California has been reported as follows: the State would have a refund $1.730 billion to taxpayers ($530 million due to Barclays; 41.2 billion due to Colgate), and cancel another $2.35 billion of pending assessments ($350 million due to Barclays; $1.9 billion due to Colgate), if the Supreme Court ultimately strikes down the WWCR method and rules its decision has retrospective effect.

RATINGS. As a result of the deterioration in the State's budget and cash situation in fiscal year 1991-92, and the delay in adopting the 1992-93 budget which resulted in issuance of registered warrants, rating agencies reduced the State's credit rating. Between November 1991 and September 30, 1992, the rating on the State's general obligation bonds was reduced by Standard & Poor's Corporation from "AAA" to "A+", by Moody's Investors Service from "Aaa" to "Aa", and by Fitch Investors Service, Inc. from "AAA" to "AA". There can be no assurance that such ratings will continue for any given period of time or that they will not in the future be further revised or withdrawn.

The January 1994 Los Angeles earthquake may negatively impact the ability of certain issuers to make scheduled interest and principal payments, for example, if the specific project for which bonds were issued is damaged or if revenues backing certain bonds decline. In addition, the impact on tourism and business spending resulting from earthquake damage and any delay in its repair could negatively impact the ability of certain issuers to make timely debt payments. Further, as with the October 1989 Loma Prieta earthquake that struck San Francisco, lawsuits may be filed against state agencies. Both Moody's Investors Service and Standard & Poor's Corporation have said that it is too soon to offer official assessments of the damage and its effect on bondholders. However, Moody's has also stated that because the pledge to make debt service payments for general obligation bonds and essential purpose revenue bonds is absolute and unconditional, it does not expect any rating adjustment over the short-term for such bonds. The Sponsors are unable to predict the effects of this earthquake or any other future natural disaster on the bonds in the Portfolio of the California Trust.

CALIFORNIA TAXES

In the opinion of Messrs. Adams, Duque & Hazeltine, Los Angeles, California, special counsel on California tax matters, under existing law:

The California Trust is not an association taxable as a corporation under the income tax laws of the State of California;

The income, deductions and credits against tax of the California Trust will be treated as the income, deductions and credits against tax of the holders of Units in the California Trust under the income tax laws of the State of California;

Interest on the bonds held by the California Trust to the extent that such interest is exempt from taxation under California law will not lose its character as tax-exempt income merely because that income is passed through to the holders of Units; however, a corporation subject to the California franchise tax is required to include that interest income in its gross income for purposes of determining its franchise tax liability;

Each holder of a Unit in the California Trust will have a taxable event when the California Trust disposes of a bond (whether by sale, exchange, redemption, or payment at maturity) or when the Unit holder redeems or sells his Units. The total tax cost of each Unit to a holder of a Unit in

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the California Trust is allocated among each of the bond issues held in the California Trust (in accordance with the proportion of the California Trust comprised by each bond issue) in order to determine the holder's per Unit tax cost for each bond issue, and the tax cost reduction requirements relating to amortization of bond premium will apply separately to the per Unit tax cost of each bond issue. Therefore, under some circumstances, a holder of a Unit may realize taxable gain when the California Trust which issued such Unit disposes of a bond or the holder's Units are sold or redeemed for an amount equal to or less than his original cost of the bond or Unit;

Each holder of a Unit in the California Trust is deemed to be the owner of a pro rata portion of the California Trust under the personal property tax laws of the State of California; and

Each Unit holder's pro rata ownership of the bonds held by the California Trust, as well as the interest income therefrom, is exempt from California personal property taxes.

CONNECTICUT TRUST

STATE RISK FACTORS

Potential purchasers of the Units of a State Trust should consider the fact that the Trust's Portfolio consists primarily of Bonds issued by the state for which such State Trust is named or its municipalities or authorities and realize the substantial risks associated with an investment in such Bonds. Each State Trust is subject to certain additional risk factors:

The Sponsors believe the information summarized below describes some of the more significant aspects of the Connecticut Trust. The sources of such information are the official statements of issuers as well as other publicly available documents. While the Sponsors have not independently verified this information, they have no reason to believe that such information is not correct in all material respects.

Potential purchasers of the Units of the Connecticut Trust should consider the fact that the Trust's Portfolio consists primarily of Bonds issued by the State of Connecticut (the "State") or its municipalities or authorities, and realize the substantial risks associated with an investment in such Bonds.

Connecticut's manufacturing industry has historically been of prime economic importance to Connecticut. The manufacturing industry is diversified, with transportation equipment (primarily aircraft engines, helicopters and submarines) dominant, followed by fabricated metal products, non-electrical machinery and electrical machinery. From 1970 to 1992, however, there was a rise in employment in service-related industries. During this period, manufacturing employment declined 30.8%, while employment in other non-agricultural establishments (including government) increased 60.8%, particularly in the service, trade and finance categories. In 1992, manufacturing accounted for only 20.1% of total non-agricultural employment in Connecticut. Defense-related business plays an important role in the Connecticut economy. On a per capita basis, defense awards to Connecticut have traditionally been among the highest in the nation. Reductions in defense spending have had a substantial adverse impact on Connecticut's economy. Moreover, the State's largest defense contractors have announced substantial labor force reductions scheduled to occur over the next four years.

The annual average unemployment rate (seasonally adjusted) in Connecticut decreased from 6.9% in 1982 to a low of 3.0% in 1988 but rose to 7.2% in 1992. While these rates were lower than those recorded for the U.S. as a whole for the same periods, as of May, 1993, the estimated rate of unemployment in Connecticut on a seasonally adjusted basis was 7.4%, compared to only 6.9% for the United States as a whole, and pockets of significant unemployment and poverty exist in some of Connecticut's cities and towns. Moreover, Connecticut is now in a recession the depth and duration of which is uncertain.

The State derives over seventy percent of its revenues from taxes imposed by the State. The two major taxes have been the sales and use taxes and the corporation business tax, each of which is sensitive to changes in the level of economic activity in the State, but the Connecticut income tax on individuals. trusts, and estates enacted in 1991 is expected to supersede each of them in importance.

The State's General Fund budget for fiscal year 1986-87 (ending June 30) anticipated appropriations and revenues of approximately $4,300,000,000. The General Fund ended fiscal year 1986-87 with a surplus of $365,200,000. The General Fund budget for fiscal year 1987-88 anticipated appropriations and revenues of approximately $4,915,800,000. However, the General Fund ended fiscal year 1987-88 with a deficit of approximately $115.6 million. The General Fund budget for fiscal year 1988-89 anticipated that General Fund expenditures

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of $5,551,000,000 and certain educational expenses of $206,700,000 not previously paid through the General Fund would be financed in part from surpluses of prior years and in part from higher tax revenues projected to result from tax laws in effect for fiscal year 1987-88 and stricter enforcement thereof; a substantial deficit was projected during the third quarter of fiscal year 1988-89, but, largely because of tax law changes that took effect before the end of the fiscal year, the deficit was kept to $28,000,000. The General Fund budget for fiscal year 1989-90 anticipated appropriations of approximately $6,224,500,000 and, by virtue of tax increases enacted to take effect generally at the beginning of the fiscal year, revenues slightly exceeding such amount. However, largely because of tax revenue shortfalls, the General Fund ended fiscal year 1989-90 with a deficit for the year of $259,000,000, wiping out reserves for such events built up in prior years. The General Fund budget for fiscal year 1990-91 anticipated expenditures of $6,443,000,000, but no significant new or increased taxes were enacted. Primarily because of significant declines in tax revenues and unanticipated expenditures reflective of economic adversity, the General Fund ended fiscal year 1990-91 alone with a further deficit of $809,000,000.

A General Fund budget was not enacted for fiscal year 1991-92 until August 22, 1991. This budget anticipated General Fund expenditures of $7,007,861,328 and revenues of $7,426,390,000. Anticipated decreases in revenues resulting from a 25% reduction in the sales tax rate effective October 1, 1991, the repeal of the taxes on the capital gains and interest and dividend income of resident individuals for years starting after 1991, and the phase-out of the corporation business tax surcharge over two years commencing with years starting after 1991 were expected to be more than offset by a new general income tax imposed at effective rates not to exceed 4.5% on the Connecticut taxable income of resident and non-resident individuals, trusts, and estates. The General fund ended fiscal year 1991-1992 with an operating surplus of $110,000,000. The General Fund budget for fiscal year 1992-93 anticipated General Fund expenditures of $7,372,062,859 and revenues of $7,372,210,000 and the General Fund ended fiscal year 1992-1993 with an operating surplus of $113,500,000. Balanced General Fund budgets for the biennium ending June 30, 1995, have been adopted appropriating expenditures of $7,828,900,000 for fiscal year 1993-94 and $8,266,000,000 for fiscal 1994-95.

The primary method for financing capital projects by the State is through the sale of the general obligation bonds of the State. These bonds are backed by the full faith and credit of the State. As of October 1, 1993, there was a total legislatively authorized bond indebtedness of $9,392,375,363, of which $7,620,223,970 had been approved for issuance by the State Bond Commission and $6,548,086,771 had been issued.

To fund operating cash requirements, prior to fiscal year 1991-92 the State borrowed up to $750,000,000 pursuant to authorization to issue commercial paper, and on July 29, 1991, it issued $200,000,000 General Obligation Temporary Notes, none of which temporary borrowings were outstanding as July 1, 1993, To fund the cumulative General Fund deficit for fiscal years 1989-90 and 1990-91, the legislation enacted August 22, 1991, authorized the State Treasurer to issue Economic Recovery Notes up to the aggregate amount of such deficit, which must be payable no later than June 30, 1996; at least $50,000,000 of such Notes, but not more than a cap amount, is to be retired each fiscal year commencing with fiscal year 1991-92, and any unappropriated surplus up to $205,000,000 in the General Fund at the end of each of the three fiscal years commencing with fiscal year 1991-92 must be applied to retire such Notes as may remain outstanding at those times. On September 25, 1991, and October 24, 1991, the State issued $640,710,000 and $325, 002,000, respectively, of such Economic Recovery Notes, of which $630,610,000 were outstanding as of March 1, 1994.

To meet the need for reconstructing, repairing, rehabilitating and improving the State transportation system (except Bradley International Airport), the State adopted legislation which provides for, among other things, the issuance of special tax obligation ("STO") bonds the proceeds of which will be used to pay for improvements of the State's transportation system. The STO bonds are special tax obligations of the State payable solely from specified motor fuel taxes, motor vehicle receipts, and license, permit and fee revenues pledged therefor and deposited in the special transportation fund. The ten-year cost of the infrastructure program which began in 1984, to be met from federal, state and local funds, is currently estimated at $9.5 billion. To finance a portion of the State's $4.1 billion share of such cost, the State expects to issue $3.7 billion STO bonds over the ten-year period.

As of January 1, 1994, the General Assembly has authorized STO bonds for the program in the aggregate amount of $3,604,363,104, of which $2,794,650,752 had been issued. It is anticipated that additional STO bonds will be authorized by the General Assembly annually in an amount necessary to finance and to complete the infrastructure program. Such additional bonds may have equal rank with the outstanding bonds provided certain pledged revenue coverage requirements of the STO indenture controlling the issuance of such bonds are met. The State expects to continue to offer bonds for this program.

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The State, its officers and employees are defendants in numerous lawsuits. According to the Attorney General's office, an adverse decision in any of the cases which are summarized herein could materially affect the State's financial position (i) an action by taxpayer groups seeking to enjoin expenditures by the State alleged to exceed the expenditure cap in the State's constitution; (ii) litigation on behalf of black and hispanic children in the City of Hartford seeking "integrated education" within the greater Hartford metropolitan area; (iii) litigation involving claims by Indians tribes to less than 1/10 of 1% of the State's land area; (iv) litigation challenging the State's method of financing elementary and secondary public schools on the ground that it denies equal access to education; (v) an action in which two retarded persons seek placement outside a State hospital, new programs and damages on behalf of themselves and all mentally retarded patients at the hospital; (vi) litigation involving claims for refunds of taxes by several cable television companies; (vii) an action on behalf of all persons with retardation or traumatic brain injury, claiming that their constitutional rights are violated by placement in State hospitals alleged not to provide adequate treatment and training, and seeking placement in community residential settings with appropriate support services; (viii) an action by the Connecticut Hospital Association and 33 hospitals seeking to require the State to reimburse hospitals for in-patient medical services on a basis more favorable to them; (ix) a class action by the Connecticut Criminal Defense Lawyers Association claiming a campaign of illegal surveillance activity and seeking damages and injunctive relief; (x) two actions for monetary damages brought by a former patient of a State mental hospital stemming from an attempted suicide that left her brain-damaged; (xi) an action challenging the validity of the State's imposition of surcharges on hospital charges to finance certain uncompensated care costs incurred by hospitals; and (xii) an action to enforce the spending cap provision of the State's constitution by seeking to require that the General Assembly define certain terms used therein and to enjoin certain increases in "general budget expenditures" until this is done.

As a result of the State's budget problems, the ratings of its general obligation bonds were reduced by Standard & Poor's from AA+ to AA on March 29, 1990, and by Moody's from Aa1 to Aa on April 9, 1990. Because of concerns over Connecticut's lack of a plan to deal with the accumulated projected deficits in its General Fund, on September 13, 1991, Standard & Poor's reduced its ratings of the State's general obligation bonds and certain other obligations that depend in part on the creditworthiness of the State to AA-. On March 7, 1991, Moody's downgraded its ratings of the revenue bonds of four Connecticut hospitals because of the effects of the State's restrictive controlled reimbursement environment under which they have been operating.

General obligation bonds issued by Connecticut municipalities are payable primarily only from ad valorem taxes on property subject to taxation by the municipality. Certain Connecticut municipalities have experienced severe fiscal difficulties and have reported operating and accumulated deficits in recent years. The most notable of them is the City of Bridgeport, which filed a bankruptcy petition on June 7, 1991. The State opposed the petition. The United States Bankruptcy Court for the District of Connecticut has held that Bridgeport had authority to file such a petition but that its petition should be dismissed on the grounds that Bridgeport was not insolvent when the petition was filed. Regional economic difficulties, reductions in revenues, and increased expenses could lead to further fiscal problems for the State and its political subdivisions, authorities, and agencies. This could result in declines in the value of their outstanding obligations, increases in their future borrowing costs, and impairment of their ability to pay debt service on their obligations.

It is the Sponsors' intention to qualify and/or offer the Units of the Connecticut Trust for sale only in the States of Connecticut, Hawaii, New Jersey and Wyoming and in the District of Columbia.

CONNECTICUT TAXES

In the opinion of Messrs. Day, Berry and Howard, special Connecticut counsel on Connecticut tax matters, which is based explicitly on the opinion of Messrs. Cahill Gordon & Reindel regarding Federal income tax matters, under existing Connecticut law:

> The Connecticut Trust is not liable for any tax on or measured by net income imposed by the State of Connecticut;
>
> Interest income of the Connecticut Trust from obligations issued by or on behalf of the State of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district, or similar public entity created under the laws of the State of Connecticut (a "Connecticut Bond") or from obligations of United States territories or possessions and their public authorities the interest on which Federal law would prohibit Connecticut from taxing if received directly by a Unit holder from the issuer thereof is not taxable under the Connecticut tax on

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the Connecticut taxable income of individuals, trusts, and estates (the "Connecticut Income Tax"), either when received by the Connecticut Trust or when distributed by it to the Unit holder;

Gains and losses recognized by a Unit holder for Federal income tax purposes upon the maturity, redemption, sale, or other disposition by the Connecticut Trust of an obligation held by the Connecticut Trust or upon the redemption, sale, or other disposition of a Unit of the Connecticut Trust held by a Unit holder are taken into account as gains or losses, respectively, for purposes of the Connecticut Income Tax, except that, in the case of a Unit holder holding a Unit of the Connecticut Trust as a capital asset, such gains and losses recognized upon the sale or exchange of a Connecticut Bond held by the Connecticut Trust are excluded from gains and losses taken into account for purposes of such tax and no opinion is expressed as to the treatment for purposes of such

tax of gains and losses recognized upon the maturity or redemption of a Connecticut Bond held by the Connecticut Trust or, to the extent attributable to Connecticut Bonds, of gains and losses recognized upon the redemption, sale, or other disposition by a Unit holder of a Unit of the Connecticut Trust held by him;

The portion of any interest income or capital gain of the Connecticut Trust that is allocable to a Unit holder that is subject to the Connecticut corporation business tax is includable in the gross income of such Unit holder for purposes of such tax; and

An interest in a Unit of the Connecticut Trust that is owned by or attributable to a Connecticut resident at the time of his death is includable in his gross estate for purposes of the Connecticut succession tax and the Connecticut estate tax.

The Connecticut Income Tax was enacted in August 1991. Generally, under this tax as enacted, a Unit holder recognizes gain or loss upon the maturity, redemption, sale, or other disposition by the Connecticut Trust of an obligation held by it, or upon the redemption, sale, or other disposition of a Unit of the Connecticut Trust held by the Unit holder, to the same extent that gain or loss is recognized by the Unit holder thereupon for Federal income tax purposes. However, on June 19, 1992, Connecticut legislation was adopted that provides that gains and losses from the sale or exchange of Connecticut Bonds held as capital assets will not be taken into account for purposes of the Connecticut Income Tax for taxable years starting on or after January 1, 1992. It is not clear whether this provision should apply to gain or loss recognized by a Unit holder upon the maturity or redemption of a Connecticut Bond held by the Connecticut Trust or, to the extent attributable to Connecticut Bonds held by the Connecticut Trust, to gain or loss recognized by a Unit holder upon the redemption, sale, or other disposition of a Unit of the Connecticut Trust held by the Unit holder.

By legislation adopted May 19, 1993, as amended by legislation adopted June 25, 1993, Connecticut enacted the net Connecticut minimum tax, retroactive to taxable years beginning on or after January 1, 1993, which is applicable to individuals, trusts, and estates that are subject to the Federal alternative minimum tax. Income of the Connecticut Trust that is subject to the Federal alternative minimum tax in the case of such Unit holders may also be subject to the net Connecticut minimum tax.

Unit holders are urged to consult their own tax advisors concerning these matters.

MASSACHUSETTS TRUST

RISK FACTORS--The Commonwealth of Massachusetts and certain of its cities and towns have at certain times in the recent past undergone serious financial difficulties which have adversely affected and, to some degree, continue to adversely affect their credit standing. These financial difficulties could adversely affect the market values and marketability of, or result in default in payment on, outstanding bonds issued by the Commonwealth or its public authorities or municipalities, including the Bonds deposited in the Trust. The following description highlights some of the more significant financial problems of the Commonwealth and the steps taken to strengthen its financial condition.

The effect of the factors discussed below upon the ability of Massachusetts issuers to pay interest and principal on their obligations remains unclear and in any event may depend on whether the obligation is a general or revenue obligation bond (revenue obligation bonds being payable from specific sources and therefore generally less affected by such factors) and on what type of security is provided for the bond. In order to constrain future debt service costs, the Executive Office for Administration and Finance established in

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November, 1988 an annual fiscal year limit on capital spending of $925 million, effective fiscal 1990. In January, 1990, legislation was enacted to impose a limit on debt service in Commonwealth budgets beginning in fiscal 1991. The law provides that no more than 10% of the total appropriations in any fiscal year may be expended for payment of interest and principal on general obligation debt of the Commonwealth (excluding the Fiscal Recovery Bonds discussed below). It should also be noted that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest due on Massachusetts debt obligations from the scope of the limit. It is possible that other measures affecting the taxing or spending authority of Massachusetts or its political subdivisions may be approved or enacted in the future.

The Commonwealth has waived its sovereign immunity and consented to be sued under contractual obligations including bonds and notes issued by it. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for payment of principal of or interest on bonds and notes of the Commonwealth may also be subject to provisions of federal or Commonwealth statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to states.

Cities and Towns. During recent years limitations were placed on the taxing authority of certain Massachusetts governmental entities that may impair the ability of the issuers of some of the Bonds in the Massachusetts Trust to maintain debt service on their

obligations. Proposition 2 1/2, passed by the voters in 1980, led to large reductions in property taxes, the major source of income for cities and towns. As a result, between fiscal 1981 and fiscal 1989, the aggregate property tax levy declined in real terms by 15.6%.

Since Proposition 2 1/2 did not provide for any new state or local taxes to replace the lost revenues, in lieu of substantial cuts in local services, the Commonwealth began to increase local aid expenditures. In 1981 constant dollars, total direct local aid expenditures increased by 58.5% between fiscal years 1981 and 1989, or 5.9% per year. During the same period, the total of all other local revenue sources declined by 5.87% or 0.75% per year. Despite the substantial increases in local aid from fiscal 1981 to fiscal 1989, local spending increased at an average rate of 1% per year in real terms. Direct local aid for fiscal 1987, 1988, and 1989 was $2.601 billion, $2.769 billion, and $2.961 billion, respectively. Direct local aid declined in the three subsequent years to $2.937 billion in fiscal 1990, $2.608 billion in 1991 and $2.328 billion in 1992 and increased to $2.547 billion in 1993. It is estimated that fiscal 1994 expenditures for direct local aid will be $2.737 billion, which is an increase of approximately 7.5% above the fiscal 1993 level. The additional amount of indirect local aid provided over and above the direct local aid is estimated to have been $1.313 billion in fiscal 1991, $1.265 billion in fiscal 1992 and $1.717 billion in fiscal 1993 and is estimated to be approximately $1.717 billion in fiscal 1994.

Many communities have responded to the limitations imposed by Proposition 2 1/2 through statutorily permitted overrides and exclusions. Override activity peaked in fiscal 1991, when 182 communities attempted votes on one of the three types of referenda questions (override of levy limit, exclusion of debt service, or exclusion of capital expenditures) and 100 passed at least one question, adding $58.5 million to their levy limits. In fiscal 1992, 67 of 143 communities had successful votes totalling $31.0 million. In fiscal 1993, 83 communities attempted a vote; two-thirds of them (56) passed questions aggregating $16.4 million.

A statewide voter initiative petition which would effectively mandate that, commencing with fiscal 1992, no less than 40% of receipts from personal income taxes, sales and use taxes, corporate excise taxes and lottery fund proceeds be distributed to certain cities and towns in local aid was approved in the general election held November 6, 1990. Pursuant to this petition, the local aid distribution to each city or town was to equal no less than 100% of the total local aid received for fiscal 1989. Distributions in excess of fiscal 1989 levels were to be based on new formulas that would replace the current local aide distribution formulas. If implemented in accordance with its terms (including appropriation of the necessary funds), the petition as approved would shift several hundred million dollars to direct local aid. However, local aid payments explicitly remain subject to annual appropriation, and fiscal 1992 and fiscal 1993 appropriations for local aid did not meet, and fiscal 1994 appropriations for local aid do not meet, the levels set forth in the initiative law.

Pension Liabilities. The Commonwealth had funded its two pension systems on essentially a pay-as-you-go basis. The funding schedule is based on actuarial

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valuations of the two pension systems as of January 1, 1990, at which time the unfunded accrued liability for such systems operated by the Commonwealth (and including provision for Boston teachers) totalled $8.865 billion. The unfunded liability for the Commonwealth related to cost of living increases for local retirement systems was estimated to be an additional $2.004 billion as of January 1, 1990. An actuarial valuation as of January 1, 1992 shows that, as of such date, the total unfunded actuarial liability for such systems, including cost-of-living allowances, was approximately $8.485 billion representing a reduction of approximately $2.383 billion from January 1, 1990.

The amount in the Commonwealth's pension reserve, established to address the unfunded liabilities of the two state systems, has increased significantly in recent years due to substantial appropriations and changes in law relating to investment of retirement system assets. Total appropriations and transfers to the reserve in fiscal years 1985, 1986, 1987 and 1988 amounted to approximately $680 million. Comprehensive pension legislation approved in January 1988 committed the Commonwealth, beginning in fiscal 1989, to normal cost funding of its pension obligations and to a 40-year amortization schedule for its unfunded pension liabilities. Total pension costs increased from $659.7 million in fiscal 1989 to $868.2 million in fiscal 1993. Pension funding is estimated to be $951.0 million in fiscal year 1994. As of June 30, 1993, the Commonwealth's pension reserves had grown to approximately $3.877 billion.

State Budget and Revenues. The Commonwealth's Constitution requires, in effect, that its budget be balanced each year. The Commonwealth's fiscal year ends June 30. The General Fund is the Commonwealth's primary operating fund; it also functions as a residuary fund to receive otherwise unallocated revenues and to provide monies for transfers to other funds as required. The condition of the General Fund is generally regarded as the principal indication of whether the Commonwealth's operating revenues and expenses are in balance; the other principal operating funds (the Local Aid Fund and the Highway Fund) are customarily funded to at least a zero balance.

Limitations on Commonwealth tax revenues have been established by enacted legislation and by public approval of an initiative petition which has become law. The two measures are inconsistent in several respects, including the methods of calculating the limits and the exclusions from the limits. The initiative petition does not exclude debt service on the Commonwealth's notes and bonds from the limits. State tax revenues in fiscal 1988 through fiscal 1993 were lower than the limits. The Executive Office for Administration and

Finance currently estimates that state tax revenues will not reach the limit imposed by either the initiative petition or the legislative enactment in fiscal 1994.

Budgeted expenditures for fiscal 1989 totalled approximately $12.643 billion. Budgeted revenues totalled approximately $11.970 billion, approximately $672.5 million less than total expenditures. Under the budgetary basis of accounting, after taking account of certain fund balances, fiscal 1989 ended with a deficit of $319.3 million. Under the GAAP basis of accounting, excluding fiduciary accounts and enterprise funds, the Commonwealth ended fiscal 1989 with a deficit of $946.2 million. This deficit reflected an operating gain in the capital projects funds due to additional borrowings to reduce prior year deficits. If the capital project funds are excluded, the Comptroller calculated a GAAP deficit of $1.002 billion in fiscal 1989.

Fiscal 1989 tax revenues were adversely affected by the economic slowdown that began in mid-1988. In June, 1988, the fiscal 1989 tax revenue estimate was for 10.9% growth over fiscal 1988. Fiscal 1989 ended with actual tax revenue growth of 6.5%

The fiscal 1989 budgetary deficit caused a cash deficit in the Commonwealth operating accounts on June 30, 1989 in the amount of approximately $450 million. The State Treasurer was forced to defer until early July certain fiscal 1989 expenditures including the payment of approximately $305 million in local aid due June 30, and with legislative authorization, issued temporary notes in July in the amount of $1.1 billion to pay fiscal 1989 and fiscal 1990 costs.

Fiscal year 1990 resulted in total expenditures of approximately $13.260 billion. Budgeted revenues and other services for fiscal 1990 were approximately $12.008 billion. Tax revenues for fiscal 1990 were approximately $8.517 billion, a decrease of approximately $314 million or 3.6% from fiscal 1989. The Commonwealth suffered an operating loss of approximately $1.25 billion and ended fiscal 1990 with a budgetary deficit of $1.104 billion. The Commonwealth had a cash surplus of $99.2 million on June 30, 1990 as a result of deferring until fiscal 1991 the payment of approximately $1.26 billion of local aid due June 30, 1990.

On July 28, 1990, the legislature enacted Chapter 151 which provides, among other matters, for the Commonwealth Fiscal Recovery Loan Act of 1990 and grants

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authorization for the Commonwealth to issue bonds in an aggregate amount up to $ 1.42 billion for purposes of funding the Commonwealth's fiscal 1990 deficit and certain prior year Medicaid reimbursement payments. Chapter 151 also provides for the establishment of the Commonwealth Fiscal Recovery Fund, deposits for which are derived from a portion of the Commonwealth's personal income tax receipts, are dedicated for this purpose and are to be deposited in trust and pledged to pay the debt service on these bonds. Under Chapter 151, the Commonwealth issued $1.363 billion of Dedicated Income Tax Bonds to cover the anticipated fiscal 1990 deficit.

Total expenditures for fiscal 1991 are estimated to have been $13.659 billion. Total revenues for fiscal 1991 are estimated to have been $13.634 billion, resulting in an estimated $21.2 million operating loss. Application of the adjusted fiscal 1990 fund balances of $258.3 million resulted in a final fiscal 1991 budgetary surplus of $237.1 million. State finance law required that approximately $59.2 million of the fiscal year surplus be placed in the Stabilization Fund described above. Amounts credited to the Stabilization Fund are not generally available to defray current year expenses without subsequent specific legislative authorization.

After payment in full of the local aid distribution of $1.018 billion due on June 28, 1991, retirement of all of the Commonwealth's outstanding commercial paper and repayment of certain other short-term borrowings, as of the period of fiscal 1991, the Commonwealth had a cash balance of $182.3 million. The fiscal 1991 year-end cash position compared favorably to the Commonwealth's cash position at the end of the prior fiscal year, June 30, 1990, when the Commonwealth's cash shortfall would have exceeded $1.1 billion had payment of local aid not been postponed.

Upon taking office in January 1991, the new Governor undertook a comprehensive review of the Commonwealth's budget. Based on projected spending of $14.105 billion, it was then estimated that $850 million in budget balancing measures would be needed prior to the close of fiscal 1991. At that time, estimated tax revenues were revised to $8.845 billion, $903 million less than was estimated at the time the fiscal 1991 budget was adopted. The Governor proposed a series of legislative and administrative actions, designed to eliminate the projected deficit. The legislature adopted a number of the Governor's recommendations and the Governor took certain other administrative actions, not requiring legislative approval, including $65 million in savings from the adoption of a state employee furlough program. It is estimated that spending reductions achieved through savings incentives and withholding of allotments totaled $484.3 million in the aggregate for fiscal 1991.

In addition to recommending spending reductions to close the projected budget deficit, the administration, in May 1991, filed an amendment to its Medicaid state plan that enabled it to claim 50% Federal reimbursement on uncompensated care payments provided to certain hospitals in the Commonwealth.

In fiscal 1992, Medicaid accounted for more than half of the Commonwealth's appropriations for health care. It is the largest item in the Commonwealth's budget. It has also been one of the fastest growing budget items. During fiscal years 1989, 1990 and 1991, Medicaid expenditures were $1.83 billion, $2.12 billion and $2.77 billion, respectively. A substantial amount of expenditures in recent years was provided through supplemental appropriations, repeating the experience that Medicaid expenditures have exceeded initial appropriation amounts. These annual amounts, however, do not take account of the practice of retroactive settlement of many provider payments after audit review and certification by the Rate Setting Commission. In fiscal 1990, payments of approximately $488 million were made to hospitals and nursing homes for rate settlements dating back as far as 1980, through the Medical Assistance Liability Fund established to fund certain Medicaid liabilities incurred, but not certified for payment, in prior years. This amount is not factored into the annual totals for Medicaid expenditures listed above. Including retroactive provider settlements, Medicaid expenditures for fiscal 1992 were $2.818 billion and for fiscal 1993 were $3.151 billion. The Executive Office for Administration and Finance estimates that fiscal 1994 Medicaid expenditures will be approximately $3.252 billion, an increase of 3.9% over fiscal 1993 expenditures. For fiscal 1994, no supplemental Medicaid appropriations are currently expected to be necessary. The Governor had proposed a managed care program to be implemented commencing in January, 1992 in order to address the considerable annual cost increases in the Medicaid program. Medicaid is presently 50% funded by federal reimbursements.

In fiscal 1992, total revenues and other sources of the budgeted operating funds totalled $13.728 billion, an increase over fiscal 1991 revenues of .7%. (Actual fiscal 1992 tax revenues exceeded original estimates and totalled $9.484 billion, an increase over fiscal 1991 collections of 5.4%). Fiscal 1992 expenditures and other uses of budgeted operating funds totalled approximately $13.420 billion, a decrease from fiscal 1991 expenditures by 1.7%. Fiscal year 1992 revenues and expenditures resulted in an operating gain of $312.3 million.

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Through the use of the prior year ending fund balances of $312.3 million, fiscal 1992 budgetary fund balances totalled $549.4 million. Total fiscal 1992 spending authority continued into fiscal 1993 is $231.0 million.

After payment in full of the quarterly local aid distribution of $514 million due on June 30, 1992, retirement of the Commonwealth's outstanding commercial paper (except for approximately $50 million of bond anticipation notes) and certain other short-term borrowings, as of June 30, 1992, the Commonwealth showed a year-end cash position of approximately $731 million for fiscal year 1992. The ending balance compares favorably with the cash balance of $182.3 million at the end of fiscal 1991. As of June 1993, the Commonwealth showed a year-end cash position of $622.2 million for fiscal year 1993. As of January 19, 1994, the Commonwealth estimates a 1994 year-end cash position of approximately $725.4 million.

The budgeted operating funds of the Commonwealth ended fiscal 1993 with a surplus of revenues and other sources over expenditures and other uses of $13.1 million and aggregate ending fund balances in the budgeted operating funds of the Commonwealth of approximately $562.5 million. Budgeted revenues and other sources for fiscal 1993 totalled approximately $14.710 billion, including tax revenues of $9.930 billion. Total revenues and other sources increased by approximately 6.9% from fiscal 1992 to fiscal 1993, while tax revenues increased by 4.7% for the same period. In July 1992, tax revenues had been estimated to be approximately $9.685 billion for fiscal 1993. This amount was subsequently revised during fiscal 1993 to $9.940 billion.

Commonwealth budgeted expenditures and other uses in fiscal 1993 totalled approximately $14.696 billion, which is $1.280 billion or approximately 9.6% higher than fiscal 1992 expenditures and other uses. Fiscal 1993 budgeted expenditures were $23 million lower than the initial July 1992 estimates of fiscal 1993 budget expenditures.

On July 19, 1993, the Governor signed into law the budget for fiscal 1994, totalling $15.463 billion. This represented a $694 million increase over the then estimated budgeted expenditures of $14.976 billion for fiscal 1993. On January 14, 1994, the Governor signed into law supplemental appropriations totalling approximately $157.9 million. Including an additional $8.1 million in fiscal 1994 supplemental appropriation recommendations that the Governor plans to file, and an approximate $100 million contingency reserve in fiscal 1994 for possible additional spending, fiscal 1994 budgeted expenditures are currently estimated to be approximately $15.716 billion. Budgeted revenues and other sources to be collected in fiscal 1994 are estimated to be approximately $15.535 billion, which includes tax revenues of approximately $10.694 billion (as compared to $9.930 billion in fiscal 1993). This budget includes $175 million as part of an education reform bill passed by the legislature. The fiscal 1994 budget is based on numerous spending and revenue estimates, the achievement of which cannot be assured. As of January 10, 1994, the Legislature had overridden $21.0 million of the Governor's vetoes relating to the fiscal 1994 budget. Commonwealth expenditures and other uses in fiscal 1994 are currently estimated to be approximately $15.500 billion, which is $788 million or approximately 5.36% higher than those of fiscal 1993. Based on currently estimated revenues and expenditures, the Executive Office for Administration and Finance projects a fiscal 1994 ending balance of approximately $382.0 million, of which approximately $315.5 million will be in the Stabilization Fund.

On July 19, 1993, a 60-day hiring freeze on all executive branch agencies was instituted to help ensure that agency expenditures remain within their fiscal 1994 budget authorizations. On August 16, 1993, the Commonwealth announced that approximately 1,280 state employees would be laid off in the near future, in addition to approximately 350 employees already laid off in fiscal 1994.

On January 21, 1994, the Governor presented his Budget Submission for fiscal year 1995 providing for expenditures of $16.14 billion, a $424 million, or 2.7%, increase over current fiscal year 1994 projections. These proposed expenditures for fiscal year 1995 include direct local aid of $2.997 billion. This budget is based on total anticipated revenues of $16.144 billion, which represents a $609 million, or 3.9%, increase over fiscal year 1994 estimates. The Governor's budget recommendation is based on a tax revenue estimate of $11.226 billion, an increase of approximately 5.0%, as compared to currently estimated fiscal 1994 tax revenues of $10.694 billion.

The liabilities of the Commonwealth with respect to outstanding bonds and notes payable as of January 1, 1994 totalled $12.555 billion. These liabilities consisted of $8.430 billion of general obligation debt, $1.036 billion of dedicated income tax debt (the Fiscal Recovery Bonds), $104 million of special obligation debt, $2.742 billion of supported debt, and $243 million of guaranteed debt.

Capital spending by the Commonwealth was approximately $595 million in fiscal

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1987, $632 million in fiscal 1988 and $971 million in fiscal 1989. In November 1988, the Executive Office for Administration and Finance established an administrative limit on state financed capital spending in the Capital Projects Funds of $925.0 million per fiscal year. Capital expenditures decreased to $936 million, $847 million, $694.1 million and $575.9 million in fiscal 1990, 1991, 1992 and fiscal 1993, respectively. Capital expenditures are projected to increase to $886.0 million in fiscal 1994. The growth in capital spending accounts for a significant rise in debt service during the period. Payments for the debt service on Commonwealth general obligation bonds and notes have risen at an average annual rate of 20.4% from $649.8 million in fiscal 1989 to $942.3 million in fiscal 1991. Debt Service payments in fiscal 1992 were $898.3 million, representing a 4.7% decrease from fiscal 1991. This decrease resulted from a $261 million one-time reduction achieved through the issuance of refunding bonds in September and October of 1991. Debt service expenditures were $1.139 billion for fiscal 1993 and are projected to be $1.220 billion for fiscal 1994. These amounts represent debt service payments on direct Commonwealth debt and do not include debt service on notes issued to finance the fiscal 1989 deficit and certain Medicaid-related liabilities, which were paid in full from non-budgeted funds. Also excluded are debt service contract assistance to certain state agencies and the municipal school building assistance program projected to total of $359.7 million in the aggregate in fiscal 1994. In addition to debt service on bonds issued for capital purposes, the Commonwealth is obligated to pay the principal of and interest on the Fiscal Recovery Bonds described above. The estimated debt service on such bonds currently outstanding (a portion of which were issued as variable rate bonds) ranges from approximately $279 million (interest only) in fiscal 1994 through fiscal 1997 and approximately $130 million in fiscal 1998, at which time the entire amount of the Fiscal Recovery Bonds will be retired.

In January 1990 legislation was enacted to impose a limit on debt service in Commonwealth budgets beginning in fiscal 1991. The law provides that no more than 10% of the total appropriations in any fiscal year may be expended for payment of interest and principal on general obligation debt (excluding the Fiscal Recovery Bonds) of the Commonwealth. This law may be amended or appealed by the legislature or may be superseded in the General Appropriation Act for any year. From fiscal year 1987 through fiscal year 1994 estimated, this percentage has been substantially below the limited established by this law.

Legislation enacted in December 1989 imposes a limit on the amount of outstanding direct bonds of the Commonwealth. The limit for fiscal 1994 is $7.872 billion. The law provides that the limit for each subsequent fiscal year shall be 105% of the previous fiscal year's limit. The Fiscal Recovery Bonds will not be included in computing the amount of bonds subject to this limit.

In August 1991, the Governor announced a five-year capital spending plan. The plan, which represents the Commonwealth's first centralized multi-year capital plan, sets forth, by agency, specific projects to receive capital spending allocations over the next five fiscal years and annual capital spending limits. Capital spending by the Commonwealth, which exceeded $900 million annually in fiscal 1989, 1990 and 1991, declined to $694.1 million in fiscal 1992 and $575.9 in fiscal 1993. For fiscal 1994 through 1998, the plan forecasts annual capital spending for the Commonwealth of between $813 million and $886 million per year, exclusive of spending by the Massachusetts Bay Transit Authority. Total expenditures are forecast at $4.25 billion, an amount less than the total amount of agency capital spending requests for the same period. Planned spending is also significantly below legislatively authorized spending levels.

Unemployment. From 1980 to 1989, the Massachusetts unemployment rate was significantly lower than the national average. The Massachusetts unemployment rate averaged 9.0%, 8.5% and 6.9% in calendar 1991, 1992 and 1993, respectively. The Massachusetts unemployment rate in December, 1993 was 6.3% as compared to 6.6% for November, 1993 and 8.6% for December of 1992, although the rate has been volatile throughout this period. The Massachusetts unemployment rate in January and February, 1994 was 7.2% and 6.4%, respectively; these rates are not comparable to prior rates due to a new rate computation which became effective in 1994.

The balance in the Massachusetts Unemployment Compensation Trust Fund had been exhausted as of September 1991 due to the continued high levels of unemployment. As of December 31, 1992, the Massachusetts Unemployment Compensation Trust Fund balance was in deficit by $377 million. As of November 30, 1993, the Fund was in deficit by $163 million. The deficit is now expected to be approximately $120 million by the end of calendar 1993. Benefit payments in excess of contributions are being financed by use of repayable advances from the federal unemployment loan account. Legislation enacted in May 1992 increased employer contributions in order to reduce advances from the federal loan account. The additional increases in contributions provided by the new legislation should result in a positive balance in the Unemployment Compensation Trust Fund by the end of December 1994 and rebuild reserves in the system to over $1 billion by the end of 1996.

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Litigation. The Attorney General of the Commonwealth is not aware of any cases involving the Commonwealth which in his opinion would affect materially its financial condition. However, certain cases exist containing substantial claims, among which are the following.

The United States has brought an action on behalf of the U.S. Environmental Protection Agency alleging violations of the Clean Water Act and seeking to enforce the clean-up of Boston Harbor. The Massachusetts Water Resources Authority (the "MWRA") has assumed primary responsibility for developing and implementing a court approved plan and time table for the construction of the treatment facilities necessary to achieve compliance with the federal requirements. The MWRA currently projects the total cost of construction of the waste water facilities required under the court's order as approximately $3.5 billion in current dollars. Under the Clean Water Act, the Commonwealth may be liable for any costs of complying with any judgment in this case to the extent that the MWRA or a municipality is prevented by state law from raising revenues necessary to comply with such a judgment.

In a recent suit filed against the Department of Public Welfare, plaintiffs allege that the Department has unlawfully denied personal care attendant services to severely disabled Medicaid recipients. The Court has denied plaintiffs' motion for a preliminary injunction and has not yet acted on plaintiffs' motion for reconsideration of that decision. If plaintiffs prevail on their claims, the suit could cost the Commonwealth as much as $200 million.

In a suit filed against the Commissioner of Revenue, plaintiffs challenge the inclusion of income from tax exempt obligations in the measure of the bank excise tax. The Appellate Tax Board issued a finding of fact and report in favor of the Commissioner of Revenue on September 30, 1993. An appeal has been filed. Approximately $400 million is at issue.

There are also several tax matters in litigation which may result in an aggregate liability in excess of $195 million.

Ratings. Beginning on May 17, 1989, Standard & Poor's downgraded its ratings on Massachusetts general obligation bonds and certain agency issues from AA+ to AA. The ratings were downgraded three additional times to a low of BBB on December 31, 1989. On July 14, 1989, Standard & Poor's also downgraded its rating on temporary general obligation notes and various agency notes from SP-1 + to SP-1 and on general obligation short-term notes and on short-term agency debt from SP-1 to SP-2. Bonds rated BBB may have speculative characteristics. The rating remained at BBB until September 9, 1992 when Standard & Poor's raised its rating to A. At this same time, such bonds were removed from CreditWatch. On October 14, 1993, Standard & Poor's raised its rating from A to A+.

On June 21, 1989, Moody's Investors Service downgraded its rating on Massachusetts general obligation bonds from Aa to A. The ratings were further reduced on two occasions to a low on March 19, 1990 of Baa where it remained until September 10, 1992 when Moody's increased its rating to A.

Fitch Investors Service, Inc. lowered its rating on the Commonwealth's bonds from AA to A on September 29, 1989. As of December 5, 1991, its qualification of the bonds changed from Uncertain Trends to Stabilizing Credit Trend. On October 13, 1993, Fitch Investors raised its rating from A to A+.

Ratings may be changed at any time and no assurance can be given that they will not be revised or withdrawn by the rating agencies, if in their respective judgments, circumstances should warrant such action. Any downward revision or withdrawal of a rating could have an adverse effect on market prices of the bonds.

Massachusetts Taxes

In the opinion of Wayne, Lazares & Chappell, Boston, Massachusetts, special counsel on Massachusetts tax matters, under existing Massachusetts law and regulations:

1. For Massachusetts income tax purposes, the Massachusetts Trust will be classified as a fixed investment trust, as that term is defined in Section 62.8.1 of Title 830 of the Code of Massachusetts Regulations and, therefore will not be subject as an entity to Massachusetts income taxation.

2. Unitholders who are subject to Massachusetts income taxation under Chapter 62 of the Massachusetts General Laws will not be required to include their share of the earnings of the Massachusetts Trust in their Massachusetts gross income to the extent

that such earnings represent interest received by the Massachusetts Trust

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on obligations issued by Massachusetts, its political subdivisions or their agencies or instrumentalities the interest on which is exempt from taxation under Massachusetts law, and on obligations issued by the Government of Puerto Rico or by the Government of Guam.

3. The Massachusetts Trust's gains and losses to the extent included in the Federal gross income of Unitholders who are subject to Massachusetts income taxation under Chapter 62 of the Massachusetts General Laws, will be included as gains and losses in the Unitholders' Massachusetts gross income, except those gains specifically exempted from Massachusetts income taxation under the statutes authorizing issuance of the obligation held by the Massachusetts Trust. However, in some cases losses will not be allowed in the determination of a Unitholder's Massachusetts gross income when such losses are realized by the Massachusetts Trust on the sale of obligations issued pursuant to statutes specifically exempting gains from Massachusetts income taxation. No judgment can be made in the abstract.

4. Gains and losses realized upon sale or redemption of Units of the Massachusetts Trust by Unitholders who are subject to Massachusetts income taxation under Chapter 62 to the extent included in the Federal gross income of such Unitholders will be included as gains and losses in the Unitholders' Massachusetts gross income, except those gains attributable to obligations held by the Massachusetts Trust which are issued pursuant to statutes specifically exempting gains from Massachusetts income taxation. However, in some cases, losses will not be allowed in the determination of a Unitholder's Massachusetts gross income when such losses are attributable to obligations issued pursuant to statutes specifically exempting gains from Massachusetts income taxation. No judgment can be made in the abstract.

5. Distributions to Unitholders who are subject to Massachusetts income taxation under Chapter 62 of the Massachusetts General Laws will be subject to tax only to the extent provided in paragraphs 2, 3 and 4 above.

The opinions expressed above apply only to Unitholders who are individuals. In addition, these opinions are subject to the opinion of Davis Polk & Wardwell that the Massachusetts Trust is not an association taxable as a corporation for Federal income tax purposes and will be treated as a grantor trust for Federal income tax purposes.

PENNSYLVANIA TRUST

RISK FACTORS--Potential purchasers of Units of the Pennsylvania Trust should consider the fact that the Trust's portfolio consists primarily of securities issued by the Commonwealth of Pennsylvania (the "Commonwealth"), its municipalities and authorities and should realize the substantial risks associated with an investment in such securities. Although the balance in the General Fund of the Commonwealth (the principal operating fund of the Commonwealth) declined to a zero balance at the close of fiscal 1989, and a negative balance was experienced in fiscal 1990 and 1991, tax increases and spending decreases helped return the General Fund balance to a surplus at June 30, 1992 of $87.5 million. The deficit in the Commonwealth's unreserved/undesignated funds was also reduced, from $1,146.2 million at June 30, 1991 to $138.6 million at June 30, 1992.

Pennsylvania's economy historically has been dependent upon heavy industry, but has diversified recently into various services, particularly into medical and health services, education and financial services. Agricultural industries continue to be an important part of the economy, including not only the production of diversified food and livestock products, but substantial economic activity in agribusiness and foodrelated industries. Service industries currently employ the greatest share of nonagricultural workers, followed by the categories of trade and manufacturing. Future economic difficulties in any of these industries could have an adverse impact on the finances of the Commonwealth or its municipalities, and could adversely affect the market value of the Bonds in the Pennsylvania Trust or the ability of the respective obligors to make payments of interest and principal due on such Bonds.

Certain litigation is pending against the Commonwealth that could adversely affect the ability of the Commonwealth to pay debt service on its obligations including suits relating to the following matters: (i) the ACLU has filed suit in federal court demanding additional funding for child welfare services; the Commonwealth settled a similar suit in the Commonwealth Court of Pennsylvania and is seeking the dismissal of the federal suit, inter alia, because of that settlement. In April 1993, the federal court granted in part and denied in part the Commonwealth's motion for summary judgment (no available estimate of potential liability); (ii) in 1987, the Supreme Court of Pennsylvania held the statutory scheme for county funding of the judicial system to be in conflict with the constitution of the Commonwealth but stayed judgment pending enactment by the legislature of funding consistent with the opinion and the legislature has yet to consider legislation implementing the judgment, in 1992, a new action in mandamus was filed seeking to compel the Commonwealth to comply with the original decision; (iii) several banks have filed suit against the

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Commonwealth contesting the constitutionality of a law enacted in 1989 imposing a bank shares tax (potential liability estimated at $1.023 billion through June 1993 plus interest); (iv) litigation has been filed in both state and federal court by an association of rural and small schools and several individual school districts and parents challenging the constitutionality of the Commonwealth's system for funding local school districts--the federal case has

been stayed pending resolution of the state case and the state case is in the pre-trial stage (no available estimate of potential liability); (v) litigation has been filed in state court by a variety of plaintiffs challenging the validity of a number of provisions in the 1991 tax legislation, including the tax on leased vehicles, the sales tax on periodicals, and the repeal of the deduction for net operating loss carryforwards; in the net operating loss case, the Commonwealth Court recently overruled preliminary objections filed by the Commonwealth, which will allow the litigation to proceed (no available estimate of potential liability for refund of taxes collected or amount of tax revenue at risk); (vi) the ACLU has brought a class action suit on behalf of inmates challenging the conditions of confinement in thirteen of the Commonwealth's correctional institutions (no available estimate of potential cost of complying with the injunction sought, but capital and personnel costs might cost millions of dollars) and (vii) a consortium of public interest law firms has filed a class action suit alleging that the Commonwealth has not complied with a federal mandate to provide screening, diagnostic and treatment services for all Medicaid-eligible children under 21 (attempts are being made to negotiate a settlement of the case with potential liability estimated at $98 million).

The Commonwealth's general obligation bonds have been rated AA- by Standard & Poor's and A1 by Moody's for more than the last five years.

The City of Philadelphia (the "City") has been experiencing severe financial difficulties which has impaired its access to public credit markets and a long-term solution to the City's financial crisis is still being sought. The City experienced a series of General Fund deficits for Fiscal Years 1988 through 1991. Additional deficits are expected for the 1992 and 1993 fiscal years. The City has no legal authority to issue deficit reduction bonds on its own behalf, but state legislation has been enacted to create an Intergovernmental Cooperation Authority (the "Authority") to provide fiscal oversight for Pennsylvania cities (primarily Philadelphia) suffering recurring financial difficulties. The Authority is broadly empowered to assist cities in avoiding defaults and eliminating deficits by encouraging the adoption of sound budgetary practices and issuing bonds. In order for the Authority to issue bonds on behalf of the City, the City and the Authority entered into an intergovernmental cooperative agreement providing the Authority with certain oversight powers with respect to the fiscal affairs of the City, and the Authority approved a five-year financial plan prepared by the City. A five year plan that projects a balanced General Fund budget in Fiscal Year 1994 without a grant from the Authority was approved by the Authority on April 6, 1992. Full implementation of the five year plan was delayed due to labor negotiations that were not completed until October 1982, three months after the expiration of the old labor contracts. In March 1993, Philadelphia filed an amended five year plan with the Authority, which projects a $6.6 million deficit in the General Fund for the fiscal year ending June 30, 1993. The City Council and the Authority have approved a fiscal 1994 budget that projects no deficit for the fiscal year ending June 30, 1994. In June 1992, the Authority issued $474,555,000 in bonds to liquidate the City's deficit balance in its general fund. In July 1993, the Authority issued $643,430,000 of bonds to refund certain general obligation bonds of the City and to fund additional capital projects. In September 1993, the Authority issued $178,675,000 of bonds to advance refund certain of the bonds issued in June 1992.

PENNSYLVANIA TAXES

In the opinion of Messrs. Drinker Biddle & Reath, Philadelphia, Pennsylvania, special counsel on Pennsylvania tax matters, under existing law:

> Units evidencing fractional undivided interests in the Pennsylvania Trust are not subject to any of the personal property taxes presently in effect in Pennsylvania to the extent that the Trust is comprised of bonds issued by the Commonwealth of Pennsylvania, any public authority, commission, board or other agency created by the Commonwealth of Pennsylvania or any public authority created by any such political subdivision ("Pennsylvania Bonds"). The taxes referred to include the County Personal Property Tax imposed on residents of Pennsylvania by the Act of June 17, 1913, P.L. 507, as amended, and the additional personal property taxes imposed on Pittsburgh residents by the School District of Pittsburgh under the Act of June 20, 1947, P.L. 733, as amended and by the City of Pittsburgh under Ordinance No. 599 of December 28, 1967. The portion, if any, of such Units representing bonds or other obligations issued by the Government of Guam or by its authority, bonds issued by the Government of Puerto Rico or by its authority, and bonds issued by the Government of the Virgin Islands or by a

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municipality thereof (collectively, "Possession Bonds") is not expressly exempt from taxation under the foregoing Pennsylvania Act. However, such bonds are expressly relieved from direct state taxation by United States statutes. Therefore, Units in the Pennsylvania Trust are not subject to Personal Property Tax to the extent that the Trust is comprised of Possession Bonds.

Pennsylvania Trust Units may be subject to tax in the estate of a resident decedent under the Pennsylvania inheritance and estate taxes.

Income received by a Unit holder attributable to interest realized by the Pennsylvania Trust from Pennsylvania Bonds, Possession Bonds, and Prior Trust Units is not taxable to individuals, estates or trusts under the Personal Income Tax imposed by Article III of the Tax Reform Code of 1971; to corporations under the Corporate Net Income Tax imposed by Article IV of the Tax Reform Code of 1971; nor to individuals under the Philadelphia School District Net Income Tax ("School District Tax") imposed on Philadelphia resident individuals under the authority of the Act of August 9, 1963, P.L. 640.

Income received by a Unit holder attributable to gain on the sale or other disposition by the Pennsylvania Trust of Pennsylvania Bonds, Possession Bonds and Prior Trust Units is taxable under the Personal Income Tax, Corporate Net Income Tax, and, unless these assets were held by the Pennsylvania Trust for more than six months, the School District Tax.

To the extent that gain on the disposition of a Unit represents gain realized on Pennsylvania Bonds held by the Pennsylvania Trust or held by Prior Trust Units, such gain may be subject to the Personal Income Tax and Corporate Net Income Tax. Such gain may also be subject to the School District Tax, except that gain realized with respect to a Unit held for more than six months is not subject to the School District Tax.

No opinion is expressed regarding the extent, if any, to which Units, or interest and gain thereon, is subject to, or included in the measure of, the special taxes imposed by the Commonwealth of Pennsylvania on banks and other financial institutions or with respect to any privilege, excise, franchise or other tax imposed on business entities not discussed herein (including the Corporate Capital Stock/Foreign Franchise Tax).

TAX FREE VS. TAXABLE INCOME

The following tables show the approximate yields which taxable securities must earn in various income brackets to equal tax exempt yields under combined Federal and state individual income tax rates. This table reflects Federal income tax rates and tax brackets for the 1994 taxable year under the Code as in effect on the date of this Prospectus and state income tax rates that were available on the date of the Prospectus. Because the Federal rate brackets are subject to adjustment based on changes in the Consumer Price Index, the taxable equivalent yields for subsequent years may be lower than indicated. A table is computed on the theory that the taxpayer's highest bracket tax rate is applicable to the entire amount of any increase or decrease in taxable income (after allowance for any resulting change in state income tax) resulting from a switch from taxable to tax-free securities or vice versa. Variations between state and Federal allowable deductions and exemptions are generally ignored. The state tax is thus computed by applying to the Federal taxable income bracket amounts shown in the table the appropriate state rate for those same dollar amounts. For example, a married couple living in the State of [California] and filing a Joint Return with $53,000 in taxable income for the 1994 tax year would need a taxable investment yielding 9.058% in order to equal a tax-free return of 6.00%. Use the appropriate table to find your tax bracket. Read across to determine the approximate taxable yield you would need to equal a return free of Federal income tax and state income tax.

STATE OF CALIFORNIA

1994 TAX YEAR

<TABLE>
<CAPTION>

TAXABLE INCOME BRACKET*	APPROX. COMBINED FEDERAL & STATE TAX RATE	TAX EXEMPT YIELD 3.50	4.00	4.50	5.00	5.50	6.00	6.50	7.00
		TAXABLE EQUIVALENT YIELD JOINT RETURN							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 22,118 to 34,906	18.400%	4.289	4.901	5.514	6.127	6.740	7.353	7.966	8.578

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$ 34,906 to 36,900	20.100%	4.380	5.006	5.632	6.257	6.883	7.509	8.135	8.761
$ 36,900 to 48,456	32.320%	5.171	5.910	6.648	7.387	8.126	8.865	9.604	10.343
$ 48,456 to 61,240	33.760%	5.283	6.038	6.793	7.548	8.303	9.058	9.813	10.568
$ 61,240 to 89,150	34.696%	5.359	6.125	6.890	7.656	8.422	9.188	9.953	10.719
$ 89,150 to 140,000	37.417%	5.592	6.391	7.190	7.989	8.788	9.587	10.386	11.185
$140,000 to 212,380	41.952%	6.029	6.890	7.752	8.613	9.474	10.336	11.197	12.058
$212,380 to 250,000	42.400%	6.076	6.944	7.812	8.680	9.548	10.416	11.284	12.152
$250,000 to 424,760	45.640%	6.438	7.358	8.278	9.197	10.117	11.037	11.957	12.877
Over $424,760	46.244%	6.510	7.441	8.371	9.301	10.231	11.161	12.091	13.021

<CAPTION>

					SINGLE RETURN				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 24,228 to 30,620	33.760%	5.283	6.038	6.793	7.548	8.303	9.058	9.813	10.568
$ 30,620 to 53,500	34.696%	5.359	6.125	6.890	7.656	8.422	9.188	9.953	10.719
$ 53,500 to 106,190	37.417%	5.592	6.391	7.190	7.989	8.788	9.587	10.386	11.185
$106,190 to 115,000	37.900%	5.636	6.441	7.246	8.051	8.856	9.661	10.467	11.272
$115,000 to 212,380	42.400%	6.076	6.944	7.812	8.680	9.548	10.416	11.284	12.152
$212,380 to 250,000	43.040%	6.144	7.022	7.900	8.778	9.655	10.533	11.411	12.289
Over $250,000	46.244%	6.510	7.441	8.371	9.301	10.231	11.161	12.091	13.021

</TABLE>

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* The income amount shown is income subject to Federal income tax reduced by adjustments to income, exemptions, and itemized deductions (including the deduction for state income tax). If the standard deduction had been taken for Federal income tax purposes in order to reach the amount shown in the table, the taxable equivalent yield required to equal a specified tax-exempt yield would be at least as great as that shown in the table. It is assumed that the investor is not subject to the alternative minimum tax. Where applicable, investors should take into account the provisions of the Code under which the benefit of certain itemized deductions and the benefit of personal exemptions are limited in the case of higher income individuals. Under the Code, an individual taxpayer with adjusted gross income in excess of a $111,800 threshold amount is subject to an overall limitation on certain itemized deductions, requiring a reduction equal to the lesser of (i) 3% of adjusted gross income in excess of the $111,800 threshold amount or (ii) 80% of the amount of such itemized deductions otherwise allowable. The benefit of each personal exemption is phased out for married taxpayers filing a joint return with adjusted gross income in excess of $167,700 and for single taxpayers with adjusted gross income in excess of $111,800. Personal exemptions are phased out at the rate of two percentage points for each $2,500 (or fraction thereof) of adjusted gross income in excess of the applicable threshold amount. California has adopted provisions corresponding to the Federal law provisions limiting the benefit of certain itemized deductions and phasing out the benefit of personal exemptions. However, the California threshold amounts and percentage reductions differ from those applicable under Federal law. The Federal and California tax brackets, the threshold amounts at which itemized deductions are subject to reduction, and the range over which personal exemptions are phased out will be adjusted for inflation. The 36% and the 39.6% Federal tax brackets will, however, be adjusted for inflation only for years after 1994.

STATE OF CONNECTICUT

1994 TAX YEAR

<TABLE>
<CAPTION>

TAXABLE INCOME BRACKET*	APPROX. COMBINED FEDERAL & STATE TAX RATE**	TAX EXEMPT YIELD 4.00	4.50	5.00	5.50	6.00	6.50	6.50
				TAXABLE EQUIVALENT YIELD				
				JOINT RETURN				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$0 to 36,900	18.825%	4.927	5.543	6.159	6.775	7.391	8.007	8.623
$ 36,900 to 89,150	31.240%	5.817	6.544	7.271	7.998	8.726	9.453	10.180
$ 89,150 to 140,000	34.105%	6.070	6.829	7.587	8.346	9.105	9.864	10.622
$140,000 to 250,000	38.880%	6.544	7.362	8.180	8.998	9.816	10.634	11.452
Over $250,000	42.318%	6.934	7.801	8.668	9.535	10.401	11.268	12.135

<CAPTION>

				SINGLE RETURN				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$0 to 22,100	18.825%	4.927	5.543	6.159	6.775	7.391	8.007	8.623
$ 22,100 to 53,500	31.240%	5.817	6.544	7.271	7.998	8.726	9.453	10.180
$ 53,500 to 115,000	34.105%	6.070	6.829	7.587	8.346	9.105	9.864	10.622
$115,000 to 250,000	38.880%	6.544	7.362	8.180	8.998	9.816	10.634	11.452
Over $250,000	42.318%	6.934	7.801	8.668	9.535	10.401	11.268	12.135

</TABLE>

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* The income amount shown is income subject to Federal income tax reduced by adjustments to income, exemptions and itemized deductions (including the deduction for state income tax). If the standard deduction had been taken

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for Federal income tax purposes in order to reach the amount shown in the table, the taxable equivalent yield required to equal a specified tax-exempt yield would be at least as great as that shown in the table. It is assumed that the investor is not subject to the alternative minimum tax. Where applicable, investors should take into account the provisions of the Code under which the benefit of certain itemized deductions and the benefit of personal exemptions are limited in the case of higher income individuals. Under the Code, individual taxpayers with adjusted gross income in excess of a $111,800 threshold amount are subject to an overall limitation on certain itemized deductions, requiring a reduction equal to the lesser of (i) 3% of adjusted gross income in excess of the $111,800 threshold amount or (ii) 80% of the amount of such itemized deductions otherwise allowable. The benefit of each personal exemption is phased out for married taxpayers filing a joint return with adjusted gross income in excess of $167,700 and for single taxpayers with adjusted gross income in excess of $111,800. Personal exemptions are phased out at the rate of two percentage points for each $2,500 (or fraction thereof) of adjusted gross income in excess of the applicable threshold amount. The 15%, 28% and 31% Federal tax brackets, the threshold amounts at which itemized deductions are subject to reduction, and the range over which personal exemptions are phased out will be adjusted for inflation for each year. The 36% and 39.6% Federal tax brackets will be adjusted for inflation for each year after 1994.

** This table does not reflect the Connecticut personal exemption and tax credit. To the extent that the Connecticut personal exemption and tax credit apply in a particular case, the approximate combined Federal and state tax rates and the taxable equivalent yield will be less than that shown in the table.

COMMONWEALTH OF MASSACHUSETTS

1994 TAX YEAR

TAXABLE INCOME BRACKET*	APPROX. COMBINED FEDERAL & STATE TAX RATE	3.50	4.00	4.50	5.00	5.50	6.00	6.50	7.00
		TAXABLE EQUIVALENT YIELD							
JOINT RETURN									
$ 0-36,900	25.20	4.68	5.35	6.02	6.68	7.35	8.02	8.69	9.36
$ 36,900-89,150	36.64	5.52	6.31	7.10	7.89	8.68	9.47	10.26	11.05
$ 89,150-140,000	39.28	5.76	6.59	7.41	8.23	9.06	9.88	10.70	11.53
$140,000-350,000	43.68	6.21	7.10	7.99	8.88	9.77	10.65	11.54	12.43
Over $250,000	46.85	6.58	7.53	8.47	9.41	10.35	11.29	12.23	13.17
SINGLE RETURN									
$ 0-22,100	25.20	4.68	5.35	6.02	6.68	7.35	8.02	8.69	9.36
$ 22,100-53,500	36.64	5.52	6.31	7.10	7.89	8.68	9.47	10.26	11.05
$53,500-115,000	39.28	5.76	6.59	7.41	8.23	9.06	9.88	10.70	11.53
115,000-250,000	43.68	6.21	7.10	7.99	8.88	9.77	10.65	11.54	12.43
Over $250,000	46.85	6.58	7.53	8.47	9.41	10.35	11.29	12.23	13.17

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* The income amount shown is income subject to Federal income tax reduced by adjustments to income, exemptions and itemized deductions (including the deduction for state income tax). If the standard deduction had been taken for Federal income tax purposes in order to reach the amount shown in the table, the taxable equivalent yield required to equal a specified tax-exempt yield would be at least as great as that shown in the table. It is assumed that the investor is not subject to the alternative minimum tax. Where applicable, investors should take into account the provisions of the Code under which the benefit of certain itemized deductions and the benefit of personal exemptions are limited in the case of higher income individuals. Under the Code, an individual taxpayer with adjusted gross income in excess of a $111,800 threshold amount is subject to an overall limitation on certain itemized deductions, requiring a reduction equal to the lesser of (i) 3% of adjusted gross income in excess of the $111,800 threshold amount or (ii) 80% of the amount of such itemized deductions otherwise allowable. The benefit of each personal exemption is phased out for married taxpayers filing a joint return with adjusted gross income in excess of $167,700 and for single taxpayers with adjusted gross income in excess of $111,800. Personal exemptions are phased out at the rate of two percentage points for each $2,500 (or fraction thereof) of adjusted gross income in excess of the applicable threshold amount. The 15%, 28% and 31% Federal tax brackets, the threshold amounts at which itemized deductions are subject to reduction, and the range over which personal exemptions are phased out will be adjusted for inflation for each year. The 36% and 39.6% Federal tax brackets will be adjusted for inflation for each year after 1994.

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COMMONWEALTH OF PENNSYLVANIA

1994 TAX YEAR

<TABLE>
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TAXABLE INCOME BRACKET*	APPROX. COMBINED FEDERAL & STATE TAX RATE	TAX EXEMPT YIELD 3.50	4.00	4.50	5.00	5.50	6.00	6.50	7.00
		TAXABLE EQUIVALENT YIELD							
		JOINT RETURN							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 0 to 38,000	17.380%	4.236	4.841	5.447	6.052	6.657	7.262	7.867	8.473
$ 38,000 to 91,850	30.016%	5.001	5.716	6.430	7.144	7.859	8.573	9.288	10.002
$ 91,850 to 140,000	32.932%	5.219	5.964	6.710	7.455	8.201	8.946	9.692	10.437
$140,000 to 250,000	37.792%	5.626	6.430	7.234	8.037	8.841	9.645	10.449	11.253
Over $250,000	41.291%	5.962	6.813	7.665	8.516	9.368	10.220	11.072	11.923
<CAPTION>									
		SINGLE RETURN							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 0 to 22,750	17.380%	4.236	4.841	5.447	6.052	6.657	7.262	7.867	8.473
$ 22,750 to 53,100	30.016%	5.001	5.716	6.430	7.144	7.859	8.573	9.288	10.002
$ 53,100 to 115,000	32.932%	5.219	5.964	6.710	7.455	8.201	8.946	9.692	10.437
$115,000 to 250,000	37.792%	5.626	6.430	7.234	8.037	8.841	9.645	10.449	11.253
Over $250,000	41.291%	5.962	6.813	7.665	8.516	9.368	10.220	11.072	11.923

</TABLE>

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* The income amount shown is income subject to Federal income tax reduced by adjustments to income, exemptions, and itemized deductions (including the deduction for state income tax). If the standard deduction had been taken for Federal income tax purposes in order to reach the amount shown in the table, the taxable equivalent yield required to equal a specified tax-exempt yield would be at least as great as that shown in the table. It is assumed that the investor is not subject to the alternative minimum tax. Where applicable, investors should take into account the provisions of the Code under which the benefit of certain itemized deductions and the benefit of personal exemptions are limited in the case of higher income individuals. Under the Code, individual taxpayers with adjusted gross income in excess of a $111,800 threshold amount are subject to an overall limitation on certain itemized deductions, requiring a reduction equal to the lesser of (i) 3% of adjusted gross income in excess of the $111,800 threshold amount or (ii) 80% of the amount of such itemized deductions otherwise allowable. The benefit of each personal exemption is phased out for married taxpayers filing a joint return with adjusted gross income in excess of $167,700 and for single taxpayers with adjusted gross income in excess of $111,800. Personal exemptions are phased out at the rate of two percentage points for each $2,500 (or fraction thereof) of adjusted gross income in excess of the applicable threshold amount. The 15%, 28% and 31% Federal tax brackets, the threshold amounts at which itemized deductions are subject to reduction, and the range over which personal exemptions are phased out will be adjusted for inflation for each year. The 36% and 39.6% Federal tax brackets will be adjusted for inflation for each year after 1994. The above table does not reflect the impact of the income tax imposed by the School District of Philadelphia.

PROSPECTUS

THIS PROSPECTUS CONTAINS INFORMATION CONCERNING THE TRUST AND THE SPONSORS, BUT DOES NOT CONTAIN ALL THE INFORMATION SET FORTH IN THE REGISTRATION STATEMENTS AND EXHIBITS RELATING THERETO, WHICH THE TRUST HAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D.C., UNDER THE SECURITIES ACT OF 1933 AND THE INVESTMENT COMPANY ACT OF 1940, AND TO WHICH REFERENCE IS HEREBY MADE.

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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.

TAX EXEMPT SECURITIES TRUST

11,500 UNITS

Prospectus

Dated March 17, 1994

SPONSORS

SMITH BARNEY
SHEARSON INC.
1345 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10105
(212) 698-5300

KIDDER, PEABODY & CO.
INCORPORATED
60 BROAD STREET
NEW YORK, NEW YORK 10004
(212) 656-1609

PART II. ADDITIONAL INFORMATION NOT REQUIRED IN PROSPECTUS

A. The following information relating to the Depositors is incorporated by reference to the SEC filings indicated and made a part of this Registration Statement.

	SEC FILE OR IDENTIFICATION NO.
I. Bonding Arrangements and Date of Organization of the Depositors filed pursuant to Items A and B of Part II of the Registration Statement on Form S-6 under the Securities Act of 1993:	

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Smith Barney Shearson Inc. 2-55436
Kidder, Peabody & Co. Incorporated

II. Information as to Officers and Directors of the Depositors filed pursuant to Schedules A and D of Form BD under Rules 15b1-1 and 15b3-1 of the Securities Exchange Act of 1934:

Smith Barney Shearson Inc.	8-8177
Kidder, Peabody & Co. Incorporated	8-4831

III. Charter documents of the Depositors filed as Exhibits to the Registration Statement on Form S-6 under the Securities Act of 1933 (Charter, By-Laws):

Smith Barney Shearson Inc.	33-65332, 33-36037
Kidder, Peabody & Co. Incorporated	33-17979, 33-20499

B. The Internal Revenue Service Employer Identification Numbers of the Sponsors and Trustee are as follows:

Smith Barney Shearson Inc.	13-1912900
Kidder, Peabody & Co. Incorporated	13-5650440
United States Trust Company of New York, Trustee	13-5459866

CONTENTS OF REGISTRATION STATEMENT

THE REGISTRATION STATEMENT ON FORM S-6 COMPRISES THE FOLLOWING PAPERS AND DOCUMENTS:

The facing sheet of Form S-6.
The Cross-Reference Sheet (incorporated by reference to the Cross-Reference Sheet to the Registration Statement of Tax Exempt Securities Trust, Series 384, 1933 Act File No. 33-50915).
The Prospectus.
Additional Information not included in the Prospectus (Part II).
Consent of Independent Auditors.

The following exhibits:

<TABLE>

<C>	<S>
1.1	--Form of Trust Indenture and Agreement (incorporated by reference to Exhibit 4.a to the Registration Statement of Tax Exempt Securities Trust, Series 265, 1933 Act File No. 33-15123).
1.1.1	--Form of Reference Agreement Trust (incorporated by reference to Exhibit 4.b to the Registration Statement of Tax Exempt Securities Trust, Series 384, 1993 Act File No. 33-50915).
1.2	--Form of Agreement Among Underwriters (incorporated by reference to Exhibit 99 to the Registration Statement of Tax Exempt Securities Trust, Series 384, 1933 Act File No. 33-50915).
2.1	--Form of Certificate of Beneficial Interest (included in Exhibit 1.1).
3.1	--Opinion of counsel as to the legality of the securities being issued including their consent to the use of their name under the headings "Taxes" and "Legal Opinion" in the Prospectus.
4.1	--Consent of the Evaluator.
24	--Powers of Attorney

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SIGNATURES

The registrant, Tax Exempt Securities Trust, Series 389, hereby identifies Series 1 and Series 357 of the Trust for purposes of the representations required by Rule 487 and represents the following:

(1) That the portfolio securities deposited in the series as to the securities of which this Registration Statement is being filed do not differ materially in type or qualify from those deposited in such previous series;

(2) That, except to the extent necessary to identify the specific portfolio securities deposited in, and to provide essential financial information for, the series with respect to the securities of which this Registration Statement is being filed, this Registration Statement is being filed, this Registration Statement does not contain disclosures that differ in any material respect from those contained in the registration statements for such previous series as to which the effective date was determined by the Commission or the staff; and

(3) That is has complied with Rule 460 under the Securities Act of 1933.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS REGISTRATION STATEMENT OR AMENDMENT THERETO TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED, IN THE CITY OF NEW

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YORK, AND STATE OF NEW YORK, ON THE 17 DAY OF MARCH, 1994.

Signatures appear on pages II-4 and II-5.

A majority of the members of the Board of Directors of Smith Barney Shearson Inc. has signed this Registration Statement or Amendment to the Registration Statement pursuant to Powers of Attorney authorizing the person signing this Registration Statement or Amendment to the Registration Statement to do so on behalf of such members.

A majority of the members of the Board of Directors of Kidder, Peabody & Co. Incorporated has signed this Registration Statement or Amendment to the Registration Statement pursuant to Powers of Attorney authorizing the person signing this Registration Statement or Amendment to the Registration Statement to do so on behalf of such members.

Smith Barney Shearson Inc., Depositor

/s/ George S. Michinard, Jr.
By ....
(GEORGE S. MICHINARD, JR.)

By the following persons*, who constitute a majority of the directors of Smith Barney Shearson Inc.:

Steven D. Black

James S. Boshart III

Robert A. Case

Robert K. Difazio

James Dimon

Robert Druskin

Herbert Dunn

Toni A. Elliot

Lewis L. Glucksman

Robert F. Greenhill

John B. Hoffmann

A. Richard Janiak, Jr.

Robert Q. Jones

Robert B. Kane

Robert H. Lessen

Jeffrey B. Lane

Thomas A. Maguire, Jr.

Howard D. Marsh

John F. McCann

William J. Mills, II

John C. Morris

Charles O'Connor

Hugh J. O'Hare

Joseph J. Plumeri II

Jack L. Rivkin

A. George Saks

Bruce D. Sargent

Don M. Shagrin

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David M. Standridge

Jacques S. Theriot

Melvin B. Taub

Stephen Treadway

Paul Underwood

Philip M. Waterman, Jr.

/s/ George S. Michinard, Jr.
By ....
(GEORGE S. MICHINARD, JR.,
ATTORNEY-IN-FACT)

- --------
* Pursuant to Powers of Attorney filed under the 1933 Act file Numbers 33-56722 and 33-51999.

Kidder, Peabody & Co. Incorporated,
Depositor

/s/ Gilbert R. Ott, Jr.
By ....
(GILBERT R. OTT, JR.)

By the following persons, who constitute a majority of the Board of Directors of Kidder, Peabody & Co. Incorporated:

Michael A. Carpenter

Edward A. Cerullo

Theodore J. Johnson

Michael A. M. Keehner

John M. Liftin

C. Edward Midgley

James A. Mullin

Richard W. O'Donnell

Thomas F. Ryan, Jr.

Douglas T. Tansill

/s/ Gilbert R. Ott, Jr.
By ....
(GILBERT R. OTT, JR., ATTORNEY-IN-FACT)

CONSENT OF INDEPENDENT AUDITORS

To the Sponsors and Unit Holders of
Tax Exempt Securities Trust, Series 389:

We consent to the use of our report dated March 16, 1994 included herein and to the reference to our firm under the heading "Auditors" in the Prospectus.

KPMG Peat Marwick

New York, N.Y.
March 16, 1994

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EXHIBIT 3.1

DAVIS POLK & WARDWELL
450 LEXINGTON AVENUE
NEW YORK, NEW YORK 10017
(212) 450-4000

March 16, 1994

Tax Exempt Securities Trust,

Series 389

Smith Barney Shearson Inc.
Kidder, Peabody & Co., Incorporated
c/oSmith Barney Shearson Inc.
1345 Avenue of the Americas
New York, New York 10105

Dear Sirs:

We have acted as special counsel for you, as sponsors (the "Sponsors") of Series 389 of Tax Exempt Securities Trust (the "Trusts"), in connection with the issuance of units of fractional undivided interest in the Trusts (the "Units") in accordance with the Trust Indenture and Agreement and related Reference Trust Agreement relating to the Trusts (the "Indenture").

We have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of such documents and instruments as we have deemed necessary or advisable for the purpose of this opinion.

Based upon the foregoing, we are of the opinion that (i) the execution and delivery of the Indenture and the issuance of the Units have been duly authorized by the Sponsors and (ii) the Units, when duly issued and delivered by the Sponsors and the Trustee in accordance with the Indenture, will be legally issued, fully paid and non-assessable.

We hereby consent to the use of this opinion as Exhibit 3.1 to the Registration Statement relating to the Units filed under the Securities Act of 1933 and to the use of our name in such Registration Statement and in the related prospectus under the headings "Taxes" and "Legal Opinion".

Very truly yours,

Davis Polk & Wardwell

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EXHIBIT 4.1

KENNY S&P EVALUATION SERVICES
A Division of Kenny Information Systems, Inc.
65 Broadway
New York, New York 10006-2511
Telephone: 212/770-4900
F. A. Shinal
Senior Vice President
Chief Financial Officer

March 16, 1994

Smith Barney Shearson Inc.
1345 Avenue of the Americas
New York, N.Y. 10105

United States Trust Company
114 W. 47th Street
New York, N.Y. 10036

Re: Tax-Exempt Securities Trust, Series 389

Gentlemen:

We have examined Registration Statement File No. 33-52529 for the above-captioned trust. We hereby acknowledge that Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. is currently acting as the evaluator for the trust. We hereby consent to the use in the Registration Statement of the reference to Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. as evaluator.

In addition, we hereby confirm that the ratings indicated in the Registration Statement for the respective bonds comprising the trust portfolio are the ratings indicated in our KENNYBASE database.

You are hereby authorized to file a copy of this letter with the Securities and Exchange Commission.

Sincerely,

F. A. Shinal
Senior Vice President
Chief Financial Officer

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EXHIBIT 24

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.
Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 14th day of March, 1994.

/s/Michael A. Carpenter

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STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 14th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.
Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto

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said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 9th day of March, 1994.

/s/Edward A. Cerullo

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 9th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.

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Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 7th day of March, 1994.

/s/Theodore J. Johnson

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 7th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

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This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.
Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 7th day of March, 1994.

/s/Michael A.M. Keehner

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

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On this 7th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.
Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the

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premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 7th day of March, 1994.

/s/John M. Liften

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 7th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.
Thomas S.T. Gimbel
Lawrence H. Kaplan

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and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 3rd day of March, 1994.

/s/C. Edward Midgley

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 3rd day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar

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or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

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Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 14th day of March, 1994.

/s/James A. Mullin

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 14th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to

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me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.
Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

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IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 9th day of March, 1994.

/s/Richard W. O'Donnell

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 9th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.
Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of

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1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 14th day of March, 1994.

/s/Thomas F. Ryan, Jr.

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 14th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

Notary Public

(SEAL)

This Power of Attorney is applicable only to Registration Statements, amendments of Registration Statements, applications for registration and similar or related documents pertaining to units of undivided interest in Tax-Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series).

POWER OF ATTORNEY

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KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of Kidder, Peabody & Co. Incorporated, hereby constitutes and appoints

Gilbert R. Ott, Jr.
Thomas S.T. Gimbel
Lawrence H. Kaplan

and each of them (with full power to each of them to act alone) his true and lawful attorney-in-fact and agent for him and on his behalf and in his name, place and stead, in any and all capacities, to sign, execute and affix his seal thereto and file one or more Registration Statements under the Securities Act of 1933, as amended, and/or the Investment Company Act of 1940, including any amendment or amendments thereto, with all exhibits and any and all other documents required to be filed on and after this date with respect to the Tax Exempt Securities Trust, Series 1 and subsequent national and state series (including insured series), with any regulatory authority, federal or state, relating to the registration or issuance of units or fractional undivided interest in one or more Trust Funds without limitation so long as each such Trust Fund or series thereof shall be substantially identical and similar in form and substance to the Tax Exempt Securities Trust, Series 1, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he might or could do if personally present, hereby ratifying and confirming all that said attorney-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned director of Kidder, Peabody & Co. Incorporated has hereunto set his hand this 7th day of March, 1994.

/s/Douglas T. Tansil

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 7th day of March, 1994 personally appeared before me, a Notary Public in and for the State of New York, the person named above who is known to me to be the person whose name and signature is affixed to the foregoing Power of Attorney and who acknowledged the same to be his voluntary act and deed for the intent and purposes therein set forth.

/s/William E. McKinley

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Notary Public

(SEAL)

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