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FILER

DEFINED ASSET FUNDS MUNICIPAL INVT TR FD INSURED SERIES 159

CIK:**803800**| State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **497** | Act: **33** | File No.: **033-37108** | Film No.: **94502227**

Business Address
P O BOX 9051
C/O MERRILL LYNCH PIERCE
FENNER & SMITH
PRINCETON NJ 08543

DEFINED
ASSET FUNDSSM

MUNICIPAL INVESTMENT
TRUST FUND

- --

INSURED SERIES--159
(A UNIT INVESTMENT TRUST)

PROSPECTUS, PART A
DATED JANUARY 21, 1994

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

INSURED - TAX-FREE - AAA RATED

This Fund is a defined portfolio of preselected securities formed for the purpose of providing safety of principal and interest income that in the opinion of counsel is, with certain exceptions, exempt from regular Federal income taxes under existing law through investment in an insured fixed portfolio of fixed-rate Debt Obligations issued by states, municipalities, public authorities and similar entities. 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. All Debt Obligations in the Fund are insured as to scheduled payments of principal and interest, as a result of which Units of the Fund are rated AAA by Standard & Poor's Corporation.

Minimum Purchase: One 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 COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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NOTE: PART A OF THIS PROSPECTUS MAY NOT BE DISTRIBUTED UNLESS ACCOMPANIED BY DEFINED ASSET FUNDS--MUNICIPAL INVESTMENT TRUST FUND PROSPECTUS, PART B.

This Prospectus consists of two parts. The first includes an Investment Summary and certified financial statements of the Fund, including the related securities portfolio; the second contains a general summary of the Fund.

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Read and retain both parts of this Prospectus for future reference.

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

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

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

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

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DEFINED ASSET FUNDS--MUNICIPAL INVESTMENT TRUST FUND, INSURED SERIES--159
INVESTMENT SUMMARY
AS OF OCTOBER 31, 1993, THE EVALUATION DATE

FACE AMOUNT OF SECURITIES	$ 13,045,000+
NUMBER OF UNITS...	13,085
FACE AMOUNT OF SECURITIES PER UNIT..$	996.94
FRACTIONAL UNDIVIDED INTEREST IN FUND REPRESENTED BY EACH UNIT...	1/13,085th
PUBLIC OFFERING PRICE	
Aggregate bid side evaluation of underlying Securities..$	14,947,685
Divided by Number of Units.........................$	1,142.35
Plus sales charge of 5.220% of Public Offering Price (5.508% of net amount invested in Securities)*....	62.92
Public Offering Price per Unit.....................$	1,205.27 (plus cash adjustments and accrued interest)**
SPONSOR'S REPURCHASE PRICE AND REDEMPTION PRICE PER UNIT..$ (based on bid side evaluation of Securities) ($62.92 less than Public Offering Price per Unit)	1,142.35 (plus cash adjustments and accrued interest)**
CALCULATION OF ESTIMATED NET ANNUAL INTEREST RATE PER UNIT (based on Face Amount per Unit)	
Annual interest rate per Unit......................	7.260%
Less estimated annual expenses per Unit ($1.45) expressed as a percentage........................	.145%
Estimated net annual interest rate per Unit.........	7.115%
DAILY RATE AT WHICH ESTIMATED NET INTEREST ACCRUES PER UNIT...	.0197%
MONTHLY INCOME DISTRIBUTIONS	
Estimated net annual interest rate per Unit times Face Amount per Unit............................$	70.94
Divided by 12.....................................$	5.91

RECORD DAY
The 10th day of each month.
DISTRIBUTION DAY
The 25th day of each month.

MINIMUM CAPITAL DISTRIBUTION

No distribution need be made from Capital Account if balance in Account is less than $5.00 per Unit.

TRUSTEE'S ANNUAL FEE AND EXPENSES++

$1.45 per Unit (see Expenses and Charges in Part B).

PORTFOLIO SUPERVISION FEE+++

Maximum of $0.25 per $1,000 face amount of underlying Debt Obligations (see Expenses and Charges in Part B).

EVALUATOR'S FEE FOR EACH EVALUATION

Minimum of $13 (see Expenses and Charges in Part B).

EVALUATION TIME

3:30 P.M. New York Time

PREMIUM AND DISCOUNT ISSUES IN PORTFOLIO

Face Amount of Debt Obligations with bid side evaluation:	
Over par..	90%
At a discount from par...........................	10%

MINIMUM VALUE OF FUND

Trust may be terminated if value of Fund is less than 40% of the Face Amount of Securities on the date of their deposit. As of the Evaluation Date, the value of the Fund was 99% of the Face Amount of Securities on the date of their deposit.

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*This is the maximum Effective Sales Charge on the date stated. The sales charge will vary depending on the maturities of the underlying Securities and will be reduced on a graduated scale for purchases of 250 or more Units (see Public Sale of Units--Public Offering Price in Part B). Any resulting reduction in the Public Offering Price will increase the effective current and long term returns on a Unit.

**For Units purchased or redeemed on the Evaluation Date, accrued interest is approximately equal to the undistributed net investment income of the Fund (see Statement of Condition on p. D-2) divided by the number of outstanding Units, plus accrued interest per Unit to the expected date of settlement (5 business days after purchase or redemption). The amount of the cash adjustment which is added is equal to the cash per Unit held in the Capital Account (see Public Sale of Units-- Public Offering Price and Redemption in Part B).

+On the Initial Date of Deposit (November 6, 1990) the Face Amount of Securities was $15,000,000. Cost of Securities is set forth under Portfolio.

++Of this figure, the Trustee receives annually for its service as Trustee, $0.70 per $1,000 face amount of Debt Obligations. The Trustee's Annual Fee and Expenses also includes the Portfolio Supervision Fee and Evaluator's Fee set forth herein.

+++The Sponsors also may be reimbursed for their costs of bookkeeping and administrative services to the Fund. Portfolio supervision fees deducted in excess of portfolio supervision expenses may be used for this reimbursement. Additional deductions for this purpose are currently estimated not to exceed an annual rate of $0.10 per Unit.

INVESTMENT SUMMARY AS OF THE EVALUATION DATE (CONTINUED)

NUMBER OF ISSUES IN PORTFOLIO...........................	12
STANDARD & POOR'S CORPORATION RATING ON UNITS OF THE FUND*	AAA
RANGE OF MATURITIES...	2007-2026
NUMBER OF ISSUES BY SOURCE OF REVENUE:	
Hospital/Health Care Facility......................	4
Housing...	1
State and Local Municipal Utility..................	1
Municipal Water/Sewer..............................	1
Industrial Development Revenue.....................	2
Refunded Bonds.....................................	3
CONCENTRATIONS+ EXPRESSED AS PERCENTAGE OF AGGREGATE FACE AMOUNT OF PORTFOLIO:	
Hospital/Health Care Facility......................	38%
Issuers located in the 3 States of Wisconsin (21%), Illinois (16%) and Texas (11%)...................	48%
PERCENTAGE OF AGGREGATE FACE AMOUNT OF PORTFOLIO INSURED* TO MATURITY BY:	
AMBAC..	19%
MBIA...	33%
Financial Guaranty.................................	31%
CGIC...	17%

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* As a result of insurance the Units of the Fund and the Debt Obligations are rated AAA by Standard & Poor's (see Risk Factors--Insured Obligations; Description of Ratings in Part B.)

+ A Fund is considered to be 'concentrated' in a category when the Securities in that category constitute 25% or more of the aggregate face amount of the Portfolio. See Risk Factors in Part B for a description of certain investment risks relating to these types of obligations.

REPORT OF INDEPENDENT ACCOUNTANTS

The Sponsors, Trustee and Holders
of Defined Asset Funds - Municipal Investment Trust Fund,
Insured Series - 159:

We have audited the accompanying statement of condition of Defined Asset Funds - Municipal Investment Trust Fund, Insured Series - 159, including the portfolio, as of October 31, 1993 and the related statements of operations and of changes in net assets for the period November 7, 1990 to October 31, 1991 and the years ended October 31, 1992 and 1993. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Securities owned at October 31, 1993, as shown in such portfolio, were confirmed to us by The Chase Manhattan Bank (National Association), the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by the Trustee, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Defined Asset Funds - Municipal Investment Trust Fund, Insured Series - 159 at October 31, 1993 and the results of its operations and changes in its net assets for the above-stated periods in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE

New York, N.Y.
December 17, 1993

DEFINED ASSET FUNDS - MUNICIPAL INVESTMENT TRUST FUND,
INSURED SERIES - 159

STATEMENT OF CONDITION
As of October 31, 1993

<TABLE>

<S>	<C>	<C>
TRUST PROPERTY:		
Investment in marketable securities -		
at value (cost $ 12,801,263)(Note 1)........		$14,947,685
Accrued interest		293,253

Proceeds receivable from sale of securities		166,076
Cash - income		1,255
Cash - principal		13,598

Total trust property		15,421,867
LESS LIABILITIES:		
Income advance from Trustee....................	$ 70,489	
Accrued Sponsors' fees	2,822	
Redemptions payable	213,257	286,568
	-----------	-----------
NET ASSETS, REPRESENTED BY:		
13,085 units of fractional undivided interest outstanding (Note 3)................	14,917,271	
Undistributed net investment income	218,028	$15,135,299
	-----------	===========
UNIT VALUE ($ 15,135,299 / 13,085 units).........		$ 1,156.69
		===========

</TABLE>

See Notes to Financial Statements.

DEFINED ASSET FUNDS - MUNICIPAL INVESTMENT TRUST FUND,
INSURED SERIES - 159

STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	November 7, 1990 to October 31, 1991	Years Ended October 31, 1992	1993
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income................................	$ 1,065,619	$ 1,019,692	$ 973,157
Trustee's fees and expenses	(16,898)	(18,348)	(16,456)
Sponsors' fees	(3,700)	(2,959)	(3,417)
Net investment income	1,045,021	998,385	953,284
REALIZED AND UNREALIZED GAIN ON INVESTMENTS:			
Realized gain on securities sold or redeemed	19,356	51,578	81,474
Unrealized appreciation of investments	843,288	151,912	1,151,222
Net realized and unrealized gain on investments	862,644	203,490	1,232,696
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 1,907,665	$ 1,201,875	$ 2,185,980

</TABLE>

See Notes to Financial Statements.

DEFINED ASSET FUNDS - MUNICIPAL INVESTMENT TRUST FUND,
INSURED SERIES - 159

STATEMENTS OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	November 7, 1990 to October 31, 1991	Years Ended October 31, 1992	1993
<S>	<C>	<C>	<C>
OPERATIONS:			
Net investment income	$ 1,045,021	$ 998,385	$ 953,284
Realized gain on securities sold or redeemed	19,356	51,578	81,474
Unrealized appreciation of investments	843,288	151,912	1,151,222
Net increase in net assets resulting from operations	1,907,665	1,201,875	2,185,980
DISTRIBUTIONS TO HOLDERS (Note 2):			
Income	(795,015)	(998,592)	(953,751)
Principal		(25,617)	(20,780)
Total distributions	(795,015)	(1,024,209)	(974,531)
SHARE TRANSACTIONS:			
Redemption amounts - income	(10,405)	(12,294)	(8,605)
Redemption amounts - principal	(658,891)	(773,807)	(616,719)
Total share transactions	(669,296)	(786,101)	(625,324)
NET INCREASE (DECREASE) IN NET ASSETS	443,354	(608,435)	586,125
NET ASSETS AT BEGINNING OF PERIOD	14,714,255	15,157,609	14,549,174
NET ASSETS AT END OF PERIOD	$15,157,609	$14,549,174	$15,135,299
PER UNIT:			
Income distributions during period	$ 53.38	$ 71.05	$ 70.97
Principal distributions during period		$ 1.79	$ 1.53
Net asset value at end of			

period	$ 1,055.47	$ 1,067.28	$ 1,156.69
TRUST UNITS:			
Redeemed during period	639	729	547
Outstanding at end of period	14,361	13,632	13,085

</TABLE>

See Notes to Financial Statements.

DEFINED ASSET FUNDS - MUNICIPAL INVESTMENT TRUST FUND,
INSURED SERIES - 159

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The Fund is registered under the Investment Company Act of 1940 as a Unit Investment Trust. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles.

(A) Securities are stated at value as determined by the Evaluator based on bid side evaluations for the securities (see "Redemption - Computation of Redemption Price Per Unit" in this Prospectus, Part B), except that value on November 7, 1990 was based upon offering side evaluations at November 5, 1990, the day prior to the Date of Deposit. Cost of securities at November 7, 1990 was also based on such offering side evaluations.

(B) The Fund is not subject to income taxes. Accordingly, no provision for such taxes is required.

(C) Interest income is recorded as earned.

2. DISTRIBUTIONS

A distribution of net investment income is made to Holders each month. Receipts other than interest, after deductions for redemptions and applicable expenses, are distributed as explained in "Administration of the Fund - Accounts and Distributions" in this Prospectus, Part B.

3. NET CAPITAL

<TABLE>
<S> <C>

Cost of 13,085 units at Date of Deposit	$13,440,524
Less sales charge	604,789
604,789	
Net amount applicable to Holders	12,835,735
Redemptions of units - net cost of 1,915 units redeemed less redemption amounts (principal)......................	(170,897)
Realized gain on securities sold or redeemed	152,408
Principal distributions	(46,397)
Unrealized appreciation of investments	2,146,422
Net capital applicable to Holders	$14,917,271

</TABLE>

4. INCOME TAXES

As of October 31, 1993, unrealized appreciation of investments, based on cost for Federal income tax purposes, aggregated $2,146,422, all of which related to appreciated securities. The cost of investment securities for Federal income tax purposes was $12,801,263 at October 31, 1993.

DEFINED ASSET FUNDS - MUNICIPAL INVESTMENT TRUST FUND,
INSURED SERIES - 159

PORTFOLIO
As of October 31, 1993

<TABLE>
<CAPTION>

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

Portfolio No. and Title of Securities	Rating of Issues (1) (4)	Face Amount	Coupon	Maturities(3)	Optional Redemption Provisions(3)	Cost(2)	Value(2)
1 Alaska Energy Auth. Pwr. Rev. Bonds (Bradley Lake Hydroelectric Proj.), Second Ser. (MBIA Ins.)	AAA	$ 595,000	7.250%	2021	07/01/00 @ 102.000	$ 591,293	$ 681,971
2 Alachua Cnty., FL, Hlth. Fac. Rev. Bonds (Mental Hlth. Svcs. Proj.), Ser. 1990 A (CGIC Ins.)	AAA	1,250,000	7.750	2010	07/01/00 @ 102.000	1,273,800	1,495,638
3 Chicago, IL, Pub. Bldg. Comm., Bldg. Rev. Bonds, Ser. A (MBIA Ins.)	AAA	770,000	7.125	2015	None	755,563	894,432
4 Illinois Hlth. Fac. Auth. Rev. Bonds (Community Provider Pooled Loan Prog.), Ser. 1990 A (CGIC Ins.)	AAA	1,000,000	7.750	2010	08/15/00 @ 102.000	1,007,490	1,192,120
5 Illinois Hlth. Fac. Auth. Rev. Bonds (Franciscan Sisters Hlth. Care Corp. Proj.), Ser. 1988 (MBIA Ins.)	AAA	370,000	7.850	2007(5)	09/01/97 @ 102.000	380,586	428,423
6 Massachusetts Hsg. Fin. Agy., Rental Hsg. Rev. Bonds, 1989 Ser. One (AMBAC Ins.)	AAA	1,250,000	7.200	2026	08/01/99 @ 102.000	1,226,213	1,322,738
7 New York City, NY, Mun. Wtr. Fin. Auth., Wtr. & Swr. Sys. Rev. Bonds, Fiscal 1987 Ser. A (Financial Guaranty Ins.)	AAA	1,320,000	5.000	2017	06/15/96 @ 100.000	953,687	1,272,071
8 Matagorda Cnty., TX, Navigation Dist. No. 1, Poll. Control Rev. Bonds (Central Pwr. and Light Co. Proj.), Ser. 1984 (Financial Guaranty Ins.)	AAA	1,395,000	7.500	2014	12/15/99 @ 103.000	1,426,541	1,652,099
9 Washington Hlth. Care Fac. Auth. Rev. Bonds, Rfdg. Ser. 1988 (Multicare Med. Center,Tacoma) (Financial Guaranty Ins.)	AAA	1,250,000	7.875	2011	08/15/98 @ 102.000	1,290,575	1,449,688

</TABLE>

<TABLE>
<CAPTION>

Portfolio No. and Title of Securities	Rating of Issues (1) (4)	Face Amount	Coupon	Maturities(3)	Optional Redemption Provisions(3)	Cost(2)	Value(2)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
10 Mason Cnty., WV, Poll. Control Rev. Bonds (Appalachian Pwr. Co. Proj.), Ser. H (MBIA Ins.)	AAA	$ 1,100,000	7.875%	2013	11/01/00 @ 102.000	$ 1,141,041	$ 1,330,461
11 Wisconsin Public Pwr. Inc. System, Pwr. Supply Sys. Rev. Bonds, Ser. 1990 A (AMBAC Ins.)	AAA	1,245,000	7.400	2020(5)	07/01/00 @ 102.000	1,254,474	1,491,884
12 Wisconsin Hlth. & Educ'l Fac. Auth. Rev. Bonds (St. Luke's Med. Center Proj.), Ser. 1989 (MBIA Ins.)	AAA	1,500,000	7.400	2019	08/15/99 @ 102.000	1,500,000	1,736,160
TOTAL		$ 13,045,000				$ 12,801,263	$14,947,685

See Notes to Portfolio.

</TABLE>

DEFINED ASSET FUNDS - MUNICIPAL INVESTMENT TRUST FUND,
INSURED SERIES - 159

NOTES TO PORTFOLIO
As of October 31, 1993

(1) A description of the rating symbols and their meanings appears under "Description of Ratings" in this Prospectus, Part B. Ratings, which have been provided by the Evaluator, are by Standard & Poor's (when available) or by Moody's Investors Service (as indicated by "m") when Standard & Poor's ratings are not available. "NR", if applicable, indicates that this security is not currently rated by either rating service.

(2) See Notes to Financial Statements.

(3) Optional redemption provisions, which may be exercised in whole or in part, are initially at prices of par plus a premium, then subsequently at prices declining to par. Certain securities may provide for redemption at par prior or in addition to any optional or mandatory redemption dates or maturity, for example, through the operation of a maintenance and replacement fund, if proceeds are not able to be used as contemplated, the project is condemned or sold or the project is destroyed and insurance proceeds are used to redeem the securities. Many of the securities are also subject to mandatory sinking fund redemption commencing on dates which may be prior to the date on which securities may be optionally redeemed. Sinking fund redemptions are at par and redeem only part of the issue. Some of the securities have mandatory sinking funds which contain optional provisions permitting the issuer to increase the principal amount of securities 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 securities have an offering side evaluation which represents a premium over par. To the extent that the securities were acquired at a price higher than the redemption price, this will represent a loss of capital when compared with the Public Offering Price of the Units when acquired. Distributions will generally be reduced by the amount of the income which would otherwise have been paid with respect to redeemed securities and there will be distributed to Holders any principal amount and premium received on such redemption after satisfying any redemption requests for Units received by the Fund. The estimated current return may be affected by redemptions. The tax effect on Holders of redemptions and related distributions is described under "Taxes" in this Prospectus, Part B.

(4) All securities are insured, either on an individual basis or by portfolio insurance, by a municipal bond insurance company which has been assigned "AAA" claims paying ability by Standard & Poor's. Accordingly, Standard &

Poor's has assigned a "AAA" rating to the securities. Securities covered by portfolio insurance are rated "AAA" only as long as they remain in this Trust. See "Risk Factors - Insured Obligations" in this Prospectus, Part B.

(5) Bonds with an aggregate face amount of $ 1,615,000 have been pre-refunded and are expected to be called for redemption on the optional redemption provision dates shown.

DEFINED ASSET FUNDS--
MUNICIPAL INVESTMENT TRUST FUND
INSURED SERIES

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.

12345678

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO. 644, NEW YORK, N.Y.

POSTAGE WILL BE PAID BY ADDRESSEE
THE CHASE MANHATTAN BANK, N.A. (MITF)
UNIT TRUST DEPARTMENT
BOX 2051
NEW YORK, N.Y. 10081

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

- ---
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DEFINED ASSET FUNDS
MUNICIPAL INVESTMENT TRUST FUND

AMT MONTHLY PAYMENT SERIES
CALIFORNIA SERIES
CALIFORNIA INSURED SERIES
FLORIDA INSURED SERIES
FLOATING RATE SERIES
MBIA SERIES
INSURED SERIES
INTERMEDIATE TERM SERIES
MASSACHUSETTS SERIES
MICHIGAN SERIES
MINNESOTA SERIES
MONTHLY PAYMENT SERIES
MULTISTATE SERIES
NEW YORK SERIES
NEW YORK INSURED SERIES
NEW YORK PUT SERIES
NEW JERSEY SERIES
OHIO SERIES
PENNSYLVANIA SERIES
PUT SERIES
TEXAS INSURED SERIES

PROSPECTUS, PART B

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

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FUND SUMMARY

RISK FACTORS. Certain Debt Obligations may be redeemed or prepaid from time to time pursuant to optional refunding or sinking fund redemption provisions or may mature according to their terms or be sold under certain circumstances described herein; accordingly, no assurance can be given that the Fund will retain for any length of time its present size and composition (see Payment of the Debt Obligations and Life of the Fund; Redemption; Administration of the Fund--Portfolio Supervision). Units offered hereby may reflect redemptions, prepayments, defaults or dispositions of Securities originally deposited in the Fund. A reduction in the value of a Unit resulting from these events does not mean that a Unit is valued at a market discount; market discounts, as well as market premiums, on Units are determined solely by a comparison of a Unit's outstanding face amount and its evaluated price. As they approach maturity, discount securities tend to increase in market value while premium securities tend to decrease in market value. If currently prevailing interest rates for newly issued and otherwise comparable

securities decline, the market discount of previously issued securities will be reduced and the market premium of previously issued securities will increase. Conversely, if currently prevailing interest rates increase, the market discount of previously issued securities will become deeper and the market premium of previously issued securities will decline. (See Special Considerations.) The Investment Summary in Part A sets forth the percentages of the aggregate face amount of the Portfolio valued at a discount from the par (maturity) value and at a premium over par and sets forth the face amount of Securities underlying each Unit and the value of the Unit as of the evaluation date.

THE PUBLIC OFFERING PRICE of the Units is generally based on the Evaluator's determination of the aggregate bid side evaluation of the underlying Securities divided by the number of Units outstanding. A sales charge (set forth under Investment Summary in Part A) is added. The sales charge will vary depending on the maturities of the underlying Securities and is reduced on a graduated scale for purchases of 250 or more Units. 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 adjustments and accrued interest. The Public Offering Price on the date of this Prospectus or on any subsequent date will vary from the Public Offering Price set forth under Investment Summary in Part A. (See Public Sale of Units--Public Offering Price.) Units offered hereby are issued and outstanding Units which have been purchased by the Sponsors in the secondary market or from the Trustee following tender for redemption. Units purchased by the Sponsors in the secondary market or from the Trustee upon tender may be reoffered at the Public Offering Price, deposited in a new series or tendered to the Trustee for redemption. The profit or loss resulting from the sale of Units will accrue to the Sponsors. No proceeds from the sale will be received by the Fund.

MARKET FOR UNITS. The Sponsors, though not obligated to do so, intend to maintain a secondary market for Units at prices based for most Series on the Evaluator's determination of the aggregate bid side evaluation of the underlying Securities (see Market for Units). So long as the Sponsors are maintaining a secondary market at prices not less than the Redemption Price per Unit, they will repurchase any Units tendered for redemption. 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. 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 amount paid for Units (see Redemption).

ESTIMATED CURRENT RETURN; ESTIMATED LONG-TERM RETURN. Estimated Current Return on a Unit represents annual cash receipts from coupon-bearing debt obligations (after estimated annual expenses) divided by the maximum Public Offering Price (including the sales charge). 'Current return' provides different information than 'yield' or 'long-term return', which involves a computation of yield to maturity (or earlier call date) and 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. Long-term return on Units in the secondary market will generally be lower, sometimes significantly, than current return. Estimated Long-Term Return on a Unit shows a net annual long-term return to investors holding to maturity based on the individual Debt Obligations in the Portfolio weighted to reflect the time to maturity (or in certain cases to an earlier call date) and market value of each Debt Obligation in the Portfolio, adjusted to reflect the Public Offering Price (including the maximum applicable sales charge) and estimated expenses. The net annual interest rate per Unit and the net annual long-term return to investors will vary with changes in the fees and expenses of the Trustee and Sponsors and the fees of the Evaluator which are paid by the Fund, and with the exchange, redemption, sale, prepayment or maturity of the underlying Securities; the Public Offering Price will vary with

any reduction in sales charges paid in the case of quantity purchases of 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. Both current return and long-term return to an investor may be substantially lower than originally estimated (see Description of the Fund--Income; Estimated Current Return; Estimated Long-Term Return).

DISTRIBUTIONS of interest and any principal or premium received by the Fund WILL BE PAID IN CASH unless the Holder elects to reinvest in The Municipal Fund Accumulation Program, Inc. Holders will be taxed in the manner described under Taxes regardless of whether distributions from the Fund are actually received by the Holders or are automatically reinvested. For more complete information about the Program, including charges and expenses, return the enclosed card for a prospectus. Read it carefully before you decide to participate. Also, see Administration of the Fund--Investment Accumulation Program.

TAXATION. In the opinion of special counsel to the Sponsors, each Holder will be considered to have received the interest on his pro rata portion of each Debt Obligation (including debt obligations in any Other Funds) when interest on the Debt Obligation is received by the Fund or an Other Fund, as the case may be. In the opinion of bond counsel rendered on the date of issuance of the Debt Obligation, that interest is excludable from gross income for regular Federal income tax purposes under existing law (except in certain circumstances depending on the Holder) but may be subject to state and local taxes; for State and Multistate Series, that interest is also 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. Capital gains, if any, are subject to tax. (See Taxes.)

FUND STRUCTURE

The Fund (including for all purposes hereunder each Trust of a series such as a Multistate Series), a series of Municipal Investment Trust Fund, is a 'unit investment trust' created under New York law by a Trust Indenture (the 'Indenture') among the Sponsors, the Trustee and the Evaluator. 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. The Fund may be an appropriate investment vehicle for investors who desire to participate in a portfolio of tax-exempt securities with greater diversification than they might be able to acquire individually. In addition, bonds of the type deposited in the Fund often are not available in small amounts.

The holders ('Holders') of units of interest ('Units') 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). The Fund will not continuously offer Units for sale to the public. On the Evaluation Date, each Unit represented the fractional undivided interest in the Securities and net income of the Fund set forth under Investment Summary in Part A. Thereafter, if any Units are redeemed, the face amount of Securities in the Fund will be reduced and the fractional undivided interest represented by each remaining Unit in the balance will be increased. Units will remain outstanding until redeemed upon tender to the Trustee by any Holder (which may include the Sponsors) or until termination of the Indenture (see Redemption; Administration of the Fund--Amendment and Termination).

The Units being offered by this Prospectus are issued and outstanding Units which have been reacquired by the Sponsors either by purchase in the open market or by purchase of Units tendered to the Trustee for redemption. No offering is being made on behalf of the Fund and any profit or loss realized on the sale of Units will accrue to the Sponsors.

RISK FACTORS

An investment in Units of the Fund (except Floating Rate and Put Series) should be made with an understanding of the risks which an investment in fixed-rate debt obligations may entail, including the risk that the value of the Portfolio and hence of the Units will decline with increases in interest rates. Investors in Floating Rate Series should understand the nature of floating-rate obligations as described below. In recent years there have been wide fluctuations in interest rates and thus in the value of fixedrate 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. Furthermore, since the issuers of the Debt Obligations are state and local governmental entities, 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 healthcare organizations, with municipal debt outstanding, may also be negatively impacted by reductions in state appropriations. 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.

Units offered in the secondary market may reflect redemptions or prepayments, in whole or in part, or defaults on, certain of the Securities originally deposited in the Fund or the disposition of certain Securities originally deposited in the Fund to satisfy redemptions of Units or pursuant to the exercise by the Sponsors of their supervisory role over the Fund (see Risk Factors--Payment of the Debt Obligations and Life of the Fund and Administration of the Fund--Portfolio Supervision). Accordingly, the face amount of Units may be less than their original face amount at the time of the creation of the Fund. A reduced value per Unit does not therefore mean that a Unit is necessarily valued at a market discount; market discounts, as well as market premiums, on Units are determined solely by a comparison of a Unit's outstanding face amount and its evaluated price.

Certain of the Securities in the Fund may be 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 the Fund may be valued at a market premium. Securities trade at a premium because the interest rates on the Securities are higher than interest rates 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 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.

FLOATING RATE SERIES. The interest rate on most floating-rate obligations is tied to one or more 'prime rates,' which is generally the rate charged by a bank to its most creditworthy customers for short term loans. The prime rate of a particular bank may differ from other banks and will be the rate announced by each bank on a particular day. Changes in the prime rate may occur with great frequency and generally become effective on the date announced. In the past there have been wide fluctuations in prime rates, although the Sponsors cannot predict whether these fluctuations will continue. While the value of the underlying Debt Obligations may change with changes in interest rates generally, the floating rate nature of the underlying Debt Obligations in Floating Rate Series should decrease changes in value. Accordingly, as interest rates decrease or increase the potential for capital appreciation and the risk of potential capital depreciation is less than would be the case with a portfolio of fixed income securities. The portfolio of any Floating Rate Series may contain Debt Obligations on which stated minimum and maximum rates limit the degree to which interest on the Debt Obligations may fluctuate (see Portfolio in Part A); to the extent they do, increases or decreases in value may be somewhat greater than would be the case without such limits. Because the adjustment of interest rates on the floating-rate debt obligations is made in relation to movements of the applicable banks' prime rates, the Debt Obligations are not comparable to long-term fixed-rate securities. Accordingly, interest rates on floating-rate debt obligations may be higher or lower than current market rates for fixed-rate debt obligations of comparable quality with similar maturities.

INTEREST RATE SWAP (OR EXCHANGE) AGREEMENTS. The indentures governing the Debt Obligations may permit an issuer of Debt Obligations to enter into interest rate swap (or exchange) agreements ('Swap Agreements') with another party (each such counterparty a 'Swap Counterparty'). Under a Swap Agreement, the Swap Counterparty will agree to pay the trustee of any affected Debt Obligation on each interest payment date a fixed

interest rate on the notional amount outstanding and the issuer will agree to pay on each interest payment date, by causing the trustee to pay, the Swap Counterparty a variable interest rate. The payment obligations of the issuer and the Swap Counterparty to each other will be netted on each interest payment date and only one payment will be made by one party to the other. At such times that the fixed interest rate being paid by the Swap Counterparty is greater than the variable interest rate, the ability of the trustee of any affected Debt Obligation to make interest payments on the Debt Obligation will be affected by the Swap Counterparty's ability to meet its net payment obligation to the trustee. Typically, there is a provision for minimum rating of long-term obligations of the Swap Counterparty. Any interest rate swap or exchange agreement is subject to a determination by the relevant rating agency or agencies that there is no adverse impact on rating of the Debt Obligations. However, the issuer must have received written confirmation from the relevant rating agency or agencies that the execution and delivery of such agreement will not result in the lowering or withdrawal of any rating assigned to any of the Debt Obligations. The Swap Counterparty to the Swap Agreement will be selected by the issuer prior to the issuance of the Debt Obligations from a list of potential counterparties approved by the issuer.

As set forth under Investment Summary in Part A, the Fund may contain or be concentrated in one or more of the classifications of Debt Obligations referred to below. An investment in Units of the Fund should be made with an understanding of the risks which these investments may entail, certain of which are described below.

GENERAL OBLIGATION BONDS

Certain of the Debt Obligations in the Portfolio may be general obligations of a governmental entity that are secured by the taxing power of the entity. General obligation bonds are backed by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. However, the taxing power of any governmental entity may be limited by provisions of state constitutions or laws and an entity's credit will depend on many factors, including an erosion of the tax base due to population declines, natural disasters, declines in the state's industrial base or inability to attract new industries, economic limits on the ability to tax without eroding the tax base and the extent to which the entity relies on Federal or state aid, access to capital markets or other factors beyond the entity's control.

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

In addition, certain of the Debt Obligations in the Fund may be obligations of issuers (including California issuers) who rely in whole or in part on ad valorem real property taxes as a source of revenue. Certain proposals, in the form of state legislative proposals or voter initiatives, to limit ad valorem real property taxes have been introduced in various states and an amendment to the constitution of the state of California, commonly referred to as 'Proposition 13', provided for strict limitations on ad valorem real property taxes and 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 Proposition 13, or of similar future legislative or constitutional measures, on school districts and local governments or on their abilities to make future payments on their outstanding debt obligations.

MORAL OBLIGATION BONDS

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

REFUNDED DEBT OBLIGATIONS

Refunded Debt Obligations are typically secured by direct obligations of the U.S. Government, or in some cases obligations guaranteed by the U.S. Government, placed in an escrow account maintained by an independent trustee until maturity or a predetermined redemption date. These obligations are generally noncallable prior to maturity or the predetermined redemption date. In a few isolated instances 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. In certain cases, the different industry groups on behalf of which the IDRs in the Portfolio are issued may be set forth under the Investment Summary. In addition, as discussed below, certain of the IDRs in the Portfolio may be additionally insured or secured by letters of credit issued by banks or otherwise guaranteed or secured to cover amounts due on the IDRs in the event of default in payment by an issuer.

STATE AND LOCAL MUNICIPAL UTILITY OBLIGATIONS

The 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 markets, or substantially increase the cost of credit for electric generating facilities. In addition, there are various proposals for a new energy tax before Congress. 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 (the 'NRC') 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.

Certain of the problems related to electric utilities particularly affect the bonds of Washington Public Power Supply System ('WPPSS'). The percentage of any WPPSS obligations in the Portfolio is set forth under Investment Summary in Part A. These Debt Obligations were issued to help finance construction of WPPSS nuclear plant Project Nos. 4 and 5. On July 22, 1983, WPPSS declared that it was unable to pay principal and interest on bonds issued to finance nuclear Project Nos. 4 and 5. As a result of the default, interest on any Project Nos. 4 and 5 bonds in the Portfolio has not been accrued since 1983 in computing the sale, redemption and repurchase prices of the Units, and the semiannual interest payments due January 1, 1984 and thereafter on Project Nos. 4 and 5 bonds were not made to bondholders (including the Fund). The following information is based on official statements, annual reports to bondholders by Chemical Bank, the bond trustee, and certain subsequent news reports as well as pleadings and decisions in various court cases.

Following rapidly escalating construction costs and forecasts of a reduction in the need for additional power production, WPPSS terminated construction of Project Nos. 4 and 5 in January 1982. Debt service on the $2.25 billion face amount of WPPSS bonds outstanding for these projects was payable through revenues received by WPPSS pursuant to agreements (the 'Participants' Agreements') with 88 municipal corporations and cooperatives (the 'Participants'). Under such Participants' Agreements, the Participants were obligated to pay their respective shares of the debt service on the bonds, whether or not the projects were ever completed or put into operation ('take or pay' obligations). On June 15, 1983, the Supreme Court of Washington determined that certain of the Participants located in Washington (holding shares representing approximately one-half of the projects) lacked the authority to enter into the Participants' Agreements and therefore could not be bound by the take or pay obligations contained in such Agreements. On August 9, 1983, a Washington Superior Court Judge ruled that the Participants' Agreements were unenforceable as to the remaining Participants which were not covered by the June 15 decision.

On August 3, 1983, Chemical Bank, the bond trustee, filed suit in Federal court in Seattle, Washington, charging WPPSS, the Participants, the 23 utilities which originally formed WPPSS and various individuals

including former members of WPPSS' board of directors, with fraud and negligence in connection with the issuance of the bonds for Project Nos. 4 and 5.

A number of class action lawsuits were filed by and on behalf of purchasers of WPPSS Project Nos. 4 and 5 bonds. The suits alleged various Federal securities law violations and sought recovery for damages caused by such violations. Defendants named in the various lawsuits included WPPSS, the Participants, certain engineering firms and consultants for WPPSS, several law firms and securities rating services as well as underwriting firms including Merrill Lynch, Pierce, Fenner & Smith Incorporated and Prudential-Bache Securities Inc.

The class actions were consolidated as In re Washington Public Power Supply System Securities Litigation, MDL 551 ('MDL 551'). The Chemical Bank action and MDL 551 were consolidated for discovery purposes and for trial. Settlement agreements providing for the payment of more than $686,000,000 were reached with the defendants and approved by the district court. On February 4, 1992 the court of appeals affirmed the district court's approval of the settlement agreements in all respects and also affirmed the district courts' September 16, 1990 approval of a plan for allocation of the settlement proceeds.

On November 3, 1992, the court authorized a partial distribution of the settlement funds to the eligible claimants (including the Trustee). In mid-November 1992, the Trustee received checks equal to substantially all of its portion of the partial distribution. Distributions of the remaining settlement funds and any interest are expected to occur upon the resolution of any disputed claims, a determination of what taxes are payable to the Internal Revenue Service and the amount of the fee award to class plaintiffs' counsel and other entities and a completion of all procedural tasks regarding the court's dismissal of the remaining appeals. Therefore, the Trustee cannot predict when it will receive the distribution of the remaining settlement funds.

Because it is unclear whether certain former or current unitholders are entitled to the recovery, the Trustee cannot at this time make any distribution of the settlement proceeds. The Trustee has brought an action in Federal court in New York to obtain a judicial determination of which class of unitholders should receive the settlement proceeds. The court has been asked to determine if the settlement proceeds should be distributed (a) to some or all of those persons who purchased units prior to June 15, 1983 when the contracts that provided for payment of the Bonds were declared invalid or (b) to those persons who held units when the settlement proceeds were received by the Trustee. It is difficult to estimate how long the court process will take, but during this judicial proceeding the settlement proceeds are being held and invested by the Trustee as agent of the court.

The settlement proceeds received by the Trustee were not deposited in the Trust and therefore the net asset value of the Trust's units does not include any amount reflecting any part of the settlement proceeds. If the settlement proceeds are ultimately distributed by the court to unitholders of record as of a date following the sale or redemption by a unitholder of his or her units, this former unitholder will probably have given up his or her right to a share of the settlement proceeds, regardless of when the units were purchased. In contrast, if the settlement proceeds are allocated by the court to unitholders who purchased or held units during an earlier period, a unitholder's subsequent sale of units will not affect any right to share in the settlement proceeds so long as the unitholder purchased or held units during the appropriate period.

On March 9, 1993, the Trustee received a distribution in partial payment of principal and interest on the WPPSS bonds from Chemical Bank, the bond trustee, to the extent that Bonds were still held in the Trust. The Trustee distributed such partial payment to unitholders of record on March 9, 1993. This distribution was not related to or dependent upon the judicial proceeding regarding the settlement proceeds from the class action

lawsuits discussed above and reflected amounts in the WPPSS bond fund held by Chemical Bank for the benefit of current WPPSS bond holders under the WPPSS bond indenture. It is not known when Chemical Bank will make any further distributions from the bond fund.

Assuming the market value of the Bonds in the portfolio accurately reflects the value of any future distributions from Chemical Bank, a unitholder should receive substantially the same amount if a unitholder sells his or her units prior to the record date for any future Chemical Bank distribution. However, there can be no assurance that the market value of these Bonds will accurately reflect these distributions because of the uncertainty of the amount that will be distributed and when it will be distributed.

Standard & Poor's Corporation ('Standard & Poor's') downgraded its ratings of bonds for Project Nos. 4 and 5 to 'D' on August 24, 1983, and Moody's Investors Service ('Moody's') has withdrawn its ratings of these bonds.

LEASE RENTAL OBLIGATIONS

Lease rental obligations are issued for the most part by governmental authorities that have no taxing power or other means of directly raising revenues. Rather, the authorities are financing vehicles created solely for the construction of buildings (administrative offices, convention centers and prisons, for example) or the purchase of equipment (police cars and computer systems, for example) that will be used by a state or local government (the 'lessee'). Thus, the obligations are subject to the ability and willingness of the lessee government to meet its lease rental payments which include debt service on the obligations. Willingness to pay may be subject to changes in the government officials' or citizens' views 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). To the extent that these obligations were valued at a premium when a Holder purchased Units, any prepayment at par would result in a loss of capital to the Holder and, in any event, reduce the amount of income that would otherwise have been paid to Holders.

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

HOSPITAL AND HEALTH CARE FACILITY OBLIGATIONS

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

A significant portion of the revenues of hospitals and other health care facilities is derived from private third-party payors and government programs, including the Medicare and Medicaid programs. Both private third-party payors and government programs have undertaken cost containment measures designed to limit payments made to health care facilities. Furthermore, government programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which may materially decrease the rate of program payments for health care facilities. 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, 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 at any time upon the sale by the issuer of the hospital facilities to a non-affiliated entity, if the hospital becomes subject to ad valorem taxation, or in various other circumstances. For example, certain hospitals may have the right to call bonds at par if the hospital may be legally required because of the bonds to perform procedures against specified religious principles or to disclose information that 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 severely reduce its collateral value.

The Internal Revenue service is currently engaged in a program of intensive audits of certain 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 will be revoked. At this time, it is uncertain whether any of the hospital and health care facility obligations held by the Fund will be affected by such audit proceedings.

AIRPORT, PORT AND HIGHWAY REVENUE OBLIGATIONS

Certain facility revenue bonds are payable from and secured by the revenues from the ownership and operation of particular facilities, such as airports (including airport terminals and maintenance facilities), bridges, marine terminals, turnpikes and port authorities. For example, the major portion of gross airport operating income is generally derived from fees received from signatory airlines pursuant to use agreements which consist of annual payments for airport use, occupancy of certain terminal space, facilities, service fees, concessions and leases. Airport operating income may therefore be affected by the ability of the airlines to meet their obligations under the use agreements. The air transport industry is experiencing significant variations in earnings and traffic, due to increased competition, excess capacity, increased aviation fuel and other costs, deregulation, traffic constraints, the current recession and other factors. As a result, several airlines are experiencing severe financial difficulties. Several airlines including Trans World Airlines, Inc. and 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. The Sponsors cannot predict what effect these industry conditions may have on airport revenues which are dependent for payment on the financial condition of the airlines and their usage of the particular airport facility.

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

SOLID WASTE DISPOSAL BONDS

Bonds issued for solid water disposal facilities are generally payable from tipping fees and from revenues that may be earned by the facility on the sale of electrical energy generated in the combustion of waste products. The ability of solid waste disposal facilities to meet their obligations depends upon the continued use of the facility, the successful and efficient operation of the facility and, in the case of waste-to-energy facilities, the continued ability of the facility to generate electricity on a commercial basis. All of these factors may be affected by a failure of municipalities to fully utilize the facilities, an insufficient supply of waste for disposal due to economic or population decline, rising construction and maintenance costs, any delays in construction of facilities, lower-cost alternative modes of waste processing and changes in environmental regulations. Because of the relatively short history of this type of financing, there may be technological risks involved in the satisfactory construction or operation of the projects exceeding those associated with most municipal enterprise projects. Increasing environmental regulation on the federal, state and local level has a significant impact on waste disposal facilities. While regulation requires more waste producers to use waste disposal facilities, it also imposes significant costs on the facilities. These costs include compliance with frequently changing and complex regulatory requirements, the

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

SPECIAL TAX BONDS

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

TRANSIT AUTHORITY OBLIGATIONS

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

MUNICIPAL WATER AND SEWER REVENUE BONDS

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

UNIVERSITY AND COLLEGE OBLIGATIONS

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

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. 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 the elimination or limitation of any of these programs, it is expected that the elimination of Section 936 would have a strongly negative impact on Puerto Rico's economy.

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

Congress is currently considering legislation which provides for a referendum in which the Puerto Rican electorate would decide whether Puerto Rico continues in its current Commonwealth status, becomes a state or gains independence from the United States. Previously proposed legislation, which was not enacted, would have preserved the federal tax exempt status of the outstanding debts of Puerto Rico and its public corporations regardless of the outcome of the referendum, to the extent that similar obligations issued by states are so treated and subject to the provisions of the Code currently in effect. There can be no assurance that any pending or future legislation finally enacted will include the same or similar protection against loss of tax exemption. Depending on its result, such a referendum 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, including, without

limitation, the status of Section 936 benefits that Puerto Rico enjoys under the existing Code. 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 a change in status.

INSURED OBLIGATIONS

Certain Debt Obligations (the 'Insured Debt Obligations') may be insured or guaranteed by Asset Guaranty Reinsurance Company ('Asset Guaranty') AMBAC Indemnity Corporation ('AMBAC'), Bond Investors Guaranty Insurance Company ('BIG'), Capital Markets Assurance Corp. ('CAPMAC'), Capital Guaranty Insurance Company ('CGIC'), 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'), Industrial Indemnity Insurance Company ('IIC') (which operates the Health Industry Bond Insurance ('HIBI') Program), Municipal Bond Investors Assurance Corporation ('MBIA Corp.') or National Union Fire Insurance Company of Pittsburgh, Pa. ('National Union') (collectively the 'Insurance Companies').

The Portfolios of certain Insured Series contain Portfolios consisting entirely of insured Debt Obligations that are rated AAA by Standard & Poor's 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 Fund's rating being reduced, the Sponsors are authorized to direct the Trustee to obtain other insurance. The claims-paying ability of each of the Insurance Companies, unless otherwise indicated, is rated AAA by Standard & Poor's or another acceptable national rating service. 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 (except the portfolio insurance referred to below) is borne by either the issuers or previous owners of the bonds or by the Sponsors. The insurance policies are non-cancellable and, except in the case of any portfolio insurance, 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, except in the case of any portfolio insurance policies, 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.

Certain Debt Obligations may be entitled to portfolio insurance ('Portfolio Insurance') that guarantees the scheduled payment of the principal of and interest on those Debt Obligations ('Portfolio-Insured Debt Obligations') while they are retained in the Fund. Since the Portfolio Insurance applies to Debt Obligations only while they are retained in the Fund, the value of Portfolio-Insured Debt Obligations (and hence the value of the Units) may decline if the credit quality of any Portfolio-Insured Debt Obligation is reduced. Premiums for Portfolio Insurance are payable monthly in advance by the Trustee on behalf of the Fund.

As Portfolio-Insured Debt Obligations are redeemed by their respective issuers or are sold by the Trustee, the amount of the premium payable for the Portfolio Insurance will be correspondingly reduced. Nonpayment of premiums on any policy obtained by the Fund will not result in the cancellation of insurance but will permit the portfolio insurer to take action against the Trustee to recover premium payments due it. Upon the sale of a Portfolio-Insured Debt Obligation from the Fund, the Trustee has the right, pursuant to an irrevocable commitment obtained from the portfolio insurer, to obtain insurance to maturity ('Permanent Insurance') on the Debt Obligation upon the payment of a single predetermined insurance premium from the proceeds of the sale. It is expected that the Trustee will exercise the right to obtain Permanent Insurance only if the Fund would receive net proceeds from the sale of the Debt Obligation (sale proceeds less the insurance premium attributable to the Permanent Insurance) in excess of the sale proceeds that would be received if the Debt Obligations were sold on an uninsured basis. The premiums for Permanent Insurance for each Portfolio-Insured Debt Obligation will decline over the life of the Debt Obligation.

The Public Offering Price does not reflect any element of value for Portfolio Insurance. The Evaluator will attribute a value to the Portfolio Insurance (including the right to obtain Permanent Insurance) for the purpose of computing the price or redemption value of Units only if the Portfolio-Insured Debt Obligations are in default in payment of principal or interest or, in the opinion of the Agent for the Sponsors, in significant risk of default. In making this determination the Agent for the Sponsors has established as a general standard that a Portfolio-Insured Debt Obligation which is rated less than BB by Standard & Poor's or Ba by Moody's will be deemed in significant risk of default although the Agent for the Sponsors retains the discretion to conclude that a Portfolio-Insured Debt Obligation is in significant risk of default even though at the time it has a higher rating, or not to reach that conclusion even if it has a lower rating (see Description of Ratings). The value of the insurance will be equal to the difference between (i) the market value of the Portfolio-Insured Debt Obligation assuming the exercise of the right to obtain Permanent Insurance (less the insurance premium attributable to the purchase of Permanent Insurance) and (ii) the market value of the Portfolio-Insured Debt Obligation not covered by Permanent Insurance.

In addition, certain Funds may contain Debt Obligations that are insured to maturity as well as being Portfolio-Insured Debt Obligations. The following are brief descriptions of certain of the insurance companies that may insure or guarantee certain Debt Obligations. The financial information presented for each company has been determined on a statutory basis and is unaudited.

AMBAC is a Wisconsin-domiciled stock insurance company, regulated by the Insurance Department of the State of Wisconsin, and licensed to do business in various states, with admitted assets of approximately $1,598,000,000 and policyholders' surplus of approximately $604,000,000 as of December 31, 1992. AMBAC is a wholly-owned subsidiary of AMBAC Inc., a financial holding company which is publicly owned following a complete divestiture by Citibank during the first quarter of 1992.

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

rated by Standard & Poor's. As of December 31, 1992 Asset Guaranty had admitted assets of $126,000,000 and policyholders' surplus of $71,000,000.

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 December 31, 1992 CAPMAC's admitted assets were approximately $173,000,000 and its policyholders' surplus was approximately $148,000,000.

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, and USF&G, the 8th largest property/casualty company in the U.S. as measured by net premiums written. In addition to initial paid-in capital of $100 million the ownership group, under a binding agreement through October 1, 1993, is committed to provide another $100 million to CGC, if and when needed. As of December 31, 1992, CGIC had total admitted assets of approximately $227,000,000 and policyholders' surplus of approximately $116,000,000.

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 enhancement. Connie Lee, the operating insurance company, was incorporated in 1987 and began business as a reinsurer of tax-exempt bonds of colleges, universities, and teaching hospitals with a concentration on the hospital sector. During the fourth quarter of 1991 Connie Lee began underwriting primary bond insurance which will focus largely on the college and university sector. CCLIA's founding shareholders are the U.S. Department of Education, which owns 36% of CCLIA, and the Student Loan Marketing Association ('Sallie Mae'), which owns 14%. The other principal owners are: Pennsylvania Public School Employees' Retirement System, Metropolitan Life Insurance Company, Kemper Financial Services, Johnson family funds and trusts, Northwestern University, Rockefeller & Co., Inc. administered trusts and funds, and Stanford University. Connie Lee is domiciled in the state of Wisconsin and has licenses to do business in 47 states and the District of Columbia. As of December 31, 1992, its total admitted assets were approximately $161,000,000 and policyholders' surplus was approximately $101,000,000.

Continental is a wholly-owned subsidiary of CNA Financial Corp. and was incorporated under the laws of Illinois in 1948. As of December 31, 1992, Continental had policyholders' surplus of approximately $3,136,000,000 and admitted assets of approximately $22,171,000,000. Continental is the lead property-casualty company of a fleet of carriers nationally known 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 December 31, 1992, its total admitted assets were approximately $1,594,000,000 and its policyholders' surplus was approximately $621,000,000.

FSA is a monoline property and casualty insurance company incorporated in New York in 1984. It is a wholly-owned subsidiary of Financial Security Assurance Holdings Ltd., which was acquired in December 1989 by US West, Inc., the regional Bell Telephone Company serving the Rocky Mountain and Pacific Northwestern states. U.S. West is currently seeking to sell FSA. FSA is licensed to engage in the surety business in 42 states and the District of Columbia. FSA is engaged exclusively in the business of writing financial guaranty insurance, on both tax-exempt and non-municipal securities. As of December 31, 1992, FSA had policyholders' surplus of approximately $379,000,000 and total admitted assets of approximately $739,000,000.

Firemen's, which was incorporated in New Jersey in 1855, is a wholly-owned subsidiary of The Continental Corporation and a member of The Continental Insurance Companies, a group of property and casualty insurance companies the claims paying ability of which is rated AA-by Standard & Poor's. It provides unconditional and non-cancellable insurance on industrial development revenue bonds. As of December 31, 1992, the total admitted assets of Firemen's were approximately $2,211,000,000 and its policyholders' surplus was approximately $450,000,000.

MBIA is the principal operating subsidiary of MBIA Inc. The principal shareholders of MBIA Inc. were originally Aetna Casualty and Surety Company, The Fund American Companies Inc., subsidiaries of CIGNA Corporation and Credit Local de France, CAECL, S.A. These principal shareholders now own approximately 13% of the outstanding common stock of MBIA Inc., following a series of four public equity offerings over a five-year period. As of December 31, 1992, MBIA had admitted assets of approximately $2,594,000,000 and policyholders' surplus of approximately $896,000,000.

BIG, a stock insurance company incorporated in Illinois and now known as 'MBIA Insurance Corp. of Illinois', is a wholly-owned subsidiary of Bond Investors Group, Inc., a Delaware insurance holding company. Effective December 31, 1989, MBIA Inc. acquired Bond Investors Group, Inc. On January 5, 1990, MBIA acquired all of the outstanding stock of Bond Investors Group, Inc. Through a reinsurance agreement, BIG has ceded all of its net insured risks, as well as its unearned premium and contingency reserves to MBIA Corp. and MBIA Corp. has reinsured BIG's net outstanding exposure. Neither MBIA Inc., nor Bond Investors Group, Inc. or any of their shareholders are obligated to pay the debts of or claims against MBIA Corp. or BIG.

IIC, which was incorporated in California in 1920, is a wholly-owned subsidiary of Crum and Forster, Inc., a New Jersey holding company and a wholly-owned subsidiary of Xerox Corporation. IIC is a property and casualty insurer which, together with certain other wholly-owned insurance subsidiaries of Crum and Forster, Inc., operates under a Reinsurance Participation Agreement whereby all insurance written by these companies is pooled among them. As of December 31, 1992 the total admitted assets and policyholders' surplus of IIC on a consolidated-statutory basis were $1,733,000,000 and $215,000,000 respectively. Standard & Poor's has rated IIC's claims-paying ability A. Any IIC/HIBI - rated Debt Obligations in an Insured Series are additionally insured

for as long as they remain in the Fund and as long as IIC/HIBI's rating is below AAA, in order to maintain the AAA-rating of Fund Units. The cost of any additional insurance is paid by the Fund and such insurance would expire on the sale or maturity of the Debt Obligation.

National Union is a stock insurance company incorporated in Pennsylvania and a wholly-owned subsidiary of American International Group, Inc. National Union was organized in 1901 and is currently licensed to provide insurance in 50 states and the District of Columbia. It files reports with state insurance regulatory agencies and is subject to regulation, audit and review by those authorities including the State of New York Insurance Department. As of December

31, 1992, the total admitted assets and policyholders' surplus of National Union were approximately $7,593,000,000 and approximately $1,401,000,000, respectively.

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

OBLIGATIONS BACKED BY LETTERS OF CREDIT, GUARANTEES OR REPURCHASE COMMITMENTS

Certain Debt Obligations may be secured by letters of credit or guarantees issued by commercial banks, by collateralized letters of credit or guarantees issued by savings banks, savings and loan associations and similar institutions ('thrifts'), or by direct obligations of banks or thrifts pursuant to 'loans-to-lenders' programs. Letters of credit and guarantees are irrevocable obligations of the issuing institutions; they may be called upon, and the related Debt Obligation consequently redeemed, should the issuer of the Debt Obligation fail to make payments of amounts due, or default under its reimbursement agreement with the issuer of the letter of credit or guarantee or, in certain cases, in the event the interest on the Debt Obligation should be deemed to be taxable and full payment of amounts due is not made by the issuer. Certain of these letters of credit and guarantees may be secured by a security interest in collateral (see Collateralized Obligations below).

Certain Intermediate Term and Put Series and certain other Series contain Debt Obligations purchased from one or more commercial banks or thrifts or other institutions ('Sellers') which have committed under certain circumstances specified below to repurchase the Debt Obligations from the Fund ('Repurchase

Commitments'). The Debt Obligations in these Funds may be secured by one or more Repurchase Commitments (see Investment Summary in Part A) which, in turn may be backed by a letter of credit or secured by a security interest in collateral (see Collateralized Obligations below.) A Seller may have committed to repurchase from the Fund any Debt Obligations sold by it, within a specified period after receiving notice from the Trustee, to the extent necessary to satisfy redemptions of Units despite the market-making activity of the Sponsors (a 'Liquidity Repurchase'). The required notice period may be 14 days (a '14 Day Repurchase') or, if a repurchase date is set forth under Investment Summary in Part A, the Trustee may at any time not later than two hours after the Evaluation Time on the repurchase date (or if a repurchase date is not a business day, on the first business day thereafter), deliver this notice to the Seller. Additionally, if the Sponsors elect to remarket Units which have been received at or before the Evaluation Time on any repurchase date (the 'Tendered Units'), a Seller may have committed to repurchase from the Fund on the date 15 business days after that repurchase date, any Debt Obligations sold by the Seller to the Fund in order to satisfy any tenders for redemption by the Sponsors made within 10 business days after the Evaluation Time. A Seller may also have made any of the following commitments: (i) to repurchase at any time on 14 calendar days' notice any Debt Obligations if the issuer thereof shall fail to make any payments of principal thereof and premium and interest thereon (a 'Default Repurchase'); (ii) to repurchase any Debt Obligation on a fixed disposition date (a 'Disposition Date') if the Trustee elects not to sell the Debt Obligation in the open market (because a price in excess of its Put Price (as defined under Investment Summary in Part A) cannot be obtained) on this date (a 'Disposition Repurchase'); (iii) to repurchase at any time on 14 calendar days' notice any Debt Obligation in the event that the interest thereon should be deemed to be taxable (a 'Tax Repurchase'); and (iv) to repurchase immediately all Debt Obligations if the Seller becomes or is deemed to be bankrupt or insolvent (an 'Insolvency Repurchase'). (See Investment Summary in Part A.) Any repurchase of a Debt Obligation will be at a price no lower than its original purchase

price to the Fund, plus accrued interest to the date of repurchase, plus any further adjustments as described under Investment Summary in Part A.

Upon the sale of a Debt Obligation by the Fund to a third party prior to its Disposition Date, any related Liquidity and Disposition Repurchase commitments will be transferable, together with an interest in any collateral or letter of credit backing the repurchase commitments and the Liquidity Repurchase commitments will be exercisable by the buyer free from the restriction that the annual repurchase right may only be exercised to meet redemptions of Units. Any Default Repurchase, Tax Repurchase and Insolvency Repurchase commitments also will not terminate upon disposition of the Debt Obligation by the Fund but will be transferable, together with an interest in the collateral or letter of credit backing the Repurchase Commitments or both, as the case may be.

A Seller's Repurchase Commitments apply only to Debt Obligations which it has sold to the Fund; consequently, if a particular Seller fails to meet its commitments, no recourse is available against any other Seller nor against the collateral or letters of credit of any other Seller. Each Seller's Repurchase Commitments relating to any Debt Obligation terminate (i) upon repurchase by the Seller of the Debt Obligation, (ii) on the Disposition Date of the Debt Obligation if its holder does not elect to have the Seller repurchase the Debt Obligation on that date and (iii) in the event notice of redemption shall have been given on or prior to the Disposition Date for the entire outstanding principal amount of the Debt Obligation and that redemption or maturity of the Debt Obligation occurs on or prior to the Disposition Date. On the scheduled Disposition Date of a Debt Obligation, the Trustee will sell that Debt Obligation in the open market if a price in excess of the Put Price as of the Disposition Date can be obtained.

An investment in Units of a Fund containing any of these types of credit supported Debt Obligations should be made with an understanding of the characteristics of the commercial banking and thrift industries and of the risks which an investment in Units may entail. Banks and thrifts 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 these industries 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, have 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 loan problems have been addressed to some extent, although construction and commercial real estate loans and HLT exposure remain areas of concern. The Federal Deposit Insurance Corporation indicates that in 1990 168 federally insured banks with an aggregate total of $15.7 billion in assets failed, and that in 1991 124 federally insured banks with an aggregate total of $64.3 billion in assets failed. These factors also affect bank holding companies and other financial institutions, which may not be as highly regulated as banks, and may be more able to expand into other non-financial and non-traditional businesses.

In December 1991 Congress passed and the President signed into law the Federal Deposit Insurance Corporation Improvement Act of 1991 ('FDICIA') and the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991. Those laws 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 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 has 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 adoption of 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 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 are 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 Fund that are secured by collateralized letters of credit, guarantees or Repurchase Commitments of 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 the sole recourse in connection with any default, including insolvency, by thrifts whose collateralized letter of credit, guarantee or Repurchase Commitments may back any of the Debt Obligations will be to exercise available remedies with respect to the collateral pledged by the thrift; should the collateral be insufficient, the Fund will, therefore, be unable to pursue any default judgment against that thrift. Certain of these collateralized letters of credit, guarantees or Repurchase Commitments may provide that they are to be called 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 a collateralized letter of credit, guarantee or Repurchase Commitment 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, as well as in any of the situations outlined under Repurchase Commitments below.

The thrift industry has experienced severe strains as demonstrated by the failure of numerous savings banks and savings and loan associations. One consequence of this was the insolvency of the deposit insurance fund of the Federal Savings and Loan Insurance Corporation ('FSLIC'). As a result, in 1989 Congress enacted the Financial Institutions Reform, Recovery and Enforcement Act ('FIRREA') which significantly altered the legal rules and regulations governing banks and thrifts. Among other things, FIRREA abolished the FSLIC and created a new agency, the Resolution Trust Corporation ('RTC'), investing it with certain of the FSLIC's powers. The balance of the FSLIC's powers were transferred to the Federal Deposit Insurance Corporation ('FDIC'). Under FIRREA, as subsequently amended in 1990, the RTC was normally to be appointed as receiver or conservator of thrifts that failed between January 1, 1989 and October 1, 1993 if their deposits, prior to FIRREA, were insured

by the FSLIC. The FDIC is normally to be appointed as receiver or conservator for all thrifts the deposits of which, before FIRREA, were insured by the FDIC, and those thrifts the deposits of which, prior to FIRREA, were insured by the FSLIC that fail on or after October 1, 1993.

FIRREA generally permits the FDIC or the RTC, as the case may be, to prevent the exercise of a Seller's Insolvency Repurchase commitment and empowers that agency to repudiate a Seller's contracts, including a Seller's other Repurchase Commitments. FIRREA also creates a risk that damages against the FDIC or RTC would be limited and that investors could be left without the full protections afforded by the Repurchase Commitments and the Collateral.

Policy statements adopted by the FDIC and the RTC concerning collateralized repurchase commitments have partially ameliorated these risks for the Funds. According to these policy statements, the FDIC or the RTC, as conservator or receiver, will not assert the position that it can repudiate the repurchase commitments without the payment of damages from the collateral, and will instead either (i) accelerate the collateralized repurchase commitments, in which event payment will be made under the repurchase commitments to the extent of available collateral, or (ii) enforce the repurchase commitments, except that any insolvency clause would not be enforceable against the FDIC and the RTC. Should the FDIC choose to accelerate, however, there is some question whether the payment made would include interest on the defaulted Debt Obligations for the period after the appointment of the receiver or conservator through the payment date.

The RTC has also given similar comfort with respect to collateralized letters of credit, but the FDIC has not done so at this time. Consequently, there can be no assurance that collateralized letters of credit issued by thrifts for which the FDIC would be the receiver or conservator appointed, as described two paragraphs earlier, will be available in the event of the failure of any such thrift. Absent legislation, the FDIC will serve as conservator or receiver for all thrifts for which a conservator or receiver is appointed after September 30, 1993.

Investors should realize that should the FDIC or the RTC make payment under a letter of credit or Repurchase Commitment prior to the scheduled maturity or disposition dates of the related Debt Obligation their investment will be returned sooner than originally anticipated.

The possibility of such early payment has been increased significantly by the enactment in December 1991 of FDICIA. FDICIA requires federal regulators of insured banks, savings banks, and thrifts to act more quickly to address the problems of undercapitalized institutions than previously, and specifies in more detail the actions they must take. One such requirement virtually compels the appointment of a receiver or conservator for any institution when its ratio of tangible equity to total assets declines to two percent. Others force aggressive intervention in the business of an institution at even earlier stages of deterioration.

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

of any applicable tax, will not be less than the amount then due and payable on the Foreign Guarantee. The adoption of exchange control regulations and other legal restrictions could have an adverse impact on the marketability of any Debt Obligations backed by a Foreign Guarantee and on the ability of the Fund to satisfy its obligation to redeem Units tendered to the Trustee for redemption (see Redemption).

COLLATERALIZED OBLIGATIONS

Funds providing collateralized letters of credit, guarantees or Repurchase Commitments have been structured so that, notwithstanding interest rate fluctuations and any consequent changes in the financial positions of the issuers thereof, investors in Units should in any event rely solely on the collateral for their performance. The Sponsors have provided the collateralization provisions to afford to Holders security which, in the opinion of the Sponsors, is reasonably adequate to support the letters of credit, guarantees or Repurchase Commitments without regard to the ability of the issuers thereof to meet their obligations or to provide additional collateral if called for. The types of 'Eligible Collateral' that initially may be pledged are set forth below. 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,and may also be deemed to include the Portfolio Securities, provided that Standard & Poor's (or another acceptable rating agency) confirms that the pledging of the other securities will not result in the reduction of its rating then assigned to Units. Standard & Poor's (or another acceptable rating agency) has no obligation to review or approve any proposed additions to the types of Eligible Collateral and may, at any time, change or withdraw any rating on Units. Additions to types of Eligible Collateral and changes in collateral levels are permitted without the consent of Holders of Units.

GNMA Pass-Throughs. GNMA is a wholly-owned U.S. government corporation within the Department of Housing and Urban Development. GNMA is authorized by Section 306(g) of Title III of the National Housing Act to guarantee the timely payment of the principal of, and interest on, certificates which are based on and backed by pools of residential mortgage loans insured or guaranteed by the Federal Housing Administration ('FHA'), the Farmers' Home Administration ('FMHA') or the Department of Veteran's Affairs ('VA'). The GNMA Pass-Throughs will be of the 'modified pass-through' type, the terms of which provide for timely monthly payments by the issuers to the registered holders of their pro rata shares of the scheduled principal payments, whether or not collected by the issuers, on account of the mortgages backing such GNMA Pass-Throughs, plus any prepayment of principal of such mortgages received, and interest (net of the servicing and other charges) on the aggregate unpaid principal balance of such GNMA Pass-Throughs, whether or not interest on account of these mortgages has been collected by the issuers. The GNMA Pass-Throughs will be guaranteed as to timely payment of principal and interest by GNMA. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under the guarantee.

FNMA Pass-Throughs. FNMA Pass-Throughs are certificates of beneficial interest evidencing pro rata undivided ownership interests in pools of residential mortgages either previously owned by FNMA or purchased by it in connection with the formation of a pool. FNMA guarantees the full and timely payment of principal and interest (adjusted to the pass-through rate) on the mortgage loans in the pool, whether or not received by FNMA or recovered by it in foreclosure. If FNMA were unable to fulfill its guarantee, distributions to holders of FNMA Pass-Throughs would consist solely of payments and other recoveries upon the underlying mortgages, and, accordingly, delinquencies and defaults would diminish distributions to the holders. The obligations of FNMA under its guarantee are solely those of FNMA and are not backed by the full faith and credit of the United States. Moreover, neither the United States nor any of its agencies is obligated to finance the operations of FNMA or to assist it.

FHLMC PCs. FHLMC PCs are certificates issued by FHLMC which represent undivided interests in identified pools of residential mortgage loans purchased by FHLMC. FHLMC guarantees the full and timely payment of interest (adjusted to the certificate rate) on the unpaid principal balance of mortgage loans in the pool as determined or estimated by FHLMC and the collection of principal without any offset or deduction. Payment of principal is subject to delay due to federal and state laws. FHLMC is a corporate instrumentality of the United States created pursuant to the Emergency Home Finance Act of 1970. The principal activity of FHLMC consists of the purchase of first lien, fixed rate conventional mortgage loans and participations therein, which FHLMC repackages and sells as guaranteed mortgage securities, primarily FHLMC Certificates. These loans must be considered by FHLMC of a quality, type and class to meet generally the purchase standards imposed by private institutional mortgage investors. To minimize interest rate risk FHLMC generally matches its purchases of mortgages and sales of guaranteed mortgage related securities. Mortgage loans retained by FHLMC are financed by debt and equity capital. The obligations of FHLMC under its guarantee are solely those of FHLMC and are not backed by the full faith and credit of the United States nor are they an obligation of any Federal Home Loan Bank.

Mortgages. In order to be eligible as Collateral a Mortgage must either be insured by FHA or guaranteed by VA or must (i) secure a loan not in excess of 80% of the lesser of the purchase price or appraised value, (ii) be secured by a first lien on a single-family (one unit) detached structure that at the time of origination was owner-occupied and designed and intended for use as a primary residence, (iii) not have had any payment of principal or interest or escrow payment in arrears for 60 or more days at any time during the twelve months preceding its pledge date and, as of its pledge date, have no payments more than 30 days due and unpaid, (iv) provide for level monthly payments of principal and interest for an original term to maturity not in excess of 30 years, (v) bear interest at a fixed annual rate and (vi) if originated subsequent to January 1, 1977, be written on then-applicable FHLMC/FNMA documentation.

The regulations governing the FHA single family programs under which a Mortgage may be insured provide that a mortgage will be considered to be in default if the mortgagor fails to make any payment or perform any other obligation under the mortgage and such failure continues for a period of thirty days. Insurance benefits are payable to the mortgagee either upon foreclosure or other acquisition of the property (which, in either case, may be subject to certain delays) or upon assignment of the defaulted Mortgage to the United States Department of Housing and Urban Development ('HUD'). Under most FHA insurance programs for single family residences the Federal Housing Commissioner has the option of paying insurance claims in cash or in debentures, although current FHA policy is to pay insurance claims in cash.

Claims for the payment of a VA guarantee may be submitted when any default of the mortgagor continues for a period of three months. A guarantee may be paid without the mortgagee instituting foreclosure proceedings or otherwise acquiring title. The maximum amount of guarantee that may be paid is limited to the lesser of (1) sixty percent (60%) of the original principal balance of the mortgage loan or (2) $27,500 for mortgage loans made on or after October 7, 1980. The liability on the guarantee is reduced or increased pro rata with any reduction or increase in the amount of the indebtedness.

Private mortgage insurance policies currently being issued by private mortgage insurers approved by FHLMC contain provisions substantially as follows: (a) the private mortgage insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within 60 days of presentment of the claim by the insured; (b) in order for the insured to present a claim, the insured must have acquired, and tendered to the insurer, title to the property free and clear of all liens and encumbrances including any right of redemption by the mortgagor; (c) when a claim is presented, the insurer will have the option of paying the claim in full and taking title to the property and arranging for its sale or of paying the insured percentage of the claim (the insured percentages vary but are customarily 20-25% of the claim) and allowing the insured to retain title to the property; and (d) claims may also be settled by the insurer at the option of the insured for actual losses where such losses are less than the insured percentage of the claim.

Mortgages insured by FHA or guaranteed by VA are subject to current Federal regulations which provide that a mortgagee may not initiate foreclosure proceedings on an FHA insured or VA guaranteed loan unless at least three full monthly installments are due and unpaid. An administrative appeal prior to foreclosure is available to a mortgagor, and, if the mortgagor utilizes this procedure, the foreclosure may be delayed an additional three months. No delay in the foreclosure action is required if the property is encumbered by an FHA/VA mortgage and is abandoned by the Mortgagor.

U.S. Government Securities. Direct obligations of the United States that mature within 30 years at the time of being pledged under the Collateral Agreement.

Municipal Obligations. Debt Obligations issued by or on behalf of states or their political subdivisions or public authorities, bearing interest at a fixed or variable rate and rated at least BBB by Standard & Poor's (or another acceptable rating agency).

Corporate Obligations. Marketable direct obligations of public, nongovernmental corporations payable in U.S. dollars, bearing dividends or interest at a fixed or variable rate and rated at least A by Standard & Poor's (or another acceptable rating agency at the time rating the Fund), or which have, in the opinion of the Agent for the Sponsors, credit characteristics comparable to obligations rated at least A by Standard & Poor's.

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 to the unpaid principal amount of the Debt Obligations. 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.

Valuation and Maintenance of Collateral

The Market Value of each Mortgage is determined by using a discount rate determined on the basis of prevailing mortgage market yields. The Market Value of all other Collateral (other than cash) is determined by the Evaluator or by quotations provided by certain securities dealers. Whenever the Collateral Agent notifies a Seller that the aggregate Market Value of the Collateral does not satisfy the aggregate applicable Collateral Requirements, the Seller is required to deposit additional Collateral within a maximum of 10 business days. Failure to do so requires the Collateral Agent to liquidate the Seller's Collateral and reinvest the proceeds in short-term U.S. Government obligations and may lead to a repurchase of Debt Obligations. Collateral may be withdrawn or substituted at any time, provided that the remaining or substituted Eligible Collateral meets the applicable Collateral Requirements and the Seller is not in default. Mortgages are permitted to be withdrawn for servicing purposes, subject to a trust receipt. If the Collateral of a Seller should prove insufficient to cover its repurchase commitments upon a default, the Securities sold by that Seller may be liquidated and the proceeds used to help fulfill the repurchase commitments. For this reason, in determining Collateral levels, the Securities in the Portfolio are deemed to be Collateral so long as they meet the Eligible Collateral requirements.

Collateral Requirements--The Collateral Requirements currently in effect are as follows on weekly, monthly, or quarterly regular valuation basis (at the election of each Seller):

<TABLE>
<CAPTION>

<S>	QUARTERLY VALUATION <C>	MONTHLY VALUATION <C>
Cash	105%	105%
Direct Obligations of the United States with a maturity of:		
1 year or less	117	115
5 years or less	145	135
10 years or less	155	145
15 years or less	160	150
30 years or less	170	160
GNMA Pass-Throughs	160	150
FNMA Pass-Throughs	170	160
FHLMC PCs	170	160
Mortgages--Fixed Rate	180	170
Mortgages--Adjustable-Rate	200	190
Municipal Obligations	360	175
Corporate Obligations--Bonds	190	165
Corporate Obligations--Preferred Stocks	205	180

</TABLE>

<TABLE>
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<S>	WEEKLY VALUATION <C>
Cash	105%
Direct Obligations of the United States with a maturity of:	
1 year or less	113
5 years or less	133
10 years or less	140
15 years or less	145
30 years or less	155
GNMA Pass-Throughs	145
FNMA Pass-Throughs	155
FHLMC PCs	155
Mortgages--Fixed Rate	N/A
Mortgages--Adjustable-Rate	N/A
Municipal Obligations	150
Corporate Obligations--Bonds	155
Corporate Obligations--Preferred Stocks	160

</TABLE>

(The foregoing valuation figures are based upon a period of 10 business days in the case of quarterly and monthly valuations, and 5 business days in the case of weekly valuations, in which any failure to meet a given collateral requirement may be cured.)

Percentages shown are minimum coverage levels and may be subject to increase by Standard & Poor's upon completion of its review of the mortgage underwriting procedures of the particular Seller. Standard & Poor's may also specify a maximum amount of mortgages that may be pledged in order to ensure the availability of more readily marketable Collateral for payment of quarterly dividend requirements with respect to the underlying Securities.

Fees of the Collateral Agent--Under the Collateral Agreement, the Sellers pay the Collateral Agent's fees set forth in the Collateral Agreement and reimburse the Collateral Agent for its expenses. If payments are not made, the Collateral Agent has a lien against the Collateral for the amounts due and may seek payment from the Fund to the extent not otherwise paid (see Expenses and Charges).

Servicing Arrangement

Each Seller will act as Servicing Agent with respect to its Debt Obligations and, as such, will collect from the underlying obligors the payments of principal, premium, if any, and interest on the Debt Obligations and shall transfer the payments to the Trustee. As Servicing Agent each Seller shall make all decisions regarding amendments to or defaults on its Debt Obligations but prior to taking any material action with respect to a Debt Obligation, it shall secure from the Sponsors approval of any action proposed to be taken by it.

LIQUIDITY

Certain of the Debt Obligations may have been purchased by the Sponsors from various banks and thrifts in large denominations and may not have been issued under bond resolutions or trust indentures providing for issuance of bonds in small denominations. These Debt Obligations were generally directly placed with the banks or thrifts and held in their portfolios prior to sale to the Sponsors. There is no established secondary market for those Debt Obligations. The Sponsors believe that there should be a readily available market among institutional investors for the Debt Obligations which were purchased from these portfolios in the event it is necessary to sell Debt Obligations to meet redemptions of Units (should redemptions be made despite the market making activity of the Sponsors) in light of the following considerations: (i) the credit characteristics of the companies obligated to make payments on the Debt Obligations; (ii) the fact that these Debt Obligations may be backed by irrevocable letters of credit or guarantees of banks or thrifts; and (iii) the fact that banks or thrifts selling these Debt Obligations to the Sponsors for deposit in the Fund or the placement agent acting in connection with their sale generally have stated their intentions, although they are not legally obligated to do so, to remarket or to repurchase, at the then-current bid side evaluation, any of these Debt Obligations proposed to be sold by the Trustee. The interest on these Debt Obligations received by the Fund is net of the fee for the related letter of credit or guarantee charged by the bank or thrift issuing the letter of credit or guarantee.

Any Debt Obligations which were purchased from these portfolios are exempt from the registration provisions of the Federal securities laws, and, therefore, can be sold free of the registration requirements of the securities laws. Because there is no established secondary market for these Debt Obligations, however, there is no assurance that the price realized on sale of these Debt Obligations will not be adversely affected. Consequently it is more likely that the sale of these Debt Obligations may cause a decline in the value of Units than a sale of debt obligations for which an established secondary market exists. In addition, in certain Intermediate Term and Put Series and certain other Series, liquidity of the Fund is additionally augmented by the Sellers' collateralized or letter of credit-backed Liquidity Repurchase commitment in the event it is necessary to sell any Debt Obligations to meet redemptions of Units. If, upon the scheduled Disposition Date for any Debt Obligation, the Trustee elects

not to sell the Debt Obligation scheduled for disposition on this date in the open market (because, for example, a price in excess of its Put Price cannot be obtained), the Seller of the Debt Obligation is obligated to repurchase the Debt Obligation pursuant to its collateralized or letter of credit-backed Disposition Repurchase commitment. There can be no assurance that the prices that can be obtained for the Debt Obligations at any time in the open market will exceed the Put Price of the Debt Obligations. In addition, if any Seller should become unable to honor its repurchase commitments and the Trustee is consequently forced to sell the Debt Obligations in the open market, there is no assurance that the price realized on this sale of the Debt Obligations would not be adversely affected by the absence of an established secondary market for certain of the Debt Obligations.

In some cases, the Sponsors have entered into an arrangement with the Trustee whereby certain of the Debt Obligations may be transferred to a trust (a 'Participation Trust') in exchange for certificates of participation in the Participation Trust which could be sold in order to meet redemptions of Units. The certificates of participation would be issued in readily marketable denominations of $5,000 each or any greater multiple thereof and the holder thereof would be fully entitled to the repayment protections afforded by the Collateral arrangements to any holder of the underlying Debt Obligations. These certificates would be exempt from registration under the Securities Act of 1933 pursuant to Section 3(a)(2) thereof.

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

The Fund may contain certain Debt Obligations purchased directly from issuers. These Debt Obligations are generally issued under bond resolutions or trust indentures providing for the issuance of bonds in publicly saleable denominations (usually $5,000), may be sold free of the registration requirements of the Securities Act of 1933 and are otherwise structured in contemplation of ready marketability. In addition, the Sponsors generally have obtained letters of intention to repurchase or to use best efforts to remarket these Debt Obligations from the issuers, the placement agents acting in connection with their sale or the entities providing the additional credit support, if any. These letters do not express legal obligations; however, in the opinion of the Sponsors, these Debt Obligations should be readily marketable.

LITIGATION AND LEGISLATION

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

may arise from time to time which potentially may impair the ability of issuers to make payments due on Debt Obligations.

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

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

PAYMENT OF THE DEBT OBLIGATIONS AND LIFE OF THE FUND

Because certain of the Debt Obligations from time to time may be redeemed or prepaid or will mature in accordance with their terms or may be sold under certain circumstances described herein, no assurance can be given that the Fund will retain for any length of time its present size and composition (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 the Portfolio which had a bid side evaluation on the Evaluation Date in excess of par is set forth under the Investment Summary. Certain Debt Obligations in the Portfolio may be subject to sinking fund provisions early in the life of the Fund. These provisions are designed to redeem a significant portion of an issue gradually over the life of the issue; obligations to be redeemed are generally chosen by lot. The Portfolio contains 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 Intenal 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 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.

DESCRIPTION OF THE FUND

THE PORTFOLIO

The Portfolio contains different issues of debt obligations with fixed final maturity or disposition dates. In addition up to 10% of the initial value of the Portfolio may have consisted of units ('Other Fund Units') of previously-issued Series of Municipal Investment Trust Fund ('Other Funds') sponsored and underwritten by certain of the Sponsors and acquired by the Sponsors in the secondary market. The Other Fund Units are not debt obligations as such but represent interests in the securities, primarily state, municipal and public authority debt obligations, in the portfolios of the Other Funds. As used herein, the term 'Debt Obligations' means the debt obligations deposited in the Fund and described under Portfolio in Part A and the term 'Securities' means the Debt Obligations and any Other Fund Units. See Investment Summary in Part A for a summary of particular matters relating to the Portfolio.

In selecting Debt Obligations for deposit in the Fund, the Unit Investment Trusts division of Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Agent for the Sponsors, considered the following factors, among others: (i) whether the Debt Obligations were rated in the category BBB or better by Standard & Poor's or Baa or better by Moody's (A or better for the 51st Monthly Payment, certain Intermediate Term, 7th New York, 11th Pennsylvania and all subsequent Series and all other State and Multistate Series and, as insured, AAA by Standard & Poor's for Insured Series) or had, in the opinion of the Agent for the Sponsors, comparable credit characteristics (see Description of Ratings); (ii) the yield and price of the Debt Obligations relative to comparable debt securities and (iii) the diversification of the Portfolio as to purpose and location of issuer, taking into account the availability in the market of issues that met the Fund's criteria. In selecting Debt Obligations to be deposited in Floating Rate Series and certain Intermediate Term Series, in place of the rating standard set forth under (i) above, the Agent for the Sponsors considered whether the Debt Obligations on the Date of Deposit (a) were issued or guaranteed by, or otherwise obligate, issuers or corporate obligors which have outstanding debt obligations rated in the category A or better by either Standard & Poor's or Moody's, or (b) were themselves rated in such category, or (c) if not rated, had in the opinion of the Agent for the Sponsors comparable credit characteristics, or (d) were additionally secured by a letter of credit issued by a bank whose debt obligations, or those of a parent bank holding company (if the debt obligations of that bank are not actually rated), had, in the opinion of the Agent for the Sponsors, credit characteristics comparable to those of banks with outstanding debt obligations which have been rated in the category A or better by Standard & Poor's or Moody's, or (e) were additionally secured by insurance or guarantees issued by insurance companies or other corporations or entities, and therefore had, in the opinion of the Agent for the Sponsors, credit characteristics comparable to obligations rated in the category A or better by either Standard & Poor's or Moody's.

The Portfolio may contain debt obligations rated BBB by Standard & Poor's and Baa by Moody's, which are the lowest 'investment grade' ratings assigned by the two rating agencies or debt obligations rated below investment grade. The Portfolio may also contain debt obligations that have received investment grade ratings from one agency but 'junk bond' ratings from the other agency. In addition, the Portfolio may contain debt obligations which are not rated by either agency but have in the opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Agent for the Sponsors, comparable credit characteristics to debt obligations rated near or below investment grade. Investors should therefore be aware that these debt obligations may have speculative characteristics and that changes in economic conditions or other circumstances are more likely to lead to a weakened capacity to make principal and interest payments on these debt obligations than is the case with higher rated bonds. Moreover, conditions may develop with respect to any of the issuers of debt obligations in the Portfolio which may cause the rating agencies to lower their ratings below investment grade on a given security or cause the Agent for the Sponsors to determine that the credit characteristics of a given security are comparable to debt obligations rated below investment grade. As a result of timing lags or a lack of current information, there can be no assurance that the rating currently assigned to a given debt obligation by either agency or the credit assessment of the Agent for the Sponsors actually reflects all current information about the issuer of that debt obligation.

Subsequent to the Date of Deposit, a Debt Obligation or other obligations of the issuer or guarantor or bank or other entity issuing a letter of credit related thereto may cease to be rated, its rating may be reduced or the credit assessment of the Agent for the Sponsors may change. Because of the fixed nature of the Portfolio, none of these events require an elimination of that Debt Obligation from the Portfolio, but the lowered rating or changed credit assessment may be considered in the Sponsors' determination to direct the disposal of the Debt Obligation (see Administration of the Fund--Portfolio Supervision).

Because ratings may be lowered or the credit assessment of the Agent for the Sponsors may change, an investment in Units of the Trust should be made with an understanding of the risks of investing in 'junk bonds' (bonds rated below investment grade or unrated bonds having similar credit characteristics), including increased risk of loss of principal and interest on the underlying debt obligations and the risk that the value of the Units 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 debt obligations generally. Debt obligations which are rated below investment grade or unrated debt obligations having similar credit characteristics are often subject to greater market fluctuations

and risk of loss of income and principal than securities rated investment grade, and their value may decline precipitously in response to rising interest rates. This effect is so not only because increased interest rates generally lead to decreased values for fixed-rate instruments, but also because increased interest rates may indicate a slowdown in the economy generally, which could result in defaults by less creditworthy issuers. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields and prices of these securities tend to fluctuate more than higher-rated securities with changes in the perceived credit quality of their issuers, whether these changes are short-term or structural, and during periods of economic uncertainty. Moreover, issuers whose obligations have been recently downgraded may be subject to claims by debtholders and suppliers which, if sustained, would make it more difficult for these issuers to meet payment obligations.

Debt rated below investment grade or having similar credit characteristics also tends to be more thinly traded than investment-grade debt and held primarily by instituions, and this lack of liquidity can negatively affect the value of the debt. Debt which is not rated investment grade or having similar credit characteristics may be subordinated to other obligations of the issuer. Senior debtholders would be entitled to receive payment in full before subordinated debtholders receive any payment at all in the event of a bankruptcy or reorganization. Lower rated debt obligations and debt obligations having similar credit characteristics may also present payment-expectation risks. For example, these bonds may contain call or redemption provisions that would make it attractive for the issuers to redeem them in periods of declining interest rates, and investors would therefore not be able to take advantage of the higher yield offered.

The value of Units reflects the value of the underlying debt obligations, including the value (if any) of any issues which are in default. In the event of a default in payment of principal or interest, the Trust may incur additional expenses in seeking payment under the defaulted debt obligations. Beacuse amounts recovered (if any) in respect of a defaulted debt obligation may not be reflected in the value of Units until actually received by the Trust, it is possible that a Holder who sells Units would bear a portion of the expenses without receiving a portion of the payments received. It is possible that new laws could be enacted which could hurt the market for bonds which are not rated investment grade. For example, federally regulated financial institutions could be required to divest their holdings of these bonds, or proposals could be enacted which might limit the use, or tax or other advantages, of these bonds.

The yields on debt obligations of the type deposited in the Fund 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 or other credit assessment of the issue. Accordingly, the yields of debt obligations deposited in the Fund will vary with changes in these factors, including changes in ratings or other credit assessments. The ratings represent the opinions of the rating organizations as to the quality of the debt obligations that they undertake to rate. Similarly, the credit assessments of the Agent for the Sponsors represent the opinion of the Agent for the Sponsors as to the credit quality of the debt obligations that it assesses. It should be emphasized, however, that ratings and other credit assessments 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.

The portfolios underlying any Other Fund Units (the units of no one Other Fund represented more than 5%, and all Other Fund Units represented less than 10%, of the aggregate offering side evaluation of the Portfolio on the Date of Deposit) are substantially similar to that of the Fund. The percentage of the Portfolio, if any,

represented by Other Fund Units on the Evaluation Date is set forth under Investment Summary in Part A. On their respective dates of deposit, the underlying debt obligations in any Other Funds were rated BBB or better by Standard & Poor's or Baa or better by Moody's. While certain of those debt obligations may not currently meet these criteria, they did not represent more than 0.5% of the face amount of the Portfolio on the Date of Deposit. Debt obligations in each Other Fund which do not mature according to their terms within 10 years after the Date of Deposit had an aggregate bid side evaluation of at least 40% of the initial face amount of the Other Fund. The investment objectives of the Other Funds are similar to the investment objective of the Fund, and the Sponsors, Trustee and Evaluator of the Other Funds have responsibilities and authority paralleling in most important respects those described in this Prospectus and receive similar fees. The names of any Other Funds represented in the Portfolio and the number of units of each Other Fund in the Fund may be obtained without charge by writing to the Trustee.

The Fund consists of the Securities listed under Portfolio in Part A (including certain securities deposited in the Fund in exchange or substitution for Debt Obligations upon certain refundings) as long as they may continue to be held in the Fund, 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). Neither the Sponsors nor the Trustee shall be liable in any way for any default, failure or defect in any Security.

INCOME; ESTIMATED CURRENT RETURN; ESTIMATED LONG-TERM RETURN

Generally. The estimated net annual interest rate per Unit on the Evaluation Date is set forth under Investment Summary in Part A. This rate shows the percentage return based on the face amount per Unit after deducting estimated annual fees and expenses expressed as a percentage. Interest on the Securities in the Fund, less estimated fees of the Trustee and (if applicable) Sponsors and certain other expenses, is expected to accrue (except on Floating Rate Series) at the daily rate (based on a 360-day year) shown under Investment Summary in Part A. These rates will vary as Securities are exchanged, redeemed, paid or sold, or as the expenses of the Fund change.

Estimated Current Return on a Unit represents annual cash receipts from coupon-bearing debt obligations in the Portfolio (after estimated annual expenses) divided by the maximum Public Offering Price (including the sales charge). For investors interested primarily in cash flow, current return is a readily ascertainable measure.

'Current return' provides different information than 'yield' or 'long-term return'. Under accepted bond practice, tax-exempt bonds are customarily offered to investors on a 'yield' basis, which involves a 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. 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. 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 Units and may, depending on maturities, over or understate the impact of sales charges. Both of these factors may result in a lower figure.

Both Estimated Current Return and Estimated Long-Term Return are subject to fluctuation with changes in Portfolio composition (including changes in the ratings or other credit assessments of as well as 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. 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 Holder may be higher or lower.

Floating Rate Series. The yield on Units will vary from time to time. The Current Yield Quotation is calculated by multiplying net current interest rate per Unit, based on the interest rates applicable to the underlying Debt Obligations as of the day of calculation, times $1,000 face amount per Unit and dividing the result by the Public Offering Price (which does not include accrued interest). The Public Offering will vary with fluctuations in the offering side evaluation of the underlying Debt Obligations. The net current interest income per Unit will change as the interest rates on the Debt Obligations (which are determined as often as daily) fluctuate with the movement of the applicable prime rates and as Debt Obligations are redeemed, paid or sold or as the fees and expense of the Trustee, Sponsors and Evaluator vary. Any change in either net current interest income per Unit or the Public Offering Price will result in a change in the Current Yield Quotation. There is no assuance that the current yield on Units will be realized in the future.

Accrued Interest. In addition to the Public Offering Price, the price of a Unit includes accrued interest on the Securities. At the time of the original offering of the Fund, and to avoid having Holders pay accrued interest to the initial Date of Deposit, the Trustee was responsible for the payment of accrued interest on the Debt Obligations to the original Date of Deposit and then recovered this amount from the earliest interest payments received by the Fund. Additionally, interest on the Debt Obligations in the Fund is paid on a semi-annual (or less frequently, annual) basis. Because interest on the Securities is not received by the Fund at a constant rate throughout the year, Monthly Income Distribution may be more or less than the interest actually received by the Fund. In order to eliminate fluctuations in Series making Monthly Income Distributions (except Floating Rate Series), 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 these 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 Fund 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 Fund and will be distributed periodically to Holders.

Certain of the Debt Obligations may have been purchased on a when, as and if issued basis or had a delayed delivery. Since interest on these Debt

Obligations did not begin accruing to the benefit of Holders until they were delivered, 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 in Part A) may be reduced in an amount equal to the

amount of interest that would have accrued on these Debt Obligations between the initial settlement date for Units and the dates of delivery. The reduction of the Trustee's Annual Fee and Expenses eliminates the necessity of reducing Monthly Income Distributions.

TAXES

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

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

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

Each Holder will be considered the owner of a pro rata portion of each Debt Obligation in the Fund and of each debt obligation in any Other Fund under the grantor trust rules of Sections 671-679 of the Internal Revenue Code of 1986, as amended (the 'Code'). The total cost to a Holder of his Units, including sales charges, is allocated among his pro rata portion of each Security (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 Security. A Holder's tax cost for his pro rata portion of any Other Fund Unit as determined above is further allocated among his pro rata portion of each of the debt obligations in the Other Fund in order to determine the Holder's tax cost for his pro rata portion of each such debt obligation. The term 'Debt Obligations' as used hereinafter under Taxes shall include the debt obligations in any Other Fund.

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

The Fund or any Other Fund may contain Debt Obligations which were originally issued at a discount ('original issue 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 the 'adjusted issue price' thereof but less than its stated

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*For purposes of any Series including multiple Trusts, the term 'Fund' shall refer to each Trust separately.

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 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 'premium'. The Holder is required to amortize the premium prior to the maturity of the Debt Obligation. Such amortization is only an adjustment to basis (i.e., a reduction of the Holder's tax cost) 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.

A Holder will recognize taxable gain or loss, when all or part of his pro rata portion of a Debt Obligation is disposed of for an amount greater or less than his original tax cost therefor plus any accrued original issue discount (net of any acquisition premium) or minus any amortized bond premium. Under current law, 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) 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 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 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 be considered to have disposed of all or part of his pro rata portion of each Debt Obligation in any Other Fund when the Fund sells or redeems all or some of the Units in the Other Fund. 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 Fund or an Other Fund, as the case may be, or is redeemed or paid at maturity.

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

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

* * *

Interest on certain tax-exempt bonds issued after August 7, 1986 (identified under Investment Summary and Portfolio in Part A) is a preference item for purposes of the alternative minimum tax ('AMT'). Interest on other Debt Obligations should not be subject to the AMT for individuals or corporations under this rule. In addition, a corporate Holder should be aware 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 Debt Obligations must be taken into consideration in computing the portion, if any, of social security benefits that will be included in an individual's gross income and subject to Federal income tax. Holders are urged to consult their own tax advisers concerning an investment in Units.

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

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

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

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

From time to time proposals are introduced in Congress and state legislatures which, if enacted into law, could have an adverse impact on the tax-exempt status of the Debt Obligations. It is impossible to predict whether any legislation in respect of the tax status of interest on such obligations may be proposed and eventually enacted at the Federal or state level. The foregoing discussion relates only to Federal and New York State and City income taxes. Holders may be subject to state and local taxation depending on their state of residence and should consult their own tax advisers in this regard. Holders of State Trusts should also consult Part C of the Municipal Investment Trust Fund Prospectus.

PUBLIC SALE OF UNITS

PUBLIC OFFERING PRICE

Except for Funds specified in the tables below, 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.

TIME TO MATURITY	SALES CHARGE (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 Public Offering Price of the Units will vary from day to day in accordance with fluctuations in the evaluations of the underlying Securities and any difference in the applicable percentage of sales charge.

VOLUME PURCHASE DISCOUNTS

The sales charge per Unit determined as described above will be reduced on a graduated scale for sales to any single purchaser on a single day of specified numbers of Units set forth below. Units held in the name of the spouse of the purchaser or in the name of a child of the 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. 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 were 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
1-249	100%	65%
250-499	80%	52%
500-749	60%	39%
750-999	45%	29.25%
1,000 or more	35%	22.75%

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 in the Prospectus or is purchased for its own account and not for distribution.

Unless otherwise specified below, the Public Offering Price of Units for the Funds listed below is computed by adding to the aggregate bid side evaluation of the Securities (as determined by the Evaluator), divided by the number of Units outstanding, the sales charge at the applicable percentage of the evaluation per Unit (the net amount invested).

The following tables set forth the applicable percentage of sales charge and the concession to dealers for the Funds specified. These amounts are reduced on a graduated scale for quantity purchases and will be applied on whichever basis is more favorable to the purchaser. Sales charges and dealer concessions are as follows:

<TABLE>
<CAPTION>

		SALES CHARGE (GROSS UNDERWRITING PROFIT)		DEALER CONCESSION
	NUMBER OF UNITS	AS PERCENT OF PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	AS PERCENT OF PUBLIC OFFERING PRICE
<S>	<C>	<C>	<C>	<C>
Municipal Investment Trust Fund, Floating Rate Series 3, 4, 5, 13, 20, 21, 22 and 23:	Less than 1,000	1.00%	1.010%	0.650%
	1,000 or more	0.30%	0.301%	0.195%

</TABLE>

The number of Units includes all Units of this and any other Fund sponsored by the Sponsors with the same rates of sales charge purchased on one day by a single purchaser as described above.

For the Funds listed below, there is no reduction for quantity purchases, and the sales charge and dealer concession are as follows:

	SALES CHARGE (GROSS UNDERWRITING PROFIT) AS PERCENT OF PUBLIC OFFERING PRICE	AS PERCENT OF NET AMOUNT INVESTED	DEALER CONCESSION AS PERCENT OF PUBLIC OFFERING PRICE
Municipal Investment Trust Fund, New York Series A, B and Put Series 1-3 and Pennsylvania Put Series A	1.00%	1.010%	0.650%

For the Funds listed below, the Public Offering Price of Units is computed on the basis of the Evaluator's determination of the aggregate offering side evaluation of the underlying Securities, as follows:

Municipal Investment Trust Fund, Put Series 4-9, New York Put Series 1-4:	no sales charge
Municipal Investment Trust Fund, Put Series 10:	.203% per annum of outstanding principal amount--deferred sales charge

PRICE PAID BY PURCHASERS

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 may purchase Units of the 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 determination is made each business day as of the Evaluation Time set forth under Investment Summary in Part A (the 'Evaluation Time'), effective for all sales made since the last of these evaluations (Section 4.01). 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' REPURCHASE PRICE AND REDEMPTION PRICE

On the Evaluation Date the Public Offering Price per Unit (which includes the sales charge) exceeded the Sponsors' Repurchase Price per Unit and the Redemption Price per Unit (each based on the bid side evaluation of the Securities in the Fund--see Redemption) by the amount set forth under Investment Summary in Part A. For various 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

The Sponsors intend to continue to qualify Units for sale in certain states in the U.S. in which qualification is deemed necessary by the Sponsors and by dealers who are members of the National Association of Securities Dealers, Inc. The Sponsors do not intend to qualify Units for sale in any foreign countries, and this Prospectus does not constitute an offer to sell Units in any state or country where Units cannot lawfully be sold. Sales to dealers are currently made at prices which represent a concession of the applicable rate specified above, but the Agent for the Sponsors reserves the right to change the amount of the concession to dealers from time to time. Any dealer may reallow a concession not in excess of the concession to dealers.

UNDERWRITERS' AND SPONSORS' PROFITS

In maintaining a market for Units (see Market for Units) the Sponsors will realize profits or sustain losses in the amount of any difference between the prices at which they buy Units and the prices at which they resell these Units (which include the sales charge) or the prices at which they redeem these Units, as the case may be. Cash, if any, made available by buyers of Units to the

Sponsors prior to the 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.

MARKET FOR UNITS

While the Sponsors are not obligated to do so, it is their intention to maintain a secondary market for Units of this Series and continuously to offer to purchase Units 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). The Sponsors may discontinue purchases of these Units 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 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 Portfolio 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 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 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. 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).

The Trustee is empowered to sell Securities in order to make funds available for redemption (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 from a list supplied by the Sponsors. Securities will be chosen for this list by the Sponsors on the basis of those market and credit factors as they may determine are in the best interests of the Fund. 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 Fund. While these minimum amounts may vary from time to time in accordance with market conditions, the Sponsors believe that the minimum face amounts which would be specified would range from $25,000 for readily marketable Securities to $250,000 for certain Restricted Securities which can be distributed on short notice only

by private sale, usually to institutional investors. Provision is also made that sales of Securities may not be made so as to (i) result in the Fund owning less than $250,000 of any Restricted Security or (ii) result in more than 50% of the Fund consisting of Restricted Securities. In addition, the Sponsors will use their best efforts to see that these sales of Securities are carried out in such a way that no more than 40% in face amount of the Fund is invested in Restricted Securities, provided that sales of unrestricted Securities may be made if the Sponsors' best efforts with regard to timely sales of Restricted Securities at prices they deem reasonable are unsuccessful and if as a result of these sales more than 50% of the Fund does not consist of Restricted Securities. Thus the redemption of Units may require the sale of larger amounts of Restricted Securities than of unrestricted Securities.

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

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 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, (b) cash on hand in the Fund (other than cash covering contracts to purchase Securities), (c) accrued and unpaid interest on the Securities up to but not including the date of redemption and (d) all other assets of the Fund; deducting therefrom the sum of (x) taxes or other governmental charges against the Fund not previously deducted, (y) accrued fees and expenses of the Trustee (including legal and auditing expenses), the Sponsors, the Evaluator and counsel, and certain other expenses and (z) cash held for distribution to Holders of record as of a date prior to the evaluation; 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 (Section 4.01).

The value of any insurance, other than any Portfolio Insurance, is reflected in the market value of any Insured Debt Obligations. The Evaluator will consider the value of any Portfolio Insurance (including the right to obtain Permanent Insurance) in its evaluation of Portfolio-Insured Debt Obligations only when they are in default in payment of principal or interest or in significant risk of default. 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

FEES

An estimate of the total annual expenses of the Fund is set forth under Investment Summary in Part A. The Trustee receives for its services as Trustee and for reimbursement of expenses incurred on behalf of the Fund, payable in monthly installments, the amount set forth under Investment Summary as Trustee's Annual Fee and Expenses, which includes the Evaluator's Fee, the estimated Sponsors' Portfolio Supervision Fee, estimated reimbursable bookkeeping or other administrative expenses paid to the Sponsors and certain mailing and printing expenses. 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 Sponsors' Portfolio Supervision Fee is based on the average of the largest face amount of Debt Obligations in the Fund during each month of a calendar year in which any additional Debt Obligations are deposited, and thereafter on the largest face amount of Debt Obligations in the Fund at any time during the year. This fee, which is not to exceed the maximum amount set forth under Investment Summary in Part A, may exceed the actual costs of providing portfolio supervisory services for this Fund, 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. In addition, the Sponsors may also be reimbursed for bookkeeping and other administrative services provided to the Fund in amounts not exceeding their costs of providing these services (Section 3.04, 7.05 or 7.06).

The foregoing fees may be adjusted for inflation in accordance with the terms of the Indenture without approval of Holders (Sections 4.03, 7.06 and 8.05).

OTHER CHARGES

Other charges that may be incurred by the Fund include: (a) fees of the Trustee for extraordinary services (Section 8.05), (b) certain extraordinary expenses of the Trustee (including legal and auditing expenses) and of counsel designated by the Sponsors (Sections 3.04, 3.08 or 3.09, 7.05(b), 8.01, 8.03 and 8.05), (c) various governmental charges (Sections 3.03 and 8.01(h)), (d) expenses and costs of action taken to protect the Fund (Section 8.01(d)), (e) indemnification of the Trustee for any losses, liabilities and expenses incurred without gross negligence, bad faith or wilful 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 (Section 7.05(b)), (g) expenditures incurred in contacting Holders upon termination of the Fund (Section 9.02) and (h) any premiums for additional insurance necessary to retain the rating of any Insured Fund that is rated (see Description of the Fund--Insurance). The amounts of these charges and fees are secured by a lien on the Fund 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. The Trustee also keeps records of the transactions of the Fund, including a current list of the Securities and a copy of the Indenture, which 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 is credited to an Income Account and other receipts to a Capital Account (Sections 3.01 and 3.02). For Funds making Monthly Income Distributions these will be made to each Holder as of each Record Day on the following Distribution Day or shortly thereafter. For Funds making Monthly Income Distributions (except Floating Rate Series, on which the amount changes monthly) each distribution shall consist of an amount substantially equal to one-twelfth of the Holder's pro rata share of the estimated annual income to the Income Account, after deducting estimated expenses, plus the Holder's pro rata share of the distributable cash balance of the Capital Account computed as of the close of business on the preceding Record Day. An estimate of the Monthly Income Distribution is set forth under Investment Summary in Part A. This amount will change as Securities are redeemed, paid or sold. 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. No distribution need be made from the Capital Account if the balance therein is less than the amount set forth under Investment Summary in Part A (Section 3.04). A Reserve Account may be created by the Trustee by withdrawing from the Income or Capital Accounts, from time to time, those amounts deemed requisite to establish a reserve for any taxes or other governmental charges that may be payable out of the Fund (Section 3.03). Funds held by the Trustee in the various accounts created under the Indenture do not bear interest (Section 8.01).

For Funds making Semi-Annual Distributions, the pro rata share of the Income Account represented by each Unit will be computed by the Trustee semi-annually on Computation Days (see Investment Summary in Part A), and the pro rata share of the cash in the Capital Account represented by each Unit will be computed semi-annually each year as of the Record Days. The distribution to Holders as of each Record Day will be made on the fifth day following each respective Computation Day or shortly thereafter.

INVESTMENT ACCUMULATION PROGRAM

Distributions of interest and any principal or premium received by the Fund will be paid in cash. However, except for Floating Rate Series, a Holder may elect to have these distributions reinvested without sales charge in The Municipal Fund Accumulation Program, Inc. (the 'Program'). The Program is an open-end management investment company whose 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 Monthly Payment Series of Municipal Investment Trust Fund. Investors should note that obligations in the Program are not insured or backed by other third-party obligations and that distributions from the Program probably will not be exempt

from the personal income taxes of any state. Holders participating in the Program will be taxed on their reinvested distributions in the manner described under 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 and is not an actively managed fund. Traditional methods of investment management for a managed fund typically involve frequent changes in a portfolio of securities on the basis of economic, financial and market analyses. The Portfolio of the Fund, however, will not be managed and therefore the adverse financial condition of an issuer will not necessarily require the sale of its securities from the Portfolio. However, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Agent for the Sponsors, may direct the disposition of Securities upon default in payment of amounts due on any of the Securities, institution of certain legal proceedings, default under certain documents adversely affecting debt service, default in payment of amounts due on other securities of the same issuer or guarantor, decline in projected income pledged for debt service on revenue bond issues, or decline in price 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 these Securities detrimental to the interest of the Holders. If a default in the payment of amounts due on any Security occurs and if the Sponsors fail to give instructions to sell or to hold the Security, the Indenture provides that the Trustee, within 30 days of that failure by the Sponsors, may sell the Security (Sections 3.06 or 3.07 and 3.09 or 3.10). In addition, the Agent for the Sponsors may occasionally, at the expense of the Fund, seek to supplement existing credit support arrangements for the Securities with letters of credit or guarantees issued by banks or thrifts if the support can be obtained at a reasonable cost (Section 3.15).

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. Within five days after the elimination of a Debt Obligation and the acquisition of a replacement Debt Obligation in exchange or substitution therefor, the Trustee is required to give notice thereof to each Holder, identifying the Debt Obligations eliminated and the Debt Obligations substituted therefor (Section 3.07 or 3.08). Except as stated herein, the acquisition by the Fund of any securities other than the Securities initially deposited and certain substitute Debt Obligations is prohibited.

REPORTS TO HOLDERS

With each distribution, the Trustee furnishes Holders with a statement of the amounts of interest and other receipts, if any, which are being distributed, expressed in each case as a dollar amount per Unit. After the end of each calendar year, 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 the year in the Income and Capital Accounts, (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 3.05 or 3.06). The accounts of the Fund are 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(e)).

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) and evaluations of the debt obligations in any Other Funds.

CERTIFICATES

Each purchaser is entitled to receive, on 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, 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 adversely affect the interest of the Holders (as determined in good faith by the Sponsors). The Indenture 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 66% of the Units in the case of the 1st California Series, the 1st through 26th Intermediate Term Series, the 1st and 2nd Minnesota Series, the 7th through 37th New York Series, the 9th through 16th Pennsylvania Series, or the 9th through 185th Monthly Payment Series, and of Holders of 51% of the Units in the 186th and subsequent Monthly Payment Series, the 2nd and subsequent California Series, the 27th and subsequent Intermediate Term Series, the 3rd and subsequent Minnesota Series, the 38th and subsequent New York Series, the 17th and subsequent Pennsylvania Series, all Floating Rate Series, Multistate Series, Insured Series, Put Series, and all other State Series, provided that none of these amendments or waivers will reduce the interest in the Fund 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).

The Indenture will terminate upon the maturity, sale, redemption or other disposition of the last Security held thereunder but in no event is it to continue beyond the mandatory termination date set forth under Investment Summary in Part A. Any Fund with a Date of Deposit after June 16, 1987 will in no event continue beyond the expiration of 20 years after the death of the last survivor of eight persons named in the Indenture, the oldest of whom was born in 1985 and the youngest of whom was born in 1987. The Indenture may be terminated

by the Sponsors if the value of the Fund is less than the minimum value set forth under Investment Summary in Part A, and may be terminated at any time by written instruments executed by the Sponsors and consented to by Holders of the same percentage of the Units as stated in the preceding paragraph (Sections 8.01(g) and 9.01). The Trustee will deliver written notice of any termination to each Holder within a reasonable time prior to the termination, specifying the approximate final payment date. Within a reasonable 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 and unpaid fees, taxes and governmental and other charges, that 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

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 Indenture and liquidate the Fund or (c) continue to act as Trustee without terminating the Indenture (Section 8.01(f)). Merrill Lynch has been appointed by the other Sponsors as agent for purposes of taking action under the Indenture (Section 7.01). If the Sponsors are unable to agree with respect to action to be taken jointly by them under the Indenture and they cannot agree as to which Sponsor shall continue to act as sole Sponsor, then Merrill Lynch shall continue to act as sole Sponsor (Section 7.02(b)). 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 sole Sponsors (Section 7.02(a)). The Sponsors shall be under no liability to the Fund 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 Indenture. 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 Indenture and in that event it shall be relieved of all further liability under the Indenture (Section 7.03).

TRUSTEE

The Trustee or any successor may resign upon notice to the Sponsors. The Trustee may be removed at any time upon the direction of the Holders of the same percentage of the Units as required to amend the Indenture (see Amendment and Termination above) 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. 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. In the case of resignation or removal, 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, nor shall it 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 Trustee in cases of wilful misfeasance, bad faith, gross 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 3.06 or 3.07, 3.09 or 3.10, 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.

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 4 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 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 originally offered 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. Hawkins, Delafield & Wood, 67 Wall Street, New York, New York 10005, act as counsel for Bankers Trust Company, as Trustee. Carter, Ledyard & Milburn, 2 Wall Street, New York, New York 10005, act as counsel for United States Trust Company 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.

AUDITORS

The financial statements of the Fund included in Part A have been examined by Deloitte & Touche, independent accountants, as stated in their opinion appearing therein and have been so included in reliance upon that opinion given on the authority of that firm as experts in accounting and auditing.

SPONSORS

The Sponsors of this Fund are listed on the cover of Part A. 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 and Smith Incorporated and Merrill Lynch Asset Management, a Delaware corporation and subsidiary of Merrill Lynch & Co., Inc., the parent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, 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 PaineWebber Group Inc. Dean Witter Reynolds Inc., a principal operating subsidiary of Dean Witter, Discover & Co., is engaged in the investment advisory business. Sears, Roebuck and Co. indirectly has held a controlling interest in Dean Witter Reynolds Inc. but has sold a portion of that interest and is expected to sell its remaining interest in Dean Witter Reynolds Inc. 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 Lehman Brothers Inc. 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 a 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 these funds for over 20 years. For decades informed investors have purchased unit investment trusts for dependability and professional selection of investments. Different Defined Asset Funds offer an array of 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 Asset Funds to meet the needs of just about any investor. Unit investment trusts are particularly suited for the many investors who prefer to seek long-term profits by purchasing sound investments and holding them, rather than through active trading. Few individuals have the knowledge, resources or capital to buy and hold a diversified portfolio on their own; it would generally take a considerable sum of money to obtain comparable breadth and diversity. Sometimes it takes a combination of Defined Asset Funds to plan for your objectives.

One of your most important investment decisions may be how you divide your money among asset classes. Spreading your money among different kinds of investments can balance the risks and rewards of each one. Most investment experts recommend stocks for long-term capital growth. For attractive income consider long-term corporate bonds. By combining both stock and bond funds, investors can receive attractive current income and growth potential, offering some protection against inflation.

This 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 investments and is no guarantee of future results of the Funds. Funds also have sales charges and expenses.

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 14 16 18%

Source: Ibbotson Associates (Chicago)
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By purchasing Defined Asset Funds, investors not only avoid the responsibility of selecting individual securities by themselves, but also gain the advantage of a higher degree of safety by holding interests in securities of several different issuers. Spreading your investment among different securities and issuers reduces your risk, but does not eliminate it. Defined Municipal Bond Funds offer a simple and convenient means for investors to earn monthly income free from regular Federal income tax. When individual bonds are called or mature, investors might consider reinvesting their proceeds in Defined Municipal Bond Funds. The securities in managed funds continually change. In Defined Asset Funds, the portfolio is defined, so that generally the securities, maturities, call dates and ratings are known before you buy. Of course, the portfolio will 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 limited other circumstances. The defined portfolio of securities listed in the prospectus and regular income distributions make Defined Bond Funds a dependable investment. Investors know when they buy what their estimated income, current and long-term returns will be, subject to credit and market risks on the bonds or if the fund portfolio or expenses change.

Investors buy bonds for dependability--they know what they can expect to earn and that principal is distributed as the bonds mature. Defined Bond Funds can offer most of these benefits, with steady income and a yield and maturity similar to owning bonds directly. The tax exemption of municipal securities, which makes

them attractive to high-bracket taxpayers, is offered by Defined Municipal Investment Trusts. Defined Corporate Income Funds, with higher current returns than municipal or government funds, are suitable for IRAs and other tax-advantaged accounts and offer investors a simple and convenient way to earn monthly income. Defined Government Securities Income Funds offer investors a simple and convenient way to participate in markets for Government securities while earning an attractive current return. Defined International Bond Funds, invested in bonds payable in foreign currencies, offer a potential to profit from changes in currency values and possibly from interest rates higher than paid on comparable US bonds, but investors incur a higher risk for these potentially greater returns. Historically, stocks have offered a potential for growth of capital, and thus some protection against inflation, over the long term. Defined Equity Income Funds offer a smart, sensible way to participate in the stock market. 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 Series, consisting of issuers with established reputations for regular cash dividends, seek to benefit from dividend increases.

DESCRIPTION OF RATINGS (as described by the rating companies themselves.)

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

BB--Debt rated BB has less near-term vulnerability to default than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely interest and principal payments. The BB rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BBB-rating

B--Debt rated B has a greater vulnerability to default but currently has the capacity to meet interest payments and principal repayments. Adverse business, financial, or economic conditions will likely impair capacity or willingness to pay interest and repay principal. The B Rating category is also used for debt subordinated to senior debt that is assigned an actual or implied BB or BB-rating.

CCC--Debt rated CCC has a currently identifiable vulnerability to default, and is dependent upon favorable business, financial, and economic conditions to meet timely payment of interest and repayment of principal. In the event of adverse business, financial, or economic conditions, it is not likely to have the capacity to pay interest and repay principal. The CCC rating category is also used for debt subordinated to senior debt that is assigned an actual or implied B or B-rating.

CC--The rating CC is typically applied to debt subordinated to senior debt that is assigned an actual or implied CCC rating.

C--The rating C is typically applied to debt subordinated to senior debt which is assigned an actual or implied CCC-debt rating. The C rating may be used to cover a situation where a bankruptcy petition has been filed, but debt service payments are continued.

C1--The rating C1 is reserved for income bonds on which no interest is being paid.

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

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

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

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

MOODY'S INVESTORS SERVICE

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.

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

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

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

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

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

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

DUFF & PHELPS CREDIT RATING CO.

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

EXCHANGE OPTION

ELECTION

Holders may elect to exchange any or all of their Units of this Series 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 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. (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; units of Investment Philosophy Series or 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 generally 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 Defined Asset Funds--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 specify 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 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 limitation discussed below. 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 the 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, 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).

NAME OF EXCHANGE FUND	MAXIMUM APPLICABLE SALES CHARGE*	REDUCED SALES CHARGE FOR SECONDARY MARKET**
DEFINED ASSET FUNDS--GOVERNMENT SECURITIES INCOME FUND		
GNMA Series (other than those below)	4.25%	$15 per unit
GNMA Series E or other GNMA Series having units with an initial face value of $1.00	4.25%	$15 per 1,000 units
Freddie Mac Series	3.75%	$15 per 1,000 units
DEFINED ASSET FUNDS-- INTERNATIONAL BOND FUND		
Multi-Currency Series	3.75%	$15 per unit
Australian and New Zealand Dollar Bonds Series	3.75%	$15 per unit
Australian Dollar Bonds Series	3.75%	$15 per unit
Canadian Dollar Bonds Series	3.75%	$15 per unit
DEFINED ASSET FUNDS--EQUITY INCOME FUND		
Utility Common Stock Series	4.50%	$15 per 1,000 units+
Concept Series	4.00%	$15 per 100 units
Investment Philosophy Series, Select 10 Portfolios	2.75%	$17.50 per 1,000 units
DEFINED ASSET FUNDS--MUNICIPAL INVESTMENT TRUST FUND		
Monthly Payment, State and Multistate Series	5.50%++	$15 per unit
Intermediate Term Series	4.50%++	$15 per unit
Insured Series	5.50%++	$15 per unit
AMT Monthly Payment Series	5.50%++	$15 per unit

NAME OF EXCHANGE FUND	INVESTMENT CHARACTERISTICS
DEFINED ASSET FUNDS--GOVERNMENT SECURITIES INCOME FUND	
GNMA Series (other than those below)	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	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	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	intermediate-term, fixed rate, payable in foreign currencies, taxable income
Australian and New Zealand Dollar Bonds Series	intermediate-term, fixed rate, payable in Australian and New Zealand dollars, taxable income
Australian Dollar Bonds Series	intermediate-term, fixed rate, payable in Australian dollars, taxable income
Canadian Dollar Bonds Series	short intermediate term, fixed rate, payable in Canadian dollars, taxable income
DEFINED ASSET FUNDS--EQUITY INCOME FUND	
Utility Common Stock Series	dividends, taxable income, underlying securities are common stocks of public utilities
Concept Series	underlying securities constitute a professionally selected portfolio of common stocks consistent with an investment idea or concept
Investment Philosophy Series, Select 10 Portfolios	10 highest dividend yielding stocks in a designated stock index; seeks higher total return than that stock index; terminates after one year
DEFINED ASSET FUNDS--MUNICIPAL INVESTMENT TRUST FUND	
Monthly Payment, State and Multistate	long-term, fixed-rate, tax-exempt

Series	income
Intermediate Term Series	intermediate-term, fixed rate, tax-exempt income
Insured Series	long-term, fixed-rate, tax-exempt income, underlying securities insured by insurance companies
AMT Monthly Payment Series	long-term, fixed rate, income exempt from regular income tax but partially subject to Alternative Minimum Tax

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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.

<TABLE>
<CAPTION>

NAME OF EXCHANGE FUND	MAXIMUM APPLICABLE SALES CHARGE*	REDUCED SALES CHARGE FOR SECONDARY MARKET**
<S>	<C>	<C>
DEFINED ASSET FUNDS--MUNICIPAL INCOME FUND		
Insured Discount Series	5.50%++	$15 per unit
DEFINED ASSET FUNDS--CORPORATE INCOME FUND		
Monthly Payment Series	5.50%	$15 per unit
Intermediate Term Series	4.75%	$15 per unit
Cash or Accretion Bond Series and SELECT Series	3.50%	$15 per 1,000 units
Insured Series	5.50%	$15 per unit

</TABLE>

<TABLE>
<CAPTION>

NAME OF EXCHANGE FUND	INVESTMENT CHARACTERISTICS
<S>	<C>
DEFINED ASSET FUNDS--MUNICIPAL INCOME FUND	
Insured Discount Series	long-term, fixed rate, insured, tax-exempt income, taxable capital gains
DEFINED ASSET FUNDS--CORPORATE INCOME FUND	
Monthly Payment Series	long-term, fixed rate, taxable income
Intermediate Term Series	intermediate-term, fixed rate, taxable income
Cash or Accretion Bond Series and SELECT Series	intermediate-term, fixed rate, underlying securities are collateralized compound interest obligations, taxable income, appropriate for IRA's or tax-deferred retirement plans
Insured Series	long-term, fixed rate, taxable income, underlying securities are insured

</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.

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

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

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DEFINED

ASSET FUNDSSM

MUNICIPAL INVESTMENT
TRUST FUND
Insured Series--159
(A Unit Investment Trust)
PROSPECTUS PART A

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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