SECURITIES AND EXCHANGE COMMISSION

# FORM 487

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

Filing Date: **1994-01-21**
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## FILER

**MUNICIPAL INVT TR FD MULTISTATE SER 53 DEFINED ASSET FUNDS**

CIK:**909999**| State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **487** | Act: **33** | File No.: **033-51051** | Film No.: **94502112**

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

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 21, 1994

REGISTRATION NO. 33-51051

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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AMENDMENT NO. 1
TO
FORM S-6

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

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A. EXACT NAME OF TRUST:

MUNICIPAL INVESTMENT TRUST FUND

MULTISTATE SERIES - 53
DEFINED ASSET FUNDS

B. NAMES OF DEPOSITORS:

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
SMITH BARNEY SHEARSON INC.
PAINEWEBBER INCORPORATED
PRUDENTIAL SECURITIES INCORPORATED
DEAN WITTER REYNOLDS INC.

C. COMPLETE ADDRESSES OF DEPOSITORS' PRINCIPAL EXECUTIVE OFFICES:

| | |
|---|---|
| MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED<br>P.O. BOX 9051<br>PRINCETON, N.J. 08543-9051 | SMITH BARNEY SHEARSON INC.<br>TWO WORLD TRADE CENTER--101ST FLOOR<br>NEW YORK, N.Y. 10048 |

| | | |
|---|---|---|
| PAINEWEBBER INCORPORATED<br>1285 AVENUE OF THE AMERICAS<br>NEW YORK, N.Y. 10019 | PRUDENTIAL SECURITIES INCORPORATED<br>ONE SEAPORT PLAZA<br>199 WATER STREET<br>NEW YORK, N.Y. 10292 | DEAN WITTER REYNOLDS INC.<br>TWO WORLD TRADE CENTER<br>NEW YORK, N.Y. 10048 |

D. NAMES AND COMPLETE ADDRESSES OF AGENTS FOR SERVICE:

| | | |
|---|---|---|
| TERESA KONCICK, ESQ.<br>P.O. BOX 9051<br>PRINCETON, N.J. 8543-9051 | THOMAS D. HARMAN, ESQ.<br>388 GREENWICH STREET<br>NEW YORK, NY 10013 | LEE B. SPENCER, JR.<br>ONE SEAPORT PLAZA<br>199 WATER STREET<br>NEW YORK, N.Y. 10292 |
| | | COPIES TO: |
| PHILIP BECKER<br>130 LIBERTY STREET--29TH FLOOR<br>NEW YORK, N.Y. 10019 | ROBERT E. HOLLEY<br>1200 HARBOR BLVD.<br>WEEHAWKEN, N.J. 07087 | PIERRE DE SAINT PHALLE, ESQ.<br>450 LEXINGTON AVENUE<br>NEW YORK, N.Y. 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 OFFERING PRICE TO THE PUBLIC OF THE SECURITIES BEING REGISTERED:

Indefinite

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G. AMOUNT OF FILING FEE:

$500 (as required by Rule 24f-2)

/ x / Check box if it is proposed that this filing will become effective at 9:30 a.m. on January 21, 1994 pursuant to Rule 487.

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Def ined

Asset FundsSM

MUNICIPAL INVESTMENT TRUST FUND

MULTISTATE SERIES - 53
(UNIT INVESTMENT TRUSTS)

CALIFORNIA TRUST (INSURED)
4.94%
ESTIMATED CURRENT RETURN
4.94%
ESTIMATED LONG TERM RETURN

NEW YORK TRUST (INSURED)
4.82%
ESTIMATED CURRENT RETURN
4.82%
ESTIMATED LONG TERM RETURN

AS OF JANUARY 20, 1994

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

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

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE

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| SPONSORS: | COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. |
|---|---|
| Merrill Lynch, Pierce, Fenner & Smith Inc. | INQUIRIES SHOULD BE DIRECTED TO THE TRUSTEE AT 1-800-338-6019. |
| Smith Barney Shearson Inc. | PROSPECTUS DATED JANUARY 21, 1994. |
| PaineWebber Incorporated | READ AND RETAIN THIS PROSPECTUS FOR FUTURE REFERENCE. |
| Prudential Securities Incorporated | |
| Dean Witter Reynolds Inc. | |

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

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

Your financial advisor can help you select a Defined Fund to meet your personal investment objectives. Our size and market presence enable us to offer a wide variety of investments. Defined Funds are available in the following types of securities: municipal bonds, corporate bonds, government bonds, utility stocks, growth stocks, even international securities denominated in foreign currencies.

Termination dates are as short as one year or as long as 30 years. Special funds are available for investors seeking extra features: insured funds, double and triple tax-free funds, and funds with 'laddered maturities' to help protect against rising interest rates. Defined Funds are offered by prospectus only.

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

| | CALIFORNIA TRUST | NEW YORK TRUST |
|---|---|---|
| ESTIMATED CURRENT RETURN* (based on Public Offering Price)--...................... | 4.94% | 4.82% |
| ESTIMATED LONG TERM RETURN* | | |

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| | | |
|---|---|---|
| (based on Public Offering Price)--...................... | 4.94% | 4.82% |
| PUBLIC OFFERING PRICE PER UNIT (including 4.50% sales charge)......................$ | 1,035.85**$ | 1,042.64** |
| FACE AMOUNT OF DEBT OBLIGATIONS..................$ | 5,000,000 $ | 6,000,000 |
| INITIAL NUMBER OF UNITS***...... | 5,000 | 6,000 |
| FRACTIONAL UNDIVIDED INTEREST IN TRUST REPRESENTED BY EACH UNIT.. | 1/5,000th | 1/6,000th |
| MONTHLY INCOME DISTRIBUTIONS | | |
| First distribution to be paid on the 25th day of April 1994 to Holders of record on the 10th day of April 1994......................$ | 2.29 $ | 2.29 |
| Calculation of second and following distributions: | | |
| Estimated net annual interest rate per Unit times $1,000..................$ | 51.12 $ | 50.28 |
| Divided by 12.................$ | 4.26 $ | 4.19 |
| SPONSORS' REPURCHASE PRICE AND REDEMPTION PRICE PER UNIT**** (based on bid side evaluation)..................$ | 985.24**$ | 991.72** |
| REDEMPTION PRICE PER UNIT LESS THAN: | | |
| Public Offering Price by...$ | 50.61 $ | 50.92 |
| Sponsors' Initial Repurchase Price by.........$ | 4.00 $ | 4.00 |
| CALCULATION OF PUBLIC OFFERING PRICE | | |
| Aggregate offering side evaluation of Debt Obligations in Trust | $ 4,946,200.00 | $ 5,974,339.00 |
| Divided by Number of Units....................$ | 989.24 $ | 995.72 |
| Plus sales charge of 4.50% of Public Offering Price (4.712% of net amount invested in Debt Obligations)++........... | 46.61 | 46.92 |
| Public Offering Price per Unit......................$ | 1,035.85 $ | 1,042.64 |
| Plus accrued interest+++... | 0.99 | 0.97 |
| Total....................$ | 1,036.84 $ | 1,043.61 |
| CALCULATION OF ESTIMATED NET ANNUAL INTEREST RATE PER UNIT (based on face amount of $1,000 per Unit) | | |
| Annual interest rate per Unit...................... | 5.311% | 5.210% |
| Less estimated annual expenses per Unit expressed as a percentage.............. | .199% | .182% |
| Estimated net annual interest rate per Unit.................. | 5.112% | 5.028% |
| DAILY RATE AT WHICH ESTIMATED NET INTEREST ACCRUES PER UNIT....................... | .0142% | .0139% |
| SPONSORS' PROFIT (LOSS) ON DEPOSIT........................$ | 44,817.50 $ | 52,586.50 |
| TRUSTEE'S ANNUAL FEE AND EXPENSES.......................$ | 1.99++++$ | 1.82+++++ |
| Per Unit commencing January 1994 and April 1994 for the California and New York Trusts, respectively (see Expenses and Charges). | | |

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* Estimated Current Return represents annual interest income after estimated annual expenses divided by the maximum public offering price including a 4.50% maximum sales charge. Estimated Long Term Return is the net annual percentage return based on the yield on each underlying Debt Obligation weighted to reflect market value and time to maturity or earlier call date. Estimated Long Term Return is adjusted for estimated expenses and the maximum offering price but not for delays in a Trust's distribution of income. Estimated Current Return shows current annual cash return to investors while Estimated Long Term Return shows the return on Units held to maturity, reflecting maturities, discounts and premiums on underlying Debt Obligations. Each figure will vary with purchase price including sales charge, changes in the net interest income and the redemptions, sale, or other disposition of Debt Obligations in the Portfolio.

** Plus accrued interest.

*** The Sponsors may create additional Units during the offering period of the Fund.

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

+ The Indentures were signed and the initial deposits were made on the date of this Prospectus.

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

+++ Figure shown represents interest accrued on underlying Securities from the Initial Date of Deposit to expected date of settlement (normally five business days after purchase) for Units purchased on Initial Date of Deposit (see Description of the Fund--Income; Estimated Current Return; Estimated Long Term Return).

++++ In the event that any Debt Obligations have a delayed delivery, the Trustee's Annual Fee and Expenses will be reduced over a period in the amount of interest that would have accrued on the Debt Obligations between the date of settlement for the Units and the actual date of delivery of the Debt Obligations. The Trustee will be reimbursed for this reduction (see Description of Fund--Income; Estimated Current Return; Estimated Long Term Return).

+++++ During the first year this amount will be reduced by $0.38 for the New York Trust. Estimated annual interest income per Unit (estimated annual interest rate per Unit times $1,000) during the first year will be $51.72 and estimated expenses per Unit will be $1.44 for the New York Trust. Estimated net annual interest income per Unit will remain the same (see Description of the Fund--Income; Estimated Current Return; Estimated Long Term Return).



INVESTMENT SUMMARY AS OF JANUARY 20, 1994 (CONTINUED)

| | CALIFORNIA TRUST | NEW YORK TRUST |
|---|---|---|
| Number of Issues in Portfolio-- | 7 | 7 |
| NUMBER OF ISSUES BY SOURCE OF REVENUE*: | | |
| Lease Rental-- | 1 | 2 |
| Airports/Ports/Highways-- | -- | 2 |
| Hospitals/Healthcare Facilities-- | 2 | -- |
| Municipal Water/Sewer Utilities-- | 2 | 1 |
| Special Tax-- | 2 | -- |
| State/Local Municipal Electric Utilities-- | -- | 1 |
| Industrial Development Revenue-- | -- | 1 |
| NUMBER OF ISSUES RATED BY STANDARD & POOR'S/RATING-- AAA-- | 7+ | 7+ |
| RANGE OF FIXED FINAL MATURITY DATES OF DEBT OBLIGATIONS...................... | 2019-2023 | 2018-2021 |
| TYPE OF ISSUE EXPRESSED AS A PERCENTAGE OF THE AGGREGATE FACE AMOUNT OF PORTFOLIO | | |
| Issues Payable from Income of Specific Project or Authority.... | 100% | 100% |
| Debt Obligations Issued at an 'Original Issue Discount'**................... | 75% | 100% |
| Obligations Insured by certain Insurance Companies:*** | | |

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| | | |
|---|---|---|
| AMBAC......................... | 30% | 30% |
| Connie Lee.................... | -- | 8% |
| Financial Guaranty............ | 45% | 15% |
| MBIA.......................... | 25% | 47% |
| CONCENTRATIONS* EXPRESSED AS A PERCENTAGE OF THE AGGREGATE FACE AMOUNT OF PORTFOLIO**** | | |
| Airports/Ports/Highways....... | -- | 30% |
| Hospitals/Healthcare Facilities.................... | 25% | -- |
| Municipal Water/Sewer Utilities..................... | 30% | -- |
| Special Tax................... | 30% | -- |
| PREMIUM AND DISCOUNT ISSUES IN PORTFOLIO | | |
| Face amount of Debt Obligations with offering side evaluation: over par-- | 30% | 77% |
| at par-- | 15% | -- |
| at a discount from par-- | 55% | 23% |
| PERCENTAGE OF PORTFOLIO ACQUIRED FROM UNDERWRITING SYNDICATE IN WHICH CERTAIN SPONSORS PARTICIPATED AS SOLE UNDERWRITER, MANAGING UNDERWRITER OR MEMBER............ | -- | -- |
| PERCENTAGE OF PORTFOLIOS NOT SUBJECT TO OPTIONAL REDEMPTIONS PRIOR TO 2003 (AT PRICES INITIALLY AT LEAST 101% OF PAR)++........................... | 100% | 100% |

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

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

++ See Footnote (2) to Portfolios.

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

** See Taxes.

*** See Risk Factors--Obligations Backed by Insurance.

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



Def ined
Asset Funds

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

MUNICIPAL INVESTMENT TRUST FUND

OUR DEFINED PORTFOLIOS OF MUNICIPAL BONDS OFFER INVESTORS A SIMPLE AND CONVENIENT WAY TO EARN MONTHLY INCOME TAX-FREE. AND BY PURCHASING MUNICIPAL DEFINED FUNDS, INVESTORS NOT ONLY AVOID THE PROBLEM OF SELECTING MUNICIPAL BONDS BY THEMSELVES, BUT ALSO GAIN THE ADVANTAGE OF DIVERSIFICATION BY INVESTING IN BONDS OF SEVERAL DIFFERENT ISSUERS. SPREADING YOUR INVESTMENT AMONG DIFFERENT SECURITIES AND ISSUERS REDUCES YOUR RISK, BUT DOES NOT ELIMINATE IT.

MONTHLY TAX-FREE INTEREST INCOME

EACH TRUST PAYS MONTHLY INCOME, EVEN THOUGH THE UNDERLYING BONDS PAY INTEREST SEMI-ANNUALLY. THIS INCOME IS GENERALLY 100% EXEMPT UNDER EXISTING LAWS FROM REGULAR FEDERAL INCOME TAX AND FROM CERTAIN STATE AND LOCAL PERSONAL INCOME TAXES IN THE STATE FOR WHICH THE TRUST IS NAMED. ANY GAIN ON DISPOSITION OF THE UNDERLYING BONDS WILL BE SUBJECT TO TAX.

REINVESTMENT OPTION

YOU CAN ELECT TO AUTOMATICALLY REINVEST YOUR DISTRIBUTIONS INTO A SEPARATE PORTFOLIO OF FEDERALLY TAX-EXEMPT BONDS. REINVESTING HELPS TO COMPOUND YOUR INCOME TAX-FREE. INCOME FROM THE REINVESTMENT PROGRAM MAY BE SUBJECT TO STATE AND LOCAL TAXES.

A-RATED INVESTMENT QUALITY

EACH BOND IN THE FUND HAS BEEN SELECTED BY

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INVESTMENT PROFESSIONALS AMONG AVAILABLE BONDS RATED A OR BETTER BY AT LEAST ONE NATIONAL RATING ORGANIZATION OR HAS, IN THE OPINION OF DEFINED FUNDS RESEARCH ANALYSTS, COMPARABLE CREDIT CHARACTERISTICS. BONDS WITH THESE 'INVESTMENT GRADE' RATINGS ARE JUDGED TO HAVE A STRONG CAPACITY TO PAY INTEREST AND REPAY PRINCIPAL. IN ADDITION, UNITS OF ANY INSURED FUND ARE RATED AAA BY STANDARD & POOR'S CORPORATION.

PROFESSIONAL SELECTION AND SUPERVISION

EACH TRUST CONTAINS A VARIETY OF SECURITIES SELECTED BY EXPERIENCED BUYERS AND MARKET ANALYSTS. THE TRUSTS ARE NOT ACTIVELY MANAGED. HOWEVER, EACH PORTFOLIO IS REGULARLY REVIEWED AND A SECURITY CAN BE SOLD IF, IN THE OPINION OF DEFINED FUNDS ANALYSTS AND BUYERS, RETAINING IT COULD BE DETRIMENTAL TO INVESTORS' INTERESTS.

A LIQUID INVESTMENT

ALTHOUGH NOT LEGALLY REQUIRED TO DO SO, THE SPONSORS HAVE MAINTAINED A SECONDARY MARKET FOR DEFINED ASSET FUNDS FOR OVER 20 YEARS. YOU CAN CASH IN YOUR UNITS AT ANY TIME. YOUR PRICE IS BASED ON THE MARKET VALUE OF THE BONDS IN THE FUND'S PORTFOLIO AT THAT TIME AS DETERMINED BY AN INDEPENDENT EVALUATOR. OR, YOU CAN EXCHANGE YOUR INVESTMENT FOR ANOTHER DEFINED FUND AT A REDUCED SALES CHARGE. THERE IS NEVER A FEE FOR CASHING IN YOUR INVESTMENT.

PRINCIPAL DISTRIBUTIONS

PRINCIPAL FROM SALES, REDEMPTIONS AND MATURITIES OF BONDS IN THE FUND IS DISTRIBUTED TO INVESTORS PERIODICALLY.

RISK FACTORS

UNIT PRICE FLUCTUATES AND IS AFFECTED BY INTEREST RATES AS WELL AS THE FINANCIAL CONDITION OF THE ISSUERS OF THE BONDS.

THIS PAGE MAY NOT BE DISTRIBUTED UNLESS INCLUDED IN A CURRENT PROSPECTUS. INVESTORS SHOULD REFER TO THE PROSPECTUS FOR FURTHER INFORMATION.

TAX-FREE VS. TAXABLE INCOME
A COMPARISON OF TAXABLE AND TAX-FREE YIELDS

FOR CALIFORNIA RESIDENTS

<TABLE>
<CAPTION>

| TAXABLE INCOME 1994* | | COMBINED EFFECTIVE TAX RATE % | TAX-FREE YIELD OF | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| SINGLE RETURN | JOINT RETURN | | 3% | 3.5% | 4% | 4.5% | 5% | 5.5% | 6% |
| | | | IS EQUIVALENT TO A TAXABLE YIELD OF | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| | $0-36,900 | 20.10 | 3.75 | 4.38 | 5.01 | 5.63 | 6.26 | 6.88 | 7.51 |
| $0-22,100 | | 20.10 | 3.75 | 4.38 | 5.01 | 5.63 | 6.26 | 6.88 | 7.51 |
| | $36,900-89,150 | 34.70 | 4.59 | 5.36 | 6.13 | 6.89 | 7.66 | 8.42 | 9.19 |
| $22,100-53,500 | | 34.70 | 4.59 | 5.36 | 6.13 | 6.89 | 7.66 | 8.42 | 9.19 |
| | $89,150-140,000 | 38.59 | 4.89 | 5.70 | 6.51 | 7.33 | 8.14 | 8.96 | 9.77 |
| $53,500-115,000 | | 38.59 | 4.89 | 5.70 | 6.51 | 7.33 | 8.14 | 8.96 | 9.77 |
| | $140,000-250,000 | 43.04 | 5.27 | 6.14 | 7.02 | 7.90 | 8.78 | 9.66 | 10.53 |
| $115,000-250,000 | | 43.04 | 5.27 | 6.14 | 7.02 | 7.90 | 8.78 | 9.66 | 10.53 |
| | OVER $250,000 | 46.24 | 5.58 | 6.51 | 7.44 | 8.37 | 9.30 | 10.23 | 11.16 |
| OVER $250,000 | | 46.24 | 5.58 | 6.51 | 7.44 | 8.37 | 9.30 | 10.23 | 11.16 |

</TABLE>

TAXABLE INCOME 1994*

SINGLE RETURN 6.5% 7%

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| | | |
|---|---|---|
| | 8.14 | 8.76 |
| $0-22,100 | 8.14 | 8.76 |
| | 9.95 | 10.72 |
| $22,100-53,500 | 9.95 | 10.72 |
| | 10.58 | 11.40 |
| $53,500-115,000 | 10.58 | 11.40 |
| | 11.41 | 12.29 |
| $115,000-250,000 | 11.41 | 12.29 |
| | 12.09 | 13.02 |
| OVER $250,000 | 12.09 | 13.02 |

FOR NEW YORK CITY RESIDENTS

<TABLE>
<CAPTION>

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

</TABLE>

| TAXABLE INCOME 1994* | | |
|---|---|---|
| SINGLE RETURN | 6.5% | 7% |
| | 8.71 | 9.37 |
| $0-22,100 | 8.71 | 9.37 |
| | 10.29 | 11.08 |
| $22,100-53,500 | 10.29 | 11.08 |
| | 10.75 | 11.57 |
| $53,500-115,000 | 10.75 | 11.57 |
| | 11.59 | 12.48 |
| $115,000-250,000 | 11.59 | 12.48 |
| | 12.28 | 13.22 |
| OVER $250,000 | 12.28 | 13.22 |

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FOR NEW YORK STATE RESIDENTS

<TABLE>
<CAPTION>

TAXABLE INCOME 1994*

| SINGLE RETURN | JOINT RETURN | COMBINED EFFECTIVE TAX RATE % | TAX-FREE YIELD OF 3% | 3.5% | 4% | 4.5% | 5% | 5.5% | 6% |
|---|---|---|---|---|---|---|---|---|---|
| | | | IS EQUIVALENT TO A TAXABLE YIELD OF | | | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| | $0-36,900 | 21.69 | 3.83 | 4.47 | 5.11 | 5.75 | 6.39 | 7.02 | 7.66 |
| $0-22,100 | | 21.69 | 3.83 | 4.47 | 5.11 | 5.75 | 6.39 | 7.02 | 7.66 |
| | $36,900-89,150 | 33.67 | 4.52 | 5.28 | 6.03 | 6.78 | 7.54 | 8.29 | 9.05 |
| $22,100-53,500 | | 33.67 | 4.52 | 5.28 | 6.03 | 6.78 | 7.54 | 8.29 | 9.05 |
| | $89,150-140,000 | 36.43 | 4.72 | 5.51 | 6.29 | 7.08 | 7.87 | 8.65 | 9.44 |
| $53,500-115,000 | | 36.43 | 4.72 | 5.51 | 6.29 | 7.08 | 7.87 | 8.65 | 9.44 |
| | $140,000-250,000 | 41.04 | 5.09 | 5.94 | 6.78 | 7.63 | 8.48 | 9.33 | 10.18 |
| $115,000-250,000 | | 41.04 | 5.09 | 5.94 | 6.78 | 7.63 | 8.48 | 9.33 | 10.18 |
| | OVER $250,000 | 44.36 | 5.39 | 6.29 | 7.19 | 8.09 | 8.99 | 9.88 | 10.78 |
| OVER $250,000 | | 44.36 | 5.39 | 6.29 | 7.19 | 8.09 | 8.99 | 9.88 | 10.78 |

</TABLE>

TAXABLE INCOME 1994*

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

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

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

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



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MUNICIPAL INVESTMENT TRUST FUND
MULTISTATE SERIES
DEFINED ASSET FUNDS

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

My name (please print) ______________________________________________________________________

My address (please print):

Street and Apt. No. __________________________________________________________________________

City, State, Zip Code _________________________________________________________________________

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

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INVESTMENT SUMMARY FOR EACH TRUST AS OF JANUARY 20, 1994 (CONTINUED)

RECORD DAY
The 10th day of each month

DISTRIBUTION DAY
The 25th day of each month

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

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

PORTFOLIO SUPERVISION FEE+
Maximum of $0.25 per $1,000 face amount of underlying Debt Obligations (see Expenses and Charges)

EVALUATOR'S FEE FOR EACH SERIES
Minimum of $13.00 (see Expenses and Charges)

MANDATORY TERMINATION DATE
Each Trust must be terminated no later than one year after the maturity date of the last maturing Debt Obligation listed under its Portfolio (see Portfolios).

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

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

The Sponsors may deposit additional Securities in a Trust (where additional Units are to be offered to the public) subsequent to the Initial Date of Deposit (see Fund Structure).

RISK FACTORS--Investment in a Trust should be made with an understanding that the value of the underlying Portfolio may decline with increases in interest rates. In recent years there have been wide fluctuations in interest rates and thus in the value of fixed-rate, long-term debt obligations generally. The Sponsors cannot predict whether these fluctuations will continue in the

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

PUBLIC OFFERING PRICE--During the initial offering period and any offering of additional units the Public Offering Price of the Units of a Trust is based on the aggregate offering side evaluation of the underlying Securities in the Trust (the price at which they could be directly purchased by the public assuming they were available) divided by the number of Units of the Trust outstanding plus a sales charge of 4.712% of the offering side evaluation per Unit (the net amount invested); this results in a sales charge of 4.50% of the Public Offering Price.* For secondary market sales charges see Public Sale of Units--Public Offering Price. Units are offered at the Public Offering Price computed as of the Evaluation Time for all sales made subsequent to the previous evaluation, plus cash per unit in the Capital Account not allocated to the purchase of specific Securities and net interest accrued. The Public Offering Price on the Initial Date of Deposit and subsequent dates will vary from the Public Offering Price set forth on page A-3. (See Public Sale of Units--Public Offering Price and Redemption.)

ESTIMATED CURRENT RETURN; ESTIMATED LONG TERM RETURN--Estimated Current Return on a Unit of the Trust shows the return based on the Initial Public Offering Price and the maximum applicable sales charge of 4.50%* and is computed by multiplying the estimated net annual interest rate per Unit (which shows the return per Unit based on $1,000 face amount per Unit) by $1,000 and dividing the result by the Public Offering Price per Unit (not including accrued interest). Estimated Long Term Return on a Unit of the Trust shows a net annual long-term return to investors holding to maturity based on the individual Debt Obligations in the Portfolio weighted to reflect the time to maturity (or in certain cases to an earlier call date) and market value of each Debt Obligation in the Portfolio, adjusted to reflect the Public Offering Price (including the maximum applicable sales charge of 4.50%) and estimated expenses. The net annual interest rate per Unit and the net annual long-term

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

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

* The sales charge during the initial offering period and in the secondary market will be reduced on a graduated scale in the case of purchases of 250 or more Units (see Public Sale of Units--Public Offering Price).





return to investors will vary with changes in the fees and expenses of the Trustee and Sponsors and the fees of the Evaluator which are paid by the Fund, and with the exchange, redemption, sale, prepayment or maturity of the underlying Securities; the Public Offering Price will vary with any reduction in sales charges paid in the case of purchases of 250 or more Units, as well as with fluctuations in the offering side evaluation of the underlying Securities. Therefore, it can be expected that the Estimated Current Return and Estimated Long Term Return will fluctuate in the future (see Description of the Fund--Income; Estimated Current Return; Estimated Long Term Return).

MONTHLY DISTRIBUTIONS--Monthly distributions of interest and any principal or premium received by a Trust will be made in cash on or shortly after the 25th day of each month to Holders of record of Units of the Trust on the 10th day of such month commencing with the first distribution on the date indicated above (see Administration of the Fund--Accounts and Distributions). Alternatively, Holders may elect to have their monthly distributions reinvested in the Municipal Fund Accumulation Program, Inc. Further information about the program, including a current prospectus, may be obtained by returning the enclosed form (see Administration of the Fund-- Investment Accumulation Program).

TAXATION--In the opinion of special counsel to the Sponsors, each Holder of Units of a Trust will be considered to have received the interest on his pro rata portion of each Debt Obligation in the Trust when interest on the Debt Obligation is received by the Trust. In the opinion of bond counsel rendered on the date of issuance of the Debt Obligation, this interest is exempt under

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existing law from regular Federal income tax and exempt from certain state and local personal income taxes of the State for which the Trust is named (except in certain circumstances depending on the Holder), but may be subject to other state and local taxes. Any gain on the disposition of a Holder's pro rata portion of a Debt Obligation will be subject to tax. (See Taxes.)

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

REPLACEMENT SECURITIES--The Indenture permits the deposit of Replacement Securities under certain circumstances described under Administration of the Fund--Portfolio Supervision. The Securities on the current list from which Replacement Securities are to be selected are:

California Statewide Communities Dev. Auth., Certificates of Participation, Sutter Hlth. Obligated Group (MBIA Ins.), 5.50%, due 8/15/23.

California Educl. Fac. Auth., Ins. Rev. Bonds (The Culinary Institute of America), Ser. 1993 (Connie Lee Ins.), 5.30%, due 10/1/23.

New York City, NY, Muni. Wtr. Fin. Auth., Wtr. and Swr. Sys. Rev. Bonds, Fiscal 1993 Ser. A (MBIA Ins.), 5.50%, due 6/15/20.

Triborough Bridge and Tunnel Auth., NY, Spec. Oblig. Bonds, Ser. 1992 (AMBAC Ins.), 5.50%, due 1/1/17.

## UNDERWRITING ACCOUNT

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

<TABLE>

| <S> | <C> | <C> |
|---|---|---|
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | P.O. Box 9051, Princeton, N.J. 08543-9051 | 57.73% |
| Smith Barney Shearson Inc. | Two World Trade Center--101st Floor, New York, N.Y. 10048 | 13.64 |
| PaineWebber Incorporated | 1285 Avenue of the Americas, New York, N.Y. 10019 | 18.18 |
| Prudential Securities Incorporated | One Seaport Plaza--199 Water Street, New York, N.Y. 10292 | 5.00 |
| Dean Witter Reynolds Inc. | Two World Trade Center--69th Floor, New York, N.Y. 10048 | 5.45 |
| | | 100.00% |

</TABLE>



## REPORT OF INDEPENDENT ACCOUNTANTS

The Sponsors, Co-Trustees and Holders of Municipal Investment Trust Fund, Multistate Series - 53, Defined Asset Funds (California and New York Trusts):

We have audited the accompanying statements of condition, including the portfolios, of Municipal Investment Trust Fund, Multistate Series - 53, Defined Asset Funds (California and New York Trusts) as of January 21, 1994. These financial statements are the responsibility of the Co-Trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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Investors Bank & Trust Company, a Co-Trustee. An audit also includes assessing the accounting principles used and significant estimates made by the Co-Trustees, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Investment Trust Fund, Multistate Series - 53, Defined Asset Funds (California and New York Trusts) at January 21, 1994 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE
New York, N.Y.
January 21, 1994



MUNICIPAL INVESTMENT TRUST FUND
MULTISTATE SERIES - 53
DEFINED ASSET FUNDS

STATEMENTS OF CONDITION AS OF INITIAL DATE OF DEPOSIT, JANUARY 21, 1994

| | CALIFORNIA TRUST | NEW YORK TRUST |
|---|---|---|
| FUND PROPERTY | | |
| Investment in Debt Obligations(1) | | |
| Contracts to purchase Debt Obligations................ | $ 4,946,200.00 | $ 5,974,339.00 |
| Accrued interest to Initial Date of Deposit on underlying Debt Obligations................... | 38,800.35 | 51,311.80 |
| Total.............. | $ 4,985,000.35 | $ 6,025,650.80 |
| LIABILITY AND INTEREST OF HOLDERS | | |
| Liability--Accrued interest to Initial Date of Deposit on underlying Debt Obligations(2)................ | $ 38,800.35 | $ 51,311.80 |
| Interest of Holders-- Units of fractional undivided interest outstanding (California Trust--5,000; New York Trust--6,000) | | |
| Cost to investors(3)....... | $ 5,179,250.00 | $ 6,255,859.00 |
| Gross underwriting commissions(4)............ | (233,050.00) | (281,520.00) |
| Net amount applicable to investors.................. | 4,946,200.00 | 5,974,339.00 |
| Total.............. | $ 4,985,000.35 | $ 6,025,650.80 |

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

(1) Aggregate cost to each Trust of the Debt Obligations is based on the offering side evaluation determined by the Evaluator at the Evaluation Time on the business day prior to the Initial Date of Deposit as set forth under Public Sale of Units--Public Offering Price. See also the column headed Cost of Debt Obligations to Trust under Portfolios. An irrevocable letter or letters of credit in the aggregate amount of $10,923,040.37 has been deposited with the Trustee. The amount of such letter or letters of credit includes $10,823,135.00 (equal to the aggregate purchase price to the Sponsors) for the purchase of $11,000,000 face amount of Debt Obligations in

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connection with contracts to purchase Debt Obligations, plus $99,905.37 covering accrued interest thereon to the earlier of the date of settlement for the purchase of Units or the date of delivery of the Debt Obligations. The letter or letters of credit has been issued by Sakura Bank Limited, New York Branch.

(2) Representing, as set forth under Description of the Fund--Income; Estimated Current Return; Estimated Long Term Return, a special distribution by the Trustee of an amount equal to accrued interest on the Debt Obligations as of the Initial Date of Deposit.

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

(4) Assumes sales charge of 4.50% on all Units computed on the basis set forth under Public Sale of Units--Public Offering Price.



MUNICIPAL INVESTMENT TRUST FUND, MULTISTATE SERIES - 53
ON THE INITIAL DATE OF DEPOSIT,
DEFINED ASSET FUNDS
JANUARY 21, 1994
PORTFOLIO OF THE CALIFORNIA TRUST (INSURED)

<TABLE>
<CAPTION>

| | PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR | RATINGS OF ISSUES (1) | FACE AMOUNT | COUPON | MATURITIES |
|---|---|---|---|---|---|
| <S> | | <C> | <C> | <C> | <C> |
| 1. | California Hlth. Fac. Fin. Auth., Ins. Hlth. Fac. Rfdg. Rev. Bonds (Catholic Healthcare West), Ser. 1994 B (AMBAC Ins.) | AAA | $ 750,000 | 5.00% | 7/1/21 |
| 2. | State Public Works Board of the State of California, Lease Rev. Bonds (Dept. of Corrections), 1993 Ser. B (California State Prison--Fresno Cnty., Coalinga) (MBIA Ins.) | AAA | 750,000 | 5.375 | 12/1/19 |
| 3. | Los Angeles Cnty., CA, Metro. Trans. Auth., Proposition C Sales Tax Rev. Bonds, Second Senior Bonds, Ser. 1993-B (AMBAC Ins.) | AAA | 750,000 | 5.25 | 7/1/23 |
| 4. | City of Loma Linda, CA, Hosp. Rev. Rfdg. Bonds (Loma Linda Univ. Med. Center Proj.), Ser. 1993-C (MBIA Ins.) | AAA | 500,000 | 5.375 | 12/1/22 |
| 5. | The City of Los Angeles, CA, Wastewater Sys. Rev. Bonds, Rfdg. Ser. 1993-D (Financial Guaranty Ins.) | AAA | 750,000 | 5.20 | 11/1/21 |
| 6. | Garden Grove Pub. Fin. Auth., CA, Rev. Bonds, Ser. 1993 (Water Services Capital Imp. Prog.) (Financial Guaranty Ins.) | AAA | 750,000 | 5.50 | 12/15/23 |
| 7. | Poway Redev. Agency, CA, Paguay Redev. Proj., Subordinated Tax Allocation Rfdg. Bonds, Ser. 1993 (Financial Guaranty Ins.) | AAA | 750,000 | 5.50 | 12/15/23 |
| | | | $ 5,000,000 | | |

</TABLE>

<TABLE>
<CAPTION>

| | OPTIONAL REFUNDING REDEMPTIONS (2) | SINKING FUND REDEMPTIONS (2) | COST OF DEBT OBLIGATIONS TO TRUST (3) | YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3) |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| 1. | 7/1/04 @ 102 | 7/1/20 | $ 712,425.00 | 5.350% |
| 2. | 12/1/03 @ 102 | 12/1/13 | 750,000.00 | 5.375 |
| 3. | 7/1/03 @ 102 | 7/1/19 | 738,915.00 | 5.350 |
| 4. | 12/1/03 @ 102 | 12/1/14 | 498,145.00 | 5.400 |
| 5. | 11/1/03 @ 102 | 11/1/20 | 733,755.00 | 5.350 |
| 6. | 12/15/03 @ 102 | 12/15/16 | 756,480.00 | 5.400+ |
| 7. | 12/15/03 @ 102 | 6/15/15 | 756,480.00 | 5.400+ |

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$    4,946,200.00
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</TABLE>



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NOTES

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

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

Certain Debt Obligations may provide for redemption at par prior or in addition to any optional or mandatory redemption dates or maturity, for example, if proceeds are not able to be used as contemplated, the project is condemned or sold, the project is destroyed and insurance proceeds are used to redeem the Debt Obligations, interest on the Debt Obligations becomes subject to taxation or in other special circumstances.

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

(3) Evaluation of Debt Obligations by the Evaluator is made on the basis of current offering side evaluation. The offering side evaluation is greater than the current bid side evaluation of the Debt Obligations, which is the basis on which Redemption Price per Unit is determined (see Redemption). The aggregate value based on the bid side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit was $4,926,200.00, which is $20,000.00 (.40% of the aggregate face amount) lower than the aggregate Cost of Debt Obligations to Trust based on the offering side evaluation.
Yield to Maturity on the Initial Date of Deposit of Debt Obligations was computed on the basis of the offering side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit. Percentages in this column represent Yield to Maturity on Initial Date of Deposit unless followed by '+' which indicates yield to an earlier redemption date. (See Description of the Fund--Income; Estimated Current Return; Estimated Long Term Return for a description of the computation of yield price.)

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All Debt Obligations are represented entirely by contracts to purchase such Debt Obligations, which were entered into by the Sponsors during the period January 19, 1994 to January 20, 1994. All contracts are expected to be settled by the initial settlement date for purchase of Units.

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

\+ See Footnote (3).

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MUNICIPAL INVESTMENT TRUST FUND, MULTISTATE SERIES - 53
ON THE INITIAL DATE OF DEPOSIT,
DEFINED ASSET FUNDS
JANUARY 21, 1994
PORTFOLIO OF THE NEW YORK TRUST (INSURED)

<TABLE>
<CAPTION>

| | PORTFOLIO NO. AND TITLE OF DEBT OBLIGATIONS CONTRACTED FOR | RATINGS OF ISSUES (1) | FACE AMOUNT | COUPON | MATURITIES |
|---|---|---|---|---|---|
| <S> | | <C> | <C> | <C> | <C> |
| 1. | New York State Energy Research and Dev. Auth., Fac. Rfdg. Rev. Bonds, Ser. 1993 B (Consolidated Edison Co. of New York, Inc. Proj.) (MBIA Ins.) | AAA | $ 950,000 | 5.25% | 8/15/20 |
| 2. | New York State Thruway Auth., Gen. Rev. Bonds, Ser. B (MBIA Ins.) | AAA | 900,000 | 5.00 | 1/1/20 |
| 3. | New York State Urban Dev. Corp., Correctional Fac. Rev. Bonds, 1993 Rfdg. Series (AMBAC Ins.) | AAA | 900,000 | 5.25 | 1/1/18 |
| 4. | Dormitory Auth. of the State of New York, Le Moyne College, Ins. Rev. Bonds, Ser. 1994 (Connie Lee Ins.) | AAA | 500,000 | 5.00 | 7/1/18 |
| 5. | Power Auth. of the State of New York, Gen. Purp. Bonds, Ser. CC (MBIA Ins.) | AAA | 950,000 | 5.25 | 1/1/18 |
| 6. | New York City, NY, Municipal Wtr. Fin. Auth., Wtr. and Swr. Sys. Rev. Bonds, Fixed Rate Fiscal 1994 Ser. B Bonds (AMBAC Ins.) | AAA | 900,000 | 5.375 | 6/15/19 |
| 7. | Niagara Falls Bridge Com., NY, Toll Bridge Sys. Rev. Bonds, Ser. 1993 B (Financial Guaranty Ins.) | AAA | 900,000 | 5.25 | 10/1/21 |
| | | | $ 6,000,000 | | |

</TABLE>
<TABLE>
<CAPTION>

| | OPTIONAL REFUNDING REDEMPTIONS (2) | SINKING FUND REDEMPTIONS (2) | COST OF DEBT OBLIGATIONS TO TRUST (3) | YIELD TO MATURITY ON INITIAL DATE OF DEPOSIT (3) |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| 1. | 10/1/03 @ 102 | -- | $ 954,047.00 | 5.200%+ |
| 2. | 1/1/04 @ 102 | 1/1/15 | 880,758.00 | 5.150 |
| 3. | 1/1/03 @ 102 | 1/1/16 | 903,690.00 | 5.200+ |
| 4. | 7/1/04 @ 102 | 7/1/10 | 476,270.00 | 5.350 |
| 5. | 1/1/03 @ 102 | 1/1/15 | 953,895.00 | 5.200+ |
| 6. | 6/15/04 @ 101 | 6/15/15 | 901,845.00 | 5.350+ |
| 7. | 10/1/03 @ 102 | 10/1/16 | 903,834.00 | 5.200+ |
| | | | $ 5,974,339.00 | |

</TABLE>



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NOTES

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

(2) Debt Obligations are first subject to optional redemption (which may be exercised in whole or in part) on the dates and at the prices indicated under the Optional Refunding Redemptions column in the table. In subsequent years Debt Obligations are redeemable at declining prices, but typically not below par value. Some issues may be subject to sinking fund redemption

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or extraordinary redemption without premium prior to the dates shown.

Certain Debt Obligations may provide for redemption at par prior or in addition to any optional or mandatory redemption dates or maturity, for example, if proceeds are not able to be used as contemplated, the project is condemned or sold, the project is destroyed and insurance proceeds are used to redeem the Debt Obligations, interest on the Debt Obligations becomes subject to taxation or in other special circumstances.

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

(3) Evaluation of Debt Obligations by the Evaluator is made on the basis of current offering side evaluation. The offering side evaluation is greater than the current bid side evaluation of the Debt Obligations, which is the basis on which Redemption Price per Unit is determined (see Redemption). The aggregate value based on the bid side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit was $5,950,339.00, which is $24,000.00 (.40% of the aggregate face amount) lower than the aggregate Cost of Debt Obligations to Trust based on the offering side evaluation.

Yield to Maturity on the Initial Date of Deposit of Debt Obligations was computed on the basis of the offering side evaluation at the Evaluation Time on the business day prior to the Initial Date of Deposit. Percentages in this column represent Yield to Maturity on Initial Date of Deposit unless followed by '+' which indicates yield to an earlier redemption date. (See Description of the Fund--Income; Estimated Current Return; Estimated Long Term Return for a description of the computation of yield price.)

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All Debt Obligations are represented entirely by contracts to purchase such Debt Obligations, which were entered into by the Sponsors during the period January 19, 1994 to January 20, 1994. All contracts are expected to be settled by the initial settlement date for purchase of Units, except for the Debt Obligations in Portfolio Numbers 4 and 7 (approximately 23% of the aggregate face amount of the Portfolio) which have been purchased on a when, as and if issued basis, or have a delayed delivery, and are expected to be settled 11 to 13 days after the settlement date for purchase of Units.

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

\+ See Footnote (3).



MUNICIPAL INVESTMENT TRUST FUND
MULTISTATE SERIES
DEFINED ASSET FUNDS

## FUND STRUCTURE

This Series (the 'Fund') consists of separate 'unit investment trusts' created under New York law by Trust Indentures (the 'Indentures') among the Sponsors, the Trustee and the Evaluator. Unless otherwise indicated, when Investors Bank & Trust Company and The First National Bank of Chicago act as Co-Trustees to the Fund, reference to the Trustee in the Prospectus shall be deemed to refer to Investors Bank & Trust Company and The First National Bank of Chicago, as Co-Trustees. To the extent that references in this Prospectus are to articles and sections of the Indenture, which are hereby incorporated by reference, the statements made herein are qualified in their entirety by this reference. On the date of this Prospectus (the 'Initial Date of Deposit') the Sponsors, acting as managers for the underwriters named under Underwriting Account, deposited the underlying Securities with the Trustee at a price equal

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to the evaluation of the Securities on the offering side of the market on that date as determined by the Evaluator, and the Trustee delivered to the Sponsors units of interest ('Units') representing the entire ownership of the Trusts. Except as otherwise indicated under Portfolios (the 'Portfolios'), the Securities so deposited were represented by purchase contracts assigned to the Trustee together with an irrevocable letter or letters of credit issued by a commercial bank or banks in the amount necessary to complete the purchase thereof.

The Portfolio of each Trust contains different issues of debt obligations with fixed final maturity dates. As used herein, the term 'Debt Obligations' or 'Securities' means the long-term debt obligations initially deposited in the Trusts, and described under Portfolio for each Trust, and any replacement and additional obligations acquired and held by the Trusts pursuant to the terms of the Indentures. (See Description of the Fund--The Portfolios; Administration of the Fund--Portfolio Supervision).

With the deposit of the Securities in each Trust on the Initial Date of Deposit, the Sponsors established a proportionate relationship among the face amounts of each Security in the Portfolio. During the 90-day period following the Initial Date of Deposit, the Sponsors may deposit additional Securities ('Additional Securities'), contracts to purchase Additional Securities or cash (or a bank letter of credit in lieu of cash) with instructions to purchase Additional Securities, in order to create new Units, maintaining to the extent practicable the original proportionate relationship among the face amounts of each Security in the Portfolio. It may not be possible to maintain the exact original proportionate relationship among the Securities deposited on the Initial Date of Deposit because of, among other reasons, purchase requirements, changes in prices, or unavailability of Securities. Replacement obligations may be acquired under specified conditions (see Description of the Fund--The Portfolios; Administration of the Fund--Portfolio Supervision). Units may be continuously offered to the public by means of this Prospectus (see Public Sale of Units--Public Distribution) resulting in a potential increase in the number of Units outstanding. Deposits of Additional Securities subsequent to the 90-day period following the Initial Date of Deposit must replicate exactly the proportionate relationship among the face amounts of Securities



comprising the Portfolio at the end of the initial 90-day period, subject to certain events as discussed under Administration of the Fund--Portfolio Supervision.

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

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

The holders ('Holders') of Units of a Trust will have the right to have their Units redeemed (see Redemption) at a price based on the aggregate bid side evaluation of the Securities ('Redemption Price per Unit') if the Units cannot be sold in the over-the-counter market which the Sponsors propose to maintain at prices determined in the same manner (see Market for Units). On the Initial Date of Deposit each Unit of a Trust represented the fractional undivided interest in the Securities and net income of the Trust set forth under Investment Summary in the ratio of one Unit for each approximately $1,000 face amount of Securities

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initially deposited. Thereafter, if any Units are redeemed, the face amount of Securities in the Trust will be reduced, and the fractional undivided interest represented by each remaining Unit in the balance will be increased. However, if additional Units are issued by the Fund (through deposit of Additional Securities) the aggregate face amount of Securities will be increased and the fractional undivided interest represented by each Unit will be decreased. Units will remain outstanding until redeemed upon tender to the Trustee by any Holder (which may include the Sponsors) or until the termination of the Indenture (see Redemption; Administration of the Fund--Amendment and Termination).



RISK FACTORS

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

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

As set forth under Investment Summary and Portfolios, any Trust may contain or be concentrated in one or more of the classifications of Debt Obligations referred to below. Percentages of any concentrations for each Trust are set forth under Investment Summary. An investment in Units of a Trust should be made with an understanding of the risks that these investments may entail, certain of which are described below. In addition, investment in a single state Trust, as opposed to a Trust which invests in the obligations of several states, may involve some additional risk due to the decreased diversification of economic, political, financial and market risks. Political restrictions on the ability to tax and budgetary constraints affecting the state government, particularly in the current recessionary climate, may result in reductions of, or delays in the payment of, state aid to cities, counties, school districts and other local units of government which, in turn, may strain the financial operations and have an adverse impact on the creditworthiness of these entities. State agencies, colleges and universities and health care organizations, with municipal debt outstanding, may also be negatively impacted by reductions in state appropriations.

GENERAL OBLIGATION BONDS

Certain of the Debt Obligations in the Portfolio of any Trust 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

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force the issuers to depend upon market access to finance deficits or cash flow needs.

In addition, certain of the Debt Obligations in any Trust may be obligations of issuers who rely in whole or in part on ad valorem real property taxes as a source of revenue. Certain proposals, in the form of state legislative proposals or voter initiatives, to limit ad valorem real property taxes have been introduced in various states and an amendment to the constitution of the State of California, providing for strict limitations on ad valorem real property taxes has had a significant impact on the taxing powers of local governments and on the financial 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.

MORAL OBLIGATION BONDS

A 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 DEBT OBLIGATIONS

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

INDUSTRIAL DEVELOPMENT REVENUE BONDS ('IDRS')

IDRs, including pollution control revenue bonds, are tax exempt securities issued by states, municipalities, public authorities or similar entities ('issuers') to finance the cost of acquiring, constructing or improving various



projects, including pollution control facilities and certain 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 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, as discussed below, certain of the IDRs in the Portfolios 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.

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

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

STATE AND LOCAL MUNICIPAL UTILITY OBLIGATIONS

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



regulation relating to the rates which they may charge customers. Utilities can experience regulatory, political and consumer resistance to rate increases. Utilities engaged in long-term capital projects are especially sensitive to regulatory lags in granting rate increases. Any difficulty in obtaining timely and adequate rate increases could adversely affect a utility's results of operations.

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

The utility industry is an increasing cost business making the cost of generating electricity more expensive and heightening its sensitivity to regulation. A utility's costs are 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, 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

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markets, or substantially increase the cost of credit for electric generating facilities. The Sponsors cannot predict at this time the ultimate effect of such factors on the ability of any issuers to meet their obligations with respect to Debt Obligations.

The National Energy Policy Act ('NEPA'), which became law in October, 1992, makes it mandatory for a utility to permit non-utility generators of electricity access to its transmission system for wholesale customers, thereby increasing competition for electric utilities. NEPA also mandated demand-side management policies to be considered by utilities. NEPA prohibits the Federal Energy Regulatory Commission from mandating electric utilities to engage in retail wheeling, which is competition among suppliers of electric generation to provide electricity to retail customers (particularly industrial retail customers) of a utility. However, under NEPA, a state can mandate retail wheeling under certain conditions.

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, decommissioning costs, and spent fuel and radioactive waste disposal issues. While nuclear power construction risks are no longer of paramount concern, the emerging issue is radioactive waste disposal. In addition, nuclear plants typically require substantial capital additions and modifications throughout their operating lives to meet safety, environmental, operational and regulatory requirements and to replace and upgrade various plant systems. The high degree of regulatory monitoring and controls imposed on nuclear plants could cause a plant to be out of service or on limited service for long periods. When a nuclear facility owned by an



investor-owned utility or a state or local municipality is out of service or operating on a limited service basis, the utility operator or its owners may be liable for the recovery of replacement power costs. Risks of substantial liability also arise from the operation of nuclear facilities and from the use, handling, and possible radioactive emissions associated with nuclear fuel. Insurance may not cover all types or amounts of loss which may be experienced in connection with the ownership and operation of a nuclear plant and severe financial consequences could result from a significant accident or occurrence. The Nuclear Regulatory Commission has promulgated regulations mandating the establishment of funded reserves to assure financial capability for the eventual decommissioning of licensed nuclear facilities. These funds are to be accrued from revenues in amounts currently estimated to be sufficient to pay for decommissioning costs.

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

LEASE RENTAL OBLIGATIONS

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



SINGLE FAMILY AND MULTI-FAMILY HOUSING OBLIGATIONS

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

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

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

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Section 142(a)(7) of the Code or other provisions of Federal law in the case of certain multi-family housing revenue bonds (including Section 8 assisted bonds). These sections of the Code or other provisions of Federal law contain certain ongoing requirements, including requirements relating to the cost and location of the residences financed with the proceeds of the single family mortgage revenue bonds and the income levels of tenants of the rental projects financed with the proceeds of the multi-family housing revenue bonds. While the issuers of the bonds and other parties, including the originators and servicers of the single-family mortgages and the owners of the rental projects financed with the multi-family housing revenue bonds, generally covenant to meet these ongoing requirements and generally agree to institute procedures designed to ensure that these requirements are met, there can be no assurance that the 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. Futhermore, any failure to meet these ongoing requirements might not constitute an event of default under the applicable mortgage or permit the holder to accelerate payment of the bond or require the issuer to redeem the bond. In any event, where the mortgage is insured by the Federal Housing Administration, its consent may be required before insurance proceeds would become payable to redeem the mortgage bonds.

HOSPITAL AND HEALTH CARE FACILITY OBLIGATIONS

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

A significant portion of the revenues of hospitals and other health care facilities is derived from private third-party payors and government programs, including the Medicare and Medicaid programs. Both private third-party payors and government programs have undertaken cost containment measures designed to limit payments made to health care facilities. Furthermore, government programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which may materially decrease the rate of program payments for health care facilities. 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 revenue unless replacement patients were found.

Certain hospital bonds may provide for redemption at par prior to maturity at any time upon the sale by the issuer of the hospital facilities to a

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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 legally be required because of the bonds to perform procedures against specified religious principles or to disclose information that it considers confidential or privileged. Certain FHA-insured bonds may provide that all or a portion of those bonds, otherwise callable at a premium, can be called at par in certain circumstances. If a hospital defaults upon a bond obligation, the realization of Medicare and Medicaid receivables may be uncertain and, if the bond obligation is secured by the hospital facilities, legal restrictions on the ability to foreclose upon the facilities and the limited alternative uses to which a hospital can be put may reduce severely its collateral value.

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

AIRPORT, PORT AND HIGHWAY REVENUE OBLIGATIONS

Certain facility revenue bonds are payable from and secured by the revenues from the ownership and operation of particular facilities, such as airports (including airport terminals and maintenance facilities), marine terminals, bridges, 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 Eastern Airlines, Inc., Midway 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 and parking lots, 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.

TRANSIT AUTHORITY OBLIGATIONS

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

MUNICIPAL WATER AND SEWER REVENUE BONDS

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

SOLID WASTE DISPOSAL BONDS

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Bonds issued for solid waste 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. Because of the relatively short history of this type of financing, there may be technological risks involved in the satisfactory construction or operation of the projects exceeding those associated with most municipal enterprise projects. Increasing environmental regulation on the federal, state and local level has a significant impact on waste disposal facilities. While regulation requires more waste producers to use waste disposal facilities, it also imposes significant costs on the facilities. These costs include compliance with frequently changing and complex regulatory requirements, the cost of obtaining construction and operating permits, the cost of conforming to prescribed and changing equipment standards and required methods of operation and, for incinerators or waste-to-energy facilities, the cost of disposing of the waste residue that remains after the disposal process in an environmentally safe manner. In addition, waste disposal facilities frequently face substantial opposition by environmental groups and officials to their location and operation, to the possible adverse effects upon the public health and the environment that may be caused by wastes disposed of at the facilities and to alleged improper operating procedures. Waste disposal facilities benefit from laws which require waste to be disposed of in a certain manner but any relaxation of these laws could cause a decline in demand for the facilities' services. Finally, waste-to-energy facilities are concerned with many of the same issues facing utilities insofar as they derive revenues from the sale of energy to local power utilities (see State and Local Municipal Utility Obligations above).

UNIVERSITY AND COLLEGE OBLIGATIONS

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

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

PUERTO RICO

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



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

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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 the 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 or 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 plebiscite.

OBLIGATIONS BACKED BY LETTERS OF CREDIT

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



The profitability of financial institutions is largely dependent upon the availability and cost of funds for the purpose of financing lending operations under prevailing money market conditions. Also, general economic conditions play an important part in the operations of this industry and exposure to credit losses arising from possible financial difficulties of borrowers might affect an institution's ability to meet its obligations. Since the late 1980's the ratings of U.S. and foreign banks and holding companies have been subject to extensive downgrades due primarily to deterioration in asset quality and the attendant impact on earnings and capital adequacy. Major U.S. banks, in particular, suffered from a decline in asset quality in the areas of loans to Lesser Developed Countries (LDC's), construction and commercial real estate loans and lending to support Highly Leveraged Transactions (HLT's). LDC and HLT problems have been largely addressed, although, construction and commercial real estate loans remain areas of concern. The Federal Deposit Insurance Corporation ('FDIC') indicated that in 1990, 169 federally insured banks with an aggregate total of $15.7 billion in assets failed and that in 1991, 127 federally insured banks with an aggregate total of $63.2 billion in assets failed. During 1992, the FDIC resolved 120 failed banks with combined assets of $44.2 billion in assets.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ('FDICIA') and the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 imposed many new limitations on the way in which banks, savings banks, and thrifts may conduct their business and mandated early and aggressive regulatory intervention for unhealthy institutions. Periodic efforts by recent Administrations to introduce legislation broadening the ability of banks and thrifts to compete with new products have not been successful, but if enacted could lead to more failures as a result of increased competition and added risks. Failure to enact such legislation, on the other hand, may lead to declining earnings and an inability to compete with unregulated financial institutions. Efforts to expand the ability of federal thrifts to branch on an interstate basis have been initially successful through promulgation of regulations, but legislation to liberalize interstate branching for banks stalled in the Congress. Consolidation is likely to continue in both cases. The Securities and Exchange Commission ('SEC') is attempting to require the expanded use of market value accounting by banks and thrifts, and has imposed rules requiring market accounting for investment securities held for sale. Adoption of additional such rules may result in increased volatility in the reported health of the industry and mandated regulatory intervention to correct such problems.

In addition, historically, thrifts primarily financed residential and commercial real estate by making fixed-rate mortgage loans and funded those loans from various types of deposits. Thrifts were restricted as to the types of accounts which could be offered and the rates that could be paid on those accounts. During periods of high interest rates, large amounts of deposits were

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

However, with respect to any Debt Obligations included in the Trusts that are secured by collateralized letters of credit or guarantees of thrifts, on the basis of the current financial positions of the thrifts, the Sponsors



believe that investors in the Units should rely solely on the collateral securing the performance of the thrifts' obligations with respect to those Debt Obligations and not on the financial positions of the thrifts.

In certain cases, the Sponsors have agreed that their sole recourse in connection with any default, including insolvency, by the thrifts whose collateralized letter of credit or guarantee may back any of the Debt Obligations will be to exercise available remedies with respect to the collateral pledged by the thrift; should such collateral be insufficient, the Sponsors will therefore be unable to pursue any default judgment against that thrift.

Certain of these collateralized letters of credit or guarantees may provide that they are to be drawn upon in the event the thrift becomes or is deemed to be insolvent. Accordingly, investors should recognize that they are subject to having the principal amount of their investment represented by a Debt Obligation secured by such a collateralized letter of credit or guarantee returned prior to the termination date of the Fund or the maturity or disposition dates of the Debt Obligations if the thrift becomes or is deemed to be insolvent.

Certain Debt Obligations in the Portfolios of the Trusts may be supported by guarantees or letters of credit which are secured by a security interest in 'Eligible Collateral'. Eligible Collateral may consist of mortgage-backed securities issued by private parties and guaranteed as to full and timely payment of interest and principal by the Government National Mortgage Association ('GNMA') ('GNMA Pass-Throughs') or by the Federal National Mortgage Association ('FNMA') ('FNMA Pass-Throughs'), mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation ('FHLMC') and guaranteed as to full and timely payment of interest and full collection of principal by FHLMC ('FHLMC PCs'), conventional, FHA insured, VA guaranteed and privately insured mortgages ('Mortgages'), debt obligations of states and their political subdivisions and public authorities ('Municipal Obligations'), debt obligations of public nongovernmental corporations rated at least A by Standard & Poor's (or another acceptable rating agency at the time rating the Fund) ('Corporate Obligations'), U.S. Government Securities and cash. In addition, Eligible Collateral may also consist of other securities specified by the Sponsors.

With respect to each Debt Obligation as to which Eligible Collateral has been pledged, the Sponsors have established minimum percentage levels ('Collateral Requirements') of the aggregate market value of each type of Eligible Collateral consistent with the standards described under The Portfolio below. Eligible Collateral is to be valued no less often than quarterly. If on any valuation date it is determined that the aggregate market value of the Eligible Collateral does not satisfy the applicable Collateral Requirements, additional Eligible Collateral must be delivered. Eligible Collateral may be withdrawn or substituted at any time, provided that the remaining or substituted Eligible Collateral meets the applicable Collateral Requirements. Although the Sponsors believe that the Collateral Requirements are sufficient to provide a high degree of protection against loss on the Debt Obligations backed by collateralized letters of credit or guarantees, investors in the Units should be aware that if liquidation of the collateral is required and proves insufficient to provide for payment in full of the principal and accrued interest on such Debt Obligations, then the full principal amount of their investment could not be returned.



OBLIGATIONS BACKED BY INSURANCE

Certain Debt Obligations (the 'Insured Debt Obligations') may be insured or guaranteed by AMBAC Indemnity Corporation ('AMBAC'), Asset Guaranty Reinsurance Co. ('Asset Guaranty'), Capital Guaranty Insurance Company ('CGIC'), Capital Markets Assurance Corp. ('CAPMAC'), Connie Lee Insurance Company ('Connie Lee'), Continental Casualty Company ('Continental'), Financial Guaranty Insurance Company ('Financial Guaranty'), Financial Security Assurance Inc. ('FSA'), Firemen's Insurance Company of Newark, New Jersey ('Firemen's'), Municipal Bond Investors Assurance Corporation ('MBIA') or National Union Fire Insurance Company of Pittsburgh, Pa. ('National Union') (collectively, the 'Insurance

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

The following are brief descriptions of certain of the insurance companies that may insure or guarantee certain Debt Obligations. It should be noted that the financial information which is referred to as having been determined on a statutory basis is unaudited.

AMBAC is a Wisconsin-domiciled stock insurance company, regulated by the Insurance Department of the State of Wisconsin, and licensed to do business in various states, with admitted assets of approximately $1,936,000,000 and policyholders' surplus of approximately $728,000,000 as of September 30, 1993. AMBAC is a wholly-owned subsidiary of AMBAC Inc., a financial holding company which is publicly owned following a complete divestiture by Citibank during the first quarter of 1992.

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



rated by Standard & Poor's. As of September 30, 1993 Asset Guaranty had admitted assets of approximately $130,000,000 and policyholders' surplus of approximately $72,000,000.

CGIC, a monoline bond insuror headquartered in San Francisco, California, was established in November 1986 to assume the financial guaranty business of United States Fidelity and Guaranty Company ('USF&G'). It is a wholly-owned subsidiary of Capital Guaranty Corporation ('CGC') whose stock is owned by: Constellation Investments, Inc., an affiliate of Baltimore Gas & Electric, Fleet/Norstar Financial Group, Inc., Safeco Corporation, Sibag Finance Corporation, an affiliate of Siemens AG, USF&G, the eighth largest property/casualty company in the U.S. as measured by net premiums written, and CGC management. As of September 30, 1993, CGIC had total admitted assets of approximately $270,000,000 and policyholders' surplus of approximately $160,000,000.

CAPMAC commenced operations in December 1987, as the second mono-line financial guaranty insurance company (after FSA) organized solely to insure non-municipal obligations. CAPMAC, a New York corporation, is a wholly-owned subsidiary of CAPMAC Holdings, Inc. (CHI), which was sold in 1992 by Citibank (New York State) to a group of 12 investors led by the following: Dillon Read's Saratoga Partners II; L.P. (Saratoga), an acquisition fund; Caprock Management, Inc., representing Rockefeller family interests; Citigrowth Fund, a Citicorp venture capital group; and CAPMAC senior management and staff. These groups control approximately 70% of the stock of CHI. CAPMAC had traditionally specialized in guaranteeing consumer loan and trade receivable asset-backed securities. Under the new ownership group CAPMAC intends to become involved in the municipal bond insurance business, as well as their traditional non-municipal business. As of September 30, 1993 CAPMAC's admitted assets were approximately $182,000,000 and its policyholders' surplus was approximately $146,000,000.

Connie Lee is a wholly owned subsidiary of College Construction Loan Insurance Association ('CCLIA'), a government-sponsored enterprise established by Congress to provide American academic institutions with greater access to low-cost capital through credit enhancement. Connie Lee, the operating insurance company, was incorporated in 1987 and began business as a reinsurer of tax-exempt bonds of colleges, universities, and teaching hospitals with a

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concentration on the hospital sector. During the fourth quarter of 1991 Connie Lee began underwriting primary bond insurance which will focus largely on the college and university sector. CCLIA's founding shareholders are the U.S. Department of Education, which owns 36% of CCLIA, and the Student Loan Marketing Association ('Sallie Mae'), which owns 14%. The other principal owners are: Pennsylvania Public School Employees' Retirement System, Metropolitan Life Insurance Company, Kemper Financial Services, Johnson family funds and trusts, Northwestern University, Rockefeller & Co., Inc. administered trusts and funds, and Stanford University. Connie Lee is domiciled in the state of Wisconsin and has licenses to do business in 47 states and the District of Columbia. As of September 30, 1993, its total admitted assets were approximately $173,000,000 and policyholders' surplus was approximately $104,000,000.

Continental is a wholly-owned subsidiary of CNA Financial Corp. and was incorporated under the laws of Illinois in 1948. As of September 30, 1993, Continental had policyholders' surplus of approximately $2,969,000,000 and admitted assets of approximately $18,567,000,000. Continental is the lead property-casualty



company of a fleet of carriers nationally known and marketed as 'CNA Insurance Companies'. CNA is rated AAI by Standard & Poor's.

Financial Guaranty, a New York stock insurance company, is a wholly-owned subsidiary of FGIC Corporation, which is wholly owned by General Electric Capital Corporation. The investors in the FGIC Corporation are not obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty commenced its business of providing insurance and financial guarantees for a variety of investment instruments in January 1984 and is currently authorized to provide insurance in 49 states and the District of Columbia. It files reports with state regulatory agencies and is subject to audit and review by those authorities. As of September 30, 1993, its total admitted assets were approximately $1,889,000,000 and its policyholders' surplus was approximately $745,000,000.

FSA is a monoline property and casualty insurance company incorporated in New York in 1984. It is a wholly-owned subsidiary of Financial Security Assurance Holdings Ltd., which was acquired in December 1989 by US West, Inc., the regional Bell Telephone Company serving the Rocky Mountain and Pacific Northwestern states. U.S. West is currently seeking to sell FSA. FSA is licensed to engage in the surety business in 42 states and the District of Columbia. FSA is engaged exclusively in the business of writing financial guaranty insurance, on both tax-exempt and non-municipal securities. As of September 30, 1993, FSA had policyholders' surplus of approximately $412,000,000 and total admitted assets of approximately $799,000,000.

Firemen's, which was incorporated in New Jersey in 1855, is a wholly-owned subsidiary of The Continental Corporation and a member of The Continental Insurance Companies, a group of property and casualty insurance companies the claims paying ability of which is rated AA-by Standard & Poor's. It provides unconditional and non-cancellable insurance on industrial development revenue bonds. As of September 30, 1993, the total admitted assets of Firemen's were approximately $2,227,000,000 and its policyholders' surplus was approximately $496,000,000.

MBIA is the principal operating subsidiary of MBIA Inc. The principal shareholders of MBIA Inc. were originally Aetna Casualty and Surety Company, The Fund American Companies, Inc., subsidiaries of CIGNA Corporation and Credit Local de France, CAECL, S.A. These principal shareholders now own approximately 13% of the outstanding common stock of MBIA Inc. following a series of four public equity offerings over a five-year period. As of September 30, 1993, MBIA had admitted assets of approximately $3,000,000,000 and policyholders' surplus of approximately $951,000,000.

National Union is a stock insurance company incorporated in Pennsylvania and a wholly-owned subsidiary of American International Group, Inc. National Union was organized in 1901 and is currently licensed to provide insurance in 50 states and the District of Columbia. It files reports with state insurance regulatory agencies and is subject to regulation, audit and review by those authorities including the State of New York Insurance Department. As of September 30, 1993, the total admitted assets and policyholders' surplus of National Union were approximately $7,907,000,000 and approximately $1,408,000,000, respectively.



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

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

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

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

The above financial information relating to the Insurance Companies has been obtained from publicly available information. No representation is made as to the accuracy or adequacy of the information or as to the absence of material adverse changes since the information was made available to the public.



Standard & Poor's has rated the Units of any Insured Trust AAA because the Insurance Companies have insured the Debt Obligations. The assignment of such AAA ratings is due to Standard & Poor's assessment of the creditworthiness of the Insurance Companies and of their ability to pay claims on their policies of insurance. In the event that Standard & Poor's reassesses the creditworthiness of any Insurance Company which would result in the rating of an Insured Trust being reduced, the Sponsors are authorized to direct the Trustee to obtain other insurance (see Expenses and Charges).

## LITIGATION AND LEGISLATION

To the best knowledge of the Sponsors, there is no litigation pending as of the Initial Date of Deposit in respect of any Debt Obligations which might reasonably be expected to have a material adverse effect upon the Trusts comprising the Fund. At any time after the Initial Date of Deposit, litigation may be initiated on a variety of grounds with respect to Debt Obligations in any Trust. Litigation, for example, challenging the issuance of pollution control revenue bonds under environmental protection statutes may affect the validity of Debt Obligations or the tax-free nature of their interest. While the outcome of litigation of this nature can never be entirely predicted, opinions of bond counsel are delivered on the date of issuance of each Debt Obligation to the effect that the Debt Obligation has been validly issued and that the interest thereon is exempt from Federal income tax. In addition, other factors may arise from time to time which potentially may impair the ability of issuers to make payments due on Debt Obligations.

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

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

PAYMENT OF THE DEBT OBLIGATIONS AND LIFE OF THE FUND

Because certain of the Debt Obligations from time to time may be redeemed or prepaid or will mature in accordance with their terms or may be sold under certain circumstances described herein, no assurance can be given that any Trust will retain for any length of time its present size and composition (see Redemption). Many of the Debt Obligations may be subject to redemption prior to their stated maturity dates pursuant to optional refunding or sinking fund redemption provisions or otherwise. In general, optional refunding redemption provisions are more likely to be exercised when the offering side evaluation is at a premium over par than when it is at a discount from par. Generally, the offering side evaluation of Debt Obligations will be at a premium over par when market interest rates fall below the coupon rate on the Debt Obligations. The percentage of the face amount of Debt Obligations in each Portfolio which were acquired on the Date of Deposit at an offering side evaluation in



excess of par is set forth under Investment Summary. Certain Debt Obligations in the Portfolios may be subject to sinking fund provisions early in the life of the Trusts. These provisions are designed to redeem a significant portion of an issue gradually over the life of the issue; obligations to be redeemed are generally chosen by lot. The Portfolios contain a listing of the sinking fund and optional redemption provisions with respect to the Debt Obligations. Additionally, the size and composition of the Fund will be affected by the level of redemptions of Units that may occur from time to time and the consequent sale of Debt Obligations (see Redemption). Principally, this will depend upon the number of Holders seeking to sell or redeem their Units and whether or not the Sponsors continue to reoffer Units acquired by them in the secondary market. Factors that the Sponsors will consider in the future in determining to cease offering Units acquired in the secondary market include, among other things, the diversity of the portfolio remaining at that time, the size of the Fund relative to its original size, the ratio of Fund expenses to income, the Fund's current and long-term returns and the degree to which Units may be selling at a premium over par relative to other funds sponsored by the Sponsors, and the cost of maintaining a current prospectus for the Fund. These factors may also lead the Sponsors to seek to terminate the Fund earlier than would otherwise be the case (see Administration of the Fund--Amendment and Termination).

TAX EXEMPTION

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

Moreover, the Internal Revenue Service 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 Debt Obligations would be affected by such proceedings, or whether such effect, if any, would be retroactive.

In certain cases, a Debt Obligation may provide that if the interest on the Debt Obligation should ultimately be determined to be taxable, the Debt Obligation would become due and payable by its issuer, and, in addition, may provide that any related letter of credit or other security could be called upon if the issuer failed to satisfy all or part of its obligation. In other cases, however, a Debt Obligation may not provide for the acceleration or redemption of the Debt Obligation or a call upon the related letter of credit or other security upon a determination of taxability. In those cases in which a Debt Obligation does not provide for acceleration or redemption or in which both the issuer and the bank or other entity issuing the letter of credit or other security are unable to meet their obligations to pay the amounts due on the Debt Obligation as a result of a determination of taxability, the



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Trustee would be obligated to sell the Debt Obligation and, since it would be sold as a taxable security, it is expected that it would have to be sold at a substantial discount from current market price. In addition, as mentioned above, under certain circumstances Holders could be required to pay income tax on interest received prior to the date on which the interest is determined to be taxable.

STATE RISK FACTORS

Investors should consult the Appendix to this Prospectus for information on specific States.

DESCRIPTION OF THE FUND

THE PORTFOLIOS

The Portfolio of each Trust contains different issues of debt obligations with fixed final maturity dates. See Investment Summary for a summary of particular matters relating to the Portfolio.

Each security and issuer must be approved by Defined Asset Funds research analysts. Since 1970, the Sponsors have purchased more than $90 billion of securities for Defined Asset Funds. Experienced professional buyers and research analysts for Defined Asset Funds, with access to thousands of different issues and extensive information, who are in close contact with the markets for suitable securities, select securities for deposit in the Trusts considering the following factors, among others: (i) whether the Debt Obligations were rated in the category A or better by either Standard & Poor's or Moody's (or had, in the opinion of Defined Asset Funds research analysts, comparable credit characteristics) or, for an Insured Trust, whether the Debt Obligations (as insured) were rated AAA by Standard & Poor's (see Description of Ratings); (ii) the yield and price of the Debt Obligations relative to other comparable debt securities; and (iii) the diversification of the Portfolio of each Trust as to purpose of issue, taking into account the availability in the market of issues that meet the Fund's criteria. Subsequent to the Initial Date of Deposit, a Debt Obligation may cease to be rated or its rating may be reduced. Neither event requires an elimination of that Debt Obligation from the Portfolio of a Trust, but may be considered in the Sponsors' determination to direct the disposal of the Debt Obligation (see Administration of the Fund--Portfolio Supervision). There is no leverage or borrowing to increase risk, nor is the Portfolio modified with other kinds of securities to enhance yields.

The yields on debt obligations of the type deposited in the Trusts are dependent on a variety of factors, including general money market conditions, general conditions of the municipal bond market, size of a particular offering, the maturity of the obligation and rating of the issue. The ratings represent the opinions of the rating organizations as to the quality of the debt obligations that they undertake to rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, debt obligations with the same maturity, coupon and rating may have different yields, while debt obligations of the same maturity and coupon with different ratings may have the same yield.

Each Trust consists of the Securities (or contracts to purchase the Securities) listed under its Portfolio (including any replacement debt obligations and Additional Securities deposited in the Trust in connection with the sale



of additional Units to the public as described below) as long as they may continue to be held from time to time in the Trust, together with accrued and undistributed interest thereon and undistributed and uninvested cash realized from the disposition or redemption of Securities (see Administration of the Fund--Portfolio Supervision).

The Indenture authorizes the Sponsors to increase the size and the number of Units of each Trust by the deposit of Additional Securities and the issue of a corresponding number of additional Units subsequent to the Initial Date of Deposit provided that the original relationship among the face amounts of Securities of specified interest rates and maturities is maintained subject to certain events (Sections 3.07, 3.08 and 3.10). Also, Securities may be sold under certain circumstances. (See Redemption; Administration of the Fund--Portfolio Supervision). As a result, the aggregate face amount of the Securities in the Portfolio will vary over time.

Each portfolio is divided into Units, representing equal shares of underlying assets. On the Initial Date of Deposit each Unit represented the fractional undivided interest in a Trust set forth under Investment Summary. Thereafter, if any Units are redeemed by the Trustee the face amount of Securities in the Trust will be reduced by amounts allocable to redeemed Units, and the fractional undivided interest represented by each Unit in the balance will be increased. However, if additional Units are issued by the Trust, the aggregate value of Securities in the Trust will be increased by amounts allocable to additional Units and the fractional undivided interest represented

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by each Unit in the balance will be decreased. Units will remain outstanding until redeemed upon tender to the Trustee by any Holder (which may include the Sponsors) or until the termination of the Indenture (see Redemption; Administration of the Fund--Amendment and Termination).

Neither the Sponsors nor the Trustee shall be liable in any way for any default, failure or defect in any Security. In the event of a failure to deliver any Debt Obligation that has been purchased for the Trust under a contract deposited hereunder ('Failed Debt Obligation'), including any Debt Obligation purchased on a when, as and if issued basis, the Sponsors are authorized under the Indenture to direct the Trustee to acquire replacement obligations substantially similar to those originally contracted for and not delivered to make up the original Portfolio of the Trust. If replacement obligations are not acquired, the Sponsors will, on or before the next following Distribution Day, cause to be refunded the attributable sales charge, plus the attributable Cost of Debt Obligations to Trust listed under Portfolio, plus interest attributable to the Failed Debt Obligations. (See Administration of the Fund--Portfolio Supervision.)

INCOME; ESTIMATED CURRENT RETURN; ESTIMATED LONG TERM RETURN

Generally. Each Unit receives an equal share of monthly distributions of interest income and of any principal distributions as bonds mature or are called, redeemed or sold. The estimated net annual interest rate per Unit of each Trust on the business day prior to the date of this Prospectus is set forth under Investment Summary. This rate shows the percentage return based on $1,000 face amount per Unit, after deducting estimated annual fees and expenses expressed as a percentage. This rate will change as Securities mature, are exchanged, redeemed, paid or sold as replacement obligations are purchased, as Additional Securities are deposited and, as the expenses of the



Trust change. Because the Portfolio is not actively managed, the Fund's income distributions would not necessarily be affected by changes in interest rates. Depending on the financial condition of the issuers, the amount of tax-free monthly income from fixed income obligations in the Portfolio would be substantially maintained as long as the Portfolio remains unchanged. However, optional bond redemptions or other Portfolio changes may occur more frequently when interest rates decline, which would result in early return of principal.

The Sponsors deliver to the Trustee on the Initial Date of Deposit and on each subsequent date of deposit a letter or letters of credit in the amount of the cost (plus accrued interest) of Securities to be acquired pursuant to contracts deposited in the Trusts. The Trustee may draw down on this letter of credit at any time and deposit the cash so drawn in a non-interest bearing account for the Trusts. The Trustee has the use of these funds, on which it pays no interest, for the period prior to its purchase of when-issued and delayed-delivery Securities. The use of these funds compensates the Trustee for the reduction of the Trustee's Annual Fee and Expenses.

Interest on the Securities in each Trust, less estimated fees of the Trustee and Sponsors and certain other expenses, is expected to accrue at the daily rate (based on a 360-day year) shown under Investment Summary. The actual daily rate will vary as Securities are exchanged, redeemed, paid or sold or as the expenses of the Fund change.

The Estimated Current Return and the Estimated Long Term Return on the business day prior to the date of this Prospectus are set forth under Investment Summary and give different information about the return to investors. Estimated Current Return on a Unit represents annual cash receipts from coupon-bearing debt obligations in the Trust's Portfolio (after estimated annual expenses) divided by the Public Offering Price (including the sales charge). A table of projected cash flows on each Trust will be made available on request to the Agent for the Sponsors.

Unlike Estimated Current Return, Estimated Long Term Return is a measure of the estimated return to the investor earned over the estimated life of the Trust. The Estimated Long Term Return represents an average of the yields to maturity (or earliest call date for obligations trading at prices above the particular call price) of the Debt Obligations in the Portfolio, calculated in accordance with accepted bond practice and adjusted to reflect expenses and sales charges. Under accepted bond practice, bonds are customarily offered to investors on a 'yield price' basis, which involves computation of yield to maturity (or earlier call date), and which takes into account not only the interest payable on the bonds but also the amortization or accretion to a specified date of any premium over or discount from the par (maturity) value in the bond's purchase price. In calculating Estimated Long Term Return, the average yield for the Portfolio is derived by weighting each Debt Obligation's yield by the market value of the Debt Obligation and by the amount of time remaining to the date to which the Debt Obligation is priced. Once the average Portfolio yield is computed, this figure is then adjusted for estimated expenses and the effect of the maximum sales charge paid by investors. The Estimated Long Term Return calculation does not take into account certain delays in distributions of income and the timing of other receipts and distributions on

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Units and may, depending on maturities, over or understate the impact of sales charges. Both of these factors may result in a lower figure.



While relatively fixed at the time of purchase, both Estimated Current Return and Estimated Long Term Return are subject to fluctuation with changes in Portfolio composition, (including the redemption, sale or other disposition of Debt Obligations in the Portfolio), changes in market value of the underlying Debt Obligations and changes in fees and expenses, including sales charges, and therefore can be materially different than the figures set forth herein. The size of any difference between Estimated Current Return and Estimated Long Term Return can also be expected to fluctuate at least as frequently. In addition, both return figures may not be directly comparable to yield figures used to measure other investments, and since the return figures are based on certain assumptions and variables the actual returns received by a Unitholder may be higher or lower.

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

Accrued Interest. In addition to the Public Offering Price, the price of a Unit of a Trust includes accrued interest on the Securities from the Initial Date of Deposit. The accrued interest that is added to the Public Offering Price represents the amount of accrued interest on the Securities from the Initial Date of Deposit to, but not including, the settlement date for Units. However, Securities deposited in a Trust also include accrued but unpaid interest up to the Initial Date of Deposit. To avoid having Holders pay this additional accrued interest (which earns no return) when they purchase Units, the Trustee is responsible for the payment of accrued interest on the Debt Obligations to the Initial Date of Deposit and then recovers this amount from the earliest interest payments received by the Trust. Thus, the Sponsors can sell the Units at a price that includes interest from the Initial Date of Deposit to the settlement date for the Units.

Additionally, interest on the Debt Obligations in a Trust is paid on a semi-annual (or less frequently, annual) basis. Therefore, it may take several months after the Initial Date of Deposit for the Trustee to receive sufficient interest payments on the Securities to begin distributions to Holders (see Investment Summary for estimates of the amounts of the first and following Monthly Income Distributions). Further, because interest on the Securities is not received by a Trust at a constant rate throughout the year, any Monthly Income Distribution may be more or less than the interest actually received by the Trust. In order to eliminate fluctuations, the Trustee is required to advance the amounts necessary to provide approximately equal Monthly Income Distributions. The Trustee will be reimbursed, without interest, for these advances from interest received on the Securities. Therefore, to account for those factors, accrued interest is always added to the value of the Units. And, because of the varying interest payment dates of the Securities, accrued interest at any time will be greater than the amount of interest actually received by the Trust and distributed to Holders. If a Holder sells all or a portion of his Units, he will receive his proportionate share of the accrued interest from the purchaser of his Units. Similarly, if a Holder redeems all or a portion of his Units, the Redemption Price per Unit will include accrued interest on the Securities.



And if a Security is sold, redeemed or otherwise disposed of, accrued interest will be received by the Trust and will be distributed periodically to Holders.

Certain Debt Obligations may have been purchased on a when, as and if issued basis or may have a delayed delivery (see Investment Summary). Holders of Units will be 'at risk' with respect to these Debt Obligations (i.e., may derive either gain or loss from fluctuations in the offering side evaluation of the Debt Obligations) from the date they commit for Units. Since interest on when-issued and delayed-delivery Debt Obligations does not begin accruing to the benefit of Holders until their respective dates of delivery, in order to provide tax exempt income to the Holders for this non-accrual period, the Trustee's Annual Fee and Expenses (set forth under Investment Summary) will be reduced by an amount equal to the amount of interest that would have accrued on these Debt Obligations between the date of settlement for the Units and the dates of delivery of the Debt Obligations. The reduction of the Trustee's Annual Fee and Expenses eliminates the necessity of reducing Monthly Income Distributions until when-issued or delayed-delivery Debt Obligations are delivered and sufficient interest payments are received to begin distributions to Holders. Should when-issued Debt Obligations be issued later than the expected date of issue,

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the amount of the reduction will be equal to the amount of interest which would have accrued on the Debt Obligations between the expected date of issue and the actual date of issue. If the amount of the Trustee's Annual Fee and Expenses is inadequate to cover the additional accrued interest, the Sponsors will treat the contracts as failed contracts.

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 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 Debt Obligation 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 Debt Obligation on the Initial Date of Deposit, see Face Amount under Portfolio. The total cost to a Holder of his Units, including sales charges, is allocated to his pro rata portion of each Debt Obligation, in proportion to the fair market values thereof on the date the Holder purchases his Units, in order to determine his tax cost for his pro rata portion of each Debt Obligation. In order for a Holder who purchases his Units on the Initial Date of Deposit to determine the fair market value of his pro rata portion of each Debt Obligation on such date, see Cost of Debt Obligations to Trust under Portfolio.

Each Holder of Units of a Trust will be considered to have received the interest on his pro rata portion of each Debt Obligation when interest on the Debt Obligation is received by the Trust. In the opinion of bond counsel (delivered on the date of issuance of each Debt Obligation), such interest will be excludable from



gross income for regular Federal income tax purposes (except in certain limited circumstances referred to below). Amounts received by a Trust pursuant to a bank letter of credit, guarantee or insurance policy with respect to payments of principal, premium or interest on a Debt Obligation 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 Debt Obligation.

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

If a Holder's tax cost for his pro rata portion of a Debt Obligation 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 Debt Obligation at a 'bond premium'. The Holder is required to amortize the bond premium prior to the maturity of the Debt Obligation. Such amortization is only a reduction of basis for his pro rata portion of the Debt Obligation and does not result in any deduction against the Holder's income. Therefore, under some circumstances, a Holder may recognize taxable gain when his pro rata portion of a Debt Obligation is disposed of for an amount equal to or less than his original tax cost therefor.

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A Holder will recognize taxable gain or loss when all or part of his pro rata portion of a Debt Obligation 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 disposition of a Holder's pro rata portion of a Debt Obligation acquired by the Holder at a 'market discount' (i.e., where the Holder's original cost for his pro rata portion of the Debt Obligation (plus any original issue discount which will accrue thereon until its maturity) is less than its stated redemption price at maturity) would be treated as ordinary income to the extent the gain does not exceed the accrued market discount. Capital gains are generally taxed at the same rate as ordinary income. However, the excess of net long-term capital gains over net short-term capital losses may be taxed at a lower rate than ordinary income for certain noncorporate taxpayers. A capital gain or loss is long-term if the asset is held for more than one year and short-term if held for one year or less.



The deduction of capital losses is subject to limitations. A Holder will also be considered to have disposed of all or part of his pro rata portion of each Debt Obligation when he sells or redeems all or some of his Units.

Under Section 265 of the Code, a Holder (except a corporate Holder) is not entitled to a deduction for his pro rata share of fees and expenses of 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.

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

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

The foregoing discussion relates only to Federal income taxes. For information about certain state taxes of the states for which the Trusts are named, investors should consult the Appendix to this Prospectus. Holders may be subject to state and local taxation in such states or in other jurisdictions, 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 Debt Obligations should not be subject to the AMT for individuals or corporations under this rule. A corporate Holder should be aware, however, that the 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.

In addition, interest on the Debt Obligations must be taken into consideration in computing the portion, if any, of social security benefits that will be included in an individual's gross income and subject to Federal income tax. Holders are urged to consult their own tax advisers concerning an investment in Units.

At the time of issuance of each Debt Obligation in each Trust, an opinion relating to the validity of the Debt Obligation and to the exemption of interest thereon from regular Federal income taxes and personal income taxes of the State for which the Trust is named was or will be rendered by bond counsel. Neither the Sponsors, Davis Polk & Wardwell nor any of the special counsel for state tax matters have made or will make any review of the proceedings relating to the issuance of the Debt Obligations or the basis for these opinions. The tax exemption is



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dependent upon the issuer's (and other users') compliance with certain ongoing requirements, and the opinion of bond counsel assumes that these requirements will be complied with. However, there can be no assurance that the issuer (and other users) will comply with these requirements, in which event the interest on the Debt Obligation could be determined to be taxable retroactively from the date of issuance.

In the case of certain of the Debt Obligations, the opinions of bond counsel indicate that interest on such Debt Obligations received by a 'substantial user' of the facilities being financed with the proceeds of such Debt Obligations, or persons related thereto, for periods while such Debt Obligations are held by such a user or related person, will not be exempt from regular Federal income taxes, although interest on such Debt Obligations received by others would be exempt from regular Federal income taxes. 'Substantial user' is defined under U.S. Treasury Regulations to include only a person whose gross revenue derived with respect to the facilities financed by the issuance of bonds is more than 5% of the total revenue derived by all users of 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 Debt Obligations, the gross proceeds received by the Trust from the disposition of any Debt Obligation (resulting from redemption or payment at maturity of any Debt Obligation or the sale by the Trust of any Debt Obligation), 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.

PUBLIC SALE OF UNITS

PUBLIC OFFERING PRICE

INITIAL OFFERING PERIOD

The Public Offering Price of the Units of a Trust during the initial offering period and any offering of additional Units is computed by dividing the offering side evaluation of the Securities in the Trust (as determined by the Evaluator) by the number of Units of the Trust outstanding and adding thereto the sales charge at the applicable percentage stated below of the offering side evaluation per Unit (the net amount invested). The Public Offering Price of the Units of a Trust on the date of this Prospectus or on any subsequent date will vary from the Public Offering Price of the Trust on the business day prior to the date of this Prospectus (set forth under Investment Summary) in accordance with fluctuations in the evaluations of the underlying Securities.

The following table sets forth the applicable percentage of sales charge, the concession to dealers and the concession to introducing dealers (i.e., dealers that buy and clear directly through a Sponsor or an Underwriter who is an affiliate of a Sponsor). These amounts are reduced on a graduated scale for sales to any purchaser of at least 250 Units and will be applied on whichever basis is more favorable to the purchaser. To qualify for the reduced sales



charge and concession applicable to quantity purchases, the dealer must confirm that the sale is to a single purchaser as defined below or is purchased for its own account and not for distribution. Sales charges and dealer concessions are as follows:

| OF UNITS | SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF OFFER SIDE PUBLIC OFFERING PRICE | AS PERCENT OF NET AMOUNT INVESTED | DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE | PRIMARY MARKET CONCESSION TO INTRODUCING DEALERS |
|---|---|---|---|---|
| Less than 250... | 4.5% | 4.712% | 2.925% | $ 32.40 |
| 250 - 499....... | 3.5 | 3.627 | 2.275 | 25.20 |
| 500 - 749....... | 3.0 | 3.093 | 1.950 | 21.60 |
| 750 - 999....... | 2.5 | 2.564 | 1.625 | 18.00 |
| 1,000 or more... | 2.0 | 2.041 | | 14.40 |

The above graduated sales charges will apply on all purchases of Units of a Trust on any one day during the initial offering period by the same purchaser of Units only in the amounts stated. These purchases will not be aggregated with concurrent purchases of any other unit trusts sponsored by the Sponsors. Units held in the name of the spouse of the purchaser or in the name of a child of the

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purchaser under 21 years of age are deemed to be registered in the name of the purchaser. The graduated sales charges are also applicable to a trustee or other fiduciary purchasing securities for a single trust estate or single fiduciary account.

On any subsequent purchase of Units of a Trust during its initial offering period, the sales charge on that purchase will be determined based on the aggregate number of Units purchased on that and any previous purchase date. To be eligible for this right of accumulation, the purchaser or his securities dealer must notify the Sponsors at the time of purchase that such purchase qualifies for this right of accumulation and supply sufficient information to permit confirmation of qualification. Acceptance of the purchase order is subject to such confirmation. This right of accumulation may be amended or terminated at any time without notice.

SECONDARY MARKET

The Public Offering Price in the secondary market reflects sales charges which may be at different rates depending on the maturities of the various bonds in the Portfolio. The Public Offering Price per Unit will be computed by adding to the Evaluator's determination of the bid side evaluation of each Security, a sales charge at a rate based on the time to maturity of that Security as described below, and dividing the sum of these calculations for all Securities in the Portfolio by the number of Units outstanding. For this purpose, a Security will be considered to mature on its stated maturity date unless: (a) the Security has been called for redemption or funds or securities have been placed in escrow to redeem it on an earlier call date, in which case the call date will be used; or (b) the Security is subject to a mandatory tender, in which case the mandatory tender date will be used.



SALES CHARGE

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

The total sales charge per Unit, as a percent of the Public Offering Price, is referred to below as the 'Effective Sales Charge'. For example, a Fund consisting entirely of Securities maturing in more than 8 but no more than 15 years would have an Effective Sales Charge of 4.50% of the Public Offering Price (4.712% of the net amount invested) while a Fund consisting entirely of Securities maturing in more than 15 years would have an Effective Sales Charge of 5.50% of the Public Offering Price (5.820% of the net amount invested) and so forth. A Fund consisting of Securities in each of these maturity ranges would have an Effective Sales Charge between these rates.

The sales charge per Unit will be reduced on a graduated scale for sales to any single purchaser, as described above, on a single day of specified numbers of Units set forth below. The number of units of other series sponsored by the Sponsors (or an equivalent number in case of units originally offered at about $1, $10 or $100 each), purchased in the secondary market on the same day will be added in determining eligibility for this reduction, provided that only units of series with Effective Sales Charges within a range of 0.5% of their public offering prices will be eligible. For example, if an investor purchases units of three series of Municipal Investment Trust Fund in the secondary market on the same day--200 units with an Effective Sales Charge of 3.4%, 200 units with an Effective Sales Charge of 3.6% and 100 units with an Effective Sales Charge of 3.9%, he would be entitled to a 40% reduction on each sales charge (an actual sales charge of 60% of each Effective Sales Charge based on



purchase of 500 units). If the lowest sales charge was 3.3%, the purchaser would only be entitled to a 20% reduction on two of those purchases (actual sales charge of 80% of Effective Sales Charge based on purchase of more than 249 units). The reduction will be applied on whichever basis is more favorable for the purchaser.

| NUMBER OF UNITS | ACTUAL SALES CHARGE AS % OF EFFECTIVE SALES CHARGE DETERMINED ABOVE | DEALER CONCESSION AS % OF EFFECTIVE SALES CHARGE DETERMINED ABOVE |
|---|---|---|

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| | | |
|---|---|---|
| 1-249 | 100% | 65% |
| 250-499 | 80% | 52% |
| 500-749 | 60% | 39% |
| 750-999 | 45%% | |
| 1,000 or more | 35%% | |

To qualify for the reduced sales charge and concession applicable to quantity purchases, the selling dealer must confirm that the sale is to a single purchaser, as described above, or is purchased for its own account and not for distribution.

PRICE PAID BY PURCHASERS

In both the initial offering period and the secondary market, a proportionate share of any cash held by the Fund in the Capital Account not allocated to the purchase of specific Securities and net accrued and undistributed interest on the Securities to the date of delivery of the Units to the purchaser is added to the Public Offering Price.

Employees of certain of the Sponsors and their affiliates and non-employee directors of Merrill Lynch & Co., Inc. may purchase Units of this Fund at prices based on a reduced sales charge of not less than $5.00 per Unit.

Evaluations of the Securities are determined by the Evaluator taking into account the same factors referred to under Redemption--Computation of Redemption Price per Unit. The determinations are made each business day as of the Evaluation Time set forth under Investment Summary, effective for all sales made since the last of these evaluations (Section 4.01). With respect to the evaluation of Debt Obligations during their initial syndicate offering period, the 'current offering price', as determined by the Evaluator, will normally be equal to the syndicate offering price as of the Evaluation Time, unless the Evaluator determines that a material event has occurred which it believes may result in the syndicate offering price not accurately reflecting the market value of the Debt Obligations, in which case the Evaluator, in making its determination, will consider not only the syndicate offering price but also the factors described in (b) and (c) in the description of how the bid side evaluation of the Securities is determined for purposes of redemption of Units (see Redemption--Computation of Redemption Price per Unit). The term 'business day', as used herein and under 'Redemption', shall exclude Saturdays, Sundays and the following holidays as observed by the New York Stock Exchange: New Year's Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving and Christmas.



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

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

The initial Public Offering Price per Unit of the Trust and the initial Repurchase Price are based on the offering side evaluations of the Securities. The secondary market Public Offering Price and the Sponsors' Repurchase Price in the secondary market are based on bid side evaluations of the Securities. In the past, the bid prices of publicly offered tax-exempt issues have been lower than the offering prices by as much as 3 1/2% or more of face amount in the case of inactively traded issues and as little as 1/2 of 1% in the case of actively traded issues, but the difference between the offering and bid prices has averaged between 1 and 2% of face amount; the amount of this difference as of the Evaluation Time on the business day prior to the Initial Date of Deposit, as determined by the Evaluator, is set forth under the Portfolio of each Trust. For this and other reasons (including fluctuations in the market prices of the Securities and the fact that the Public Offering Price includes the sales charge), the amount realized by a Holder upon any sale or redemption of Units may be less than the price paid by him for the Units.

PUBLIC DISTRIBUTION

During the initial offering period Units of the Trusts will be distributed to the public at the Public Offering Price through the Underwriting Account set forth under Investment Summary and dealers. The initial offering period is 30 days or less if all Units are sold. So long as all Units initially offered have not been sold, the Sponsors may extend the initial offering period for up to four additional successive 30-day periods. Upon the completion of the initial offering, Units which remain unsold or which may be acquired in the secondary market (see Market for Units) may be offered directly to the public by this Prospectus at the secondary market Public Offering Price determined in the manner described above.

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The Sponsors intend to qualify Units of each Trust for sale in the State for which the Trust is named and in selected other states, through the Underwriting Account and by dealers who are members of the National Association of Securities Dealers, Inc. Only a Virginia Trust will be registered and offered for sale in Virginia. The Sponsors do not intend to qualify Units for sale in any foreign countries and this Prospectus does not constitute an offer to sell Units in any country where Units cannot lawfully be sold. Sales to dealers and to introducing dealers, if any, will initially be made at prices which represent a concession of the applicable rate specified in the table above, but Merrill Lynch, Pierce, Fenner & Smith Incorporated, as agent for the Sponsors ('Agent for the Sponsors') reserves the right to change the rate of the concession to dealers and the concession to introducing dealers from time to time. Any dealer or introducing dealer may reallow a concession not in excess of the concession to dealers.



UNDERWRITERS' AND SPONSORS' PROFITS

Upon sale of the Units, the Underwriters named under Underwriting Account, including the Sponsors, will receive sales charges at the rates set forth in the table above. The Sponsors also realized a profit or loss on deposit of the Securities in the Trusts in the amounts set forth under Investment Summary. This is the difference between the cost of the Securities to the Trust (which is based on the offering side evaluation of the Securities on the Initial Date of Deposit) and the cost of the Securities to the Sponsors. The amounts of any additional fees received in connection with the direct placement of certain Debt Obligations deposited in the Portfolios are also set forth under Investment Summary. On each subsequent deposit in connection with the creation of additional Units, the Sponsors may also realize a profit or loss. In addition, any Sponsor or Underwriter may realize profits or sustain losses in respect of Debt Obligations deposited in the Trusts which were acquired by the Sponsor or Underwriter from underwriting syndicates of which the Sponsor or Underwriter was a member. During the offering period the Underwriting Account also may realize profits or sustain losses as a result of fluctuations after the Initial Date of Deposit in the Public Offering Price of the Units (see Investment Summary). Cash, if any, made available by buyers of Units to the Sponsors prior to a settlement date for the purchase of Units may be used in the Sponsors' businesses subject to the limitations of Rule 15c3-3 under the Securities Exchange Act of 1934 and may be of benefit to the Sponsors.

In maintaining a market for the Units (see Market for Units), the Sponsors will also realize profits or sustain losses in the amount of any difference between the prices at which they buy Units (based on the bid side evaluation of the Securities) and the prices at which they resell these Units (which include the sales charge) or the prices at which they redeem the Units (based on the bid side evaluation of the Securities), as the case may be.

MARKET FOR UNITS

During the initial offering period the Sponsors intend to offer to purchase Units of this Series at prices based upon the offering side evaluation of the Securities. Thereafter, while the Sponsors are not obligated to do so, it is their intention to maintain a secondary market for Units of each Trust of this Series and continuously to offer to purchase Units of each Trust of this Series at prices, subject to change at any time, which will be computed based on the bid side of the market, taking into account the same factors referred to in determining the bid side evaluation of Securities for purposes of redemption (see Redemption). This secondary market provides Holders with a fully liquid investment. They can cash in units at any time without a fee. The Sponsors may discontinue purchases of Units of any Trust at prices based on the bid side evaluation of the Securities should the supply of Units exceed demand or for other business reasons. In this event the Sponsors may nonetheless under certain circumstances purchase Units, as a service to Holders, at prices based on the current redemption prices for those Units (see Redemption). The Sponsors, of course, do not in any way guarantee the enforceability, marketability or price of any Securities in the Trusts or of the Units. Prospectuses relating to certain other unit trusts indicate an intention, subject to change on the part of the respective sponsors of such trusts, to purchase units of those trusts on the basis of a price higher than the bid prices of the bonds in the trusts. Consequently, depending upon the prices actually paid, the repurchase price of other sponsors for units of their trusts may be computed on a somewhat more favorable basis than the repurchase price offered by the Sponsors for Units of this Series in secondary



market transactions. As in this Series, the purchase price per unit of such unit trusts will depend primarily on the value of the bonds in the portfolio of the trust.

The Sponsors may redeem any Units they have purchased in the secondary market or through the Trustee in accordance with the procedures described below if they determine it is undesirable to continue to hold these Units in their

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inventories. Factors which the Sponsors will consider in making this determination will include the number of units of all series of all funds which they hold in their inventories, the saleability of the units and their estimate of the time required to sell the units and general market conditions. For a description of certain consequences of any redemption for remaining Holders, see Redemption.

A Holder who wishes to dispose of his Units should inquire of his bank or broker as to current market prices in order to determine if there exist over-the-counter prices in excess of the repurchase price.

REDEMPTION

While it is anticipated that Units in most cases can be sold in the over-the-counter market for an amount equal to the Redemption Price per Unit (see Market for Units), Units may be redeemed at the office of the Trustee set forth on the back cover of this Prospectus, upon tender on any business day, as defined under Public Sale of Units-- Public Offering Price, of Certificates or, in the case of uncertificated Units, delivery of a request for redemption, and payment of any relevant tax, without any other fee (Section 5.02). Certificates to be redeemed must be properly endorsed or accompanied by a written instrument or instruments of transfer. Holders must sign exactly as their names appear on the face of the Certificate with the signatures guaranteed by an eligible guarantor institution, or in some other manner acceptable to the Trustee. In certain instances the Trustee may require additional documents including, but not limited to, trust instruments, certificates of death, appointments as executor or administrator or certificates of corporate authority.

On the seventh calendar day following the tender (or if the seventh calendar day is not a business day on the first business day prior thereto), the Holder will be entitled to receive the proceeds of the redemption in an amount per Unit equal to the Redemption Price per Unit (see below) as determined as of the Evaluation Time next following the tender. The price received upon redemption may be more or less than the amount paid by the Holder depending on the value of the Securities in the Portfolio at the time of redemption. Principal is normally distributed as bonds mature, or are called, redeemed, or sold. Except for sales of Securities (which would be at then current market prices) and subject to the bond issuers paying the amounts due, return of principal to Holders who retain their Units until termination of the Trust should be relatively unaffected by changes in interest rates. Of course, a gain or loss could be recognized if Units are sold before then. So long as the Sponsors are maintaining a market at prices not less than the Redemption Price per Unit, the Sponsors will repurchase any Units tendered for redemption no later than the close of business on the second business day following the tender (see Market for Units). The Trustee is authorized in its discretion, if the Sponsors do not elect to repurchase any Units tendered for redemption or if a Sponsor tenders Units for redemption, to sell the Units in the over-the-counter market at prices which will return to the Holder a net amount in cash equal to or in excess of the Redemption Price per Unit for the Units (Section 5.02).



Securities are to be sold in order to make funds available for redemption of Units of that Trust (Section 5.02) if funds are not otherwise available in the Capital and Income Accounts (see Administration of the Fund--Accounts and Distributions). The Securities to be sold will be selected by the Sponsors in accordance with procedures specified in the Indenture on the basis of market and credit factors as they may determine are in the best interests of the Trust. Provision is made under the Indenture for the Sponsors to specify minimum face amounts in which blocks of Securities are to be sold in order to obtain the best price for the Trust.

To the extent that Securities in a Trust are sold, the size and diversity of the Trust will be reduced. Sales will usually be required at a time when Securities would not otherwise be sold and may result in lower prices to the Trust than might otherwise be realized.

The right of redemption may be suspended and payment postponed (1) for any period during which the New York Stock Exchange, Inc. is closed other than for customary weekend and holiday closings, or (2) for any period during which, as determined by the SEC, (i) trading on that Exchange is restricted or (ii) an emergency exists as a result of which disposal or evaluation of the Securities is not reasonably practicable, or (3) for any other periods which the SEC may by order permit (Section 5.02).

COMPUTATION OF REDEMPTION PRICE PER UNIT

Redemption Price per Unit of a Trust is computed by the Trustee, as of the Evaluation Time, on each June 30 and December 31 (or the last business day prior thereto), on any business day as of the Evaluation Time next following the tender of any Unit for redemption, and on any other business day desired by the Trustee or the Sponsors, by adding (a) the aggregate bid side evaluation of the Securities in the Trust, (b) cash on hand in the Trust (other than cash covering contracts to purchase Securities or credited to a reserve account), (c) accrued but unpaid interest on the Securities up to but not including the date of

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redemption (less amounts beneficially owned by the Trustee resulting from unreimbursed advances) and (d) the aggregate value of all other assets of the Trust; deducting therefrom the sum of (v) taxes or other governmental charges against the Trust not previously deducted, (w) accrued but unpaid expenses of the Trust, (x) amounts payable for reimbursement of Trustee advances, (y) cash held for redemption of units for distribution to Holders of record as of a date prior to the evaluation and (z) the aggregate value of all other liabilities of the Trust; and dividing the result by the number of Units outstanding as of the date of computation (Section 5.01).

The aggregate current bid or offering side evaluation of the Securities is determined by the Evaluator in the following manner: if the Securities are traded on the over-the-counter market, this evaluation is generally based on the closing sale prices on the over-the-counter market (unless the Evaluator deems these prices inappropriate as a basis for evaluation). If closing sale prices are unavailable, the evaluation is generally determined (a) on the basis of current bid or offering prices for the Securities, (b) if bid or offering prices are not available for any Securities, on the basis of current bid or offering prices for comparable securities, (c) by appraising the value of the Securities on the bid or offering side of the market or (d) by any combination of the above.



The value of any insurance is reflected in the market value of any Insured Debt Obligations. It is the position of the Sponsors that this is a fair method of valuing the Insured Debt Obligations and the insurance and reflects a proper valuation method in accordance with the provisions of the Investment Company Act of 1940.

## EXPENSES AND CHARGES

### INITIAL EXPENSES

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

### FEES

An estimate of the total annual expenses of each Trust is set forth under Investment Summary. The Trustee (or Co-Trustees, in the case of Investors Bank & Trust Company and The First National Bank of Chicago) receives for its services as Trustee and for reimbursement of expenses incurred on behalf of a Trust, payable in monthly installments, the amount per Unit set forth under Investment Summary as Trustee's Annual Fee and Expenses. Of this amount, the Trustee receives annually for its services as Trustee $0.70 per $1,000 face amount of Debt Obligations. The Trustee's Annual Fee and Expenses also includes the Evaluator's fee, the estimated Portfolio Supervision Fee, estimated reimbursable bookkeeping or other administrative expenses paid to the Sponsors and certain mailing and printing expenses. Expenses in excess of this amount will be borne by the Fund. The Trustee also receives benefits to the extent that it holds funds on deposit in the various non-interest bearing accounts created under the Indenture. The Portfolio Supervision Fee with respect to a Trust is based on the face amount of Debt Obligations in the Trust on the Initial Date of Deposit and on the first business day of each calendar year thereafter, except that if in any calendar year Additional Securities are deposited, the fee for the balance of the year will be based on the face amounts on each Record Day. This fee, which is not to exceed the maximum amount set forth under Investment Summary, may exceed the actual costs of providing portfolio supervisory services for a Trust, but at no time will the total amount the Sponsors receive for portfolio supervisory services rendered to all series of Municipal Investment Trust Fund in any calendar year exceed the aggregate cost to them of supplying these services in that year (Section 7.05). In addition, the Sponsors may also be reimbursed for bookkeeping or other administrative services provided to the Fund in amounts not exceeding their costs of providing these services (Section 7.06). The foregoing fees may be adjusted for inflation in accordance with the terms of the Indenture without approval of Holders (Sections 3.04, 4.03 and 8.05).



### OTHER CHARGES

Other charges include with respect to a Trust: (a) fees of the Trustee for extraordinary services (Section 8.05), (b) certain expenses of the Trustee (including legal and auditing expenses) and of counsel designated by the Sponsors (Sections 3.04, 3.09, 7.05(b), 8.01 and 8.05), (c) various governmental charges (Sections 3.03 and 8.01 h]), (d) expenses and costs of action taken to protect the Trust (Section 8.01 d]), (e) indemnification of the Trustee for any losses, liabilities and expenses incurred without gross negligence, bad faith or willful misconduct on its part (Section 8.05), (f) indemnification of the Sponsors for any losses, liabilities and expenses incurred without gross negligence, bad faith, wilful misconduct or reckless disregard of their duties

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(Section 7.05b]), (g) expenditures incurred in contacting Holders upon termination of the Trust (Section 9.02) and (h) premiums for extra insurance necessary to maintain the rating of an Insured Trust. The amounts of these charges and fees are secured by a lien on the Trust and, if the balances in the Income and Capital Accounts (see below) are insufficient, the Trustee has the power to sell Securities to pay these amounts (Section 8.05).

## ADMINISTRATION OF THE FUND

### RECORDS

The Trustee keeps a register of the names, addresses and holdings of all Holders of each Trust. The Trustee also keeps records of the transactions of each Trust, including a current list of the Securities and a copy of the Indenture, which are available to Holders for inspection at the office of the Trustee at reasonable times during business hours (Sections 6.01, 8.02 and 8.04).

### ACCOUNTS AND DISTRIBUTIONS

Interest received by each Trust is credited to an Income Account for the Trust and other receipts to a Capital Account for the Trust (Sections 3.01 and 3.02). The Monthly Income Distribution for each Holder as of each Record Day will be made on the following Distribution Day or shortly thereafter and shall consist of an amount substantially equal to the Holder's pro rata share of the estimated net income accrued during the month preceding the Record Day, after deducting estimated expenses. Estimates of the amounts of the first and subsequent Monthly Income Distributions are set forth under Investment Summary. The amount of the Monthly Income Distributions will change as Securities are redeemed, paid or sold. At the same time the Trustee will distribute the Holder's pro rata share of the distributable cash balance of the Capital Account of the Trust computed as of the close of business on the preceding Record Day (if at least equal to the Minimum Capital Distribution set forth under Investment Summary). Principal proceeds received from the disposition, payment or prepayment of any of the Securities subsequent to a Record Day and prior to the succeeding Distribution Day will be held in the Capital Account to be distributed on the second succeeding Distribution Day. The first distribution for persons who purchase Units between a Record Day and a Distribution Day will be made on the second Distribution Day following their purchase of Units. A Reserve Account may be created by the Trustee by withdrawing from the Income or Capital Accounts, from time to time, amounts deemed necessary to reserve for any material amount that



may be payable out of the Trust (Section 3.03). Funds held by the Trustee in the various accounts created under the Indenture do not bear interest (Section 8.01).

### INVESTMENT ACCUMULATION PROGRAM

Monthly Income Distributions of interest and any principal or premium received by the Trusts will be paid in cash. However, a Holder may elect to have these monthly distributions reinvested without sales charge in the Municipal Fund Accumulation Program, Inc. (the 'Program'). The Program is an open-end management investment company whose primary investment objective is to obtain income that is exempt from regular Federal income tax through investment in a diversified portfolio consisting primarily of state, municipal and public authority debt obligations with credit characteristics comparable to those of securities in this Series of Municipal Investment Trust Fund. Most or all of the securities in the portfolio of the Program, however, will not be insured. Reinvesting compounds the earnings Federally tax-free. Holders participating in the Program will be taxed on their reinvested distributions in the manner described in Taxes even though distributions are reinvested in the Program. For more complete information about the Program, including charges and expenses, return the enclosed form for a prospectus. Read it carefully before you decide to participate. Notice of election to participate must be received by the Trustee in writing at least ten days before the Record Day for the first distribution to which the notice is to apply.

### PORTFOLIO SUPERVISION

The Fund is a unit investment trust which normally follows a buy and hold investment strategy and is not actively managed. Traditional methods of investment management for a managed fund (such as a mutual fund) typically involve frequent changes in a portfolio of securities on the basis of economic, financial and market analyses. The Portfolios of the Trusts comprising this Series, however, will not be actively managed and therefore the adverse financial condition of an issuer will not necessarily require the sale of its Securities from a Portfolio. Defined Asset Funds investment professionals are dedicated exclusively to selecting and then monitoring securities held by the various Defined Funds. On an ongoing basis, experienced financial analysts regularly review the Portfolios and may direct the disposition of Securities under any of the following circumstances: (i) a default in payment of amounts due on any Security, (ii) institution of certain legal proceedings, (iii)

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existence of any other legal questions or impediments affecting a Security or the payment of amounts due on the Security, (iv) default under certain documents adversely affecting debt service or default in payment of amounts due on other securities of the same issuer or guarantor, (v) decline in projected income pledged for debt service on revenue bond issues, (vi) decline in price of the Security or the occurrence of other market or credit factors, including advance refunding (i.e., the issuance of refunding bonds and the deposit of the proceeds thereof in trust or escrow to retire the refunded Securities on their respective redemption dates), that in the opinion of the Sponsors would make the retention of the Security detrimental to the interests of the Holders, (vii) if a Security is not consistent with the investment objective of the Fund or (viii) if the Trustee has a right to sell or redeem a Security pursuant to any applicable guarantee or other credit support. If a default in the payment of amounts due on any Security occurs and if the Agent for the Sponsors fails to give instructions to sell or hold the Security, the Indenture provides that the Trustee, within 30 days of the failure shall sell the Security (Section 3.08).



The Sponsors are required to instruct the Trustee to reject any offer made by an issuer of any of the Debt Obligations to issue new Debt Obligations in exchange or substitution for any Debt Obligations pursuant to a refunding or refinancing plan, except that the Sponsors may instruct the Trustee to accept or reject any offer or to take any other action with respect thereto as the Sponsors may deem proper if (a) the issuer is in default with respect to these Debt Obligations or (b) in the written opinion of the Sponsors the issuer will probably default with respect to these Debt Obligations in the reasonably foreseeable future. Any Debt Obligations so received in exchange or substitution will be held by the Trustee subject to the terms and conditions of the Indenture to the same extent as Debt Obligations originally deposited thereunder (Section 3.11). Within five days after the deposit of Debt Obligations in exchange or substitution for existing Debt Obligations, the Trustee is required to give notice thereof to each Holder, identifying the Debt Obligations removed from the Portfolio and the Debt Obligations substituted therefor (Section 3.07).

The Sponsors are authorized to direct the Trustee to deposit replacement securities ('Replacement Securities') into the Portfolio to replace any Failed Debt Obligations or, in connection with the deposit of Additional Securities, when Securities of an issue originally deposited are unavailable at the time of subsequent deposit as described more fully below. Replacement Securities that are replacing Failed Debt Obligations will be deposited into a Trust within 110 days of the date of deposit of the contracts which have failed, at a purchase price that does not exceed the amount of funds reserved for the purchase of Failed Debt Obligations and that results in a yield to maturity and in a current return, in each case as of that date of deposit, that are equivalent (taking into consideration then current market conditions and the relative creditworthiness of the underlying obligation) to the yield to maturity and current return of the Failed Debt Obligations. The Replacement Securities shall (i) be tax-exempt bonds issued by the state for which the Trust is named or its political subdivisions or by the Government of Puerto Rico or by its authority or by the Government of Guam or by its authority; (ii) have fixed maturity dates substantially the same as those of the Failed Debt Obligations; (iii) be rated in the category A or better by either Standard & Poor's or Moody's (or have, in the opinion of the Agent for the Sponsors, comparable credit characteristics, if not actually rated) or if the Trust is an Insured Trust, be insured by an Insurance Company and have the benefits of such insurance under terms equivalent to the insurance of the Insurance Company with respect to the Failed Debt Obligations and not cause the Units of the Fund to cease to be rated AAA by Standard & Poor's; and (iv) not be when, as and if issued obligations. Replacement Securities shall be selected by the Sponsors from a list of Securities maintained by them and updated from time to time. The Securities on the current list from which Replacement Securities are to be selected are set forth under Investment Summary. Whenever a Replacement Security has been acquired for a Trust, the Trustee shall, on the next monthly distribution date that is more than 30 days thereafter, make a pro rata distribution of the amount, if any, by which the cost to the Trust of the Failed Debt Obligation exceeded the cost of the Replacement Security plus accrued interest. If Replacement Securities are not acquired, the Sponsors will, on or before the next following Distribution Day, cause to be refunded to Holders the attributable sales charge, plus the attributable Cost of Debt Obligations to Trust listed under Portfolio, plus interest attributable to the Failed Debt Obligation. The portion of interest paid to a Holder that accrued after the expected date of settlement for purchase of his Units will be paid by the Sponsors and accordingly will not be treated as tax exempt income.



The Indenture also authorizes the Sponsors to increase the size and number of Units of a Trust by the deposit of Additional Securities, contracts to purchase Additional Securities or cash or a letter of credit with instructions to purchase Additional Securities in exchange for the corresponding number of additional Units during the 90-day period subsequent to the Initial Date of Deposit, provided that the original proportionate relationship among the face amounts of each Security established on the Initial Date of Deposit (the 'Original Proportionate Relationship') is maintained to the extent practicable.

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Deposits of Additional Securities subsequent to the 90-day period following the Initial Date of Deposit must replicate exactly the original proportionate relationship among the face amounts of Securities comprising the Portfolio at the end of the initial 90-day period, subject to certain events (Sections 3.07, 3.08 and 3.10).

With respect to deposits of Additional Securities in connection with creating additional Units of the Trust during the 90-day period following the Initial Date of Deposit, the Sponsors may specify minimum face amounts in which Additional Securities will be deposited or purchased. If a deposit is not sufficient to acquire minimum amounts of each Security, Additional Securities may be acquired in the order of the Security most under-represented immediately before the deposit when compared to the Original Proportionate Relationship. If Securities of an issue originally deposited are unavailable at the time of subsequent deposit or cannot be purchased at reasonable prices or their purchase is prohibited or restricted by law, regulation or policies applicable to the Trust or any of the Sponsors, the Sponsors may (1) deposit cash or a letter of credit with instructions to purchase the Security when it becomes available (provided that it becomes available within 110 days after the Initial Date of Deposit), or (2) deposit (or instruct the Trustee to purchase) (i) Securities of one or more other issues originally deposited or (ii) a Replacement Security which will meet the conditions described above except that it must have a rating at least equal to that of the Security it replaces (or, in the opinion of the Sponsors, have comparable credit characteristics, if not rated). Any funds held to acquire Additional or Replacement Securities which have not been used to purchase Securities at the end of the 90-day period beginning with the Initial Date of Deposit, shall be used to purchase Securities as described above or shall be distributed to Holders together with the attributable sales charge.

REPORTS TO HOLDERS

With each distribution, the Trustee will furnish Holders with a statement of the amounts of interest and other receipts, if any, that are being distributed, expressed in each case as a dollar amount per Unit. After the end of each calendar year during which a Monthly Income Distribution was made to Holders, the Trustee will furnish to each person who at any time during the calendar year was a Holder of record a statement (i) summarizing transactions for that year in the Income and Capital Accounts of the Trust, (ii) listing the Securities held and the number of Units outstanding at the end of that calendar year, (iii) stating the Redemption Price per Unit based upon the computation thereof made at the end of that calendar year and (iv) specifying the amounts distributed during that calendar year from the Income and Capital Accounts (Section 3.07). The accounts of each Trust shall be audited at least annually by independent certified public accountants designated by the Sponsors and the report of the accountants shall be furnished by the Trustee to Holders upon request (Section 8.01 h]).



In order to enable them to comply with Federal and state tax reporting requirements, Holders will be furnished upon request to the Trustee with evaluations of Securities furnished to it by the Evaluator (Section 4.02).

CERTIFICATES

Each purchaser is entitled to receive, upon request, a registered Certificate for his Units. Certain of the Sponsors may collect charges for registering and shipping Certificates to purchasers. These Certificates are transferable or interchangeable upon presentation at the office of the Trustee, with a payment of $2.00 if required by the Trustee (or other amounts specified by the Trustee and approved by the Sponsors) for each new Certificate and any sums payable for taxes or other governmental charges imposed upon the transaction (Section 6.01) and compliance with the formalities necessary to redeem Certificates (see Redemption). Mutilated, destroyed, stolen or lost Certificates will be replaced upon delivery of satisfactory indemnity and payment of expenses incurred (Section 6.02).

AMENDMENT AND TERMINATION

The Sponsors and Trustee may amend the Indenture for a Trust, without the consent of the Holders, (a) to cure any ambiguity or to correct or supplement any provision thereof which may be defective or inconsistent, (b) to change any provision thereof as may be required by the SEC or any successor governmental agency or (c) to make any other provisions which do not materially adversely affect the interest of the Holders (as determined in good faith by the Sponsors). The Indentures may also be amended in any respect by the Sponsors and the Trustee, or any of the provisions thereof may be waived, with the consent of the Holders of 51% of the Units of a Trust, provided that none of these amendments or waivers will reduce the interest in the Trust of any Holder without the consent of the Holder or reduce the percentage of Units required to consent to any of these amendments or waivers without the consent of all Holders (Section 10.01).

Each Trust will terminate and each Trust will be liquidated upon the maturity, sale, redemption or other disposition of the last Security held

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thereunder, but in no event is it to continue beyond the mandatory termination date set forth under Investment Summary. A Trust may be terminated by the Sponsors if the value of a Trust is less than the minimum value set forth under Investment Summary, and may be terminated at any time by written instrument executed by the Sponsors and consented to by Holders of 51% of the then outstanding Units (Sections 8.01 g] and 9.01). The Trustee will deliver written notice of any termination to each Holder within a reasonable period of time prior to the termination, specifying the times at which the Holders may surrender their Certificates for cancellation. Within a reasonable period of time after the termination, the Trustee must sell all of the Securities then held and distribute to each Holder, upon surrender for cancellation of his Certificates and after deductions for accrued but unpaid fees, taxes and governmental and other charges, the Holder's interest in the Income and Capital Accounts (Section 9.01). This distribution will normally be made by mailing a check in the amount of each Holder's interest in these accounts to the address of the Holder appearing on the record books of the Trustee.



RESIGNATION, REMOVAL AND LIMITATIONS ON LIABILITY

TRUSTEE

The Trustee or any successor may resign upon notice to the Sponsors. The Trustee may be removed upon the direction of the Holders of 51% of the Units at any time or by the Sponsors without the consent of any of the Holders if the Trustee becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, or if for any reason the Sponsors determine in good faith that the replacement of the Trustee is in the best interest of the Holders. The resignation or removal shall become effective upon the acceptance of appointment by the successor which may, in the case of a resigning or removed Co-Trustee, be one or more of the remaining Co-Trustees. The Sponsors are to use their best efforts to appoint a successor promptly and if upon resignation of the Trustee no successor has accepted appointment within thirty days after notification, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor (Section 8.06). The Trustee shall be under no liability for any action taken in good faith in reliance on prima facie properly executed documents or for the disposition of monies or Securities under the Indenture. This provision, however, shall not protect the Trustee in cases of wilful misfeasance, bad faith, negligence or reckless disregard of its obligations and duties. In the event of the failure of the Sponsors to act, the Trustee may act under the Indenture and shall not be liable for any of these actions taken in good faith. The Trustee shall not be personally liable for any taxes or other governmental charges imposed upon or in respect of the Securities or upon the interest thereon. In addition, the Indenture contains other customary provisions limiting the liability of the Trustee (Sections 8.01 and 8.05).

EVALUATOR

The Evaluator may resign or may be removed, effective upon the acceptance of appointment by its successor, by the Sponsors, who are to use their best efforts to appoint a successor promptly. If upon resignation of the Evaluator no successor has accepted appointment within thirty days after notification, the Evaluator may apply to a court of competent jurisdiction for the appointment of a successor (Section 4.05). Determinations by the Evaluator under the Indenture 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 the Holders for errors in judgment. This provision, however, shall not protect the Evaluator in cases of wilful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties (Section 4.04). The Trustee, the Sponsors and the Holders may rely on any evaluation furnished by the Evaluator and shall have no responsibility for the accuracy thereof.

SPONSORS

Any Sponsor may resign if one remaining Sponsor maintains a net worth of $ 2,000,000 and is agreeable to the resignation (Section 7.04). A new Sponsor may be appointed by the remaining Sponsors and the Trustee to assume the duties of the resigning Sponsor. If there is only one Sponsor and it fails to perform its duties or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, then the Trustee may (a) appoint a successor Sponsor at rates of compensation deemed by the Trustee to be reasonable and as may



not exceed amounts prescribed by the SEC, or (b) terminate the Indentures and liquidate the Trusts or (c) continue to act as Trustee without terminating the Indentures (Section 8.01 e]). The Agent for the Sponsors has been appointed by the other Sponsors for purposes of taking action under the Indentures (Section 7.01). If the Sponsors are unable to agree with respect to action to be taken jointly by them under the Indentures and they cannot agree as to which Sponsors shall continue to act as Sponsors, then Merrill Lynch, Pierce, Fenner & Smith

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Incorporated shall continue to act as sole Sponsor (Section 7.02b]). If one of the Sponsors fails to perform its duties or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, then that Sponsor is automatically discharged and the other Sponsors shall act as Sponsors (Section 7.02a]). The Sponsors shall be under no liability to the Trusts or to the Holders for taking any action or for refraining from taking any action in good faith or for errors in judgment and shall not be liable or responsible in any way for depreciation or loss incurred by reason of the sale of any Security. This provision, however, shall not protect the Sponsors in cases of wilful misfeasance, bad faith, gross negligence or reckless disregard of their obligations and duties (Section 7.05). The Sponsors and their successors are jointly and severally liable under the Indentures. A Sponsor may transfer all or substantially all of its assets to a corporation or partnership which carries on its business and duly assumes all of its obligations under the Indentures and in that event it shall be relieved of all further liability under the Indentures (Section 7.03).

## MISCELLANEOUS

### TRUSTEE

The Trustee of the Fund is named on the back cover page of this Prospectus and is either The Bank of New York, a New York banking corporation with its Unit Investment Trust Department at 101 Barclay Street, New York, New York 10286 (which is subject to supervision by the New York Superintendent of Banks, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System); Bankers Trust Company, a New York banking corporation with its corporate trust office at Four Albany Street, 7th Floor, New York, New York 10015 (which is subject to supervision by the New York Superintendent of Banks, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System); The Chase Manhattan Bank, N.A., a national banking association with its Unit Trust Department at 1 Chase Manhattan Plaza-3B, New York, New York 10081 (which is subject to supervision by the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System); or (acting as Co-Trustees) Investors Bank & Trust Company, a Massachusetts trust company with its unit investment trust servicing group at One Lincoln Plaza, Boston, Massachusetts 02111 (which is subject to supervision by the Massachusetts Commissioner of Banks, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System) and The First National Bank of Chicago, a national banking association with its corporate trust office at One First National Plaza, Suite 0126, Chicago, Illinois 60670-0126 (which is subject to supervision by the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System).



### LEGAL OPINION

The legality of the Units has been passed upon by Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, as special counsel for the Sponsors. Emmet, Marvin & Martin, 48 Wall Street, New York, New York 10005, act as counsel for The Bank of New York, as Trustee. Bingham, Dana & Gould, 150 Federal Street, Boston, Massachusetts 02110, act as counsel for The First National Bank of Chicago and Investors Bank & Trust Company, as Co-Trustees. Hawkins, Delafield & Wood, 67 Wall Street, New York, New York 10005, act as counsel for Bankers Trust Company, as Trustee.

### AUDITORS

The Statements of Condition, including the Portfolios, of the Trusts included herein have been audited by Deloitte & Touche, independent accountants, as stated in their opinion appearing herein and have been so included in reliance upon that opinion given on the authority of that firm as experts in accounting and auditing.

### SPONSORS

Each Sponsor is a Delaware corporation and is engaged in the underwriting, securities and commodities brokerage business, and is a member of the New York Stock Exchange, Inc., other major securities exchanges and commodity exchanges, and the National Association of Securities Dealers, Inc. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Asset Management, a Delaware corporation, each of which is a subsidiary of Merrill Lynch & Co., Inc., are engaged in the investment advisory business. Smith Barney Shearson Inc., an investment banking and securities broker-dealer firm, is an indirect wholly-owned subsidiary of Primerica Corporation ('Primerica'). In July 1993, Primerica and Smith Barney, Harris Upham & Co. Incorporated ('Smith Barney') acquired the assets of the domestic retail brokerage and asset management businesses of Shearson Lehman Brothers Inc. ('Shearson'), previously a co-Sponsor of various Defined Asset Funds. Prudential Securities Incorporated, a wholly-owned subsidiary of Prudential Securities Group Inc. and an indirect wholly-owned subsidiary of the Prudential Insurance Company of America, is engaged in the investment advisory business. PaineWebber Incorporated is engaged in the investment advisory business and is a wholly-owned subsidiary of

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PaineWebber Group Inc. Dean Witter Reynolds Inc., a principal operating subsidiary of Dean Witter, Discover & Co., is engaged in the investment advisory business. Each Sponsor has acted as principal underwriter and managing underwriter of other investment companies. The Sponsors, in addition to participating as members of various selling groups or as agents of other investment companies, execute orders on behalf of investment companies for the purchase and sale of securities of these companies and sell securities to these companies in their capacities as brokers or dealers in securities.

Each Sponsor (or a predecessor) has acted as Sponsor of various series of Defined Asset Funds. A subsidiary of Merrill Lynch, Pierce, Fenner & Smith Incorporated succeeded in 1970 to the business of Goodbody & Co., which had been a co-Sponsor of Defined Asset Funds since 1964. That subsidiary resigned as Sponsor of each of the Goodbody series in 1971. Merrill Lynch, Pierce, Fenner & Smith Incorporated has been co-Sponsor and the Agent for the Sponsors of each series of Defined Asset Funds created since 1971. Shearson and certain of its



predecessors were underwriters beginning in 1962 and co-Sponsors from 1965 to 1967 and from 1980 to 1993 of various Defined Asset Funds. As a result of the acquisition of certain of Shearson's assets by Smith Barney and Primerica, as described above, Smith Barney Shearson Inc. now serves as co-Sponsor of various Defined Asset Funds. Prudential Securities Incorporated and its predecessors have been underwriters of Defined Asset Funds since 1961 and co-Sponsors since 1964, in which year its predecessor became successor co-Sponsor to the original Sponsor. Dean Witter Reynolds Inc. and its predecessors have been underwriters of various Defined Asset Funds since 1964 and co-Sponsors since 1974. PaineWebber Incorporated and its predecessor have co-Sponsored certain Defined Asset Funds since 1983.

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

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

The following chart shows the average annual compounded rate of return of selected asset classes over the 10-year and 20-year periods ending December 31, 1992, compared to the rate of inflation over the same periods.



Of course, this chart represents past performance of these investment categories and there is no guarantee of future results, either of these categories or of Defined Funds. Defined Funds also have sales charges and expenses, which are not reflected in the chart.

Stocks (S&P 500)
20 yr 11.33%
10 yr 16.19%
Small-company stocks
20 yr 15.54%
10 yr 11.55%
Long-term corporate bonds
20 yr 9.54%
10 yr 13.14%
U.S. Treasury bills (short-term)
20 yr 7.70%
10 yr 6.95%
Consumer Price Index
20 yr 6.21%
10 yr 3.81%
0 2 4 6 8 10 12

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



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

DESCRIPTION OF RATINGS (as described by the rating company itself).

STANDARD & POOR'S CORPORATION

A Standard & Poor's rating on the units of an investment trust (hereinafter referred to collectively as 'units' and 'funds') is a current assessment of creditworthiness with respect to the investments held by the fund. This assessment takes into consideration the financial capacity of the issuers and of any guarantors, insurers, lessees, or mortgagors with respect to such investments. The assessment, however, does not take into acount the extent to which fund expenses will reduce payment to the unit holder of the interest and principal required to be paid on portfolio assets. In addition, the rating is not a recommendation to purchase, sell, or hold units, as the rating does not comment as to market price of the units or suitability for a particular investor.

AAA--Units rated AAA represent interests in funds composed exclusively of securities that, together with their credit support, are rated AAA by Standard & Poor's and/or certain short-term investments. This AAA rating is the highest rating assigned by Standard & Poor's to a security. Capacity to pay interest and repay principal is extremely strong.

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

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



BBB--Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more

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likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

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

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

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

MOODY'S INVESTORS SERVICE

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

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

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

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



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

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

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

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

EXCHANGE OPTION

ELECTION

Holders may elect to exchange any or all of their Units of a Trust for units of one or more of the series of Funds listed in the table set forth below (the 'Exchange Funds'), which normally are sold in the secondary market at prices which include the sales charge indicated in the table. Certain series of the Funds listed have lower maximum applicable sales charges than those stated in the table; also the rates of sales charges may be changed from time to time. No series with a maximum applicable sales charge of less than 3.50% of the

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public offering price is eligible to be acquired under the Exchange Option, with the following exceptions: (1) Freddie Mac Series may be acquired by exchange during the initial offering period from any of the Exchange Funds listed in the table and (2) Units of any Select Ten Portfolio, if available, may be acquired during their initial offering period or thereafter by exchange from any Exchange Fund Series; units of Select Ten Portfolios may be exchanged only for units of another Select Ten Series, if available. Units of the Exchange Funds may be acquired at prices which include the reduced sales charge for Exchange Fund units listed in the table, subject, however, to these important limitations:

First, there must be a secondary market maintained by the Sponsors in units of the series being exchanged and a primary or secondary market in units of the series being acquired and there must be units of the applicable Exchange Fund lawfully available for sale in the state in which the Holder is resident. There is no legal obligation on the part of the Sponsors to maintain a market for any units or to maintain the legal qualification for sale of any of these units in any state or states. Therefore, there is no assurance that a market for units will in fact exist or that any units will be lawfully available for sale on any given date at which a



Holder wishes to sell his Units of this Series and thus there is no assurance that the Exchange Option will be available to any Holder.

Second, when units held for less than five months are exchanged for units with a higher regular sales charge, the sales charge will be the greater of (a) the reduced sales charge set forth in the table below or (b) the difference between the sales charge paid in acquiring the units being exchanged and the regular sales charge for the quantity of units being acquired, determined as of the date of the exchange.

Third, exchanges will be effected in whole units only. If the proceeds from the Units being surrendered are less than the cost of a whole number of units being acquired, the exchanging Holder will be permitted to add cash in an amount to round up to the next highest number of whole units.

Fourth, the Sponsors reserve the right to modify, suspend or terminate the Exchange Option at any time without further notice to Holders. In the event the Exchange Option is not available to a Holder at the time he wishes to exercise it, the Holder will be immediately notified and no action will be taken with respect to his Units without further instruction from the Holder.

PROCEDURES

To exercise the Exchange Option, a Holder should notify one of the Sponsors of his desire to use the proceeds from the sale of his Units of this Series to purchase units of one or more of the Exchange Funds. If units of the applicable outstanding series of the Exchange Fund are at that time available for sale, the Holder may select the series or group of series for which he desires his Units to be exchanged. Of course, the Holder will be provided with a current prospectus or prospectuses relating to each series in which he indicates interest. The exchange transaction will operate in a manner essentially identical to any secondary market transaction, i.e., Units will be repurchased at a price equal to the aggregate bid side evaluation per Unit of the Securities in the Portfolio plus accrued interest. Units of the Exchange Fund will be sold to the Holder at a price equal to the bid side evaluation per unit of the underlying securities in the Portfolio plus interest plus the applicable sales charge listed in the table below. Units of Equity Income Fund are sold, and will be repurchased, at a price normally based on the closing sale prices on the New York Stock Exchange, Inc. of the underlying securities in the Portfolio. The maximum applicable sales charges for units of the Exchange Funds are also listed in the table. Excess proceeds not used to acquire whole Exchange Fund units will be paid to the exchanging Holder.

CONVERSION OPTION

Owners of units of any registered unit investment trust sponsored by others which was initially offered at a maximum applicable sales charge of at least 3.0% ('Conversion Trust') may elect to apply the cash proceeds of sale or redemption of those units directly to acquire available units of any Exchange Fund at the reduced sales charge, subject to the terms and conditions applicable to the Exchange Option (except that no secondary market is required in Conversion Trust units). To exercise this option, the owner should notify his retail broker. He will be given a prospectus of each series in which he indicates interest of which units are available. The broker must sell or redeem the units of the Conversion Trust. Any broker other than a Sponsor must certify to the Sponsors that



the purchase of units of the Exchange Fund is being made pursuant to and is eligible for this conversion option. The broker will be entitled to two thirds

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of the applicable reduced sales charge. The Sponsors reserve the right to modify, suspend or terminate the conversion option at any time without further notice, including the right to increase the reduced sales charge applicable to this option (but not in excess of $5 more per unit than the corresponding fee then charged for the Exchange Option).

THE EXCHANGE FUNDS

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

TAX CONSEQUENCES

An exchange of Units pursuant to the Exchange or Conversion Option for units of a series of another Fund should constitute a 'taxable event' under the Code, requiring a Holder to recognize a tax gain or loss, subject to the following limitation. The Internal Revenue Service may seek to disallow a loss (or a pro rata portion thereof) on an exchange of units if the units received by a Holder in connection with such an exchange represent securities that are not materially different from the securities that his previous units represented (e.g., both Funds contain securities issued by the same obligor that have the same material terms). Holders are urged to consult their own tax advisers as to the tax consequences to them of exchanging units in particular cases.

EXAMPLE

Assume that a Holder, who has three units of a fund with a 5.50% sales charge in the secondary market and a current price (based on bid side evaluation plus accrued interest) of $1,100 per unit, sells his units and exchanges the proceeds for units of a series of an Exchange Fund with a current price of $950 per unit and the same sales charge. The proceeds from the Holder's units will aggregate $3,300. Since only whole units of an Exchange Fund may be purchased under the Exchange Option, the Holder would be able to acquire four units in the Exchange Fund for a total cost of $3,860 ($3,800 for units and $60 for the $15 per unit sales charge) by adding an extra $560 in cash. Were the Holder to acquire the same number of units at the same time in the regular secondary market maintained by the Sponsors, the price would be $4,021.16 ($3,800 for the units and $221.16 for the 5.50% sales charge).



<TABLE>
<CAPTION>

| NAME OF EXCHANGE FUND | MAXIMUM APPLICABLE SALES CHARGE* | REDUCED SALES CHARGE FOR SECONDARY MARKET** | INVESTMENT CHARACTERISTICS |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| DEFINED ASSET FUNDS-- GOVERNMENT SECURITIES INCOME FUND | | | |
| GNMA Series (other than those below) | 4.25% | $15 per unit | long-term, fixed rate, taxable income, underlying securities backed by the full faith and credit of the United States |
| GNMA Series E or other GNMA Series having units with an initial face value of $1.00 | 4.25% | $15 per 1,000 units | long-term, fixed rate, taxable income, underlying securities backed by the full faith and credit of the United States, appropriate for IRA's or tax-deferred retirement plans |
| Freddie Mac Series | 3.50% | $15 per 1,000 units | intermediate term, fixed rate, taxable income, underlying securities are backed by Federal Home Loan Mortgage Corporation but not by U.S. Government |
| DEFINED ASSET FUNDS-- INTERNATIONAL BOND FUND | | | |
| Multi-Currency Series | 5.50% | $15 per unit | intermediate-term, fixed rate, payable in foreign currencies, taxable income |
| Australian and New Zealand Dollar Bonds Series | 3.75% | $15 per unit | intermediate-term, fixed rate, payable in Australian and New Zealand dollars, taxable income |
| Australian Dollar Bonds Series | 3.75% | $15 per unit | intermediate-term, fixed rate, payable in Australian dollars, taxable income |
| Canadian Dollar Bonds Series | 3.75% | $15 per unit | short intermediate term, fixed rate, payable in Canadian dollars, taxable |

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| | | | |
|---|---|---|---|
| | | | income |
| DEFINED ASSET FUNDS--MUNICIPAL INVESTMENT TRUST FUND | | | |
| Monthly Payment, State and Multistate Series | 5.50%+ | $15 per unit | long-term, fixed-rate, tax-exempt income |
| Intermediate Term Series | 4.75%+ | $15 per unit | intermediate-term, fixed rate, tax-exempt income |
| Insured Series | 5.50%+ | $15 per unit | long-term, fixed-rate, tax-exempt current income, underlying securities insured by insurance companies |
| AMT Monthly Payment Series | 5.50%+ | $15 per unit | long-term, fixed rate, income exempt from regular federal income tax but partially subject to Alternative Minimum Tax. |
| DEFINED ASSET FUNDS--MUNICIPAL INCOME FUND | | | |
| Insured Discount Series | 5.50%+ | $15 per unit | long-term, fixed rate, tax-exempt current income, taxable capital gains |

</TABLE>

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

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



<TABLE>
<CAPTION>

| NAME OF EXCHANGE FUND | MAXIMUM APPLICABLE SALES CHARGE* | REDUCED SALES CHARGE FOR SECONDARY MARKET** | INVESTMENT CHARACTERISTICS |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| DEFINED ASSET FUNDS--CORPORATE INCOME FUND | | | |
| Monthly Payment Series | 5.50% | $15 per unit | long-term, fixed rate, taxable income |
| Intermediate Term Series | 4.75% | $15 per unit | intermediate-term, fixed rate, taxable income |
| Cash or Accretion Bond Series and SELECT Series | 3.50% | $15 per 1,000 units | intermediate-term, fixed rate, underlying securities composed of compound interest obligations principally secured by collateral backed by the full faith and credit of the United States, taxable return, appropriate for IRA's or tax-deferred retirement plans |
| Insured Series | 5.50% | $15 per unit | long-term, fixed rate, taxable income, underlying securities are insured |
| DEFINED ASSET FUNDS--EQUITY INCOME FUND | | | |
| Utility Common Stock Series | 4.50% | $15 per 1,000 units++ | dividends, taxable income, underlying securities are common stocks of public utilities |
| Concept Series | 4.00% | $15 per 100 units | underlying securities constitute a professionally selected portfolio of common stocks consistent with an investment idea or concept |
| Select Ten Portfolios (both domestic and international) | 2.75% | $17.50 per 1,000 units | 10 highest dividend yielding stocks in a specified securities Index; seeks higher total return than that Index; terminates after one year |

</TABLE>

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

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

\+ Subject to reduction depending on the maturities of the underlying Securities.

++ The reduced sales charge for Utility Common Stock Series 6 is $15 per 2,000

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units and for prior Utility Common Stock Series is $7.50 per unit.



APPENDIX

THE CALIFORNIA TRUST

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

Economic Factors. The Governor's 1993-1994 Budget, introduced on January 8, 1993, proposed general fund expenditures of $37.3 billion, with projected revenues of $39.9 billion. It also proposed special fund expenditures of $12.4 billion and special fund revenues of $12.1 billion. To balance the budget in the face of declining revenues, the Governor proposed a series of revenue shifts from local government, reliance on increased federal aid, and reductions in state spending.

The Department of Finance of the State of California's May Revision of General Fund Revenues and Expenditures (the 'May Revision'), released on May 20, 1993, indicated that the revenue projections of the January budget proposal were tracking well, with the full year 1992-1993 about $80 million higher than the January projection. Personal income tax revenue was higher than projected, sales tax was close to target, and bank and corporation taxes were lagging behind projections. The May Revision projected the State would have an accumulated deficit of about $2.75 billion by June 30, 1993. The Governor proposed to eliminate this deficit over an 18-month period. He also agreed to retain the 0.5% sales tax scheduled to expire June 30 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 1993-1994 budget act (the '1993-94 Budget Act') was signed by the Governor on June 30, 1993, along with implementing legislation. The Governor vetoed about $71 million in spending.

The 1993-94 Budget Act is predicated on general fund revenues and transfers estimated at $40.6 billion, $400 million below 1992-93 (and the second consecutive year of actual decline). The principal reasons for declining revenue are the continued weak economy and the expiration (or repeal) of three fiscal steps taken in 1991--a half cent temporary sales tax, a deferral of operating loss carryforwards, and repeal by initiative of a sales tax on candy and snack foods.

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

The 1993-94 Budget Act includes general fund expenditures of $38.5 billion (a 6.3 percent reduction from projected 1992-93 expenditures of $41.1 billion), in order to keep a balanced budget within the available revenues. The 1993-94 Budget Act also includes special fund expenditures of $12.1 billion, a 4.2 percent increase. The 1993-94 Budget Act reflects the following major adjustments:

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

The property tax revenue losses for cities and counties are offset in part by additional sales tax revenues and mandate relief. The temporary 0.5 percent sales tax has been extended through December 31, 1993, for allocation to counties for public safety programs. A Constitutional amendment will be placed on the ballot in a special statewide election in November 1993 to extend the sales tax permanently for public safety purposes.

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

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and relief in areas such as county welfare department self-evaluations, noise guidelines and recycling requirements.

A lawsuit has been filed by Los Angeles County challenging the shift of property taxes. Other counties or local agencies may join this action or file separate suits.

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

3. President Clinton's Fiscal Year 1994 budget proposals include about $692 million of aid to the State from the federal government to offset health and welfare costs associated with foreign immigrants living in the State, which would reduce a like amount of general fund expenditures. About $411 million of this amount is one-time funding. The receipt of this money is dependent upon the inclusion of such funding for the State in the President's budget that is ultimately approved.

4. Reductions of $600 million in health and welfare programs, which were agreed upon by the California Legislature and the Governor.

5. Reductions of $400 million in support for higher education. These reductions will be partly offset by fee increases at all three units of higher education.

6. A 2-year suspension of the renters' tax credit ($390 million expenditure reduction in 1993-94). A constitutional amendment will be placed on the June 1994 ballot to restore the renter's tax credit after 1994-95.

7. Various miscellaneous cuts (totalling approximately $150 million) in State government services in many agencies, up to 15 percent. The Governor would suspend the 4 percent automatic budget reduction 'trigger,' as was done in 1992-93, so cuts can be focused.

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

The 1993-94 Budget Act contains no general fund tax/revenue increases other than a two year suspension of the renters' tax credit. The Governor continues to predict that population growth in the 1990's will keep upward pressure on major State programs, such as K-14 education, health and welfare and corrections, outstripping projected revenue growth in an economy only very slowly emerging from a deep recession.

The October 1993 Bulletin of the Department of Finance reports that General Fund revenues for September were $128 million above projections, although the report indicated $45 million of this represented a scheduled insurance tax refund which was not processed in September. Through the first three months of the fiscal year, revenues were $214 million or 2.3 percent above projections with all four major taxes (personal income, sales, bank and corporation, and insurance) tracking projections well. Revenues for the first quarter represent about 20 percent of annual receipts. The Department of Finance also reports that the State will only receive approximately $450 million in aid from the Federal Government to offset the health and welfare costs associated with foreign immigrants living in the State, substantially less than the $692 million contemplated by the 1993-94 Budget Act.

Despite the encouraging financial results early in the fiscal year, the Department's report of sluggish economic activity raises the possibility that results later in the fiscal year may not meet original projections. A new projection will be issued with the Governor's Budget in January 1994.

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

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

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distributed in the future to counties, cities and their various entities, is unclear.



On November 1, 1993 the United States Supreme Court agreed to review the California court decisions in Barclays Bank International, Ltd. v. Franchise 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. It is unclear what position, if any, the Clinton Administration will take in the case on the merits. The fiscal impact on the State of California has been reported as follows: the State would have to refund $1.730 billion to taxpayers ($530 million due to Barclays; $1.2 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.

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

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

Section 1 of Article XIIIA limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2), to be collected by the counties and apportioned according to law; provided that the 1% limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on (i) any indebtedness approved by the voters prior to July 1, 1978, or (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIIIA defines 'full cash value' to mean 'the County Assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.' The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data, or reduced in the event of declining property value caused by damage, destruction or other factors. The California State Board of Equalization has adopted regulations, binding on county assessors, interpreting the meaning of 'change in ownership' and 'new construction' for purposes of determining full cash value of property under Article XIIIA.

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

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and that each county will levy the maximum tax permitted by Article XIIIA of $4.00 per $100 assessed valuation (based on the former practice of using 25%, instead of 100%, of full cash value as the assessed value for tax purposes). The legislation



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

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

At the November 8, 1988 general election, California voters approved an initiative known as Proposition 98. This initiative amends Article XIIIB to require that (i) the California Legislature establish a prudent state reserve fund in an amount as it shall deem reasonable and necessary and (ii) revenues in excess of amounts permitted to be spent and which would otherwise be returned pursuant to Article XIIIB by revision of tax rates or fee schedules, be transferred and allocated (up to a maximum of 4%) to the State School Fund and be expended solely for purposes of instructional improvement and accountability. No such transfer or allocation of funds will be required if certain designated state officials determine that annual student expenditures and class size meet certain criteria as set forth in Proposition 98. Any funds allocated to the State School Fund shall cause the appropriation limits established in Article XIIIB to be annually increased for any such allocation made in the prior year.

Proposition 98 also amends Article XVI to require that the State of California provide a minimum level of funding for public schools and community colleges. Commencing with the 1988-89 fiscal year, state monies to support school districts and community college districts shall equal or exceed the lesser of (i) an amount equalling the percentage of state general revenue bonds for school and community college districts in fiscal year 1986-87, or (ii) an amount equal to the prior year's state general fund proceeds of taxes appropriated under Article XIIIB plus allocated proceeds of local taxes, after adjustment under Article XIIIB. The initiative permits the enactment of legislation, by a two-thirds vote, to suspend the minimum funding requirement for one year.

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

Article XIIIB, like Article XIIIA, may require further interpretation by both the Legislature and the courts to determine its applicability to specific situations involving the State and local taxing authorities. Depending upon the

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interpretation, Article XIIIB may limit significantly a governmental entity's ability to budget sufficient funds to meet debt service on bonds and other obligations.

On November 4, 1986, California voters approved an initiative statute known as Proposition 62. This initiative (i) requires that any tax for general governmental purposes imposed by local governments be approved by



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

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

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

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

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

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

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

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reduction period. It is not possible to predict at this time whether any decreases will ultimately be implemented.

California enacted legislation in 1982 that authorizes private health plans and insurers to contract directly with hospitals for services to beneficiaries on negotiated terms. Some insurers have introduced plans known as 'preferred provider organizations' ('PPOs'), which offer financial incentives for subscribers who use only the



hospitals which contract with the plan. Under an exclusive provider plan, which includes most health maintenance organizations ('HMOs'), private payors limit coverage to those services provided by selected hospitals. Discounts offered to HMOs and PPOs may result in payment to the contracting hospital of less than actual cost and the volume of patients directed to a hospital under an HMO or PPO contract may vary significantly from projections. Often, HMO or PPO contracts are enforceable for a stated term, regardless of provider losses or of bankruptcy of the respective HMO or PPO. It is expected that failure to execute and maintain such PPO and HMO contracts would reduce a hospital's patient base or gross revenues. Conversely, participation may maintain or increase the patient base, but may result in reduced payment and lower net income to the contracting hospitals.

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

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

Upon the default of a mortgage or deed of trust with respect to California real property, the creditor's nonjudicial foreclosure rights under the power of sale contained in the mortgage or deed of trust are subject to the constraints imposed by California law upon transfers of title to real property by private power of sale. During the three-month period beginning with the filing of a formal notice of default, the debtor is entitled to reinstate the mortgage by making any overdue payments. Under standard loan servicing procedures, the filing of the formal notice of default does not occur unless at least three full monthly payments have become due and remain unpaid. The power of sale is exercised by posting and publishing a notice of sale for at least 20 days after expiration of the three-month reinstatement period. Therefore, the effective minimum period for foreclosing on a mortgage could be in excess of seven months after the initial default. Such time delays in collections could disrupt the flow of revenues available to an issuer for the payment of debt service on the outstanding obligations if such defaults occur with respect to a substantial number of mortgages or deeds of trust securing an issuer's obligations.

In addition, a court could find that there is sufficient involvement of the issuer in the nonjudicial sale of property securing a mortgage for such private sale to constitute 'state action,' and could hold that the private-right-of-sale proceedings violate the due process requirements of the Federal or State

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Constitutions, consequently preventing an issuer from using the nonjudicial foreclosure remedy described above.

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



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

CALIFORNIA TAXES

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

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

THE NEW YORK TRUST

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

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

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

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March 31, 1993, which the State attributed primarily to improving economic conditions and higher-than-expected tax collections.

Approximately $5.1 billion of State general obligation bonds and $0.3 billion of notes were outstanding at March 31, 1993. The State's net tax-supported debt (restated to reflect LGAC's assumption of certain obligations previously funded through issuance of short-term debt) was $23.4 billion at March 31, 1993, up from $11.7 billion in 1984. A taxpayer filed various lawsuits challenging the constitutionality of appropriation-backed debt issued by State authorities without voter approval. A temporary restraining order against issuance of debt by the Metropolitan Transportation Authority and the New York State Thruway Authority was lifted in July 1993; an appeal is pending. A proposed constitutional amendment passed by the Legislature in 1993 would prohibit lease-



purchase and contractual obligation financing for State facilities, but would authorize the State without voter referendum to issue revenue bonds within a formula-based cap, secured solely by a pledge of certain State tax receipts. It would also restrict State debt to capital projects included in a multi-year capital financing plan. The proposal is subject to approval by the next Legislature and then by voters. Citing 'continued economic deterioration, chronic operating deficits and the legislative stalemate in seeking permanent and structurally sound fiscal operations', S&P reduced its rating of the State's general obligation bonds on January 13, 1992 to A-(its lowest rating for any state). It also lowered its ratings of debt of most State agencies depending on State appropriations. Moody's reduced its ratings of State general obligation bonds from A1 to A on June 6, 1990 and to Baa1, its rating of $14.2 billion of appropriation-backed debt of the State and State agencies (over two-thirds of the total debt) on January 6, 1992.

In May 1991 (over 2 months after the beginning of the 1992 fiscal year), the State Legislature adopted a budget to close a projected $6.5 billion gap (including repayment of $905 million of fiscal 1991 deficit notes). Measures included $1.2 billion in new taxes and fees, $0.9 billion in non-recurring measures and about $4.5 billion of reduced spending by State agencies (including layoffs), reduced aid to localities and school districts, and Medicaid cost containment measures. After the Governor vetoed $0.9 billion in spending, the State adopted $0.7 billion in additional spending, together with various measures including a $100 million increase in personal income taxes and $180 million of additional non-recurring measures. Due primarily to declining revenues and escalating Medicaid and social service expenditures, $0.4 billion of administrative actions, $531 million of year-end short-term borrowing and a $44 million withdrawal from the Tax Stabilization Reserve Fund were required to meet the State's cash flow needs.

On April 2, 1992, the State adopted a budget to close a projected $4.8 billion gap for the State's 1993 fiscal year (including repayment of the fiscal 1992 short-term borrowing) through a combination of $3.5 billion of spending reductions (including measures to reduce Medicaid and social service spending, as well as further employee layoffs, reduced aid to municipalities and schools and reduced support for capital programs), deferral of scheduled tax reductions, and some new and increased fees. The State Comptroller concluded that the budget includes $1.18 billion of nonrecurring measures (the Division of the Budget reported a figure of $450 million). The City and its Board of Education sued the Governor and various other State officials in March 1993, claiming that the State's formula for allocating aid to education discriminated against City schools by at least $274 million in the 1993 fiscal year.

To close a projected budget gap of nearly $3 billion for the 1994 (current) fiscal year, the State budget contains various measures including deferral of scheduled income tax reductions for a fourth year, some tax increases, and $1.6 billion in spending cuts, especially for Medicaid, and further reduction of the State's work force. The budget includes increased aid to schools, as well as a formula to channel more aid to districts with lower-income students and high property tax burdens. State legislation requires deposit of receipts from the petroleum business tax and certain other transportation-related taxes into funds dedicated to transportation purposes. For the 1994 fiscal year, $516 million is being retained in the general fund that would otherwise have been deposited in dedicated highway and transportation funds. The Division of the Budget has estimated that non-recurring income items other than the $671 million surplus from the last fiscal year aggregate $318 million. $89 million savings from bond refinancings will be deposited in a reserve to fund litigation settlements, particularly to repay monies received under the State's abandoned property law, which the State may be required to give up as described below. The Division forecast in October that the State's budget will remain balanced for the current fiscal year. 1990 legislation which reduced State and local contributions to pension plans has been held unconstitutional. Estimates are that New York State and localities (excluding New York City, which is not affected) may owe as much as $3 billion in additional contributions. The exact amount and timing of funding these deficiencies are not presently known. Budget gaps of $944 million and $1.577 billion, respectively, have been projected for the next two fiscal years. While the Federal budget enacted in August 1993 calls for nearly $9 billion of spending in New York, in an early assessment of its possible effects

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the Regional Plan Association projects that State residents will pay a disproportionately high share of tax increases while receiving a smaller share of new spending than most other states. State and other estimates are subject to uncertainties including the effects of Federal tax legislation and economic developments. The Division of the Budget has cautioned that its projections are subject to risks including adverse decisions in pending litigations (particularly those involving Federal Medicaid reimbursements and payments by hospitals and health maintenance organizations), and that economic growth may be weaker than projected.

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



('LGAC') was established in 1990 to issue long-term bonds over several years, payable from a portion of the State sales tax, to fund certain payments to local governments traditionally funded through the State's annual seasonal borrowing. The legislation will normally limit the State's short-term borrowing, together with net proceeds of LGAC bonds ($3.3 billion to date), to a total of $4.7 billion. The State's latest seasonal borrowing, in May 1993, was $850 million.

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

For decades, the State's economy has grown more slowly than that of the rest of the nation as a whole. Part of the reason for this decline has been attributed to the combined State and local tax burden, which is the second highest in the nation. The State's dependence on Federal funds and sensitivity to changes in economic cycles, as well as the high level of taxes, may continue to make it difficult to balance State and local budgets in the future. The total employment growth rate in the State has been below the national average since 1984. In the last three years, the New York-New Jersey metropolitan region has lost nearly 660,000 jobs (8.6% of the workforce); an April 1993 projection by the Port Authority forecasts a further decline of 67,000 jobs by the end of 1993. The jobless rate was 9.3% in January 1993 and 7.9% in October.

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

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

The City projects that it is beginning to emerge from four years of economic recession. Since 1989 the gross city product has declined by 10.1% and employment, by almost 11%, while the public assistance caseload has grown by over 25%. Unemployment averaged 10.8% in 1992, reaching 13.4% in January 1993, the highest level in 25 years. It dropped to 10.8% in October. The number of persons on welfare exceed 1 million, the highest level since 1972, and one in seven residents is currently receiving some form of public assistance. The State Comptroller concluded that this recession 'is clearly the worst the City has experienced since the 1970s'.

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While the City, as required by State law, has balanced its budgets in accordance with GAAP since 1981, this has required exceptional measures in recent years. The FCB has commented that City expenditures have grown faster than revenues each year since 1986, masked in part by a large number of non-recurring gap closing actions. To eliminate potential budget gaps of $1-$3 billion each year since 1988 the City has taken a wide variety of measures. In addition to increased taxes and productivity increases, these have included hiring freezes and layoffs, reductions in services, reduced pension contributions, and a number of nonrecurring measures such as bond refundings, transfers of surplus funds from MAC, sales of City property and reduction of reserves. The FCB concluded that the City has neither the economy nor the revenues to do everything its citizens have been accustomed to expect. The current Mayor has committed not to increase corporate income taxes and to freeze property taxes and water and sewer rates for several years. The current downturn in the real estate market could substantially lower the City's operating limit on real estate taxes in future years.

The City closed a budget gap for the year ended June 30, 1993 (which had been estimated at $1.2 billion) through actions including service reductions, productivity initiatives, transfer of $0.5 billion surplus from the



1992 fiscal year and $100 million from MAC. A November 1992 revision proposed to meet an additional $561 million in projected expenditures through measures including a refunding to reduce current debt service costs, reduction in the reserve and an additional $81 million of gap closing measures. Over half of the City's actions to balance that budget were non-recurring.

A $31.2 billion Financial Plan was adopted for the City's current fiscal year. It relies on increases in State and Federal aid, as well as the 1993 year's projected $280 million surplus and a partial hiring freeze, to close a remaining gap, resulting primarily from recent labor settlements and declines in property tax revenues. However, overall spending would increase by about the rate of inflation. The Plan contains over $1.1 billion of one-time revenue measures including bond refundings, sale of various City assets and borrowing against future property tax receipts. While the State budget for the current fiscal year increased aid to City schools, it failed to provide Medicaid and other requested mandate relief, cut back on State aid to other programs and anticipates increased City contributions to meet the New York City Transit Authority's current operations and capital program. The private-sector members of the FCB in May criticized reliance on questionable one-time revenues and unlikely additional state and Federal aid, and called for immediate actions toward achieving permanent structural balance. On July 2, 1993 (two days after the beginning of the 1994 fiscal year), the Mayor ordered spending reductions of about $130 million for the current fiscal year and $400 million for the 1995 fiscal year. An FCB report, commended the revisions but criticized continued heavy reliance on non-recurring measures which impede achieving long-term structural balance and identified nearly $700 million of risks, including lower-than-anticipated Federal and State aid, additional funding to the Health and Hospitals Corporation and overtime costs, that could exceed the amounts in the reserve fund. Budget gaps of $1.7 billion, $2.5 billion and $2.7 billion are projected for the 1995, 1996 and 1997 fiscal years. In November 1993 voters failed to reelect the incumbent Mayor after one term. The new Mayor, a fusion candidate, is to take office in January.

A major uncertainty is the City's labor costs, which represent about 50% of its total expenditures. The City's workforce grew by 34% during the 1980s. The Mayor in January 1993 reached an agreement covering approximately 44% of the City workers, after negotiations lasting nearly two years. Workers will receive wage and benefit raises totalling 8.25% over 39 months ending March 1995. Although this is less than the inflation rate, the settlement achieved neither any of the productivity savings that the Mayor had previously counted on to help balance the City's budget nor are the increases beyond those previously assumed in the budget offset by labor concessions. An agreement announced in August provides wage increases for City teachers averaging 9% over the 48 1/2 months ending October 1995. The January 1993 agreement sought to develop workforce productivity initiatives by mid-1993, savings from which would be shared with the workers involved. The City has agreed to share 1/3 of the savings from workrule changes with sanitation workers and probation officers. In May 1993, the Mayor appointed an advisory panel to recommend possible initiatives. The Financial Plan assumes no further wage increases after the 1995 fiscal year. Also, costs of some previous wage increases were offset by reduced contributions to pension funds; if fund performance is less than the 9% annual earnings projected, the City could incur increased expenses in future years.

Budget balance may also be adversely affected by the effect of the economy on economically sensitive taxes. Other uncertainties include additional expenditures to combat deterioration in the City's infrastructure (such as bridges, schools and water supply), costs of developing alternatives to ocean dumping of sewage sludge (which the City expects to defray through increased water and sewer charges), cost of the AIDS epidemic, problems of drug addiction and homelessness and the impact of any future State assistance payment reductions. An independent report in 1991 concluded that 50% of its roads need

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resurfacing or reconstruction. In September 1993 the City reported that 56.4% of its bridges are structurally deficient and need repairs; some repairs have been halted due to environmental concerns. In response to evidence of widespread errors and falsification in 1986-89 inspections of City schools for presence of asbestos, the City in August 1993 began an emergency reinspection program. The costs of additional asbestos removal, at least $119 million, may require curtailment or deferral of other school repairs and maintenance. The City, to avoid capital expenditures of an estimated $4-$5 billion on water filtration facilities, is increasing regulatory, enforcement and other efforts to protect the watershed area that is the source of most of the City's drinking water. In early 1993, the U.S. Environmental Protection Agency granted an interim exemption, but there can be no assurance that these efforts will result in continued exemption. Recent court decisions found that the City has failed to provide adequate shelter for many homeless persons and held several City officials in contempt for failure to comply with a State rule requiring provision of immediate shelter for homeless persons. Elimination of any additional budget gaps will require various actions, including by the State, a number of which are beyond the City's control. Voters in November approved a proposed charter under which Staten Island would secede from the City. Secession will require enabling legislation by the State Legislature; it would also be subject to legal challenge by the City. The effects of secession on the City cannot be determined at this time, but questions include responsibility for outstanding debt, a diminished tax base, and continued use of the



Fresh Kills landfill, the City's only remaining garbage dump. A similar measure with respect to Queens was approved by the New York State Senate.

The City sold $2.3 billion, $1.4 billion and $1.8 billion of short-term notes, respectively, during 1992, 1993 and current fiscal years. At September 30, 1993, there were outstanding $20.0 billion of City bonds (not including City debt held by MAC), $4.5 billion of MAC bonds and $0.8 billion of City-related public benefit corporation indebtedness, each net of assets held for debt service. Standard & Poor's and Moody's during the 1975-80 period either withdrew or reduced their ratings of the City's bonds. S&P currently rates the City's debt A-with a negative outlook while Moody's rates City bonds Baa1. City-related debt almost doubled since 1987, although total debt declined as a percentage of estimated full value of real property. The City's financing program projects long-term financing during fiscal years 1994-1997 to aggregate $18.2 billion. The City's latest Ten Year Capital Strategy plans capital expenditures of $51.6 billion during 1994-2003 (93% to be City funded). The State Comptroller has criticized recent City bond refinancings for producing short-term savings at the expense of greater overall costs, especially in future years. Annual debt service is projected to increase to about $3.2 billion by fiscal 1997 (from $1.2 billion in fiscal 1990).

Other New York Localities. In 1991, other localities had an aggregate of approximately $14.8 billion of indebtedness outstanding. In recent years, several experienced financial difficulties. A March 1993 report by Moody's Investors Service concluded that the decline in ratings of most of the State's largest cities in recent years resulted from the decline in the State's manufacturing economy. Fifteen localities had outstanding indebtedness for deficit financing at the close of their respective 1991 fiscal years. On October 19, 1992, citing a 'protracted and contenious political stalemate' leaving Nassau County with six to eight weeks before running out of cash, Moody's reduced the County's general obligation rating from A to Baa. A budget adopted in December 1992 after a prolonged stalemate plans to eliminate the $121 million cumulative deficit without increasing property taxes or the mortgage tax. The budget includes $65 million of long-term borrowing authorized by State legislation, transfer of a $31 million surplus from the police budget and sale of some real estate. Several of the projections are subject to uncertainties. In response to requests from an unprecedented 10 local government units (including Nassau and Suffolk counties) in 1992 for legislative authority to issue bonds to fund deficits, the State Comptroller recommended legislation to establish earlier State oversight of municipal deficits. In September, 1992, the Comptroller proposed regulations which would prohibit use of certificates of participation by municipalities for deficit financing or refundings. Some local leaders complained that the deficits resulted from reduced State aid accompanied by increases in State-mandated expenditures. Any reductions in State aid to localities may cause additional localities to experience difficulty in achieving balanced budgets. If special local assistance were needed from the State in the future, this could adversely affect the State's as well as the localities' financial condition. Most localities depend on substantial annual State appropriations. Legal actions by utilities to reduce the valuation of their municipal franchises, if successful, could result in localities becoming liable for substantial tax refunds.

State Public Authorities. In 1975, after the Urban Development Corporation ('UDC'), with $1 billion of outstanding debt, defaulted on certain short-term notes, it and several other State authorities became unable to market their securities. Since 1975 the State has provided substantial direct and indirect financial assistance to UDC, the Housing Finance Agency ('HFA'), the Environmental Facilities Corporation and other authorities. Practical and legal limitations on these agencies' ability to pass on rising costs through rents and

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fees could require further State appropriations. 18 State authorities had an aggregate of $62.2 billion of debt outstanding at September 30, 1992. At March 31, 1993, approximately $0.5 billion of State public authority obligations was State-guaranteed, $7.9 billion was moral obligation debt (including $5.0 billion of MAC debt) and $19.3 billion was financed under lease-purchase or contractual obligation financing arrangements with the State. Various authorities continue to depend on State appropriations or special legislation to meet their budgets.

The Metropolitan Transportation Authority ('MTA'), which oversees operation of the City's subway and bus system by the City Transit Authority (the 'TA') and operates certain commuter rail lines, has required substantial State and City subsidies, as well as assistance from several special State taxes. Projections of TA revenues were reduced due to declining ridership, increasing fare evasion, reductions in State and City aid and declining revenues from City real estate taxes. While the MTA used bond refinancings and other measures to avert a commuter rail line fare increase in 1992, measures including a fare increase eliminated the TA's 1992 budget gap. Measures to balance the TA's 1993 budget included increased funding by the City, increased bridge and tunnel tolls and allocation of part of the revenues from the Petroleum Business Tax. Cash basis gaps of $500-800 million are projected for each of the 1995, 1996 and 1997 years. Measures proposed to close these gaps include various additional State aid and possible fare increases.

The MTA's Chairman recently proposed a financial strategy for the next five years, including a variety of fare changes; however, even if these are approved, an estimated $700 million in additional funds will be needed from State and City financial assistance. Substantial claims have been made against the TA and the City for damages from a 1990 subway fire and a 1991 derailment. The MTA infrastructure, especially in the City, needs substantial



rehabilitation. A one-year $1.6 billion 1992 MTA Capital Plan was approved. The State budget for fiscal 1994 provides for a $9.56 billion capital program for 1992-1996, as well as postponement of any fare increase until 1995. The City expects that its contributions will be $500 million less than assumed by the plan. Other elements of the plan are reported to include issuances of $12.1 billion in transportation bonds for capital improvements over the next five years through a public benefit corporation rather than the Department of Transportation in order to avoid procedures including voter approval required for State general obligation debt, and continued use of part of the proceeds from the State's petroleum business tax for the general fund after the tax is to become dedicated exclusively for transportation needs. A recent report by the MTA's Inspector General concluded that the current capital plan fell short of many goals due to poor planning, design errors, shifting priorities and cost overruns, which will result in both increased costs and delayed implementation. In response to a constitutional challenge to implementing a $6 billion State transportation borrowing plan without voter approval, a temporary restraining order was issued in May 1993, but was lifted in July. It is anticipated that the MTA and the TA will continue to require significant State and City support. Moody's reduced its rating of certain MTA obligations to Baa on April 14, 1992.

Because of reduced rates under the State's revised medical reimbursement programs, as well as proposals to reduce reimbursement of hospital capital costs and to change Medicaid funding, New York hospitals have experienced increasing financial pressure. To mitigate unprecedented rate increases by Empire State Blue Cross, the State in January 1993 made available $100 million from the medical malpractice fund. A Federal District Court ruled in February 1993 that State surcharges of up to 24% on hospital bills paid by commercial insurance companies and health maintenance organizations, much of which is used to subsidize care of uninsured patients, violate Federal law; however, the Court permitted continuance of the system pending appeal of the ruling.

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

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

NEW YORK TAXES

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

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



Def ined
Asset FundsSM

MUNICIPAL INVESTMENT
TRUST FUND
Multistate Series - 53
(Unit Investment Trusts)
PROSPECTUS

This Prospectus does not contain all of the information with respect to the investment company set forth in its registration statement and exhibits relating thereto which have been filed with the Securities and Exchange Commission, Washington, D.C. under the Securities Act of 1933 and the Investment Company Act of 1940, and to which reference is hereby made.
No person is authorized to give any information or to make any representations with respect to this investment company not contained in this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any state to any person to whom it is not lawful to make such offer in such state.

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PART II
ADDITIONAL INFORMATION NOT INCLUDED IN THE PROSPECTUS

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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 NUMBER |
|---|---|
| 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 1933: | |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated.................................. | 2-52691 |
| Smith Barney Shearson Inc...................... | 33-29106 |
| PaineWebber Incorporated....................... | 2-87695 |
| Prudential Securities Incorporated............. | 2-61418 |
| Dean Witter Reynolds Inc....................... | 2-60599 |
| 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: | |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated.................................. | 8-7721 |
| Smith Barney Shearson Inc...................... | 8-8177 |
| PaineWebber Incorporated....................... | 8-16267 |
| Prudential Securities Incorporated............. | 8-12321 |
| Dean Witter Reynolds Inc....................... | 8-14172 |
| 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): | |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated.................................. | 2-73866, 2-77549 |
| Smith Barney Shearson Inc...................... | 33-20499 |
| PaineWebber Incorporated....................... | 2-87965, 2-87965 |
| Prudential Securities Incorporated............. | 2-86941, 2-86941 |
| Dean Witter Reynolds Inc....................... | 2-60599, 2-86941 |

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

| | |
|---|---|
| Merrill Lynch, Pierce, Fenner & Smith Incorporated.................................. | 13-5674085 |
| Smith Barney Shearson Inc...................... | 13-1912900 |
| PaineWebber Incorporated....................... | 13-2638166 |
| Prudential Securities Incorporated............. | 13-6134767 |
| Dean Witter Reynolds Inc....................... | 94-1671384 |
| The First National Bank of Chicago, Co-Trustee.................................... | 36-0899825 |
| Investors Bank & Trust Company, Co-Trustee...... | 04-3086138 |

UNDERTAKING

The Sponsors undertake that they will not instruct the Trustee to accept from (i) Asset Guaranty Reinsurance Company, Municipal Bond Investors Assurance Corporation or any other insurance company affiliated with any of the Sponsors, in settlement of any claim, less than an amount sufficient to pay any principal or interest (and, in the case of a taxability redemption, premium) then due on any Security in accordance with the municipal bond guaranty insurance policy attached to such Security or (ii) any affiliate of the Sponsors who has any obligation with respect to any Security, less than the full amount due pursuant to the obligation, unless such instructions have been approved by the Securities and Exchange Commission pursuant to Rule 17d-1 under the Investment Company Act of 1940.



SERIES OF MUNICIPAL INVESTMENT TRUST FUND
DESIGNATED PURSUANT TO RULE 487 UNDER THE SECURITIES ACT OF 1933

| SERIES | SEC FILE NUMBER |
|---|---|
| Thirty-Third Intermediate Term Series...................... | 2-82126 |
| Four Hundred Thirty-Eighth Monthly Payment Series........... | 33-16561 |
| Multistate Series 6E....................................... | 33-29412 |
| Thirty-Eighth Insured Series............................... | 2-96953 |
| Multistate Series--48...................................... | 33-50247 |

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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 Municipal Investment Trust Fund, Forty-Fourth Intermediate Term Series D, 1933 Act File No. 2-88251).

The Prospectus.

Additional Information not included in the Prospectus (Part II).

Consent of independent accountants.

The following exhibits:

| | |
|---|---|
| 1.1 | --Form of Trust Indenture (incorporated by reference to Exhibit 1.1 to the Registration Statement of Municipal Investment Trust Fund, Multistate Series-48, 1933 Act File No. 33-50247). |
| 1.1.1 | --Form of Standard Terms and Conditions of Trust Effective October 21, 1993 (incorporated by reference to Exhibit 1.1.1 to the Registration Statement of Municipal Investment Trust Fund, Multistate Series-48, 1933 Act File No. 33-50247). |
| 1.2 | --Form of Master Agreement Among Underwriters (incorporated by reference to Exhibit 1.2 to the Registration Statement of The Corporate Income Fund, One Hundred Ninety-Fourth Monthly Payment Series, 1933 Act File No. 2-90925). |
| 2.1 | --Form of Certificate of Beneficial Interest (included in Exhibit 1.1.1). |
| 3.1 | --Opinion of counsel as to the legality of the securities being issued including their consent to the use of their names under the headings 'Taxes' and 'Miscellaneous--Legal Opinion' in the Prospectus. |
| 4.1.1 | --Consent of the Evaluator. |
| 4.1.2 | --Consent of the Rating Agency as to Insured Trusts. |



SIGNATURES

The registrant hereby identifies the series numbers of Municipal Investment Trust Fund listed on page R-1 for the purposes of the representations required by Rule 487 and represents the following:

1) That the portfolio securities deposited in the series as to which this registration statement is being filed do not differ materially in type or quality 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 information for, the series with respect to which 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 it 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 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED IN THE CITY OF NEW YORK AND STATE OF NEW YORK ON THE 21ST DAY OF JANUARY, 1994.

SIGNATURES APPEAR ON PAGES R-3, R-4, R-5, R-6 AND R-7.

A majority of the members of the Board of Directors of Merrill Lynch, Pierce, Fenner & Smith 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.

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.

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A majority of the members of the Executive Committee of the Board of Directors of PaineWebber 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.

A majority of the members of the Board of Directors of Prudential Securities 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.

A majority of the members of the Board of Directors of Dean Witter Reynolds 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.



MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
DEPOSITOR

| | |
|---|---|
| By the following persons, who constitute a majority of the Board of Directors of Merrill Lynch, Pierce, Fenner & Smith Incorporated: | Powers of Attorney have been filed under Form SE and the following 1933 Act File Number: 33-43466 |

HERBERT M. ALLISON, JR.
BARRY S. FREIDBERG
EDWARD L. GOLDBERG
STEPHEN L. HAMMERMAN
JEROME P. KENNEY
DAVID H. KOMANSKY
DANIEL T. NAPOLI
THOMAS H. PATRICK
JOHN L. STEFFENS
DANIEL P. TULLY
ROGER M. VASEY
ARTHUR H. ZEIKEL

By
ERNEST V. FABIO
(As authorized signatory for
Merrill Lynch, Pierce, Fenner & Smith Incorporated
and Attorney-in-fact for the persons listed above)



SMITH BARNEY SHEARSON INC.
DEPOSITOR

| | |
|---|---|
| By the following persons, who constitute a majority of the Board of Directors of Smith Barney Shearson Inc.: | Powers of Attorney have been filed under the 1933 Act File Number: 33-49753 |

RONALD A. ARTINIAN
STEVEN D. BLACK
JAMES DIMON
ROBERT DRUSKIN
TONI ELLIOTT
LEWIS GLUCKSMAN
THOMAS GUBA
JOHN B. HOFFMAN
A. RICHARD JANIAK, JR.
ROBERT Q. JONES
JEFFREY LANE
JACK H. LEHMAN III
JOEL N. LEVY
HOWARD D. MARSH
WILLIAM J. MILLS II
JOHN C. MORRIS
A. GEORGE SAKS
BRUCE D. SARGENT
MELVIN B. TAUB
JACQUES S. THERIOT
STEPHEN J. TREADWAY
PAUL UNDERWOOD

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By

GINA LEMON
(As authorized signatory for
Smith Barney Shearson Inc. and
Attorney-in-fact for the persons listed above)



PAINEWEBBER INCORPORATED
DEPOSITOR

By the following persons, who constitute a majority of the Executive Committee of the Board of Directors of PaineWebber Incorporated:

Powers of Attorney have been filed under Form SE and the following 1933 Act File Number: 33-28452

JOHN A. BULT
PAUL B. GUENTHER
DONALD B. MARRON
JAMES C. TREADWAY

By

ROBERT E. HOLLEY
(As authorized signatory for PaineWebber Incorporated
and Attorney-in-fact for the persons listed above)



PRUDENTIAL SECURITIES INCORPORATED
DEPOSITOR

By the following persons, who constitute a majority of the Board of Directors of Prudential Securities Incorporated:

Powers of Attorney have been filed under Form SE and the following 1933 Act File Number: 33-41631

ALAN D. HOGAN
HOWARD A. KNIGHT
GEORGE A. MURRAY
LELAND B. PATON
HARDWICK SIMMONS

By

WILLIAM W. HUESTIS
(As authorized signatory for Prudential Securities
Incorporated and Attorney-in-fact for the persons
listed above)



DEAN WITTER REYNOLDS INC.
DEPOSITOR

By the following persons, who constitute a majority of the Board of Directors of Dean Witter Reynolds Inc.:

Powers of Attorney have been filed under Form SE and the following 1933 Act File Number: 33-17085

NANCY DONOVAN
CHARLES A. FIUMEFREDDO
JAMES F. HIGGINS
STEPHEN R. MILLER
PHILIP J. PURCELL
THOMAS C. SCHNEIDER
WILLIAM B. SMITH

By

MICHAEL D. BROWNE
(As authorized signatory for Dean Witter Reynolds Inc.
and Attorney-in-fact for the persons listed above)



CONSENT OF INDEPENDENT ACCOUNTANTS

The Sponsors and Co-Trustees of Municipal Investment Trust Fund, Multistate Series - 53, Defined Asset Funds (California and New York Trusts):

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We hereby consent to the use in this Registration Statement No. 33-51051 of our opinion dated January 21, 1994, relating to the Statements of Condition of Municipal Investment Trust Fund, Multistate Series - 53, Defined Asset Funds (California and New York Trusts) and to the reference to us under the heading 'Auditors' in the Prospectus which is a part of this Registration Statement.

DELOITTE & TOUCHE
New York, N.Y.
January 21, 1994



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EXHIBIT 3.1

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

January 21, 1994

Municipal Investment Trust Fund,
Multistate Series - 53
Defined Asset Funds

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Smith Barney Shearson Inc.
PaineWebber Incorporated
Prudential Securities Incorporated
Dean Witter Reynolds Inc.
c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated
Unit Investment Trusts
P.O. Box 9051
Princeton, NJ 08543-9051

Dear Sirs:

We have acted as special counsel for you, as sponsors (the 'Sponsors') of Multistate Series - 53 of Municipal Investment Trust Fund, Defined Asset Funds (the 'Fund'), in connection with the issuance of units of fractional undivided interest in the Fund (the 'Units') in accordance with the Trust Indentures relating to the Fund (the 'Indentures').

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 Indentures 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 Co-Trustees in accordance with the applicable Indentures, 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 'Miscellaneous--Legal Opinion'.

Very truly yours,

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EXHIBIT 4.1.1

KENNY S&P EVALUATION SERVICES
A Division of Kenny Information Systems, Inc.
65 Broadway
New York, New York 10006
Telephone: 212/770-4405
Fax: 212/797-8681
F. A. Shinal
Senior Vice President
Chief Financial Officer

January 21, 1994

Investors Bank & Trust Company
The First National Bank of Chicago
c/o One Lincoln Plaza
89 South Street
Boston, MA 02111

Re: Municipal Investment Trust Fund, Multistate Series - 53, Defined Asset Funds

Gentlemen:

We have examined the Registration Statement File No. 33-51051 for the above-captioned fund. We hereby acknowledge that Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. is currently acting as the evaluator for the fund. 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 as of the date of the Evaluation Report.

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 4.1.2

STANDARD & POOR'S RATINGS GROUP
BOND INSURANCE ADMINISTRATION
25 BROADWAY
NEW YORK, NEW YORK 10004
TELEPHONE (212) 208-1061

January 21, 1994

Merrill Lynch Pierce
Fenner & Smith Incorporated
Unit Investment Trusts
P.O. Box 9051
Princeton, NJ 08543-9051

Investors Bank & Trust Company
The First National Bank of Chicago
c/o One Lincoln Plaza
89 South Street
Boston, MA 02111

Re: Municipal Investment Trust Fund, Multistate Series - 53
Defined Asset Funds (California and New York Insured Trusts)

Gentlemen:

Pursuant to your request for a Standard & Poor's rating on the units of the above-captioned trusts, SEC No. 33-51051, we have reviewed the information presented to us and have assigned a 'AAA' rating to the units of the trusts and a 'AAA' rating to the securities contained in the trusts. The ratings are direct reflections, of the portfolios of the trusts, which will be composed solely of securities covered by bond insurance policies that insure against default in the payment of principal and interest on the securities so long as they remain outstanding. Since such policies have been issued by one or more insurance companies which have been assigned 'AAA' claims paying ability ratings by S&P, S&P has assigned a 'AAA' rating to the units of the trusts and to the securities contained in the trusts.

You have permission to use the name of Standard & Poor's Corporation and the above-assigned ratings in connection with your dissemination of information relating to these units, provided that it is understood that the ratings are not 'market' ratings nor recommendations to buy, hold, or sell the units of the trusts or the securities contained in the trusts. Further, it should be understood the rating on the units does not take into account the extent to which trust expenses or portfolio asset sales for less than the trust's purchase price will reduce payment to the unit holders of the interest and principal required to be paid on the portfolio assets. S&P reserves the right to advise its own clients, subscribers, and the public of the ratings. S&P relies on the sponsor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the ratings. S&P does not independently verify the truth or accuracy of any such information.

This letter evidences our consent to the use of the name of Standard & Poor's Corporation in connection with the rating assigned to the units in the

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registration statement or prospectus relating to the units or the trusts. However, this letter should not be construed as a consent by us, within the meaning of Section 7 of the Securities Act of 1933, to the use of the name of Standard & Poor's Corporation in connection with the ratings assigned to the securities contained in the trusts. You are hereby authorized to file a copy of this letter with the Securities and Exchange Commission.

Please be certain to send us three copies of your final prospectus as soon as it becomes available. Should we not receive them within a reasonable time after the closing or should they not conform to the representations made to us, we reserve the right to withdraw the rating.

We are pleased to have had the opportunity to be of service to you. If we can be of further help, please do not hesitate to call upon us.

Very truly yours,

VINCENT S. ORGO
Standard & Poor's Corporation

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