

SECURITIES AND EXCHANGE COMMISSION

**FORM 485APOS**

Post-effective amendments [Rule 485(a)]

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**FILER**

**OPPENHEIMER PENNSYLVANIA TAX EXEMPT FUND**

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 / X /  
PRE-EFFECTIVE AMENDMENT NO. / /  
POST-EFFECTIVE AMENDMENT NO. 10 / X /

and/or

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 / X /  
AMENDMENT NO. 12 / X /

OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST

-----  
(Exact Name of Registrant as Specified in Charter)

Two World Trade Center - Suite 3400  
New York, New York 10048-0203

-----  
(Address of Principal Executive Offices)

(212) 323-0200

-----  
(Registrant's Telephone Number)

Andrew J. Donohue, Esq.  
Oppenheimer Management Corporation  
Two World Trade Center - Suite 3400  
New York, New York 10048-0203

-----  
(Name and Address of Agent for Service)

It is proposed that this filing will become effective (check appropriate box):

- / / Immediately upon filing pursuant to paragraph (b)
- / / On \_\_\_\_\_, pursuant to paragraph (b)
- / / 60 days after filing pursuant to paragraph (a)
- / X / On April 29, 1994, pursuant to paragraph (a) of Rule 485.

The Registrant has elected to register an indefinite number of its shares under the Securities Act of 1933 pursuant to Rule 24f-2 under the Investment Company Act of 1940. A Rule 24f-2 Notice for the Registrant's fiscal year ended December 31, 1993 was filed on February 25, 1994.

OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST

FORM N-1A

Cross Reference Sheet

Oppenheimer Pennsylvania Tax-Exempt Fund, a series of the Registrant

Part A of  
Form N-1A

Item No.	Prospectus Heading
1	Cover Page
2	Expenses
3	Financial History; Performance of the Fund
4	Cover Page; Investment Objective and Policies
5	Expenses; How the Fund is Managed; Back Cover

5A	Performance of the Fund
6	How the Fund is Managed; Dividends, Capital Gains and Taxes
7	How to Buy Shares; Special Investor Services; How to Sell Shares; How to Exchange Shares
8	Special Investor Services; How to Sell Shares; How to Exchange Shares
9	*

Part B of  
Form N-1A

Item No.	Heading in Statement of Additional Information
10	Cover Page
11	Cover Page
12	*
13	Investment Objective and Policies; Other Investment Techniques and Strategies; Additional Investment Restrictions
14	Trustees and Officers of the Trust
15	Trustees and Officers of the Trust
16	How the Fund is Managed; Distribution and Service Plans; Additional Information about the Fund
17	Brokerage Policies of the Fund
18	Additional Information about the Fund
19	Your Investment Account
20	Dividends, Capital Gains and Taxes
21	Brokerage Policies of the Fund
22	Performance of the Fund
23	Financial Statements

\* Not applicable or negative answer.

OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST  
FORM N-1A  
Cross Reference Sheet  
Oppenheimer Florida Tax-Exempt Fund, a series of the Registrant

Part A of  
Form N-1A

Item No.	Prospectus Heading
1	Cover Page
2	Expenses
3	Financial History; Performance of the Fund
4	Cover Page; Investment Objective and Policies
5	Expenses; How the Fund is Managed; Back Cover
5A	Performance of the Fund
6	How the Fund is Managed; Dividends, Capital Gains and Taxes
7	How to Buy Shares; Special Investor Services; How to Sell Shares; How to Exchange Shares
8	Special Investor Services; How to Sell Shares; How to Exchange Shares
9	*

Part B of  
Form N-1A

Item No.	Heading in Statement of Additional Information
10	Cover Page
11	Cover Page
12	*
13	Investment Objective and Policies; Other Investment Techniques and Strategies; Additional Investment Restrictions
14	Trustees and Officers of the Trust
15	Trustees and Officers of the Trust
16	How the Fund is Managed; Distribution and Service Plans; Additional Information about the Fund
17	Brokerage Policies of the Fund
18	Additional Information about the Fund
19	Your Investment Account
20	Dividends, Capital Gains and Taxes
21	Brokerage Policies of the Fund

\* Not applicable or negative answer.

OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST  
FORM N-1A  
Cross Reference Sheet  
Oppenheimer New Jersey Tax-Exempt Fund, a series of the Registrant

Part A of  
Form N-1A

Item No.*	Prospectus Heading
1	Cover Page
2	Fund Expenses
3	Fund Performance Information
4	Cover Page; The Fund and Its Investment Policies; Special Investment Methods; Investment Restrictions
5	Fund Expenses; Management of the Fund; Additional Information - The Custodian and the Transfer Agent; Back Cover
5A	**
6	Fund Expenses; Management of the Fund; How to Redeem Shares; Dividends, Distributions and Taxes; Additional Information
7	Fund Expenses; How to Buy Shares; How to Redeem Shares; Exchanges of Shares
8	How to Redeem Shares; Exchanges of Shares
9	**

Part B of  
Form N-1A

Item No.*	Heading in Statement of Additional Information or Prospectus
10	Cover Page
11	Cover Page
12	**
13	Investment Objective and Policies; Special Investment Methods; Investment Restrictions; Appendix A - Ratings of Investments Trustees and Officers; Investment Management Services
14	Investment Management Services; Trustees and Officers - Major Shareholders
15	Investment Management Services; Trustees and Officers - Major Shareholders
16	Investment Management Services; Additional Information; Distribution and Service Plans
17	Investment Management Services - Portfolio Transactions
18	Additional Information - Description of the Fund
19	Purchase, Redemption and Pricing of Shares; Automatic Withdrawal Plan Provisions; Letters of Intent
20	Yield, Total Return and Tax Information
21	Investment Management Services - Portfolio Transactions
22	Yield, Total Return and Tax Information
23	**

\* All responses to such Items are incorporated herein by reference to the corresponding Part of Post-Effective Amendment No. 9 to the Registration Statement of the Registrant, File No. 33-30198/ 811-5867, as filed with the SEC on February 25, 1994, which Registration Statement contains as Part A the Prospectus of Oppenheimer New Jersey Tax-Exempt Fund ("ONJTEF") and the Statement of Additional Information of ONJTEF, each effective March 1, 1994. Such Prospectus and Statement of Additional Information are not being amended hereby.

\*\*Not applicable or negative answer.

Oppenheimer Pennsylvania Tax-Exempt Fund  
Prospectus dated April 29, 1994.

Oppenheimer Pennsylvania Tax-Exempt Fund is a mutual fund that seeks as high a level of current interest income exempt from Federal and Pennsylvania income taxes for individual investors as is available from municipal securities and consistent with preservation of capital. The Fund will invest primarily in securities issued by the Commonwealth of Pennsylvania and local governments and governmental agencies, but may also invest in securities of other issuers. The Fund may use certain hedging instruments in an effort to protect against market risks, but not for speculation. The Fund is not intended to be a complete investment program, and there is no assurance that it will achieve its objective.

The Fund offers two classes of shares: (1) Class A shares sold at a public offering price that includes a front-end sales charge, and (2) Class B shares, which are sold without a front-end sales charge, although you may pay a sales charge when you redeem your shares, depending on how long you own them. Class B shares are also subject to an annual "asset-based sales charge." Each class of shares bears different expenses. In deciding which class of shares to buy, you should consider how much you plan to purchase, how long you plan to keep your shares, and other factors discussed in "How to Buy Shares" on page \_\_\_\_.

This Prospectus explains concisely what you should know before investing in the Fund. Please read it carefully and keep it for future reference. You can find more detailed information about the Fund in the April 29, 1994 Statement of Additional Information. For a free copy, call Oppenheimer Shareholder Services, the Fund's Transfer Agent, at 1-800-525-7048, or write to the Transfer Agent at the address on the back cover. The Statement has been filed with the Securities and Exchange Commission and is incorporated into this Prospectus by reference (which means that it is legally part of this Prospectus).

Shares of the Fund are not deposits or obligations of any bank, nor are they guaranteed by any bank or insured by the F.D.I.C. or any other agency, and involve investment risks including possible loss of principal.

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

## Contents

	Page
INFORMATION ABOUT THE FUND	
Expenses	
Financial History	
Investment Objective and Policies	
How the Fund is Managed	
Performance of the Fund	
YOUR INVESTMENT ACCOUNT	
How to Buy Shares	
Class A Shares	
Class B Shares	
Special Investor Services	
AccountLink	
Automatic Withdrawal and Exchange	
Plans	
Reinvestment Privilege	

How to Sell Shares

By Mail

By Telephone

Checkwriting

How to Exchange Shares

Shareholder Account Rules and Policies

Dividends, Capital Gains and Taxes

#### INFORMATION ABOUT THE FUND

##### Expenses

The Fund pays a variety of expenses directly for management of its assets, administration, distribution and other services and those expenses are reflected in the Fund's net asset value per share. As a shareholder, you pay these expenses indirectly. Shareholders pay other expenses directly, such as sales charges. The following tables are provided to help you understand your direct expenses of investing and your share of the Fund's operating expenses you might expect to bear indirectly, based on the Fund's expenses during its fiscal year ended December 31, 1993.

- Shareholder Transaction Expenses are charges you pay when you buy or sell shares of the Fund. Please refer to pages \_\_\_\_ through \_\_\_\_ for an explanation of how and when these charges apply.

	Class A Shares	Class B Shares
Maximum Sales Charge on Purchases (as a % of offering price)	4.75%	None
Sales Charge on Reinvested Dividends	None	None
Deferred Sales Charge (as a % of the lower of the original purchase price or redemption proceeds)	None*	5% in the first year, declining to 1% in the sixth year and eliminated thereafter
Exchange Fee	\$5.00**	\$5.00**

\*If you invest more than \$1 million in Class A shares, you may have to pay a sales charge of up to 1% if you sell your shares within 18 calendar months from the end of the calendar month during which you purchased those shares. See "How to Buy Shares - Class A Shares," below.

\*\*Fee is waived for automated exchanges on PhoneLink, described in "How to Buy Shares."

- Annual Fund Operating Expenses are paid out of the Fund's assets. The Fund pays management fees to its investment adviser, Oppenheimer Management Corporation (the "Manager"), and other regular expenses for services, such as transfer agent fees, custodial fees, audit, legal and other business expenses. The following numbers are projections based on the Fund's historical expenses and are calculated as a percentage of average net assets. The actual numbers may be more or less, depending on a number of factors, including the Fund's actual net assets. Prior to May 26, 1993, the Manager had voluntarily agreed to assume certain expenses of the Fund, which assumption resulted in a lower expense ratio for the Fund. This voluntary expense assumption, which is described in the Statement of Additional Information, was terminated as of May 26, 1993.

Class A Shares

Class B Shares

Management Fees	%	%
12b-1 Distribution Plan Fees	None	%
Shareholder Service Plan Fees	%	%
Other Expenses	%	%
Total Fund Operating Expenses	%	%

- Examples. Assume that you made a \$1,000 investment in the Fund, that the Fund's annual return is 5% and that its operating expenses are as described above in the charts.

If you redeemed your shares at the end of each period below, your investment would incur the following expenses:

	1 year	3 years	5 years	10 years*
Class A Shares	\$	\$	\$	\$
Class B Shares	\$	\$	\$	\$

If you did not redeem your investment, it would incur the following expenses:

	1 year	3 years	5 years	10 years*
Class A Shares	\$	\$	\$	\$
Class B Shares	\$	\$	\$	\$

\* The Class B expenses in years 7 through 10 are based on the Class A expenses shown above, because the Fund automatically converts your Class B shares into Class A shares after 6 years. Long-term Class B shareholders could pay the economic equivalent of more than the maximum front-end sales charge allowed under applicable regulations, because of the effect of the asset-based sales charge and contingent deferred sales charge. The automatic conversion is designed to minimize the likelihood that this will occur. Please refer to "How to Buy Shares - Class B Shares" for more information.

This example illustrates the effect of expenses on an investment, but it is not meant to state or predict actual or expected costs or investment returns, all of which will vary.

#### Financial History

The table on this page presents selected per share data and ratios for the Fund. This information has been audited by KPMG Peat Marwick, the Fund's independent auditors, whose report on the Fund's financial statements is included in the Annual Report in the Statement of Additional Information. Class B shares were not publicly offered prior to April 30, 1993.

#### Investment Objective and Policies

**Objective.** The Fund seeks as high a level of current interest income exempt from Federal and Pennsylvania income taxes for individual investors as is available from Municipal Securities (which are described below) and consistent with preservation of capital. Toward its objective, the Fund may use certain hedging instruments (which are described below), such as options and futures, in an effort to protect against market risks. The Fund is not intended to be a complete investment program, and there is no assurance that it will achieve its objective.

**Investment Policies and Strategies.** The Fund seeks its objective by

following the fundamental policy of investing, under normal market conditions, at least 80% (and attempting to invest, as a non-fundamental policy, 100%) of its total assets in Municipal Securities and making no investment that will reduce to less than 80% the portion of its total assets that are invested in Pennsylvania Municipal Securities (which are described below). Under normal market conditions, the Fund may invest the remainder of its assets in the following taxable investments: Municipal Securities issued to benefit a private user ("Private Activity Municipal Securities"), the interest from which may be subject to Federal alternative minimum tax; hedging instruments; temporary investments; and repurchase agreements. However, during adverse market or economic conditions, the Fund may invest for temporary defensive purposes and invest 20% or more of its total assets in investments other than Municipal Securities.

Dividends paid by the Fund derived from interest attributable to Pennsylvania Municipal Securities will be exempt from Federal individual income taxes. To the extent that distributions are derived from interest on Pennsylvania Municipal Securities and obligations of the U.S. Government, or certain of its territories, agencies and instrumentalities, such distributions also will be exempt from Pennsylvania personal income taxes and, in the case of residents of Philadelphia, the investment income tax of the School District of Philadelphia (provided at least 80% of the Fund's assets are, at all times, invested in such obligations). Shares of the Fund will be exempt from Pennsylvania county personal property taxes, and the personal property taxes of the City and School District of Pittsburgh to the extent that the Fund's assets consist of Pennsylvania Municipal Securities, obligations of the U.S. Government, certain of its agencies and instrumentalities, and certain other exempt obligations on the annual assessment date. Dividends derived from interest on Municipal Securities other than Pennsylvania Municipal Securities will be exempt from Federal income tax for individuals, but will be subject to the Pennsylvania personal income tax and, in the case of residents of Philadelphia, the investment income tax of the City of Philadelphia. Any net interest income on taxable investments will be taxable as ordinary income when distributed to shareholders.

In order for the Fund to qualify under Pennsylvania (and Philadelphia) law to provide the Pennsylvania state and local tax benefits described above, the Fund will invest in securities to earn income but not to trade for profits. As a fundamental policy, the Fund will not vary its portfolio investments except to: (i) eliminate unsafe investments and investments not consistent with the preservation of the Fund's capital or the tax status of the Fund's investments; (ii) honor redemption orders, meet anticipated redemption requirements and negate gains from discount purchases; (iii) reinvest the earnings from securities in like securities; or (iv) defray normal administrative expenses. Under this fundamental policy, the Fund may vary its securities if the Manager sells a portfolio security due to an adverse change in the security's rating or that of the issuer, whether by a rating service or the Manager, or if the Manager sells portfolio securities to reduce the Fund's exposure to risk from deteriorating economic or market conditions affecting issuers of Pennsylvania Municipal Securities or from changes in interest rates. These limitations, applicable to the investment policies of the Fund, including the special investment methods described below, may cause the Fund to have less flexibility than other mutual funds in responding to changes in market conditions, interest rates or new investment opportunities.

- Temporary Defensive Investment Strategy. In times of unstable economic or market conditions, the Manager may determine that it would be appropriate for the Fund to assume a temporary "defensive" position and invest some or all of its assets in temporary investments. This strategy would be implemented to attempt to reduce fluctuations in the value of the Fund's assets. Pursuant to this strategy, the Fund may invest in the taxable obligations described above and the following: obligations issued or guaranteed by the U.S. Government, its instrumentalities or agencies; "prime" commercial paper rated "A-1" by Standard & Poor's Corporation ("S&P") or Fitch Investors Service, Inc. ("Fitch") or "P-1" by Moody's Investors Service, Inc. ("Moody's"); corporate debt securities rated



within the three highest grades by S&P, Fitch or Moody's; or bankers acceptances, time deposits and certificates of deposit of domestic banks with assets of \$1 billion or more. The Fund may hold temporary investments pending the investment of proceeds from the sale of Fund shares or portfolio securities, pending settlement of purchases of Municipal Securities, or to meet anticipated redemptions. To the extent the Fund assumes a temporary defensive position, a portion of the Fund's distributions may be subject to Federal and state income taxes and the Fund may not achieve its objective.

- How Municipal Securities Held by the Fund are Rated. At the time of purchase by the Fund, Municipal Securities must be rated within the four highest rating categories of Moody's (Aaa, Aa, A and Baa), or S&P or Fitch (AAA, AA, A and BBB) or, if unrated, judged by the Manager to be of comparable quality to Municipal Securities rated within such grades. Appendix A to the Statement of Additional Information describes these rating categories. Investments in unrated Municipal Securities will not, at the time of purchase, exceed 25% of the Fund's total assets. Not more than 25% of the Fund's total assets will be invested in Municipal Securities that are (i) municipal bonds rated either "Baa" by Moody's or "BBB" by either S&P or Fitch, (ii) municipal notes rated "SP-2" by S&P, "MIG2" by Moody's or "F-2" by Fitch, or (iii) if unrated, Municipal Securities judged by the Manager to be of comparable quality to Municipal Securities rated within the grades described in (i) and (ii) above, because such Municipal Securities, although investment grade, may be subject to greater market fluctuations and risks of loss of income and principal than higher-rated Municipal Securities, and may be considered to have some speculative characteristics. A reduction in the rating of a security after its purchase by the Fund will not require the Fund to dispose of such security. Securities that have fallen below investment grade have a greater risk that the ability of the issuers of such securities to meet their debt obligations will be impaired. As of December 31, 1993, the Fund's portfolio included Municipal Securities in the following Moody's, S&P and Fitch rating categories (the amounts shown are dollar-weighted average values of the Municipal Securities in each category measured as a percentage of the Fund's total assets): AAA/Aaa, \_\_\_%; AA/Aa, \_\_\_%; A/A, \_\_\_%; and BBB/Baa, \_\_\_%; unrated by Moody's, S&P or Fitch, \_\_\_%.

- Can the Fund's Investment Objective and Policies Change? The Fund has an investment objective, which is described above, as well as investment policies that it follows to try to achieve its objective. Additionally, it uses certain investment techniques and strategies in carrying out those policies. The Fund's investment policies and practices are not "fundamental" unless a particular policy is identified in this Prospectus as "fundamental."

Fundamental policies are those that cannot be changed without the approval of a "majority" of the Fund's outstanding voting shares. The term "majority" is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"), to be a particular level of shareholder approval (and this term is explained in the Statement of Additional Information). The Fund's investment objective is a "fundamental policy." The Board of Trustees of the Trust (as defined below) may change non-fundamental policies, strategies and techniques without shareholder approval, although significant changes will be described in amendments to this Prospectus.

- Credit and Interest Rate Risks. The values of Municipal Securities will vary as a result of changing evaluations by rating services and investors of the ability of the issuers of such securities to meet interest and principal payments. Generally, higher-yielding, lower-rated Municipal Securities are subject to greater credit risk than higher-rated bonds. The values of Municipal Securities will also change in response to changes in prevailing interest rates. Should prevailing interest rates rise, the values of outstanding Municipal Securities will decline and (if purchased at principal amount) would sell at a discount. Conversely, if interest rates fall, the values of outstanding Municipal Securities will increase and (if purchased at principal amount) would sell at a premium.

The magnitude of these fluctuations will be greater when the average maturity of these securities is longer. It is anticipated that the Municipal Securities purchased for the Fund's portfolio will normally be those having longer maturities (7 to 30 years), but the Fund may invest in Municipal Securities having a broad range of maturities. Changes in the values of Municipal Securities owned by the Fund from these or other factors will not affect interest income derived from these securities but will affect the Fund's net asset value per share.

- Special Considerations - Pennsylvania Municipal Securities. The Fund concentrates its investments in Municipal Securities issued by Pennsylvania and its agencies, authorities, instrumentalities and subdivisions. The market value and marketability of Pennsylvania Municipal Securities and the interest income and repayment of principal to the Fund from them could be adversely affected by a default or a financial crisis relating to any of such issuers. For example, the Commonwealth of Pennsylvania and certain of its municipalities have recently experienced (and in the case of Philadelphia and certain other municipalities are presently experiencing) significant budget deficits and other financial difficulties. Investors should consider these matters as well as economic trends in Pennsylvania, which are discussed in the Statement of Additional Information.

Municipal Securities and Pennsylvania Municipal Securities. Municipal Securities consist of municipal bonds, municipal notes (including tax anticipation notes, bond anticipation notes, revenue anticipation notes, construction loan notes and other short-term loans), tax-exempt commercial paper and other debt obligations issued by or on behalf of the Commonwealth of Pennsylvania or its political subdivisions, other states and the District of Columbia, their political subdivisions, or any commonwealth or territory of the United States, or their respective agencies, instrumentalities or authorities, the interest from which is not subject to Federal income tax, in the opinion of bond counsel to the respective issuer. Pennsylvania Municipal Securities are Municipal Securities the interest from which is not subject to Pennsylvania personal income tax in the opinion of bond counsel for the respective issuer. No independent investigation has been made by the Manager as to the uses of proceeds of bond offerings or the application of such proceeds.

"Municipal bonds" are Municipal Securities that have a maturity when issued of one year or more and "municipal notes" are Municipal Securities that have a maturity when issued of less than one year. The two principal classifications of Municipal Securities are "general obligations" (secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest) and "revenue obligations" (payable only from the revenues derived from a particular facility or class of facilities, or specific excise tax or other revenue source). The Fund may invest in Municipal Securities of both classifications.

- Municipal Lease Obligations. Municipal leases may take the form of a lease or an installment purchase contract issued by state and local government authorities to obtain funds to acquire a wide variety of equipment and facilities. The Fund may purchase certificates of participation that represent a proportionate interest in or right to the lease purchase payment under the municipal lease. Certain of these securities may be deemed to be "illiquid" securities and their purchase would be limited as described below in "Illiquid Securities". Investment in certificates of participation that the Manager has determined to be liquid (under guidelines set by the Board) will not be subject to such limitations. Those guidelines require the Manager to evaluate: (1) the frequency of trades and price quotations for such securities, (2) the number of dealers or other potential buyers willing to purchase or sell such securities; (3) the availability of market-makers; and (4) the nature of the trades for such securities. The Manager will also evaluate the likelihood of a continuing market for such securities throughout the time they are held by the Fund and the credit quality of the instrument.

- Floating Rate/Variable Rate Obligations. Some of the Municipal Securities the Fund may purchase may have variable or floating interest rates. Variable rates are adjustable at stated periodic intervals.

Floating rates are automatically adjusted according to a specified market rate for such investments, such as the percentage of the prime rate of a bank, or the 91-day U.S. Treasury Bill rate. Such obligations may be secured by bank letters of credit or other credit support arrangements.

- Inverse Floaters. The Fund may invest in variable rate bonds where the interest rate paid varies inversely with movements in short-term tax-exempt yields. Such bonds are known as "inverse floaters." As short-term rates rise, inverse floaters produce less current income.

- Non-diversification. The Fund is a "non-diversified" investment company under the Investment Company Act. As a result, it may invest its assets in a single issuer or limited number of issuers without limitation by the Investment Company Act. However, the Fund intends to qualify as a "regulated investment company" under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), pursuant to which (i) not more than 25% of the market value of the Fund's total assets will be invested in the securities of a single issuer, and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets may be invested in the securities of a single issuer and the Fund must not own more than 10% of the outstanding voting securities of a single issuer. An investment in the Fund will entail greater risk than an investment in a diversified investment company because a higher percentage of investments among fewer issuers may result in greater fluctuation in the total market value of the Fund's portfolio, and economic, political or regulatory developments may have a greater impact on the value of the Fund's portfolio than would be the case if the portfolio were diversified among more issuers.

Other Investment Techniques and Strategies. The Fund may also use the investment techniques and strategies described below, which involve certain risks. The Statement of Additional Information contains more detailed information about these practices, including limitations designed to reduce some of the risks. For more information, please refer to the description of these techniques under the same headings in "Other Investment Techniques and Strategies" in the Statement of Additional Information.

- When-Issued Securities. The Fund may purchase Municipal Securities on a "when-issued" basis and may purchase or sell such securities on a "delayed delivery" basis. These terms refer to securities that have been created and for which a market exists, but which are not available for immediate delivery. There may be a risk of loss to the Fund if the value of the security declines prior to the settlement date.

- Writing Covered Calls. To enhance income for liquidity purposes, the Fund may write (sell) call options on debt securities provided the calls are listed on a domestic securities or commodities exchange or quoted on the automated quotation system of the National Association of Securities Dealers, Inc. ("NASDAQ"). The Fund receives premiums from the calls it writes. The calls are "covered" in that the Fund must own the securities that are subject to the call (although it may substitute other qualifying securities). No more than 25% of the Fund's total assets may be subject to calls. In writing calls there are risks that the Fund may forgo profits on an increase in the price of the underlying security if the call is exercised. In addition, the Fund could experience capital losses that might cause previously-distributed income to be re-characterized for tax purposes as a return of capital to shareholders.

- Hedging With Options and Futures Contracts. The Fund may buy and sell options and futures contracts and engage in interest rate swap transactions to manage its exposure to changing interest rates and securities prices. Some of these strategies, such as selling futures, buying puts and writing calls, hedge the Fund's portfolio against price fluctuations. Other hedging strategies, such as buying futures and calls, tend to increase market exposure. The Fund may invest in interest rate futures (futures contracts that relate to debt securities) and municipal

bond index futures (futures contracts that relate to municipal bond indices), purchase put options and purchase and sell call options on debt securities, interest rate futures, and municipal bond index futures and engage in interest rate swap transactions. All of these are referred to as "hedging instruments." The Fund may also purchase calls to effect a "closing purchase transaction" to terminate its obligations as to a call it has previously written.

The Fund may enter into a stand-by commitment, pursuant to which a dealer agrees to purchase, at the Fund's option, specified Municipal Securities at a stated price on same day settlement. The aggregate price of a security subject to a stand-by commitment may be higher than the price which would otherwise be paid for the security without such stand-by commitment, thus increasing the cost of the security and reducing its yield.

A call or put may not be purchased if the value of all of the Fund's call and put options would exceed 5% of the value of the Fund's total assets. The Fund is not permitted to write (sell) puts. The Fund does not use hedging instruments for speculative purposes and all transactions involving hedging instruments will be in accordance with the requirement that the Fund invest in securities to earn income but not trade for profit. All puts and calls on securities, futures or options on such futures purchased or sold by the Fund will be listed on a national securities or commodities exchange or quoted on NASDAQ. The aggregate premiums paid on all such options which the Fund holds at any time will be limited to 20% of the Fund's total assets and the aggregate margin deposits on all such futures or options thereon at any time will be limited to 5% of the Fund's total assets.

The use of hedging instruments may involve special risks. Options and futures can be volatile investments and involve certain risks. If the Manager uses a hedging instrument at the wrong time or judges market conditions incorrectly, hedging strategies may reduce the Fund's return. The Fund could also experience losses if the prices of its futures and options positions were not correlated with its other investments or if it could not close out a position because of an illiquid market.

There are special risks in particular hedging strategies. The principal risks of futures trading are: (a) possible imperfect correlation between the prices of the futures and the market value of the Fund's portfolio securities; (b) possible lack of a liquid secondary market for closing out a futures position; (c) the need for additional skills and techniques beyond normal portfolio management; and (d) losses resulting from market movements or interest rate movements not anticipated by the Manager. These risks and the hedging strategies the Fund may use are described in greater detail in the Statement of Additional Information.

- Repurchase Agreements. The Fund may enter into repurchase agreements. There is no limit on the amount of the Fund's net assets that may be subject to repurchase agreements of seven days or less. Repurchase agreements must be fully collateralized. However, if the vendor fails to pay the re-sale price on the delivery date, the Fund may experience costs in disposing of the collateral and losses if there is any delay in doing so.

- Illiquid Securities. Under the supervision of the Trust's Board of Trustees, the Manager determines the liquidity of the Fund's investments. Investments may be illiquid because of the absence of a trading market, making it difficult to value them or dispose of them promptly at an acceptable price. The Fund will not invest more than 10% of its net assets in illiquid investments (that limit may increase to 15% if applicable state law permits). The Fund may not invest any portion of its assets in restricted securities, which are securities that contain a contractual restriction on resale or that cannot be sold publicly until registered under the Securities Act of 1933, as amended.

- Loans of Portfolio Securities. The Fund may lend its portfolio securities (other than in repurchase transactions) amounting to not more than 25% of its total assets to brokers, dealers and other financial institutions, subject to certain conditions described in the Statement of Additional Information. The Fund presently does not intend to lend its portfolio securities, but if it does, the value of securities loaned is not expected to exceed 5% of the value of its total assets.

Other Investment Restrictions. The Fund has other investment restrictions which, together with its investment objective, are "fundamental" policies, that is, subject to change only by approval of a majority of the Fund's outstanding shares.

Under the Fund's fundamental policies, it may not do any of the following: (i) invest in securities or any other investment other than the Municipal Securities, temporary investments, taxable investments and hedging instruments described in "Investment Policies and Strategies," "Municipal Securities and Pennsylvania Municipal Securities" and "Other Investment Techniques and Strategies" above; (ii) make loans, except through the purchase of portfolio securities subject to repurchase agreements or through loans of portfolio securities as described under "Other Investment Techniques and Strategies"; (iii) borrow money in excess of 10% of the value of its total assets, or make any additional investments whenever borrowings exceed 5% of the Fund's total assets; it may borrow only from banks as a temporary measure for extraordinary or emergency purposes (not for the purpose of leveraging its investments); (iv) pledge, mortgage or otherwise encumber, transfer or assign any of its assets to secure a debt; collateral arrangements for premium and margin payments in connection with hedging instruments are not deemed to be a pledge of assets; (v) concentrate investments to the extent of more than 25% of its total assets in any industry; however, there is no limitation as to investment in Municipal Securities, U.S. Government obligations or in obligations issued by Pennsylvania or its subdivisions, agencies, authorities or instrumentalities; or (vi) buy or sell futures contracts other than interest rate futures or municipal bond index futures.

All of the percentage limitations described above and elsewhere in this Prospectus apply to the Fund only at the time of purchasing a security, and the Fund need not dispose of a security merely because the Fund's assets have changed or the security has increased in value relative to the size of the Fund. There are other fundamental policies discussed in "Additional Investment Restrictions" the Statement of Additional Information, along with more information about the Fund's non-fundamental investment policies and strategies.

#### How the Fund is Managed

Organization and History. The Fund was organized in 1989 as a Massachusetts business trust with one series, but in June 1993, that business trust was reorganized to become a multi-series business trust called Oppenheimer Multi-State Tax-Exempt Trust (the "Trust"), and the Fund became a series of it. The Trust is an open-end, diversified management investment company, with an unlimited number of authorized shares of beneficial interest. Each of the three series of the Trust is a fund that issues its own shares, has its own investment portfolio, and its own assets and liabilities.

The Board of Trustees has the power, without shareholder approval, to divide unissued shares of this Fund into two or more classes, each having its own dividends, distributions and expenses. Each class may have a different net asset value. The Board has done so, and the Fund currently has two classes of shares, Class A and Class B. Each share has one vote at shareholder meetings, with fractional shares voting proportionally. Only shares of a class vote together on matters that affect that class alone. Shares are freely transferrable.

The Fund is governed by a Board of Trustees, which is responsible for protecting the interests of shareholders under Massachusetts law. The Trustees meet throughout the year to oversee the Fund's activities, review performance, and review the actions of the Manager. "Trustees and Officers of the Fund" in the Statement of Additional Information names the Trustees and provides more information about them and the officers of the Trust. Although the Fund is not required by law to hold annual meetings, it may hold meetings from time to time on important matters, and shareholders have the right to call a meeting to remove Trustees or to take other action described in the Declaration of Trust of the Trust.

The Manager and its Affiliates. The Fund is managed by the Manager, which chooses the Fund's investments and handles its day-to-day business. The Manager carries out its duties, subject to the policies established by the Board of Trustees, under an Investment Advisory Agreement which states the Manager's responsibilities and its fees, and describes the expenses that the Fund pays to conduct its business.

The Manager has operated as an investment adviser since 1959. The Manager and its affiliates currently manage investment companies, including other OppenheimerFunds, with assets of more than \$26 billion as of December 31, 1993, and with more than 1.8 million shareholder accounts. The Manager is owned by Oppenheimer Acquisition Corp., a holding company that is owned in part by senior officers of the Manager and controlled by Massachusetts Mutual Life Insurance Company, a mutual life insurance company.

- Portfolio Manager. Robert E. Patterson, a Senior Vice President of the Manager, serves as the Portfolio Manager and a Vice President of the Trust and is primarily responsible for the day-to-day management of the Fund's portfolio. During the past five years, Mr. Patterson has also served as an officer and portfolio manager for other OppenheimerFunds.

- Fees and Expenses. Under the Investment Advisory Agreement, the Fund pays the Manager the following annual fees, which decline on additional assets as the Fund grows: 0.60% of the first \$200 million of net assets; 0.55% of the next \$100 million; 0.50% of the next \$200 million; 0.45% of the next \$250 million; 0.40% of the next \$250 million and 0.35% of net assets over \$1 billion. The Fund's management fee for its last fiscal year was \_\_\_% of average annual net assets for Class A shares and \_\_\_% for Class B shares, which may be higher than the rate paid by some other mutual funds.

The Fund pays expenses related to its daily operations, such as custodian fees, transfer agency fees, legal and auditing costs. Those expenses are paid out of the Fund's assets and are not paid directly by shareholders. However, those expenses affect the net asset value of shares, and therefore are indirectly borne by shareholders through their investment. More information about the investment advisory agreement and the other expenses paid by the Fund is contained in the Statement of Additional Information.

There is also information about the Fund's brokerage policies and portfolio transactions in "Brokerage Policies of the Fund" in the Statement of Additional Information. Because the Fund purchases most of its portfolio securities directly from the sellers and not through brokers, it therefore incurs relatively little expense for brokerage. From time to time it may use brokers when buying portfolio securities. When deciding which brokers to use in those cases, the investment advisory agreement allows the Manager to consider whether brokers have sold shares of the Fund or any other funds for which the Manager also serves as investment adviser.

- The Distributor. The Fund's shares are sold through dealers or brokers that have a sales agreement with Oppenheimer Funds Distributor,

Inc., a subsidiary of the Manager that acts as the Distributor. The Distributor also distributes the shares of other mutual funds managed by the Manager (the "OppenheimerFunds") and is sub-distributor for funds managed by a subsidiary of the Manager.

- The Transfer Agent. The Fund's transfer agent is Oppenheimer Shareholder Services, a division of the Manager, which acts as the shareholder servicing agent for the Fund and the other OppenheimerFunds on an "at-cost" basis. Shareholders should direct inquiries to the Transfer Agent at the address and toll-free numbers shown elsewhere in this Prospectus or on the back cover.

#### Performance of the Fund

Explanation of Performance Terminology. The Fund uses certain terms to illustrate its performance: "total return," "yield" and "tax-equivalent yield". These terms are used to show the performance of each class of shares separately, because the performance of each class of shares will usually be different, as a result of the different kinds of expenses each class bears. This performance information may be in advertisements about the Fund or in communications to shareholders. It may be useful to help you see how well your investment has done and to compare it to other funds or market indices, as we have done below.

It is important to understand that the Fund's yields and total returns represent past performance and should not be considered to be predictions of future returns or performance. This performance data is described below, but more detailed information about how total returns and yields are calculated is contained in the Statement of Additional Information, which also contains information about indices and other ways to compare the Fund's performance. The Fund's investment performance will vary, depending on market conditions, the composition of the portfolio, expenses and which class of shares you purchase.

- Total Returns. There are different types of "total returns" used to measure the Fund's performance. Total return is the change in value of a hypothetical investment in the Fund over a given period, assuming that all dividends and capital gains distributions are reinvested in additional shares. The cumulative total return measures the change in value over the entire period (for example, ten years). An average annual total return shows the average rate of return for each year in a period that would produce the cumulative total return over the entire period. However, average annual total returns do not show the Fund's actual year-by-year performance.

When total returns are quoted for Class A shares, they reflect the payment of the maximum initial sales charge. Total returns may be quoted "at net asset value," without considering the effect of the sales charge, and these returns would be reduced if sales charges were deducted. When total returns are shown for Class B shares, they reflect the effect of the contingent deferred sales charge that applies to the period for which total return is shown, or else they may be shown based just on the change in net asset value, without considering the effect of the contingent deferred sales charge.

- Yield and Tax-Equivalent Yield. Each class of shares calculates its yield by dividing the annualized net investment income per share on the portfolio during a 30-day period by the maximum offering price on the last day of the period. The yield of each class will differ because of the different expenses of each class of shares. The yield data represents a hypothetical investment return on the portfolio, and does not measure an investment return based on dividends actually paid to shareholders. To show that return, a dividend yield may be calculated. Dividend yield is calculated by dividing the dividends of a class derived from net investment income during a stated period by the maximum offering price on the last day of the period. Yields and dividend yields for Class A shares



reflect the deduction of the maximum initial sales charge, but may also be shown based on the Fund's net asset value per share. Yields for Class B shares do not reflect the deduction of the contingent deferred sales charge. The tax-equivalent yield for each class of shares shows the effect on performance of the tax-exempt status of distributions received from the Fund. It reflects the approximate yield that a taxable investment must earn for shareholders at stated income levels to produce an after-tax yield equivalent to the Fund's tax-exempt yield.

How Has the Fund Performed? Below is a discussion by the Manager of the Fund's performance during its last fiscal year ended December 31, 1993, followed by a graphical comparison of the Fund's performance to an appropriate broad-based market index.

- Management's Discussion of Performance. During the Fund's fiscal year ended December 31, 1993, the Manager emphasized investment in higher quality municipal securities, with an emphasis on essential service revenue bonds such as hospital and transportation issues, and diversified the Fund's portfolio geographically within the Commonwealth of Pennsylvania and by market sector. During the fiscal year, the general municipal bond market turned in a strong performance, and the Pennsylvania municipal bond market followed this trend, benefitting from declining interest rates, gradual economic growth and increased federal tax rates, which increased demand for tax-exempt securities offering after-tax yields higher than those offered by other fixed-income alternatives.

- Comparing the Fund's Performance to the Market. The chart below shows the performance of a hypothetical \$10,000 investment in each class of shares of the Fund from the inception of the class through December 31, 1993, with all dividends and capital gains distributions reinvested in additional shares. The graph reflects the deduction of the 4.75% maximum initial sales charge on Class A shares and the maximum 5% contingent deferred sales charge for Class B shares.

Because the Fund primarily invests in Municipal Securities, the Fund's performance is compared to the performance of the Lehman Brothers Municipal Bond Index, an unmanaged index of a broad range of investment grade municipal bonds that is widely regarded as a measure of the performance of the general municipal bond market. Index performance reflects reinvestment of income but not capital gains or transaction costs, and none of the data below shows the effect of taxes. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that the Fund's investments are not limited to the securities in any one index and the index data does not reflect any assessment of the risk of the investments included in the index.

Oppenheimer Pennsylvania Tax-Exempt Fund  
Comparison of Change in Value  
of \$10,000 Hypothetical Investment to  
Lehman Brothers Municipal Bond Index

(Graph)

Past Performance is not predictive of future performance.

Oppenheimer Pennsylvania Tax-Exempt Fund  
Average Annual Total Return of Class A shares at 12/31/93  
Cumulative Total Return of Class B shares at 12/31/93

	1 Year	Life of Class
Class A:	7.75%	8.53% (from 9/18/89)
Class B:	(not applicable)	1.67% (from 4/30/93)



## YOUR INVESTMENT ACCOUNT

### How to Buy Shares

The Fund offers investors two different classes of shares. The different classes of shares represent investments in the same portfolio of securities but are subject to different expenses and will likely have different share prices.

- Class A Shares. If you buy Class A shares, you pay an initial sales charge (on investments up to \$1 million). If you purchase Class A shares as part of an investment of at least \$1 million in shares of one or more OppenheimerFunds, and you sell any of those shares within 18 months after your purchase, you will pay a contingent deferred sales charge, which will vary depending on the amount you invested.

- Class B Shares. If you buy Class B shares, you pay no sales charge at the time of purchase, but if you sell your shares within six years, you will normally pay a contingent deferred sales charge that varies depending on how long you own your shares.

- Which Class of Shares Should You Choose? Once you decide that the Fund is an appropriate investment for you, the decision as to which class of shares is better suited to your needs depends on a number of factors which you should discuss with your financial advisor:

- How much do you plan to invest? If you plan to invest a substantial amount, the reduced sales charges available for larger purchases of Class A shares may be more beneficial to you, and for purchases over \$1 million, the contingent deferred sales charge on Class A shares may be more beneficial. The Distributor will not accept any order for \$1 million or more for Class B shares on behalf of a single investor for that reason.

- How long do you expect to hold your investment? While future financial needs cannot be predicted with certainty, investors who prefer not to pay an initial sales charge and who plan to hold their shares for more than 6 years might consider Class B shares. Investors who plan to redeem shares within 7 years might prefer Class A shares.

- Are there differences in account features that matter to you? Because some account features may not be available for Class B shareholders, such as checkwriting, you should carefully review how you plan to use your investment account before deciding which class of shares is better for you. Additionally, the dividends payable to Class B shareholders will be reduced by the additional expenses borne solely by that class, such as the asset-based sales charge to which Class B shares are subject, as described below and in the Statement of Additional Information.

- How does it affect payments to my broker? A salesperson or any other person who is entitled to receive compensation for selling Fund shares may receive different compensation for selling one class than for selling another class. It is important that investors understand that the purpose of the contingent deferred sales charge and asset-based sales charge for Class B shares is the same as the purpose of the front-end sales charge on sales of Class A shares.

- How Much Must You Invest? You can open a Fund account with a minimum initial investment of \$1,000 and make additional investments at any time with as little as \$25. There are reduced minimum investments under special investment plans:

- With Asset Builder Plans, Automatic Exchange Plans, 403(b) (7) custodial plans and military allotment plans, you can make initial and subsequent investments for as little as \$25; and subsequent purchases of at least \$25 can be made by telephone through AccountLink.

- There is no minimum investment requirement if you are buying shares by reinvesting dividends from the Fund or other OppenheimerFunds (a list of them appears in the Statement of Additional Information, or you can ask your dealer or call the Transfer Agent), or by reinvesting distributions from unit investment trusts that have made arrangements with the Distributor.

- How Are Shares Purchased? You can buy shares several ways -- through any dealer, broker or financial institution that has a sales agreement with the Distributor, or directly through the Distributor, or automatically from your bank account through an Asset Builder Plan under the OppenheimerFunds AccountLink service. When you buy shares, be sure to specify Class A or Class B shares. If you do not choose, your investment will be made in Class A shares.

- Buying Shares Through Your Dealer. Your dealer will place your order with the Distributor on your behalf.

- Buying Shares Through the Distributor. Complete an OppenheimerFunds New Account Application and return it with a check payable to "Oppenheimer Funds Distributor, Inc." Mail it to P.O. Box 5270, Denver, Colorado 80217. If you don't list a dealer on the application, the Distributor will act as your agent in buying the shares.

- Buying Shares Through OppenheimerFunds AccountLink. You can use AccountLink to link your Fund account with an account at a U.S. bank or other financial institution that is an Automated Clearing House (ACH) member, to transmit funds electronically to purchase shares, to send redemption proceeds, and to transmit dividends and distributions. Shares are purchased for your account on the regular business day the Distributor is instructed by you to initiate the ACH transfer to buy shares. You can provide those instructions automatically, under an Asset Builder Plan, described below, or by telephone instructions using OppenheimerFunds PhoneLink, also described below. You must request AccountLink privileges on the application or dealer settlement instructions used to establish your account. Please refer to "AccountLink," below for more details.

Shares are sold at the public offering price based on the net asset value that is next determined after the Distributor receives the purchase order in Denver. In most cases, to receive that day's offering price, the Distributor must receive your order by 4:00 P.M., New York time (all references to time in this Prospectus mean "New York time."). The net asset value of each class of shares is determined as of that time on each day The New York Stock Exchange is open (which is a "regular business day"). If you buy shares through a dealer, the dealer must receive your order by 4:00 P.M. on a regular business day and transmit it to the Distributor so that it is received before the Distributor's close of business that day, which is normally 5:00 P.M. The Distributor may reject any purchase order for the Fund's shares, in its sole discretion.

- Asset Builder Plans. You may purchase shares of the Fund (and up to four other OppenheimerFunds) automatically each month from your account at a bank or other financial institution under an Asset Builder Plan with AccountLink. Details are on the Application and in the Statement of Additional Information.

Class A Shares. Class A shares are sold at their offering price, which is normally net asset value plus an initial sales charge. However, in some cases, described below, where purchases are not subject to an initial

sales charge, the offering price may be net asset value. In some cases, reduced sales charges may be available, as described below. When you invest, the Fund receives the net asset value for your account. The sales charge varies depending on the amount of your purchase and a portion may be retained by the Distributor and allocated to your dealer. The current sales charge rates and commissions paid to dealers and brokers are as follows:

Amount of Purchase	Front-End Sales Charge As a Percentage of:		Commission as Percentage of Offering Price
	Offering Price	Amount Invested	
Less than \$50,000	4.75%	4.98%	4.00%
\$50,000 or more but less than \$100,000	4.50%	4.71%	4.00%
\$100,000 or more but less than \$250,000	3.50%	3.63%	3.00%
\$250,000 or more but less than \$500,000	2.50%	2.56%	2.25%
\$500,000 or more but less than \$1 million	2.00%	2.04%	1.80%

The Distributor reserves the right to reallocate the entire commission to dealers. If that occurs, the dealer may be considered an "underwriter" under Federal securities laws.

- Class A Contingent Deferred Sales Charge. There is no initial sales charge on purchases of Class A shares of any one or more Oppenheimer Funds aggregating \$1 million or more. However, the Distributor pays dealers of record commissions on such purchases in an amount equal to the sum of 1.0% of the first \$2.5 million, plus 0.50% of the next \$2.5 million, plus 0.25% of share purchases over \$5 million. However, that commission will be paid only on the amount of those purchases in excess of \$1 million that were not previously subject to a front-end sales charge and dealer commission.

If you redeem any of those shares within 18 months of the end of the calendar month of their purchase, a contingent deferred sales charge (called the "Class A contingent deferred sales charge") will be deducted from the redemption proceeds. That sales charge will be equal to 1.0% of the aggregate net asset value of either (1) the redeemed shares (not including shares purchased by reinvestment of dividends or capital gain distributions) or (2) the original cost of the shares, whichever is less. However, the Class A contingent deferred sales charge will not exceed the aggregate commissions the Distributor paid to your dealer on all Class A shares of all Oppenheimer Funds you purchased subject to the Class A contingent deferred sales charge. In determining whether a contingent deferred sales charge is payable, the Fund will first redeem shares that are not subject to the sales charge, including shares purchased by reinvestment of dividends and capital gains, and then will redeem other shares in the order that you purchased them. The Class A contingent deferred sales charge is waived in certain cases described in "Waivers of Class A Sales Charges" below.

No Class A contingent deferred sales charge is charged on exchanges of shares under the Fund's Exchange Privilege (described below). However, if the shares acquired by exchange are redeemed within 18 months of the end of the calendar month of the purchase of the exchanged shares, the sales charge will apply.

- Special Arrangements With Dealers. The Distributor may advance up to 13 months' commissions to dealers that have established special arrangements with the Distributor for Asset Builder Plans for their

clients. From time to time, the Distributor may make special arrangements with dealers and make additional payments if the dealer meets specified sales criteria and other requirements. The Distributor may sponsor an annual sales conference to which a dealer firm is eligible to send, with a guest, a registered representative who sells more than \$2.5 million of Class A shares of OppenheimerFunds (other than money market funds) in a calendar year, or the dealer may, at its option, receive the equivalent cash value of that award as additional commission.

- Reduced Sales Charges for Class A Share Purchases. You may be eligible to buy Class A shares at reduced sales charge rates in one or more of the following ways:

- Right of Accumulation. You and your spouse can cumulate Class A shares you purchase for your own accounts, or jointly, or on behalf of your children who are minors, under trust or custodial accounts. A fiduciary can cumulate shares purchased for a trust, estate or other fiduciary account (including one or more employee benefit plans of the same employer) that has multiple accounts.

Additionally, you can cumulate current purchases of Class A shares of the Fund and other OppenheimerFunds with Class A shares of OppenheimerFunds you previously purchased subject to a sales charge, provided that you still hold your investment in one of the OppenheimerFunds; the value of those shares will be based on the greater of the amount you paid for the shares or their current value (at offering price). The OppenheimerFunds are listed in "Reduced Sales Charges" in the Statement of Additional Information, or a list can be obtained from the Transfer Agent. The reduced sales charge will apply only to current purchases and must be requested when you buy your shares.

- Letter of Intent. Under a Letter of Intent, you may purchase Class A shares of the Fund and other OppenheimerFunds during a 13-month period at the reduced sales charge rate that applies to the aggregate amount of the intended purchases, including purchases made up to 90 days before the date of the Letter. More information is contained in the Application and in "Reduced Sales Charges" in the Statement of Additional Information.

- Waivers of Class A Sales Charges. No sales charge is imposed on sales of Class A shares to the following persons: (1) the Manager or its affiliates; (2) present or former officers, directors, trustees and employees (and their "immediate families" as defined in "Reduced Sales Charges" in the Statement of Additional Information) of the Fund, the Manager and its affiliates, and retirement plans established by them for their employees; (3) registered management investment companies, or separate accounts of insurance companies having an agreement with the Manager or the Distributor for that purpose; (4) dealers or brokers that have a sales agreement with the Distributor, if they purchase shares for their own accounts or for retirement plans for their employees; (5) employees (and their spouses) of dealers or brokers described above or financial institutions that have entered into sales arrangements with such dealers or brokers (and are identified to the Distributor) or with the Distributor; the purchaser must certify to the Distributor at the time of purchase that the purchase is for the purchaser's own account (or for the benefit of such employee's spouse or minor children); or (6) dealers, brokers or registered investment advisers that have entered into an agreement with the Distributor providing specifically for the use of shares of the Fund in particular investment products made available to their clients.

Additionally, no sales charge is imposed on shares that are (a) issued in plans of reorganization, such as mergers, asset acquisitions and exchange offers, to which the Fund is a party or (b) purchased by the reinvestment of loan repayments by a participant in a retirement plan for which the Manager or its affiliates acts as sponsor, or (c) purchased by the reinvestment of dividends or other distributions reinvested from the

Fund or other OppenheimerFunds (other than the Cash Reserves Funds) or unit investment trusts for which reinvestment arrangements have been made with the Distributor. There is a further discussion of this policy in "Reduced Sales Charges" in the Statement of Additional Information.

The Class A contingent deferred sales charge is also waived if shares are redeemed in the following cases: (1) Automatic Withdrawal Plan payments that are limited to no more than 12% of the original account value annually; and (2) involuntary redemptions of shares by operation of law or under the procedures set forth in the Trust's Declaration of Trust or adopted by the Board of Trustees.

- Service Plan for Class A Shares. The Fund has adopted a Service Plan for Class A shares to reimburse the Distributor for a portion of its costs incurred in connection with the personal service and maintenance of accounts that hold Class A shares. Reimbursement is made quarterly at an annual rate that may not exceed 0.15% of the average annual net assets of Class A shares of the Fund. The Distributor uses all of those fees to compensate dealers, brokers, banks and other financial institutions quarterly for providing personal service and maintenance of accounts of their customers that hold Class A shares and to reimburse itself (if the Trust's Board of Trustees authorizes such reimbursements, which it has not yet done) for its other expenditures under the Plan.

Services to be provided include, among others, answering customer inquiries about the Fund, assisting in establishing and maintaining accounts in the Fund, making the Fund's investment plans available and providing other services at the request of the Fund or the Distributor. Payments are made by the Distributor quarterly at an annual rate not to exceed 0.15% of the average annual net assets of Class A shares held in accounts of the dealer or its customers. The payments under the Plan increase the annual expenses of Class A shares. For more details, please refer to "Distribution and Service Plans" in the Statement of Additional Information.

Class B Shares. Class B shares are sold at net asset value per share without an initial sales charge. However, if Class B shares are redeemed within 6 years of their purchase, a contingent deferred sales charge will be deducted from the redemption proceeds. That sales charge will not apply to shares purchased by the reinvestment of dividends or capital gains distributions. The charge will be assessed on the lesser of the net asset value of the shares at the time of redemption or the original purchase price. The contingent deferred sales charge is not imposed on the amount of your account value represented by the increase in net asset value over the initial purchase price (including increases due to the reinvestment of dividends and capital gains distributions). The Class B contingent deferred sales charge is paid to the Distributor to reimburse its expenses of providing distribution-related services to the Fund in connection with the sale of Class B shares.

To determine whether the contingent deferred sales charge applies to a redemption, the Fund redeems shares in the following order: (1) shares acquired by reinvestment of dividends and capital gains distributions, (2) shares held for over 6 years, and (3) shares held the longest during the 6-year period.

The amount of the contingent deferred sales charge will depend on the number of years since you invested and the dollar amount being redeemed, according to the following schedule:

Years Since Purchase Payment Was Made	Contingent Deferred Sales Charge on Redemptions in that Year (As % of Amount Subject to Charge)
0 - 1	5.0%
1 - 2	4.0%

2 - 3	3.0%
3 - 4	3.0%
4 - 5	2.0%
5 - 6	1.0%
6 and following	None

In the table, a "year" is a 12-month period. All purchases are considered to have been made on the first regular business day of the month in which the purchase was made.

- Waivers of Class B Sales Charge. The Class B contingent deferred sales charge will be waived if the shareholder requests it for redemptions from accounts following the death or disability of the shareholder (as evidenced by a determination of disability by the Social Security Administration).

The contingent deferred sales charge is also waived on Class B shares in the following cases: (i) shares sold to the Manager or its affiliates; (ii) shares sold to registered management investment companies or separate accounts of insurance companies having an agreement with the Manager or the Distributor for that purpose; (iii) shares issued in plans of reorganization to which the Fund is a party; and (iv) shares redeemed in involuntary redemptions as described above. Further details about this policy are contained in "Reduced Sales Charges" in the Statement of Additional Information.

- Automatic Conversion of Class B Shares. 72 months after you purchase Class B shares, those shares will automatically convert to Class A shares. This conversion feature relieves Class B shareholders of the asset-based sales charge that applies to Class B shares under the Class B Distribution Plan, described below. The conversion is based on the relative net asset value of the two classes, and no sales load or other charge is imposed. When Class B shares convert, any other Class B shares that were acquired by the reinvestment of dividends and distributions on the converted shares will also convert to Class A shares. The conversion feature is subject to the continued availability of a tax ruling described in "Alternative Sales Arrangements - Class A and Class B Shares" in the Statement of Additional Information.

- Distribution and Service Plan for Class B Shares. The Fund has adopted a Distribution and Service Plan for Class B shares to compensate the Distributor for its services and costs in distributing Class B shares and servicing accounts. Under the Plan, the Fund pays the Distributor an annual "asset-based sales charge" of 0.75% per year on Class B shares that are outstanding for 6 years or less. The Distributor also receives a service fee of up to 0.25% per year. The Board has currently set the service fee at 0.15% per year, which amount may be increased by the Board from time to time to an amount not exceeding 0.25% per year. The service fee and asset-based sales charge are computed on the average annual net assets of Class B shares, determined as of the close of each regular business day. The asset-based sales charge allows investors to buy Class B shares without a front-end sales charge while allowing the Distributor to compensate dealers that sell Class B shares.

The Distributor uses the service fee to compensate dealers for providing personal service for accounts that hold Class B shares. Those services are similar to those provided under the Class A Service Plan, described above. The asset-based sales charge and service fees increase Class B expenses by up to 1.00% (currently 0.90% as described above) of average net assets per year.

The Distributor pays the 0.15% service fee to dealers in advance for the first year after Class B shares have been sold by the dealer. After the shares have been held for a year, the Distributor pays the fee on a quarterly basis. The Distributor currently pays sales commissions of 3.85% of the purchase price to dealers from its own resources at the time of

sale. The Distributor retains the asset-based sales charge to recoup the sales commissions it pays, the advances of service fee payments it makes, and its financing costs.

If the Plan is terminated by the Fund, it provides for continuing payments of the asset-based sales charge to the Distributor for certain expenses already incurred. The accounting treatment for the Fund's obligation under the Plan for those future payments is discussed in "Distribution and Service Plans" in the Statement of Additional Information. The accounting standards now used are currently under review by the American Institute of Certified Public Accountants, and it is possible that those standards will change and that the Fund's Class B Plan would be changed as a result. At December 31, 1993, the end of the Plan year, the Distributor had incurred unreimbursed expenses under the Plan of \$\_\_\_\_\_ (equal to \_\_\_% of the Fund's net assets represented by Class B shares on that date), which have been carried over into the present Plan year.

#### Special Investor Services

AccountLink. OppenheimerFunds AccountLink links your Fund account to your account at your bank or other financial institution to enable you to send money electronically between those accounts to perform a number of types of account transactions, including purchases of shares by telephone (either through a service representative or by PhoneLink, described below), automatic investments under Asset Builder Plans, and sending dividends and distributions or Automatic Withdrawal Plan payments directly to your bank account. Please refer to the Application for details or call the Transfer Agent for more information.

AccountLink privileges must be requested on the Application you use to buy shares, or on your dealer's settlement instructions if you buy your shares through your dealer. After your account is established, you can request AccountLink privileges on signature-guaranteed instructions to the Transfer Agent. AccountLink privileges will apply to each shareholder listed in the registration on your account as well as to your dealer representative of record unless and until the Transfer Agent receives written instructions terminating or changing those privileges. After you establish AccountLink for your account, any change of bank account information must be made by signature-guaranteed instructions to the Transfer Agent signed by all shareholders who own the account.

- Using AccountLink to Buy Shares. Purchases may be made by telephone only after your account has been established. To purchase shares in amounts up to \$250,000 through a telephone representative, call the Distributor at 1-800-852-8457. The purchase payment will be debited from your bank account.

- PhoneLink. PhoneLink is the OppenheimerFunds automated telephone system that enables shareholders to perform a number of account transactions automatically using a touch-tone phone. PhoneLink may be used on already-established Fund accounts after you obtain a Personal Identification Number (PIN), by calling the special PhoneLink number: 1-800-533-3310.

- Purchasing Shares. You may purchase shares in amounts up to \$100,000 by phone, by calling 1-800-533-3310. You must have established AccountLink privileges to link your bank account with the Fund, to pay for these purchases.

- Exchanging Shares. With the OppenheimerFunds Exchange Privilege, described below, you can exchange shares automatically by phone from your Fund account to another OppenheimerFunds account you have already established by calling the special PhoneLink number. Please refer to "Exchange Privilege," below, for details.

- Selling Shares. You can redeem shares by telephone automatically by calling the PhoneLink number and the Fund will send the proceeds directly to your AccountLink bank account. Please refer to "How to Sell Shares," below for details.

Automatic Withdrawal and Exchange Plans. The Fund has several plans that enable you to sell shares automatically or exchange them to another OppenheimerFunds account on a regular basis:

- Automatic Withdrawal Plans. If your Fund account is \$5,000 or more, you can establish an Automatic Withdrawal Plan to receive payments of at least \$50 on a monthly, quarterly, semi-annual or annual basis. The checks may be sent to you or sent automatically to your bank account on AccountLink. You may even set up certain types of Withdrawals of up to \$1,500 per month by telephone. You should consult the Application and Statement of Additional Information for more details.

- Automatic Exchange Plans. You can authorize the Transfer Agent to exchange an amount you establish in advance automatically for shares of up to five other OppenheimerFunds on a monthly, quarterly, semi-annual or annual basis under an Automatic Exchange Plan. The minimum purchase for each other OppenheimerFunds account is \$25. These exchanges are subject to the terms of the Exchange Privilege, described below.

Reinvestment Privilege. If you redeem some or all of your Fund shares, you have up to 6 months to reinvest all or part of the redemption proceeds in Class A shares of the Fund or other OppenheimerFunds without paying sales charge. This privilege applies to Class A shares that you sell, and Class B shares on which you paid a contingent deferred sales charge when you redeemed them. You must be sure to ask the Distributor for this privilege when you send your payment. Please consult the Statement of Additional Information for more details.

#### How to Sell Shares

You can arrange to take money out of your account on any regular business day by selling (redeeming) some or all of your shares. Your shares will be sold at the next net asset value calculated after your order is received and accepted by the Transfer Agent. The Fund offers you a number of ways to sell your shares: in writing, by using the Fund's Checkwriting privilege or by telephone. You can also set up Automatic Withdrawal Plans to redeem shares on a regular basis, as described above. If you have questions about any of these procedures, and especially if you are redeeming shares in a special situation, such as due to the death of the owner, please call the Transfer Agent first, at 1-800-525-7048, for assistance.

- Certain Requests Require a Signature Guarantee. To protect you and the Fund from fraud, certain redemption requests must be in writing and must include a signature guarantee in the following situations (there may be other situations also requiring a signature guarantee):

- You wish to redeem more than \$50,000 worth of shares and receive a check

- The check is not payable to all shareholders listed on the account statement

- The check is not sent to the address of record on your statement



- Shares are being transferred to a Fund account with a different owner or name

- Shares are redeemed by someone other than the owners (such as an Executor)

- Where Can I Have My Signature Guaranteed? The Transfer Agent will accept a guarantee of your signature by a number of financial institutions, including: a U.S. bank, trust company, credit union or savings association, or from a foreign bank that has a U.S. correspondent bank, or from a U.S. registered dealer or broker in securities, municipal securities or government securities, or from a U.S. national securities exchange, a registered securities association or a clearing agency. If you are signing as a fiduciary or on behalf of a corporation, partnership or other business, you must also include your title in the signature.

Selling Shares by Mail. Write a "letter of instructions" that includes:

- Your name
- The Fund's name
- Your Fund account number (from your statement)
- The dollar amount or number of shares to be redeemed
- Any special payment instructions
- Any share certificates for the shares you are selling, and
- Any special requirements or documents requested by the Transfer Agent to assure proper authorization of the person asking to sell shares.

Use the following address

for requests by mail:

Oppenheimer Shareholder Services  
P.O. Box 5270, Denver,  
Colorado 80217

Send courier or Express

Mail requests to:

Oppenheimer Shareholder Services  
10200 E. Girard Avenue, Building D  
Denver, Colorado 80231

Selling Shares by Telephone. You and your dealer representative of record may also sell your shares by telephone. To receive the redemption price on a regular business day, your call must be received by the Transfer Agent by 4:00 P.M. You may not redeem shares held in an Oppenheimer Funds retirement plan or under a share certificate by telephone.

- To redeem shares through a service representative, call 1-800-852-8457

- To redeem shares automatically on PhoneLink, call 1-800-533-3310

Whichever method you use, you may have a check sent to the address on the account, or, if you have linked your Fund account to your bank account on AccountLink, you may have the proceeds wired to that account.

- Telephone Redemptions Paid by Check. Up to \$50,000 may be redeemed by telephone, once in each seven-day period. The check must be payable to all owners of record of the shares and must be sent to the address on the account. This service is not available within 30 days of changing the address on an account.

- Telephone Redemptions Through AccountLink. There are no dollar limits on telephone redemption proceeds sent to a bank account designated when you establish AccountLink. Normally the ACH wire to your bank is initiated on the business day after the redemption. You do not receive dividends on the proceeds of the shares you redeemed while they are waiting to be wired.

CheckWriting. To be able to write checks against your Fund account, you may request that privilege on your account Application or you can contact the Transfer Agent for signature cards, which must be signed (with a signature guarantee) by all owners of the account and returned to the Transfer Agent so that checks can be sent to you to use. Shareholders with joint accounts can elect in writing to have checks paid over the signature of one owner.

- Checks can be written to the order of whomever you wish, but may not be cashed at the Fund's bank or custodian.

- Checkwriting privileges are not available for accounts holding Class B shares or Class A shares that are subject to a contingent deferred sales charge.

- Checks must be written for at least \$100.

- Checks cannot be paid if they are written for more than your account value.

Remember: your shares fluctuate in value and you should not write a check close to the total account value.

- You may not write a check that would require the Fund to redeem shares that were purchased by check or Asset Builder Plan payments within the prior 15 days.

- Don't use your checks if you changed your Fund account number.

The Fund will charge a \$10 fee for any check that is not paid because (1) the owners of the account told the Fund not to pay the check, or (2) the check was for more than the account balance, or (3) the check did not have the proper signatures, (4) or the check was written for less than \$100.

#### How to Exchange Shares

Shares of the Fund may be exchanged for shares of certain OppenheimerFunds at net asset value per share at the time of exchange, without sales charge. A \$5 service fee will be deducted from the fund account you are exchanging into to help defray administrative costs. That charge is waived for automated exchanges on PhoneLink described below. To exchange shares, you must meet several conditions:

- Shares of the fund selected for exchange must be available for sale in your state of residence

- The prospectuses of this Fund and the fund whose shares you want to buy must offer the exchange privilege

- You must hold the shares you buy when you establish your account for at least 7 days before you can exchange them; after the account is open 7 days, you can exchange shares every regular business day

- You must meet the minimum purchase requirements for the fund you purchase by exchange

- Before exchanging into a fund, you should obtain and read its

Shares of a particular class may be exchanged only for shares of the same class in the other OppenheimerFunds. For example, you can exchange Class A shares of this Fund only for Class A shares of another fund. At present, not all of the OppenheimerFunds offer the same two classes of shares. If a fund has only one class of shares that does not have a class designation, they are "Class A" shares for exchange purposes. In some cases, sales charges may be imposed on exchange transactions. Certain OppenheimerFunds offer Class A, Class B and/or Class C shares, and a list can be obtained by calling the Distributor at 1-800-525-7048. Please refer to the Statement of Additional Information for more details about this policy.

Exchanges may be requested in writing or by telephone:

- Written Exchange Requests. Submit an OppenheimerFunds Exchange Request form, signed by all owners of the account. Send it to the Transfer Agent at the addresses listed in "How to Sell Shares."

- Telephone Exchange Requests. Telephone exchange requests may be made either by calling a service representative at 1-800-852-8457 or by using PhoneLink for automated exchanges, by calling 1-800-533-3310. Telephone exchanges may be made only between accounts that are registered with the same names and address. Shares held under certificates may not be exchanged by telephone.

You can obtain a list of eligible OppenheimerFunds in the Statement of Additional Information or by calling the Transfer Agent at 1-800-525-7048. Exchanges of shares involve a redemption of the shares of the fund you own and a purchase of shares of the other fund.

There are certain exchange policies you should be aware of:

- Shares are normally redeemed from one fund and purchased from the other fund in the exchange transaction on the same regular business day on which the Transfer Agent receives an exchange request by 4:00 P.M. that is in proper form, but either fund may delay the purchase of shares of the fund you are exchanging into if it determines it would be disadvantaged by a same-day transfer of the proceeds to buy shares. For example, the receipt of multiple exchange requests from a dealer in a "market-timing" strategy might require the disposition of securities at a time or price disadvantageous to the Fund.

- Because excessive trading can hurt fund performance and harm shareholders, the Fund reserves the right to refuse any exchange request that will disadvantage it, or to refuse multiple exchange requests submitted by a shareholder or dealer.

- The Fund may amend, suspend or terminate the exchange privilege at any time. Although the Fund will attempt to provide you notice whenever it is reasonably able to do so, it may impose these changes at any time.

- If the Transfer Agent cannot exchange all the shares you request because of a restriction cited above, only the shares eligible for exchange will be exchanged.

- Net Asset Value Per Share is determined for each class of shares as of 4:00 P.M. each day The New York Stock Exchange is open by dividing the value of the Fund's net assets attributable to a class by the number of shares of that class that are outstanding. The Trust's Board of Trustees has established procedures to value the Fund's securities to determine net asset value. In general, securities values are based on market value. There are special procedures for valuing illiquid and restricted securities, short-term obligations for which market values cannot be readily obtained, and call options and hedging instruments. These procedures are described more completely in the Statement of Additional Information.

- The offering of shares may be suspended during any period in which the determination of net asset value is suspended, and the offering may be suspended by the Board of Trustees at any time the Board believes it is in the Fund's best interest to do so.

- Telephone Transaction Privileges for purchases, redemptions or exchanges may be modified, suspended or terminated by the Fund at any time. If an account has more than one owner, the Fund and the Transfer Agent may rely on the instructions of any one owner. Telephone privileges apply to each owner of the account and the dealer representative of record for the account unless and until the Transfer Agent receives cancellation instructions from an owner of the account.

- The Transfer Agent will record any telephone calls to verify data concerning transactions and has adopted other procedures to confirm that telephone instructions are genuine, by requiring callers to provide tax identification numbers and other account data or by using PINs, and by confirming such transactions in writing. If the Transfer Agent does not use reasonable procedures it may be liable for losses due to unauthorized transactions, but otherwise it will not be liable for losses or expenses arising out of telephone instructions reasonably believed to be genuine. If you are unable to reach the Transfer Agent during periods of unusual market activity, you may not be able to complete a telephone transaction and should consider placing your order by mail.

- Redemption or transfer requests will not be honored until the Transfer Agent receives all required documents in proper form. From time to time, the Transfer Agent in its discretion may waive certain of the requirements for redemptions stated in this Prospectus.

- Dealers that can perform account transactions for their clients by participating in NETWORKING through the National Securities Clearing Corporation are responsible for obtaining their clients' permission to perform those transactions and are responsible to their clients who are shareholders of the Fund if the Dealer performs any transaction erroneously.

- The redemption price for shares will vary from day to day because the value of the securities in the Fund's portfolio fluctuates, and the redemption price, which is the net asset value per share, will normally be different for Class A and Class B shares. Therefore, the redemption value of your shares may be more or less than their original cost.

- Payment for redeemed shares is made ordinarily in cash and forwarded by check or through AccountLink (as elected by the shareholder under the redemption procedures described above) within 7 days after the Transfer Agent receives redemption instructions in proper form, except under unusual circumstances determined by the Securities and Exchange Commission delaying or suspending such payments. The Transfer Agent may delay forwarding a check or processing a payment via AccountLink for recently purchased shares, but only until the purchase payment has cleared. That delay may be as much as 15 days from the date the shares were purchased. That delay may be avoided if you arrange with your bank to provide telephone or written assurance to the Transfer Agent that your

purchase payment has cleared.

- Involuntary redemptions of small accounts may be made by the Fund if the account value has fallen below \$200 for reasons other than the fact that the market value of shares has dropped, and in some cases involuntary redemptions may be made to repay the Distributor for losses from the cancellation of share purchase orders. Under unusual circumstances, shares of the Fund may be redeemed "in kind," which means that the redemption proceeds will be paid with securities from the Fund's portfolio. Please refer to the Statement of Additional Information for more details.

- "Backup Withholding" of Federal income tax may be applied at the rate of 31% from dividends, distributions and redemption proceeds (including exchanges) if you fail to furnish the Fund a certified Social Security or taxpayer identification number when you sign your application, or if you violate Internal Revenue Service regulations on tax reporting of dividends.

- The Fund does not charge a redemption fee, but if your dealer or broker handles your redemption, they may charge a fee. That fee can be avoided by redeeming your Fund shares directly through the Transfer Agent. Under the circumstances described in "How To Buy Shares," you may be subject to a contingent deferred sales charges when redeeming certain Class A and Class B shares.

#### Dividends, Capital Gains and Taxes

Dividends. The Fund declares dividends separately for Class A and Class B shares from net investment income each regular business day and pays those dividends to shareholders monthly. Normally, dividends are paid on the tenth business day of every month, but the Board of Trustees can change that date. It is expected that distributions paid with respect to Class A shares will generally be higher than for Class B shares because expenses allocable to Class B shares will generally be higher.

Prior to May 26, 1993, the Manager had undertaken to assume the Fund's expenses to the extent required to enable the Fund to pay dividends at a targeted level per share for Class A shares. This voluntary expense assumption was terminated as of May 26, 1993. As a result of the undertaking, the Fund's net asset value was higher during the period in which the undertaking was in effect than the net asset value otherwise would have been. There can be no assurance as to the payment of any dividends or the realization of any capital gains, and the practice of maintaining a targeted dividend level and the amount thereof may be changed by the Board at any time without prior notice to shareholders.

Capital Gains. The Fund may make distributions at least once each year out of any net short-term or long-term capital gains. Long-term capital gains will be separately identified in the tax information the Fund sends you after the end of the year. Short-term capital gains are treated as dividends.

Distribution Options. When you open your account, specify on your application how you want to receive your distributions. For OppenheimerFunds retirement accounts, all distributions are reinvested. For other accounts, you have four options:

- Reinvest all distributions in the Fund. You can elect to reinvest all dividends and long-term capital gains distributions in additional shares of the Fund.
- Reinvest capital gains only. You can elect to reinvest long-term

capital gains in the Fund while receiving dividends by check or sent to your bank account on AccountLink.

- Receive all distributions in cash. You can elect to receive a check for all dividends and long-term capital gains distributions or have them sent to your bank on AccountLink.
  
- Reinvest your distributions in another OppenheimerFunds account. You can reinvest all distributions in another OppenheimerFunds account you have established.

Taxes. You should be aware of the following tax implications of investing in the Fund. Long-term capital gains are taxable as long-term capital gains when distributed to shareholders. Dividends paid from short-term capital gains and net investment income are taxable as ordinary income. Distributions subject to federal income tax and/or state or local taxes will be taxable when paid, whether you reinvest them in additional shares or take them in cash. Every year the Fund will send you and the IRS a statement showing the amount of each taxable distribution you received in the previous year. Receipt of tax-exempt income must be reported on your federal income tax return.

- "Buying a Dividend": When a fund goes ex-dividend, its share price is reduced by the amount of the distribution. If you buy shares on or just before the ex-dividend date, you will pay the full price for the shares and then receive a portion of the price back as a taxable dividend.
  
- Taxes on transactions: Share redemptions, including redemptions for exchanges, are subject to capital gains tax. A capital gain or loss is the difference between the price you paid for the shares and the price you received when you sold them.
  
- Returns of Capital: If distributions made by the Fund must be recharacterized at the end of a fiscal year because of the Fund's investment policies (for example, due to losses on foreign currency exchange), shareholders may have a non-taxable return of capital. This will be identified in notices to shareholders.

The Fund intends to qualify under the Internal Revenue Code during each fiscal year to pay "exempt-interest dividends" to its shareholders. Exempt-interest dividends which are derived from net income earned by the Fund on Municipal Securities will be excludable from the gross income of shareholders for Federal income tax purposes. To the extent that distributions are derived from interest on Pennsylvania Municipal Securities, obligations of the U.S. Government and certain of its territories, agencies and instrumentalities, such distributions will also be exempt from Pennsylvania personal income tax and, in the case of residents of the City of Philadelphia, the investment income tax of the School District of Philadelphia (provided at least 80% of the Fund's assets are at all times invested in such obligations). All of the Fund's dividends (excluding distributions) paid during 1993 were exempt from such Federal and Pennsylvania income taxes. A portion of the exempt-interest dividends paid by the Fund may be an item of tax preference for shareholders subject to the alternative minimum tax. \_\_\_% of the Fund's dividends (excluding distributions) paid during 1993 were a tax preference item for such shareholders. Corporate shareholders and "substantial users" of facilities financed by Private Activity Municipal Securities should read "Investment Objective and Policies" in the Statement of Additional Information before purchasing shares.

For Federal income tax purposes, a shareholder receiving a dividend from income earned by the Fund from one or more of: (i) certain taxable temporary investments, (ii) income from securities loans, (iii) income or gains from hedging instruments, and (iv) an excess of net short-term

capital gain over net long-term capital loss from the Fund, treats the dividend as a receipt of either ordinary income or short-term capital gains in the computation of gross income, regardless of whether the dividend is reinvested. The Fund's dividends will not be eligible for the dividends-received deduction for corporations. Shareholders receiving Social Security benefits should be aware that exempt-interest dividends are a factor in determining whether such benefits are subject to Federal income tax. Losses realized by shareholders on the redemption of Fund shares within six months of purchase (which period may be shortened by regulation) will be disallowed for Federal income tax purposes to the extent of exempt-interest dividends received on such shares.

Individual shareholders of the Fund will be exempt from Pennsylvania county personal property taxes, the personal property tax of the City of Pittsburgh, and the personal property tax of the School District of Pittsburgh as to their shares of the Fund to the extent that the Fund's portfolio securities consist of Pennsylvania Municipal Securities and obligations of the U.S. Government, and certain of its territories, agencies and instrumentalities, and certain other obligations that are not subject to such personal property taxes on the annual assessment date. Corporations are not subject to Pennsylvania personal property taxes. Information will be provided to shareholders each year regarding the portion of the value of their shares, if any, that is subject to Pennsylvania personal property taxes.

This information is only a summary of certain federal tax information about your investment. More information is contained in the Statement of Additional Information, and in addition you should consult with your tax advisor about the effect of an investment in the Fund on your particular tax situation.

APPENDIX TO PROSPECTUS OF  
 OPPENHEIMER PENNSYLVANIA TAX-EXEMPT FUND

Graphic material included in Prospectus of Oppenheimer Pennsylvania Tax-Exempt Fund: "Comparison of Total Return of Oppenheimer Pennsylvania Tax-Exempt Fund with The Lehman Brothers Municipal Bond Index - Change in Value of a \$10,000 Hypothetical Investment"

A linear graph will be included in the Prospectus of Oppenheimer Pennsylvania Tax-Exempt Fund (the "Fund") depicting the initial account value and subsequent account value of a hypothetical \$10,000 investment in the Fund during each of the Fund's fiscal years since the commencement of the Fund's operations as to Class A shares (September 18, 1989) and the initial public offering of Class B shares (April 30, 1993) and comparing such values with the same investments over the same time periods with The Lehman Brothers Municipal Bond Index. Set forth below are the relevant data points that will appear on the linear graph. Additional information with respect to the foregoing, including a description of The Lehman Brothers Municipal Bond Index, is set forth in the Prospectus under "Performance of the Fund - How Has the Fund Performed?"

Fiscal Year (Period) Ended	Oppenheimer Pennsylvania Tax-Exempt Fund A	Lehman Brothers Municipal Bond Index
9/18/89 (1)	\$9,525	\$10,000
12/31/89	\$9,805	\$10,384
12/31/90	\$10,392	\$11,141
12/31/91	\$11,582	\$12,494
12/31/92	\$12,509	\$13,595
12/31/93	\$14,204	\$15,265

Fiscal Year (Period) Ended	Oppenheimer Pennsylvania Tax-Exempt Fund B	Lehman Brothers Municipal Bond Index
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4/30/93 (2)	\$10,000	\$10,000
12/31/93	\$10,167	\$10,718

- (1) The Fund commenced operations on September 18, 1989.
- (2) Class B shares of the Fund were first publicly offered on April 30, 1993.

Oppenheimer Pennsylvania Tax-Exempt Fund  
Two World Trade Center  
New York, New York 10048-0203  
Telephone: 1-800-525-7048

Investment Advisor  
Oppenheimer Management Corporation  
Two World Trade Center  
New York, New York 10048-0203

Distributor  
Oppenheimer Funds Distributor, Inc.  
Two World Trade Center  
New York, New York 10048-0203

Transfer Agent  
Oppenheimer Shareholder Services  
P.O. Box 5270  
Denver, Colorado 80217  
1-800-525-7048

Custodian of Portfolio Securities  
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399 Park Avenue  
New York, New York 10043

Independent Auditors  
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707 Seventeenth Street  
Denver, Colorado 80202

Legal Counsel  
Gordon Altman Butowsky  
Weitzen Shalov & Wein  
114 West 47th Street  
New York, New York 10036

No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus or the Additional Statement, and if given or made, such information and representation must not be relied upon as having been authorized by the Fund, Oppenheimer Management Corporation, Oppenheimer Funds Distributor, Inc., or any affiliate thereof. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state.

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Prospectus

OPPENHEIMER  
Pennsylvania Tax-Exempt Fund



Dated April 29, 1994

(OppenheimerFunds Logo)

Prospectus and  
New Account Application

OPPENHEIMER  
Pennsylvania Tax-Exempt Fund

Dated April 29, 1994

(OppenheimerFunds Logo)

STATEMENT OF ADDITIONAL INFORMATION  
OPPENHEIMER PENNSYLVANIA TAX-EXEMPT FUND  
Two World Trade Center, New York, New York 10048-0203  
1-800-525-7048

This Statement of Additional Information is not a Prospectus. This Statement of Additional Information contains more complete information about the investment policies and the account features of Oppenheimer Pennsylvania Tax-Exempt Fund (the "Fund") described in the Fund's Prospectus dated April 29, 1994, and should be read together with the Prospectus. A copy of the Prospectus may be obtained by writing to Oppenheimer Shareholder Services ("the Transfer Agent"), P.O. Box 5270, Denver, Colorado 80217 or by calling the Transfer Agent at the toll-free number shown above.

TABLE OF CONTENTS

Page

Investment Objective and Policies	
Other Investment Techniques and Strategies	
Additional Investment Restrictions	
Trustees and Officers of the Trust	
How the Fund is Managed	
Brokerage Policies of the Fund	
Your Investment Account	
Performance of the Fund	
Distribution and Service Plans	
Dividends, Capital Gains and Taxes	
Additional Information about the Fund	
Independent Auditors' Report	
Financial Statements of the Fund	
Appendix A: Ratings of Investments	
Appendix B: Tax-Equivalent Yields	

This Statement of Additional Information is dated April 29, 1994.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective and policies of the Fund are discussed in the Prospectus. Set forth below is supplemental information about those policies and the types of securities in which the Fund invests. Certain capitalized terms used in this Statement of Additional Information have the same meaning as those terms have in the Prospectus.

Investment Policies and Strategies. The Fund will not make investments with the objective of seeking capital growth. However, the value of the securities held by the Fund may be affected by changes in general interest

rates. Because the current value of debt securities varies inversely with changes in prevailing interest rates, if interest rates increase after a security is purchased, that security would normally decline in value. Conversely, should interest rates decrease after a security is purchased, its value would normally rise. Thus, the Fund may realize a capital gain or loss upon disposition of a portfolio security. There are, of course, variations in Municipal Securities, both within a particular classification and between classifications, depending on numerous factors. The yields of Municipal Securities depend on, among other things, general market conditions, general conditions of the Municipal Securities market, the size of a particular offering, the maturity of the obligation and the rating of the issue. The market value of Municipal Securities will vary as a result of changing evaluations of the ability of their issuers to meet interest and principal payments, as well as changes in the interest rates payable on new issues of Municipal Securities.

Municipal Securities. The types of Municipal Securities in which the Fund may invest are described in the Prospectus under "Investment Objective and Policies." A discussion of the general characteristics of types of Municipal Securities follows.

Municipal Bonds. The principal classifications of long-term municipal bonds are "general obligation" and "revenue" or "industrial development" bonds.

General Obligation Bonds. Issuers of general obligation bonds include states, counties, cities, towns, and regional districts. The proceeds of these obligations are used to fund a wide range of public projects, including construction or improvement of schools, highways and roads, and water and sewer systems. The basic security behind general obligation bonds is the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. The taxes that can be levied for the payment of debt service may be limited or unlimited as to the rate or amount of special assessments.

Revenue Bonds. The principal security for a revenue bond is generally the net revenues derived from a particular facility group of facilities, or, in some cases, the proceeds of a special excise or other specific revenue source. Revenue bonds are issued to finance a wide variety of capital projects including: electric, gas, water and sewer systems; highways, bridges, and tunnels; port and airport facilities; colleges and universities; and hospitals. Although the principal security behind these bonds may vary, many provide additional security in the form of a debt service reserve fund the money from which may be used to make principal and interest payments on the issuer's obligations. Housing finance authorities have a wide range of security, including partially or fully insured mortgages, rent subsidized and/or collateralized mortgages, and/or the net revenues from housing or other public projects. Some authorities provide further security in the form of a state's ability (without obligation) to make up deficiencies in the debt service reserve fund.

Industrial Development Bonds. Industrial development bonds, which are considered municipal bonds if the interest paid is exempt from federal income tax, are issued by or on behalf of public authorities to raise money to finance various privately operated facilities for business and manufacturing, housing, sports, and pollution control. These bonds are also used to finance public facilities such as airports, mass transit systems, ports, and parking. The payment of the principal and interest on such bonds is dependent solely on the ability of the facility's user to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment.

Municipal Notes. Municipal Securities having a maturity when issued of less than one year are generally known as municipal notes. Municipal notes generally are used to provide for short-term working capital needs and include:

Tax Anticipation Notes. Tax anticipation notes are issued to finance working capital needs of municipalities. Generally, they are issued in anticipation of various seasonal tax revenue, such as income,

sales, use of business taxes, and are payable from these specific future taxes.

Revenue Anticipation Notes. Revenue anticipation notes are issued in expectation of receipt of other types of revenue, such as federal revenues available under the Federal revenue sharing programs.

Bond Anticipation Notes. Bond anticipation notes are issued to provide interim financing until long-term financing can be arranged. In most cases, the long-term bonds then provide the money for the repayment of the notes.

Construction Loan Notes. Construction loan notes are sold to provide construction financing. After successful completion and acceptance, many projects receive permanent financing through the Federal Housing Administration.

Tax-Exempt Commercial Paper. Tax-exempt commercial paper is a short-term obligation with a stated maturity of 365 days or less. It is issued by state and local governments or their agencies to finance seasonal working capital needs or as short-term financing in anticipation of longer-term financing.

Floating Rate/Variable Rate Obligations. Floating rate and variable rate demand notes are tax-exempt obligations which may have a stated maturity in excess of one year, but may include features that permit the holder to recover the principal amount of the underlying security at specified intervals not exceeding one year and upon no more than 30 days' notice. The issuer of such notes normally has a corresponding right, after a given period, to prepay in its discretion the outstanding principal amount of the note plus accrued interest upon a specified number of days notice to the holder. The interest rate on a floating rate demand note is based on a stated prevailing market rate, such as a bank's prime rate, the 90-day U.S. Treasury Bill rate, or some other standard, and is adjusted automatically each time such rate is adjusted. The interest rate on a variable rate demand note is also based on a stated prevailing market rate but is adjusted automatically at specified intervals of no less than one year. Generally, the changes in the interest rate on such securities reduce the fluctuation in their market value. As interest rates decrease or increase, the potential for capital appreciation or depreciation is less than that for fixed-rate obligations of the same maturity. The Manager may determine that an unrated floating rate or variable rate demand obligation meets the Fund's quality standards by reason of being backed by a letter of credit or guarantee issued by a bank that meets those quality standards. Floating rate or variable rate obligations which do not provide for recovery of principal and interest within seven days will be subject to the limitations applicable to illiquid securities described in "Investment Objective and Policies - Illiquid Securities" in the Prospectus. There is otherwise no limit on the amount of the Fund's assets that may be invested in floating rate and variable rate obligations.

Municipal Lease Obligations. Municipal leases may take the form of a lease or an installment purchase contract issued by a state or local government authority to obtain funds to acquire a wide variety of equipment and facilities. Although lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, a lease obligation is ordinarily backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation. However, certain lease obligations contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. In addition to the risk of "non-appropriation," municipal lease securities do not yet have a highly developed market to provide the degree of liquidity of conventional municipal bonds. Municipal leases, like other municipal debt obligations, are subject to the risk of non-payment. The ability of issuers of municipal leases to make timely lease payments may be adversely affected in general economic downturns and as relative governmental cost burdens are reallocated among federal, state and local governmental units. Such non-payment would result in a reduction of income to the Fund, and could result in a reduction in the value of the municipal lease experiencing non-payment and a potential decrease in the

net asset value of the Fund.

Puts and Standby Commitments. When the Fund buys Municipal Securities, it may obtain a standby commitment to repurchase the securities that entitles it to achieve same-day settlement from the repurchaser and to receive an exercise price equal to the amortized cost of the underlying security plus accrued interest, if any, at the time of exercise. A put purchased in conjunction with a Municipal Security enables the Fund to sell the underlying security within a specified period of time at a fixed exercise price. The Fund may pay for a standby commitment or put either separately in cash or by paying a higher price for the securities acquired subject to the standby commitment or put. The Fund will enter into these transactions only with banks and dealers which, in the Manager's opinion, present minimal credit risks. The Fund's ability to exercise a put or standby commitment will depend on the ability of the bank or dealer to pay for the securities if the put or standby commitment is exercised. If the bank or dealer should default on its obligation, the Fund might not be able to recover all or a portion of any loss sustained from having to sell the security elsewhere. Puts and standby commitments are not transferable by the Fund, and therefore terminate if the Fund sells the underlying security to a third party. The Fund intends to enter into these arrangements to facilitate portfolio liquidity, although such arrangements may enable the Fund to sell a security at a pre-arranged price which may be higher than the prevailing market price at the time the put or standby commitment is exercised. However, the Fund might refrain from exercising a put or standby commitment if the exercise price is significantly higher than the prevailing market price, to avoid imposing a loss on the seller which could jeopardize the Fund's business relationships with the seller. Any consideration paid by the Fund for the put or standby commitment (which increases the cost of the security and reduces the yield otherwise available from the security) will be reflected on the Fund's books as unrealized depreciation while the put or standby commitment is held, and a realized gain or loss when the put or commitment is exercised or expires. Interest income received by the Fund from Municipal Securities subject to puts or standby commitments may not qualify as tax exempt in its hands if the terms of the put or standby commitment cause the Fund not to be treated as the tax owner of the underlying Municipal Securities.

Private Activity Municipal Securities. The Tax Reform Act of 1986 (the "Tax Reform Act") reorganized, as well as amended, the rules governing tax exemption for interest on Municipal Securities. The Tax Reform Act generally does not change the tax treatment of bonds issued in order to finance governmental operations. Thus, interest on obligations issued by or on behalf of state or local government, the proceeds of which are used to finance the operations of such governments (e.g., general obligation bonds) continues to be tax-exempt. However, the Tax Reform Act further limited the use of tax-exempt bonds for non-governmental (private) purposes. More stringent restrictions were placed on the use of proceeds of such bonds. Interest on certain private activity bonds (other than those specified as "qualified" tax-exempt private activity bonds, e.g., exempt facility bonds including certain industrial development bonds, qualified mortgage bonds, qualified Section 501(c)(3) bonds, qualified student loan bonds, etc.) is taxable under the revised rules. In addition, the limitations as to the amount of private activity bonds which each state may issue were revised downward, which will reduce the supply of such bonds.

Interest on certain private activity bonds issued after August 7, 1986, which continues to be tax-exempt, will be treated as a tax preference item subject to the alternative minimum tax (discussed below) to which certain taxpayers are subject. Further, a private activity bond which would otherwise be a qualified tax-exempt private activity bond will not, under Internal Revenue Code Section 147(a), be a qualified bond for any period during which it is held by a person who is a "substantial user" of the facilities or by a "related person" of such a substantial user. This "substantial user" provision is applicable primarily to exempt facility bonds, including industrial development bonds. The Fund may not be an appropriate investment for entities which are "substantial users" (or persons related thereto) of such exempt facilities, and such persons should consult their own tax advisers before purchasing shares. A "substantial user" of such facilities is defined generally as a "non-exempt person who regularly uses part of a facility" financed from the

proceeds of exempt facility bonds. Generally, an individual will not be a "related person" under the Internal Revenue Code unless such investor or the investor's immediate family (spouse, brothers, sisters and immediate descendants) own directly or indirectly in the aggregate more than 50% in value of the equity of a corporation or partnership which is a "substantial user" of a facility financed from the proceeds of exempt facility bonds. In addition, the Tax Reform Act revised downward the limitations as to the amount of private activity bonds which each state may issue, which will reduce the supply of such bonds. The value of the Fund's portfolio could be affected if there is a reduction in the availability of such bonds. That value may also be affected by a 1988 U.S. Supreme Court decision upholding the constitutionality of the imposition of a Federal tax on the interest earned on Municipal Securities issued in bearer form.

A Municipal Security is treated as a taxable private activity bond under a test for: (a) a trade or business use and security interest, or (b) a private loan restriction. Under the trade or business use and security interest test, an obligation is a private activity bond if: (i) more than 10% of bond proceeds are used for private business purposes and (ii) 10% or more of the payment of principal or interest on the issue is directly or indirectly derived from such private use or is secured by the privately used property or the payments related to the use of the property. For certain types of uses, a 5% threshold is substituted for this 10% threshold. (The term "private business use" means any direct or indirect use in a trade or business carried on by an individual or entity other than a governmental unit.) Under the private loan restriction, the amount of bond proceeds which may be used to make private loans is limited to the lesser of 5% or \$5.0 million of the proceeds. Thus, certain issues of Municipal Securities could lose their tax-exempt status retroactively if the issuer fails to meet certain requirements as to the expenditure of the proceeds of that issue or use of the bond-financed facility. The Fund makes no independent investigation of the users of such bonds or their use of proceeds. If the Fund should hold a bond that loses its tax-exempt status retroactively, there might be an adjustment to the tax-exempt income previously paid to shareholders.

The Federal alternative minimum tax is designed to ensure that all taxpayers pay some tax, even if their regular tax is zero. This is accomplished in part by including in taxable income certain tax preference items in arriving at alternative minimum taxable income. The Tax Reform Act made tax-exempt interest from certain private activity bonds a tax preference item for purposes of the alternative minimum tax on individuals and corporations. Any exempt-interest dividend paid by a regulated investment company will be treated as interest on a specific private activity bond to the extent of its proportionate share of the interest on such bonds received by the regulated investment company. The U.S. Treasury is authorized to issue regulations implementing this provision. In addition, corporate taxpayers subject to the alternative minimum tax may, under some circumstances, have to include exempt-interest dividends in calculating their alternative minimum taxable income in situations where the "adjusted current earnings" of the corporation exceeds its alternative minimum taxable income. The Fund may hold Municipal Securities the interest on which (and thus a proportionate share of the exempt-interest dividends paid by the Fund) will be subject to the Federal alternative minimum tax on individuals and corporations. The Fund anticipates that under normal circumstances it will not purchase any such securities in an amount greater than 20% of its total assets.

Changes in Ratings. Subsequent to its purchase by the Fund, a Municipal Security may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event requires the Fund to sell the security, but the Manager will consider such events in determining whether the Fund should continue to hold the security. To the extent that ratings given by Moody's, S&P or Fitch change as a result of changes in such organizations or their rating systems, the Fund will attempt to use comparable ratings as standards for investments in accordance with the Fund's investment policies.

Special Investment Considerations - Pennsylvania Municipal Securities. As explained in the Prospectus, the Fund is highly sensitive to the fiscal stability of Pennsylvania and its subdivisions, agencies, instrumentalities or authorities which issue the Pennsylvania Municipal

Securities in which the Fund concentrates its investments. Investors should also consider the factors discussed below under "Hedging With Options and Futures Contracts."

The following information as to the fiscal condition of the Commonwealth of Pennsylvania (the "Commonwealth") is provided in view of the Fund's policy of investing primarily in securities of Pennsylvania issuers. Such information is derived from sources that are generally available to investors. Although the Fund has not independently verified any of this information, it is not aware of any inaccuracies. Such information constitutes only a brief summary, does not purport to be a complete description and is based on information from official statements relating to securities offerings of Pennsylvania issuers.

The Commonwealth and certain of its counties, cities and school districts and public bodies have from time to time in the past encountered financial difficulties which have adversely affected their respective credit standings and borrowing abilities. For example, the worsening financial condition of the City of Philadelphia has impaired its ability to borrow and has resulted in its obligations being downgraded to below investment grade by Moody's and S&P. Such difficulties could, of course, affect outstanding obligations of such entities, including obligations held by the Fund. The following are highlights of certain factors bearing on the financial conditions of such entities.

For the fiscal year ended June 30, 1991, the Pennsylvania General Fund (the "General Fund") experienced an \$861.2 million operating deficit (determined on a basis using generally accepted accounting principles ("GAAP")) resulting in a balance deficit of \$980.9 million at June 30, 1991. On a budgetary basis, the Commonwealth experienced a budget deficit of \$453.6 million for the fiscal year ended June 30, 1991. These operating deficits were attributed by the Commonwealth to the national recession. During fiscal 1992, the General Fund recorded a \$1.1 billion operating surplus (determined on a GAAP basis). This operating surplus was attributable largely to legislated tax increases enacted in August, 1991, and by cost reduction measures implemented throughout the fiscal year. The General Fund balance at June 30, 1992 (determined on a GAAP basis) was \$87.5 million. Tax increases enacted as a part of the fiscal 1992 budget are estimated to have increased receipts for fiscal 1992 by over \$2.7 billion. Total General Fund revenue for fiscal 1992 (determined on a budgetary basis) was \$14,516.8 million, a \$2,654.5 million increase over cash receipts during fiscal 1991. The original fiscal 1992 budget revenue estimates were revised downward during the fiscal year to reflect continued recessionary activity. Cost reductions were implemented during fiscal 1992 resulting in approximately \$296.8 million of approximation lapses, contributing to an \$8.8 million budgetary surplus at fiscal year-end.

The fiscal 1993 budget appropriates \$14.046 billion for spending, an increase of \$32.1 million over fiscal 1992. The modest increase in expenditures was reportedly the result of revenues being constrained by a personal income tax rate reduction effective July 1, 1992, a low rate of economic growth, higher tax refund reserves to cushion against adverse decisions on pending tax litigations, and \$71.3 million of appropriation line-item vetoes by the Governor. Commonwealth revenues are estimated for the fiscal 1993 budget to total \$14.587 billion, a \$69.9 million increase over actual fiscal 1992 revenues. The projected low revenue growth for fiscal 1993 is due to the Commonwealth's expectation that weak growth in employment, consumer income, and retail sales will continue, and by the reduction of the personal income tax rate from 3.1% to 2.8% on July 1, 1992. In addition, tax refund reserves were increased \$209 million to \$548 million for fiscal 1993 to allow for potential tax refunds that might be payable from any adverse judicial decision in a number of pending tax litigations. In January 1993, the refund estimate was reduced to \$530 million. Through January 1993, total General Fund revenue collections were below revenue estimates by 0.3% (\$19.1 million).

For the fiscal year 1994, the Governor has proposed a budget containing a 5.1% increase in appropriations. The Governor's proposed budget estimates revenue growth of 4.8% and is based in part on an expectation of continued economic recovery, but at a slow rate.

Certain industries traditionally strong in Pennsylvania, such as coal, steel and railways, have declined and account for a decreasing share of total employment. Service industries (including trade, health care, education and finance) have grown, however, contributing increasingly to Pennsylvania's economy and since 1985 have exceeded the manufacturing section as the largest single source of employment.

While the level of Pennsylvania's population basically remained constant from 1982 through 1991, nonagricultural employment increased by a lesser rate than that of the U.S. as a whole from 1984 through 1991. From 1986 through 1990, Pennsylvania's unemployment rate was slightly less than the average unemployment rate for the U.S., but in 1991 was slightly higher than the U.S. unemployment rate. In January 1993, the most recent month for which data is available, the seasonally adjusted unemployment rate for the Commonwealth was 7.5% compared to 7.1% for the U.S.

Debt service on general obligation bonds of Pennsylvania, except those issued for highway purposes or the benefit of other special revenue funds, is payable from the General Fund, the recipient of all Commonwealth revenues that are not required to be deposited in other funds. As of June 30, 1992, the Commonwealth had \$4,873.0 million of general obligation debt bonds outstanding. Although Pennsylvania's Constitution permits the issuance of an aggregate amount of capital projects debt equal to 1.75 times the average annual tax revenues of the preceding five fiscal years, the General Assembly may authorize and historically has authorized a smaller amount. This constitutional limit does not apply to other types of Pennsylvania debt such as debt approved by the electorate or debt issued to rehabilitate areas affected by disaster. However, the former may be incurred only after the enactment of legislation calling for a referendum and usually specifying the purpose and amount of such debt, followed by electoral approval. Similarly, debt issued to rehabilitate a disaster area must be authorized by legislation which sets the debt limits. These statutory and constitutional limitations imposed on bonds are also applicable to bond and anticipation notes.

Pennsylvania cannot use tax anticipation notes or any other form of debt to fund budget deficits between fiscal years. All year-end deficits must be funded within the succeeding fiscal year's budget. Moreover, the principal amount of tax anticipation notes issued and outstanding for the account of a fund during a fiscal year may not exceed 20% of that fund's estimated revenues for that fiscal year.

The debt of the Pennsylvania Housing Finance Agency ("PHFA"), a state agency which provides housing for lower and moderate income families, and certain obligations of The Hospitals and Higher Education Facilities Authority of Philadelphia (the "Hospitals Authority") is the only debt bearing Pennsylvania's "moral obligation." PHFA's bonds, but not its notes, are partially secured by a capital reserve fund required to be maintained by PHFA in an amount equal to the maximum annual debt service on its outstanding bonds in any succeeding calendar year. If there is a potential deficiency in the capital reserve fund or if funds are necessary to avoid default on interest, principal or sinking fund payments on bonds or notes of PHFA, the Governor must place in Pennsylvania's budget for the next succeeding year an amount sufficient to make up any such deficiency or to avoid any such default. The budget which the General Assembly adopts may or may not include such amount. PHFA is not permitted to borrow additional funds as long as any deficiency exists in the capital reserve fund.

Other obligations of Pennsylvania include long-term agreements with public authorities to make lease payments that are pledged as security for those authorities' revenue bonds and pension plans covering state public school and other employees. The total unfunded accrued liability under these pension plans for their fiscal years ended in 1992 was \$4,760 million.

Certain Pennsylvania-created agencies have statutory authorization to incur debt for which legislation providing for state appropriations to pay debt service thereon is not required. The debt of these agencies is supported solely by assets of, or revenues derived from, the various projects financed and is not an obligation of Pennsylvania. Some of these agencies, however, are indirectly dependent on Pennsylvania funds through various state-assisted programs. There can be no assurance that in the



future assistance of the Commonwealth will be available to these agencies. These entities are as follows: the Delaware River Joint Toll Bridge Commission, Delaware River Port Authority, Pennsylvania Energy Development Authority, Pennsylvania Higher Education Assistance Agency, Pennsylvania Higher Education Facilities Authority, Pennsylvania Industrial Development Authority, Pennsylvania State Public School Building Authority, the Pennsylvania Turnpike Commission, the Pennsylvania Economic Development Financing Authority and the Pennsylvania Infrastructure Investment Authority.

Legislation providing for the establishment of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") to assist Philadelphia in remedying fiscal emergencies was enacted by the General Assembly and approved by the Governor in June, 1991. PICA is designed to provide assistance through the issuance of funding debt to liquidate budget deficits and to make factual findings and recommendations to Philadelphia concerning its budgetary and fiscal affairs. An intergovernmental cooperation agreement between Philadelphia and the PICA was approved by City Counsel on January 3, 1992, and approved by the PICA Board and signed by the Mayor on January 8, 1992. At this time, Philadelphia is operating under a five year fiscal plan approved by PICA on April 6, 1992. Full implementation of the five year plan was delayed due to labor negotiations that were not completed until October 1992. The terms of the new labor contracts are estimated to cost approximately \$144 million more than what was budgeted in the original five year plan. The Mayor and his Administration have amended the plan to bring it back in balance and their plan is presently being considered by the PICA and City Counsel.

In June 1992, PICA issued \$474,555,000 of its Special Tax Revenue Bonds to provide financial assistance to Philadelphia and to liquidate the cumulative General Fund balance deficit of \$224.9 million at June 30, 1992. In February, Philadelphia filed an amended five year plan with PICA, in which the General Fund balance deficit for the fiscal year ending June 30, 1993 is projected to be \$1.8 million.

Many factors affect the financial condition of the Commonwealth and its counties, cities and school districts and public bodies, certain of which may not be within the control of such entities, such as social, environmental and economic conditions. Various litigation is pending against the Commonwealth, its officers and employees. An adverse decision on one or more of these cases could materially affect the Commonwealth's governmental operations. As is the case with many states, the continuation of many of the Commonwealth's programs, particularly its human services programs, is dependent to a significant degree upon continuing federal reimbursements which have been steadily declining. The loss of grants to the Commonwealth and its political subdivisions could slow economic development. Also, changes to the Internal Revenue Code, by limiting certain types of tax-exempt financing, may interfere with the ability of the Commonwealth and its political subdivisions to carry out their programs. To the extent that such factors exist, they could have an adverse effect on economic conditions in Pennsylvania, although the Fund is unable to predict what effect, if any, such factors would have on the Fund's investments.

#### OTHER INVESTMENT TECHNIQUES AND STRATEGIES

When-Issued and Delayed Delivery Transactions. As stated in the Prospectus, the Fund may purchase Municipal Securities on a "when-issued" basis, and may purchase or sell such securities on a "delayed delivery" basis. Payment for and delivery of the securities generally settles within 45 days of the date the offer is accepted. The purchase price and yield are fixed at the time the buyer enters into the commitment. However, the Fund intends to be as fully invested as possible and will not invest in when-issued securities if its income or net asset value will be materially adversely affected. At the time the Fund makes the commitment to purchase a Municipal Security on a when-issued basis, it will record the transaction on its books and reflect the value of the security in determining its net asset value. It will also segregate cash or other high quality liquid Municipal Securities equal in value to the commitment for the when-issued securities. While when-issued securities may be sold prior to the settlement date, the Fund intends to acquire the securities upon settlement unless a prior sale appears desirable for investment



reasons. There is a risk that the yield available in the market when delivery occurs may be higher than the yield on the security acquired.

**Loans of Portfolio Securities.** The Fund may lend its portfolio securities subject to the restrictions stated in the Prospectus. Under applicable regulatory requirements (which are subject to change), the loan collateral must, on each business day, be at least equal to the market value of the loaned securities and must consist of cash, bank letters of credit or securities of the U.S. Government (or its agencies or instrumentalities) or other cash equivalents in which the Fund is permitted to invest. To be acceptable as collateral, letters of credit must obligate a bank to pay amounts demanded by the Fund if the demand meets the terms of the letter. Such terms and the issuing bank must be satisfactory to the Fund. The Fund receives an amount equal to the dividends or interest on loaned securities and also receives one or more of (a) negotiated loan fees, (b) interest on securities used as collateral, or (c) interest on short-term debt securities purchased with such loan collateral; either type of interest may be shared with the borrower. The Fund may also pay reasonable finder's, custodian and administrative fees. The terms of the Fund's loans must meet certain tests under the Internal Revenue Code and permit the Fund to reacquire loaned securities on five days' notice or in time to vote on any important matter. Income from securities loans is not included in the exempt-interest dividends paid by the Fund.

**Inverse Floaters.** The Fund will invest in inverse floaters in the expectation that they will provide higher expected tax-exempt yields than are available for fixed-rate bonds having comparable credit ratings and maturity. In certain instances, the holder of an inverse floater may have an option to convert it into a fixed-rate bond pursuant to a "rate lock option." Inverse floaters may produce relatively high current income, reflecting the spread between short-term and long-term tax-exempt interest rates. As long as the municipal yield curve remains relatively steep and short-term rates remain relatively low, owners of inverse floaters will continue to earn above-market interest rates because they are receiving the higher long-term rates and have paid for bonds with lower short-term rates. If the yield curve flattens and shifts upward, an inverse floater will lose value more quickly than conventional long-term municipal bonds.

**Writing Covered Calls.** When the Fund writes a call on a security, it receives a premium and agrees to sell the underlying investment to a purchaser of a corresponding call during the call period (usually not more than nine months) at a fixed exercise price (which may differ from the market price of the underlying investment) regardless of market price changes during the call period. To terminate its obligation on a call it has written, the Fund may purchase a corresponding call in a "closing purchase transaction." A profit or loss will be realized, depending upon whether the net of the amount of option transaction costs and the premium previously received on the call written is more or less than the price of the call subsequently purchased. A profit may also be realized if the call lapses unexercised, because the Fund retains the related investment and the premium received. Any such profits are considered short-term gains for Federal tax purposes, as are premiums on lapsed calls, and when distributed by the Fund are taxable as ordinary income. If the Fund could not effect a closing purchase transaction due to lack of a market, it would have to hold the underlying investment until the call lapsed or was exercised.

**Hedging With Options and Futures Contracts.** As described in the Prospectus, the Fund may employ one or more types of hedging instruments. Hedging instruments will only be used in accordance with the requirement that the Fund invest in securities to earn income and not to trade for profit and that it not vary its portfolio investments except in certain specified circumstances. When hedging to attempt to protect against declines in the market value of the Fund's portfolio, to permit the Fund to retain unrealized gains in the value of portfolio securities which have appreciated, or to facilitate selling securities for investment reasons, the Fund may: (i) sell Interest Rate Futures or Municipal Bond Index Futures, (ii) buy puts on such Futures or securities, or (iii) write covered calls on securities, Interest Rate Futures or Municipal Bond Index Futures (as described in the Prospectus). When hedging to permit the Fund to establish a position in the debt securities market as a temporary

substitute for purchasing individual debt securities (which the Fund will normally purchase, and then terminate that hedging position), the Fund may: (i) buy Interest Rate Futures or Municipal Bond Index Futures, or (ii) buy calls on such Futures or securities (as described in the Prospectus). The Fund's strategy of hedging with Futures and options on Futures will be incidental to the Fund's activities in the underlying cash market. Additional Information about the hedging instruments the Fund may use is provided below.

**Interest Rate Futures.** The Fund may buy and sell futures contracts relating to debt securities ("Interest Rate Futures") and municipal bond indices ("Municipal Bond Index Futures," discussed below). An Interest Rate Future obligates the seller to deliver and the purchaser to take the related debt securities at a specified price on a specified date. No amount is paid or received upon the purchase or sale of an Interest Rate Future. Upon entering into a Futures transaction, the Fund will be required to deposit an initial margin payment, equal to a specified percentage of the contract amount, with the futures commission merchant (the "futures broker"). The initial margin will be deposited with the Fund's Custodian in an account registered in the futures broker's name; however, the futures broker can gain access to that account only under specified conditions. As the Future is marked to market to reflect changes in its market value, subsequent margin payments, called variation margin, will be made to and from the futures broker on a daily basis. At any time prior to the expiration of the Future, the Fund may elect to close out its position by taking an opposite position, at which time a final determination of variation margin is made and additional cash is required to be paid by or released to the Fund. Any gain or loss is then realized. Although Interest Rate Futures by their terms call for settlement by the delivery of debt securities, in most cases the obligation is fulfilled by entering into an offsetting transaction. All futures transactions are effected through a clearinghouse associated with the exchange on which the contracts are traded.

**Municipal Bond Index Futures.** A "municipal bond index" assigns relative values to the municipal bonds in the index, and is used as the basis for trading long-term municipal bond futures contracts. Municipal Bond Index Futures are similar to Interest Rate Futures except that settlement is made in cash. The obligation under such contracts may also be satisfied by entering into an offsetting contract to close out the Futures position. Net gain or loss on options on Municipal Bond Index Futures depends on the price movements of the securities included in the index. The strategies which the Fund employs regarding Municipal Bond Index Futures are similar to those described above with regard to Interest Rate Futures.

**Purchasing Puts and Calls.** When the Fund purchases a call, it pays a premium and has the right to buy the related investment from a seller of a corresponding call on the same investment during the call period at a fixed exercise price. The Fund benefits only if the call is sold at a profit or if, during the call period, the market price of the underlying investment is above the call price plus the transaction costs and premium paid and the call is exercised. If the call is not exercised or sold (whether or not at a profit), it will become worthless at its expiration date and the Fund will lose its premium payment and the right to purchase the underlying investment.

When the Fund buys a put, it pays a premium and has the right to sell the related investment to a seller of a corresponding put on the same investment during the put period at a fixed exercise price. Buying a put on a debt security, Interest Rate Future or Municipal Bond Index Future the Fund owns enables the Fund to protect itself during the put period against a decline in the value of the underlying investment below the exercise price by selling such underlying investment at the exercise price to a seller of a corresponding put. If the market price of the underlying investment is equal to or above the exercise price and as a result the put is not exercised or resold, the put will become worthless at its expiration date and the Fund will lose its premium payment and the right to sell the underlying investment; the put may, however, be sold prior to expiration (whether or not at a profit).

Puts and calls on municipal bond indices, Interest Rate Futures or

Municipal Bond Index Futures are similar to puts and calls on debt securities or futures contracts except that all settlements are in cash and gain or loss depends on changes in the index in question (and thus on price movements in the debt securities market generally) rather than on price movements in individual securities or futures contracts. When the Fund buys a call on a municipal bond index, Interest Rate Future or Municipal Bond Index Future, it pays a premium. During the call period, upon exercise of a call by the Fund, a seller of a corresponding call on the same index will pay the Fund an amount of cash to settle the call if the closing level of the index or Future upon which the call is based is greater than the exercise price of the call; that cash payment is equal to the difference between the closing price of the index and the exercise price of the call times a specified multiple (the "multiplier") which determines the total dollar value for each point of difference. When the Fund buys a put on an Interest Rate Future or Municipal Bond Index Future, it pays a premium and has the right during the put period to require a seller of a corresponding put, upon the Fund's exercise of its put, to deliver to the Fund an amount of cash to settle the put if the closing level of the index or Future upon which the put is based is less than the exercise price of the put; that cash payment is determined by the multiplier, in the same manner as described above as to calls.

An option position may be closed out only on a market which provides secondary trading for options of the same series and there is no assurance that a liquid secondary market will exist for any particular option. The Fund's option activities may affect its turnover rate and brokerage commissions. The exercise of calls written by the Fund may cause it to sell underlying investments, thus increasing its turnover rate in a manner beyond its control. The exercise by the Fund of puts may also cause the sale of related investments, also causing turnover, since the related investment might be sold for reasons which would not exist in the absence of the put. Although such exercise is within the Fund's control, holding a put might cause the Fund to sell the related investments for reasons which would not exist in the absence of the put. The Fund will pay a brokerage commission each time it buys or sells a call, put or an underlying investment in connection with the exercise of a put or call. Such commissions may be higher than those which would apply to direct purchases or sales of the underlying investment.

Premiums paid for options are small in relation to the market value of the related investments and consequently, put and call options offer large amounts of leverage. The leverage offered by trading in options could result in the underlying investments in the Fund's net asset value being more sensitive to changes in the value of the underlying investments.

Interest Rate Swap Transactions. Swap agreements entail both interest rate risk and credit risk. With respect to interest rate risk, the Fund could be obligated to pay more under its swap agreements than it receives, as a result of interest rate changes. Credit risk arises from the possibility that the counterparty will default. If the counterparty to an interest rate swap defaults, the Fund's loss will consist of the net amount of contractual interest payments that the Fund has not yet received. The Manager will monitor the creditworthiness of counterparties to the Fund's interest rate swap transactions on an ongoing basis. The Fund will enter into swap transactions with appropriate counterparties pursuant to master netting agreements. A master netting agreement provides that all swaps done between the Fund and that counterparty under the master agreement shall be regarded as parts of an integral agreement. If on any date amounts are payable in the same currency in respect of one or more swap transactions, the net amount payable on that date in that currency shall be paid. In addition, the master netting agreement may provide that if one party defaults generally or on one swap, the counterparty may terminate the swaps with that party. Under such agreements, if there is a default resulting in a loss to one party, the measure of that party's damages is calculated by reference to the average cost of a replacement swap with respect to each swap (i.e., the mark-to-market value at the time of the termination of each swap). The gains and losses on all swaps are then netted, and the result is the counterparty's gain or loss on termination. The termination of all swaps and the netting of gains and losses on termination is generally referred to as "aggregation."

Additional Information about Hedging Instruments and Their Use. The Fund's Custodian, or a securities depository acting for the Custodian, will act as the Fund's escrow agent through the facilities of the Options Clearing Corporation ("OCC"), as to the investments on which the Fund has written calls traded on exchanges, or as to other acceptable escrow securities, so that no margin will be required for such transactions. OCC will release the securities on the expiration of the calls or upon the Fund's entering into a closing purchase transaction. An option position may be closed out only on a market which provides secondary trading for options of the same series and there is no assurance that a liquid secondary market will exist for any particular option. The Fund's option activities may affect its portfolio turnover rate and brokerage commissions. The exercise of calls written by the Fund may cause the Fund to sell related portfolio securities, thus increasing its portfolio turnover rate. The exercise by the Fund of puts on securities will cause the sale of related investments, increasing portfolio turnover. Although such exercise is within the Fund's control, holding a put might cause the Fund to sell the related investments for reasons which would not exist in the absence of the put. The Fund will pay a brokerage commission each time it buys a call or put, sells a call, or buys or sells an underlying investment in connection with the exercise of a call or put. Such commissions may be higher on a relative basis than those which would apply to direct purchases or sales of such underlying investments. Premiums paid for options as to underlying investments are small in relation to the market value of such investments and consequently, put and call options offer large amounts of leverage. The leverage offered by trading in options could result in the Fund's net asset value being more sensitive to changes in the value of the underlying investment.

Regulatory Aspects of Hedging Instruments. The use of Futures and options thereon to attempt to protect against the market risk of a decline in the value of portfolio securities is referred to as having a "short futures position," and the use of such instruments to attempt to protect against the market risk that portfolio securities are not fully included in an increase in value of the market as a whole is referred to as having a "long futures position." The Fund must operate within certain restrictions as to its long and short positions in Futures and options thereon under a rule (the "CFTC Rule") adopted by the Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act (the "CEA"), which excludes the Fund from registration with the CFTC as a "commodity pool operator" (as defined under the CEA), if it complies with the CFTC Rule. Under these restrictions, the Fund will not, as to any positions, whether long, short or a combination thereof, enter into Futures and options thereon for which the aggregate initial margins and premiums exceed 5% of the fair market value of its net assets, with certain exclusions as defined in the CFTC Rule. Under the restrictions, the Fund also must, as to its short positions, use Futures and options thereon solely for bona fide hedging purposes within the meaning and intent of the applicable provisions of the CEA.

Transactions in options by the Fund are subject to limitations established by each of the exchanges governing the maximum number of options which may be written or held by a single investor or group of investors acting in concert, regardless of whether the options were written or purchased on the same or different exchanges or are held in one or more accounts or through one or more different exchanges or through one or more brokers. Thus, the number of options which the Fund may write or hold may be affected by options written or held by other entities, including other investment companies having the same adviser as the Fund or an affiliated investment adviser. Position limits also apply to Futures. An exchange may order the liquidation of positions found to be in violation of these limits and may impose certain other sanctions. Due to requirements under the Investment Company Act, when the Fund purchases an Interest Rate Future or Municipal Bond Index Future, the Fund will maintain, in a segregated account or accounts with its Custodian, cash or readily-marketable, short-term (maturing in one year or less) debt instruments in an amount equal to the market value of the securities underlying such Future, less the margin deposit applicable to it.

Tax Aspects of Hedging Instruments and Covered Calls. The Fund intends to qualify as a "regulated investment company" under the Internal Revenue Code. One of the tests for such qualification is that less than

30% of its gross income (irrespective of losses) must be derived from gains realized on the sale of securities held for less than three months. Due to this limitation, the Fund will limit the extent to which it engages in the following activities, but will not be precluded from them: (i) selling investments, including Interest Rate Futures and Municipal Bond Index Futures, held for less than three months; (ii) writing calls on investments held less than three months; (iii) purchasing calls or puts which expire in less than three months; (iv) effecting closing transactions with respect to calls or puts purchased less than three months previously; and (v) exercising puts or calls held by the Fund for less than three months.

**Possible Risk Factors in Hedging.** In addition to the risks with respect to Futures and options discussed in the Prospectus and above, there is a risk in using short hedging by selling Interest Rate Futures and Municipal Bond Index Futures that the prices of such Futures or the applicable index will correlate imperfectly with the behavior of the cash (i.e., market value) prices of the Fund's securities. The ordinary spreads between prices in the cash and futures markets are subject to distortions due to differences in the natures of those markets. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions which could distort the normal relationship between the cash and futures markets. Second, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced, thus producing distortion. Third, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may cause temporary price distortions.

The risk of imperfect correlation increases as the composition of the Fund's portfolio diverges from the securities included in the applicable index. To compensate for the imperfect correlation of movements in the price of the debt securities being hedged and movements in the price of the hedging instruments, the Fund may use hedging instruments in a greater dollar amount than the dollar amount of debt securities being hedged if the historical volatility of the prices of such debt securities being hedged is more than the historical volatility of the applicable index. It is also possible that where the Fund has used hedging instruments in a short hedge, the market may advance and the value of the debt securities held in the Fund's portfolio may decline. If this occurred, the Fund would lose money on the hedging instruments and also experience a decline in value of its debt securities. However, while this could occur for a very brief period or to a very small degree, over time the value of a diversified portfolio of debt securities will tend to move in the same direction as the indices upon which the hedging instruments are based. If the Fund uses hedging instruments to establish a position in the debt securities markets as a temporary substitute for the purchase of individual debt securities (long hedging) by buying Interest Rate Futures, Municipal Bond Index Futures and/or calls on such Futures or debt securities, it is possible that the market may decline; if the Fund then concludes not to invest in such securities at that time because of concerns as to possible further market decline or for other reasons, the Fund will realize a loss on the hedging instruments that is not offset by a reduction in the price of the debt securities purchased.

**Repurchase Agreements.** In a repurchase transaction, the Fund acquires a security from, and simultaneously resells it to, an approved vendor (a U.S. commercial bank or the U.S. branch of a foreign bank with assets of at least \$1 billion or a broker-dealer with net capital of at least \$50 million which has been designated a primary dealer in government securities) for delivery on an agreed-on future date. The resale price exceeds the purchase price in that it reflects an agreed-upon interest rate effective for the period during which the repurchase agreement is in effect. The majority of these transactions run from day to day, and delivery pursuant to resale typically will occur within one to five days of the purchase. Repurchase agreements are considered loans under the Investment Company Act, collateralized by the underlying security. The Fund's repurchase agreements require that at all times while the

repurchase agreement is in effect, the value of the collateral must equal or exceed the repurchase price to fully collateralize the loan. Additionally, the Manager will continuously monitor the collateral's value and will impose creditworthiness requirements to confirm that the vendor is financially sound.)

#### ADDITIONAL INVESTMENT RESTRICTIONS

The most significant investment restrictions that apply to the Fund are described in the Prospectus. There are additional investment restrictions that the Fund must follow that are fundamental policies of the Fund. Fundamental policies and the Fund's investment objective, described in the Prospectus, cannot be changed without the vote of a "majority" of the Fund's outstanding voting securities. Under the Investment Company Act, such a "majority" vote is defined as the vote of the holders of the lesser of (i) 67% or more of the shares present or represented by proxy at a shareholders' meeting, if the holders of more than 50% of the outstanding shares are present or represented by a proxy, or (ii) more than 50% of the outstanding shares.

Under these additional restrictions, the Fund cannot: (1) invest in real estate, but this shall not prevent the Fund from investing in Municipal Securities or other permitted securities secured by real estate or interests therein; (2) purchase securities other than hedging instruments on margin; however, the Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities; (3) make short sales of securities; (4) underwrite securities or invest in securities subject to restrictions on resale; (5) invest in or hold securities of any "issuer" (see below) if officers and Trustees or Directors of the Fund and the Manager individually owning more than .5% of the securities of such issuer together own more than 5% of the securities of such issuer; or (6) invest in securities of any other investment company, except in connection with a merger, consolidation, acquisition or reorganization.

Under restriction (5) above, the identification of the issuer of a Municipal Security depends on the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision and the security is backed only by the assets and revenues of the subdivision, such subdivision would be deemed to be the sole issuer. Similarly, in the case of an industrial development bond, if that bond is backed only by the assets and revenues of the nongovernmental user, then such nongovernmental user would be deemed the sole issuer. However, if in either case the creating government or some other entity guarantees a security, such a guarantee would be considered a separate security and is to be treated as an issue of such government or other agency. In applying these restrictions to the Fund's investments, the Manager will consider a nongovernmental user of facilities financed by industrial development bonds as being in a particular industry, despite the fact that such bonds are Pennsylvania Municipal Securities as to which there is no industry concentration limitation. Although this application of the restriction is not technically a fundamental policy under the Investment Company Act, it will not be changed without shareholder approval. The Manager has no present intention of investing more than 25% of the total assets of the Fund in securities paying interest from revenues of similar type projects, or in industrial development bonds. Neither of these are fundamental policies, and therefore may be changed without shareholder approval. Should any such change be made, the Prospectus and/or this Additional Statement will be supplemented accordingly.

#### TRUSTEES AND OFFICERS OF THE TRUST

The Trustees and officers of the Trust and their principal occupations and business affiliations during the past five years are listed below. All of the Trustees are also trustees, directors or managing general partners of Oppenheimer Fund, Oppenheimer Time Fund, Oppenheimer Special Fund, Oppenheimer Tax-Free Bond Fund, Oppenheimer New York Tax-Exempt Fund, Oppenheimer California Tax-Exempt Fund, Oppenheimer



Global Fund, Oppenheimer Money Market Fund, Inc., Oppenheimer U.S. Government Trust, Oppenheimer Gold & Special Minerals Fund, Oppenheimer Target Fund, Oppenheimer Asset Allocation Fund, Oppenheimer Mortgage Income Fund, Oppenheimer Global Bio-Tech Fund, Oppenheimer Global Environment Fund, Oppenheimer Global Growth & Income Fund, Oppenheimer Discovery Fund, Oppenheimer Multi-Sector Income Trust and Oppenheimer Multi-Government Trust (collectively, the "New York OppenheimerFunds"). All of the Trust's officers except Mr. Patterson are officers of the New York OppenheimerFunds. Mr. Spiro is President and Mr. Levy is Chairman of the New York OppenheimerFunds. As of March \_\_, 1994, the Trustees and officers of the Trust as a group beneficially owned less than 1% of the outstanding Class A and Class B shares of the Trust and of the Fund.

LEON LEVY, Chairman of the Board of Trustees  
General Partner of Odyssey Partners, L.P. (investment partnership);  
Chairman of Avatar Holdings, Inc. (real estate development).

LEO CHERNE, Trustee  
386 Park Avenue South, New York, New York 10016  
Chairman Emeritus of the International Rescue Committee  
(philanthropic organization); formerly Executive Director of the  
Research Institute of America.

EDMUND T. DELANEY, Trustee  
5 Gorham Road, Chester, Connecticut 06412  
Attorney-at-Law; formerly a Member of the Connecticut State  
Historical Commission and Counsel to Copp, Berall & Hempstead (a law  
firm).

ROBERT G. GALLI, Trustee\*  
Vice Chairman of the Manager and Vice President of Oppenheimer  
Acquisition Corp. ("OAC") the Manager's parent holding company;  
formerly he held the following positions: a director of Oppenheimer  
Funds Distributor, Inc. (the "Distributor"), Vice President and a  
director of HarbourView Asset Management Corporation ("HarbourView")  
and Centennial Asset Management Corporation ("Centennial"),  
investment adviser subsidiaries of the Manager, a director of  
Shareholder Financial Services, Inc. ("SFSI") and Shareholder  
Services, Inc. ("SSI"), transfer agent subsidiaries of the Manager,  
an officer of other OppenheimerFunds and Executive Vice President and  
General Counsel of the Manager and the Distributor.

BENJAMIN LIPSTEIN, Trustee  
591 Breezy Hill Road, Hillsdale, NY 12529  
Professor Emeritus of Marketing, Stern Graduate School of Business  
Administration, New York University.

ELIZABETH B. MOYNIHAN, Trustee  
801 Pennsylvania Avenue, N.W., Washington, DC 20004  
Author and architectural historian; a trustee of the American Schools  
of Oriental Research and the Freer Gallery of Art, Smithsonian  
Institution; a member of the Indo-U.S. Sub-Commission on Education  
and Culture; a trustee of the Institute of Fine Arts, New York  
University, and a trustee of the Preservation League of New York  
State.

KENNETH A. RANDALL, Trustee  
6 Whittaker's Mill, Williamsburg, Virginia 23185  
A director of Northeast Bancorp, Inc. (bank holding company),  
Dominion Resources, Inc. (electric utility holding company) and  
Kemper Corporation (insurance and financial services company);  
formerly Chairman of the Board of ICL, Inc. (information systems).

EDWARD V. REGAN, Trustee  
40 Park Avenue, New York, New York 10016  
President of Jerome Levy Institute, Bard College; Member of the U.S.  
Competitiveness Policy Council; formerly New York State Comptroller.

RUSSELL S. REYNOLDS, JR., Trustee  
200 Park Avenue, New York, New York 10166  
Founder Chairman of Russell Reynolds Associates, Inc. (executive

recruiting); Chairman of Directors Publication, Inc. (consulting and publishing); a Trustee of Mystic Seaport Museum, International House, Greenwich Historical Society and Greenwich Hospital.

SIDNEY M. ROBBINS, Trustee

50 Overlook Road, Ossining, New York 10562

Chase Manhattan Professor Emeritus of Financial Institutions, Graduate School of Business, Columbia University; Visiting Professor of Finance, University of Hawaii; a director of The Korea Fund, Inc. and The Malaysia Fund, Inc. (closed-end investment companies); a member of the Board of Advisors, Olympus Private Placement Fund, L.P.; Professor Emeritus of Finance, Adelphi University.

DONALD W. SPIRO, President and Trustee\*

Chairman Emeritus of the Manager; formerly Chairman and President of the Manager and President and a Director of the Distributor.

PAULINE TRIGERE, Trustee

550 Seventh Avenue, New York, New York 10018

Chairman and Chief Executive Officer of Trigere, Inc. (design and sale of women's fashions).

CLAYTON K. YEUTTER, Trustee

1325 Merrie Ridge Road, McLean, Virginia 22101

Of Counsel, Hogan & Hartson (a law firm); a director of B.A.T. Industries, Ltd. (tobacco and financial services), Caterpillar, Inc. (machinery), ConAgra, Inc. (food and agricultural products), FMC Corp. (chemicals and machinery), Lindsay Manufacturing Co. and Texas Instruments, Inc. (electronics); formerly (in descending chronological order) Deputy Chairman, Bush/Quayle Presidential Campaign, Counsellor to the President (Bush) for Domestic Policy, Chairman of the Republican National Committee, Secretary of the U.S. Department of Agriculture, and U.S. Trade Representative, Executive Office of the President.

ROBERT E. PATTERSON, Vice President and Portfolio Manager

Senior Vice President of the Manager; an officer of other OppenheimerFunds.

ANDREW J. DONOHUE, Secretary

Executive Vice President and General Counsel of the Manager and the Distributor; an officer of other OppenheimerFunds; formerly Senior Vice President and Associate General Counsel of the Manager and the Distributor; Partner in, Kraft & McManimon (a law firm); an officer of First Investors Corporation (a broker-dealer) and First Investors Management Company, Inc. (broker-dealer and investment adviser); director and an officer of First Investors Family of Funds and First Investors Life Insurance Company.

GEORGE C. BOWEN, Treasurer

3410 South Galena Street, Denver, Colorado 80231

Senior Vice President and Treasurer of the Manager; Vice President and Treasurer of the Distributor and HarbourView; Senior Vice President, Treasurer and Assistant Secretary and a director Centennial; Vice President/Treasurer and Secretary of SSI and SFSI; an officer of other OppenheimerFunds; formerly Senior Vice President/Comptroller and Secretary of Oppenheimer Asset Management Corporation.

LYNN M. COLUCCY Assistant Treasurer

3410 South Galena Street, Denver, Colorado 80231

Vice President and Assistant Treasurer of the Manager; an officer of other OppenheimerFunds; formerly Vice President/Director of Internal Audit of the Manager.

ROBERT G. ZACK, Assistant Secretary

Senior Vice President and Associate General Counsel of the Manager; Assistant Secretary of SSI and SFSI; an officer of other OppenheimerFunds.



\*A Trustee who is an "interested person" of the Fund as defined in the Investment Company Act.

Remuneration of Trustees. The officers of the Fund (including Mr. Spiro, an officer and Trustee) are affiliated with the Manager and receive no salary or fee from the Fund. During the fiscal year ended December 31, 1993, the remuneration (including expense reimbursements) paid by the Fund to all Trustees of the Fund (excluding Mr. Spiro) as a group for services as Trustees and as members of one or more committees totaled \$\_\_\_\_\_. The Fund has adopted a retirement plan under which each Trustee who is not an "interested person" of the Fund and who retires after a minimum required period of service would be entitled to retirement payments upon reaching age 70 based on length of service and computed as a percentage of the average of the five highest years of compensation, subject to a maximum amount per year. No Trustee has retired since adoption of the program and no payments have been made thereunder by the Fund. In the fiscal year ended December 31, 1993, the Fund accrued \$\_\_\_\_\_ for retirement plan benefits for its Trustees under the plan.

Major Shareholders. As of March \_\_, 1994, no person owned of record or was known by the Trust or the Fund to own beneficially 5% or more of the outstanding Class A shares or Class B shares of the Trust or the Fund, respectively.

#### HOW THE FUND IS MANAGED

The Fund's Manager is wholly-owned by Oppenheimer Acquisition Corp., a holding company controlled by Massachusetts Mutual Life Insurance Company. OAC is also owned in part by certain of the Manager's directors and officers, some of whom may serve as officers of the Fund, and one of whom (Mr. Spiro) serves as Trustee of the Trust.

A management fee is payable monthly to the Manager under the terms of the investment advisory agreement between the Manager and the Fund (the "Agreement"), and is computed on the aggregate net assets of the Fund as of the close of business each day. The Agreement requires the Manager, at its expense, to provide the Fund with adequate office space, facilities and equipment, and to provide and supervise the activities of all administrative and clerical personnel required to provide effective administration for the Fund, including the compilation and maintenance of records with respect to its operations, the preparation and filing of specified reports, and composition of proxy materials and registration statements for continuous public sale of shares of the Fund. Expenses not expressly assumed by the Manager under the Agreement or by the Distributor are paid by the Fund. The Agreement lists examples of expenses paid by the Fund, the major categories of which relate to interest, taxes, brokerage commissions, fees to unaffiliated trustees, legal, bookkeeping and audit expenses, custodian and transfer agent expenses, share issuance costs, certain printing and registration costs and non-recurring expenses, including litigation. The Fund also pays its organizational and start-up expenses, as explained in the notes to the accompanying Financial Statements. For the fiscal years ended December 31, 1991, 1992 and 1993, the management fees payable by the Fund to the Manager were \$64,301, \$131,646 and \$\_\_\_\_\_, respectively. These amounts do not reflect the expense assumptions of \$73,040 and \$\_\_\_\_\_ by the Manager for the fiscal year ended December 31, 1992 and the fiscal period ended December 31, 1993 (prior to May 26, 1993), respectively.

The Agreement contains no provision whereby the Fund's expenses are limited by an assumption of those expenses by the Manager. However, independently of the Agreement, the Manager has voluntarily agreed to assume the Fund's expenses to the extent required so that the total expenses of the Fund (including the advisory fee but excluding taxes, interest, brokerage fees, Rule 12b-1 Distribution Plan expenses and extraordinary expenses such as litigation costs) shall not exceed the most

stringent state regulatory limitation on Fund expenses applicable to the distribution of shares of the Fund. In addition, prior to May 26, 1993, independently of the Agreement, the Manager had also voluntarily agreed to assume expenses of the Fund (subject to the limits described in the foregoing sentence) in an amount equal to .20% of the Fund's average annual net assets. Effective May 26, 1993, this additional voluntary expense assumption was terminated. The payment of the management fee will be reduced monthly to the extent necessary so that there will not be any accrued but unpaid liability under any expense assumption undertaking. The Manager reserves the right to modify or terminate a voluntary expense assumption undertaking at any time. Any assumption of the Fund's expenses under a voluntary undertaking would lower the Fund's overall expense ratio and increase its total return during any period in which expenses are limited.

The Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations thereunder, the Manager is not liable for any loss sustained by reason of any investment of Fund assets made with due care and in good faith. The Agreement permits the Manager to act as investment adviser for any other person, firm or corporation and to use the name "Oppenheimer" in connection with one or more additional companies for which it may act as investment adviser or general distributor. If the Manager shall no longer act as investment adviser to the Fund, the right of the Fund to use the name "Oppenheimer" as part of its title may be withdrawn.

#### BROKERAGE POLICIES OF THE FUND

Portfolio Transactions. Portfolio decisions are made by portfolio managers under the supervision of the Manager's executive officers. As most purchases of Municipal Securities made by the Fund are principal transactions at net prices, the Fund incurs little or no brokerage costs. The Fund deals directly with the selling or purchasing principal or market maker without incurring charges for the services of a broker on its behalf unless it is determined that better price or execution may be obtained by utilizing the services of a broker. Purchases of portfolio securities from underwriters include a commission or concession paid by the issuer to the underwriter, and purchases from dealers include a spread between the bid and asked price. The Fund seeks to obtain prompt execution of orders at the most favorable net price.

Brokerage Provisions of the Investment Advisory Agreement. The Agreement contains provisions relating to the selection of brokers, dealers and futures commission merchants (collectively, "brokers") for the Fund's Futures, and put and call transactions. The Manager is authorized by the Agreement to employ brokers as may, in its best judgment based on all relevant factors, implement the policy of the Fund to obtain, at reasonable expense, the "best execution" (prompt and reliable execution at the most favorable price obtainable) of such transactions. The Manager need not seek competitive commission bidding but is expected to minimize the commissions paid to the extent consistent with the interest and policies of the Fund.

The Agreement allows affiliates of the Manager to act as the Fund's brokers and receive brokerage commissions. Commissions paid to affiliates are calculated in accordance with "Procedures" adopted pursuant to Securities and Exchange Commission ("SEC") Rule 17e-1 under the Act, which requires that commissions paid to an affiliate or an affiliate of an affiliate of the Manager must be "reasonable and fair compared to the commission, fee or other remuneration received or to be received by other brokers in connection with comparable transactions involving similar securities during a comparable period of time." When the Fund engages in an option transaction, ordinarily the same broker will be used for the purchase or sale of the option and any transactions in the securities to which the option relates. Where possible, concurrent orders to purchase or sell the same security by more than one of the accounts managed by the Manager or its affiliates are combined. The transactions effected pursuant to such combined orders are averaged as to price and allocated in accordance with the purchase or sale orders actually placed for each account.

Under the Agreement, the Manager is authorized to select brokers other than affiliated brokers which provide brokerage and/or research

services for the Fund and/or the other accounts over which the Manager or its affiliates have investment discretion. The commissions paid to such brokers may be higher than another qualified broker would have charged if a good faith determination is made by the Manager that the commission is reasonable and fair in relation to the services provided. Subject to the foregoing considerations, the Manager may also consider the willingness of particular broker-dealers to sell shares as a factor in their selection.

The research services provided by a particular broker may be useful only to one or more of the advisory accounts of the Manager and its affiliates, and investment research for the commissions of these other accounts may be useful both to the Fund and one or more of such other accounts. Such research, which may be supplied by a third party at the instance of a broker, includes information and analyses on particular companies, issuers and industries as well as market or economic trends and portfolio strategy, receipt of market quotations for portfolio evaluations, information systems, computer hardware and similar products and services. It serves to broaden the scope and supplement the research activities of the Manager, to make available additional views for consideration and comparisons, and to enable the Manager to obtain market information for the valuation of securities held in the Fund's portfolio or being considered for purchase. If a research service also assists the Manager in a non-research capacity (such as bookkeeping or other administrative functions), then only the percentage or component that provides assistance to the Manager in the investment decision-making process may be paid for in commission dollars. The Board and the independent Trustees of the Trust annually review information furnished by the Manager relative to the commissions paid to brokers furnishing such services in an effort to ascertain that the amount of such commissions was reasonably related to the value or benefit of such services.

Other funds advised by the Manager have investment objectives and policies similar to those of the Fund. Such other funds may purchase or sell the same securities at the same time as the Fund, which could affect the supply or price of such securities. If two or more of such funds purchase the same security on the same day from the same dealer, the Manager may average the price of the transactions and allocate the average among such funds.

#### YOUR INVESTMENT ACCOUNT

How the Fund Determines Net Asset Value Per Share. The net asset values per share of Class A and Class B shares of the Fund are determined as of 4:00 P.M., New York time, each day the New York Stock Exchange (the "NYSE") is open (a "regular business day") by dividing the value of the Fund's net assets attributable to that class by the number of shares of that class outstanding. The NYSE's most recent annual holiday schedule (which is subject to change) states that it will close New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The NYSE may also close on other days. Dealers other than NYSE members may conduct trading in Municipal Securities on certain days on which the NYSE is closed (e.g., Good Friday), so that securities of the same type held by the Fund may be traded, and the net asset values per share of Class A and Class B shares of the Fund may be significantly affected, on such days when shareholders cannot purchase or redeem shares.

The Trust's Board of Trustees has established procedures for the valuation of its securities: (i) long-term debt securities, and short-term debt securities having a remaining maturity in excess of 60 days, are valued at the mean between the asked and bid prices determined by a portfolio pricing service approved by the Board or obtained from active market makers in the security; (ii) short-term debt securities having a remaining maturity of 60 days or less are valued at cost, adjusted for amortization of premiums and accretion of discounts; and (iii) securities (including restricted securities) not having readily-available market quotations are valued at fair value under the Board's procedures. In the case of Municipal Securities, U.S. Government securities and corporate bonds, where last sale information is not generally available, such pricing procedures may include "matrix" comparisons to the prices for

comparable instruments on the basis of quality, yield, maturity and other special factors involved. With the approval of the Trust's Board of Trustees, the Manager may employ a pricing service, bank or broker-dealer experienced in such matters to price any of the types of securities described above. The Trustees will monitor the accuracy of pricing services by comparing prices used for portfolio evaluation to actual sales prices of selected securities. The Fund values puts, calls, Interest Rate Futures and Municipal Bond Index Futures at the last sale prices on the principal exchange or on the NASDAQ on which they are traded, or if there are no sales that day, at values based on the last sale price of the preceding trading day or closing bid and asked prices.

When the Fund writes a call, an amount equal to the premium received is included in the Fund's Statement of Assets and Liabilities as an asset, and an equivalent deferred credit is included in the liability section. The deferred credit is "marked-to-market" to reflect the current market value of the call. If a call written by the Fund expires or if the Fund enters into a closing purchase transaction, the Fund has a gain or loss from the sale of the underlying securities and the proceeds are increased by the premium originally received. If a call written by the Fund is exercised, the proceeds are increased by the premium originally received. If a put held by the Fund is exercised by it, the amount the Fund receives on its sale of the related investment is reduced by the amount of the premium paid by the Fund.

Alternative Sales Arrangements - Class A and Class B Shares. The Alternative Sales Arrangements permit an investor to choose the method of purchasing shares that is more beneficial to the investor depending on the amount of the purchase, the length of time the investor expects to hold shares and other relevant circumstances. Investors should understand that the purpose and function of the deferred sales charge and asset-based sales charge with respect to Class B shares are the same as those of the initial sales charge with respect to Class A shares. Any salesperson or other person entitled to receive compensation for selling Fund shares may receive different compensation with respect to one class of shares than the other. The Distributor will not accept any order for \$1 million or more of Class B shares on behalf of a single investor (not including dealer "street name" or omnibus accounts) because generally it will be more advantageous for that investor to purchase Class A shares of the Fund instead.

The two classes of shares each represent an interest in the same portfolio investments of the Fund. However, each class has different shareholder privileges and features. The net income attributable to Class B shares and the dividends payable on Class B shares will be reduced by incremental expenses borne solely by that class, including the asset-based sales charge to which Class B shares are subject.

The conversion of Matured Class B shares to Class A shares is subject to the continuing availability of a private letter ruling from the Internal Revenue Service, or an opinion of counsel or tax adviser, to the effect that the conversion of Matured Class B shares does not constitute a taxable event for the holder under Federal income tax law. If such a revenue ruling or opinion is no longer available, the automatic conversion feature may be suspended, in which event no further conversions of Matured Class B shares would occur while such suspension remained in effect. Although Matured Class B shares could then be exchanged for Class A shares on the basis of relative net asset value of the two classes, without the imposition of a sales charge or fee, such exchange could constitute a taxable event for the holder, and absent such exchange, Class B shares might continue to be subject to the asset-based sales charge for longer than six years.

The methodology for calculating the net asset value, dividends and distributions of the Fund's Class A and Class B shares recognizes two types of expenses. General expenses that do not pertain specifically to either class are allocated pro rata to the shares of each class, based on the percentage of the net assets of such class to the Fund's total net assets, and then equally to each outstanding share within a given class. Such general expenses include (i) management fees, (ii) legal, bookkeeping and audit fees, (iii) printing and mailing costs of shareholder reports,

Prospectuses, Additional Statements and other materials for current shareholders, (iv) fees to unaffiliated Trustees, (v) custodian expenses, (vi) share issuance costs, (vii) organization and start-up costs, (viii) interest, taxes and brokerage commissions, and (ix) non-recurring expenses, such as litigation costs. Other expenses that are directly attributable to a class are allocated equally to each outstanding share within that class. Such expenses include (i) Distribution Plan fees, (ii) incremental transfer and shareholder servicing agent fees and expenses, (iii) registration fees and (iv) shareholder meeting expenses, to the extent that such expenses pertain to a specific class rather than to the Fund as a whole.

AccountLink. When shares are purchased through AccountLink, each purchase must be at least \$25.00. Shares will be purchased on the regular business day the Distributor is instructed to initiate the Automated Clearing House transfer to buy the shares. Dividends will begin to accrue on such shares on the day the Fund receives Federal Funds for such purchase through the ACH system before 4:00 P.M., which is normally 3 days after the ACH transfer is initiated. The Distributor and the Fund are not responsible for any delays. If the Federal Funds are received after 4:00 P.M., dividends will begin to accrue on the next regular business day after such Federal Funds are received.

Reduced Sales Charges. As discussed in the Prospectus, a reduced sales charge rate may be obtained for Class A shares under Right of Accumulation and Letters of Intent because of the economies of sales efforts and reduction in expenses realized by the Distributor, dealers and brokers making such sales. No sales charge is imposed in certain other circumstances described in the Prospectus because the Distributor incurs little or no selling expenses. The term "immediate family" refers to one's spouse, children, grandchildren, grandparents, parents, parents-in-law, brothers and sisters, sons- and daughters-in-law, a sibling's spouse and a spouse's siblings.

- The OppenheimerFunds. The OppenheimerFunds are those mutual funds for which the Distributor acts as the distributor or the sub-Distributor and include the following:

Oppenheimer Tax-Free Bond  
Fund  
Oppenheimer New York Tax  
-Exempt Fund  
Oppenheimer California Tax  
-Exempt Fund  
Oppenheimer Intermediate Tax  
-Exempt Bond Fund  
Oppenheimer Insured Tax  
-Exempt Bond Fund  
Oppenheimer Main Street  
California Tax-Exempt Fund  
Oppenheimer Florida Tax  
-Exempt Fund  
Oppenheimer Pennsylvania Tax  
-Exempt Fund  
Oppenheimer Fund  
Oppenheimer Discovery Fund  
Oppenheimer Time Fund  
Oppenheimer Target Fund  
Oppenheimer Special Fund  
Oppenheimer Equity Income  
Fund  
Oppenheimer Value Stock Fund  
Oppenheimer Asset Allocation  
Fund  
Oppenheimer Total Return  
Fund, Inc.  
Oppenheimer Main Street  
Income & Growth Fund

Oppenheimer High Yield Fund  
Oppenheimer Champion High  
Yield Fund  
Oppenheimer Investment Grade  
Bond Fund  
Oppenheimer U.S. Government  
Trust  
Oppenheimer Government  
Securities Fund  
Oppenheimer Mortgage Income  
Fund  
Oppenheimer Global Fund  
Oppenheimer Global Bio-Tech  
Fund  
Oppenheimer Global  
Environment Fund  
Oppenheimer Global Growth &  
Income Fund  
Oppenheimer Gold & Special  
Minerals Fund  
Oppenheimer Strategic Income  
Fund  
Oppenheimer Strategic  
Investment Grade Bond Fund  
Oppenheimer Strategic Short  
-Term Income Fund  
Oppenheimer Strategic Income  
& Growth Fund  
Oppenheimer Strategic  
Diversified Income Fund  
Oppenheimer New Jersey Tax-Exempt Fund

the following "Money Market Funds":

Oppenheimer Money Market  
Fund, Inc.  
Oppenheimer Cash Reserves  
Oppenheimer Tax-Exempt Cash  
Reserves  
Centennial Money Market Trust  
Centennial Tax Exempt Trust  
  
Centennial Government Trust  
Centennial New York Tax  
Exempt Trust  
Centennial California Tax  
Exempt Trust  
Centennial America Fund, L.P.  
Daily Cash Accumulation Fund,  
Inc.

There is an initial sales charge on the purchase of Class A shares of each of the Oppenheimer Funds except Money Market Funds (under certain circumstances described herein, redemption proceeds of Money Market Fund shares may be subject to a CDSC).

- Letters of Intent. A Letter of Intent ("Letter") is the investor's statement of intention to purchase Class A shares of the Fund (and other eligible Oppenheimer Funds) sold with a front-end sales charge during the 13-month period from the investor's first purchase pursuant to the Letter (the "Letter of Intent period"), which may, at the investor's request, include purchases made up to 90 days prior to the date of the Letter. The Letter states the investor's intention to make the aggregate amount of purchases (excluding any purchases made by reinvestments of dividends or distributions or purchases made at net asset value without sales charge), which together with the investor's holdings of such funds (calculated at their respective public offering prices calculated on the date of the Letter) will equal or exceed the amount specified in the Letter to obtain the reduced sales charge rate (as set forth in the Prospectus) applicable to purchases of shares in that amount (the "intended amount"). Each purchase under the Letter will be made at the

public offering price applicable to a single lump-sum purchase of shares in the intended amount, as described in the Prospectus.

In submitting a Letter, the investor makes no commitment to purchase shares, but if the investor's purchases of shares within the Letter of Intent period, when added to the value (at offering price) of the investor's holdings of shares on the last day of that period, do not equal or exceed the intended amount, the investor agrees to pay the additional amount of sales charge applicable to such purchases, as set forth in "Terms of Escrow," below (as those terms may be amended from time to time). The investor agrees that shares equal in value to 5% of the intended amount will be held in escrow by the Transfer Agent subject to the Terms of Escrow. Also, the investor agrees to be bound by the terms of the Prospectus, this Statement of Additional Information and the Application used for such Letter of Intent, and if such terms are amended, as they may be from time to time by the Fund, that those amendments will apply automatically to existing Letters of Intent.

If the total eligible purchases made during the Letter of Intent period do not equal or exceed the intended amount, the commissions previously paid to the dealer of record for the account and the amount of sales charge retained by the Distributor will be adjusted to the rates applicable to actual total purchases. If total eligible purchases during the Letter of Intent period exceed the intended amount and exceed the amount needed to qualify for the next sales charge rate reduction set forth in the applicable prospectus, the sales charges paid will be adjusted to the lower rate, but only if and when the dealer returns to the Distributor the excess of the amount of commissions allowed or paid to the dealer over the amount of commissions that apply to the actual amount of purchases. The excess commissions returned to the Distributor will be used to purchase additional shares for the investor's account at the net asset value per share in effect on the date of such purchase, promptly after the Distributor's receipt thereof.

In determining the total amount of purchases made under a Letter, shares redeemed by the investor prior to the termination of the Letter of Intent period will be deducted. It is the responsibility of the dealer of record and/or the investor to advise the Distributor about the Letter in placing any purchase orders for the investor during the Letter of Intent period. All of such purchases must be made through the Distributor.

#### Terms of Escrow that Apply to Letters of Intent.

1. Out of the initial purchase (or subsequent purchases if necessary) made pursuant to a Letter, shares of the Fund equal in value to 5% of the intended amount specified in the Letter shall be held in escrow by the Transfer Agent. For example, if the intended amount specified under the Letter is \$50,000, the escrow shall be shares valued in the amount of \$2,500 (computed at the public offering price adjusted for a \$50,000 purchase). Any dividends and capital gains distributions on the escrowed shares will be credited to the investor's account.
2. If the total minimum investment specified under the Letter is completed within the thirteen-month Letter of Intent period, the escrowed shares will be promptly released to the investor.
3. If, at the end of the thirteen-month Letter of Intent period the total purchases pursuant to the Letter are less than the intended amount specified in the Letter, the investor must remit to the Distributor an amount equal to the difference between the dollar amount of sales charges actually paid and the amount of sales charges which would have been paid if the total amount purchased had been made at a single time. Such sales charge adjustment will apply to any shares redeemed prior to the completion of the Letter. If such difference in sales charges is not paid within twenty days after a request from the Distributor or the dealer, the



Distributor will, within sixty days of the expiration of the Letter, redeem the number of escrowed shares necessary to realize such difference in sales charges. Full and fractional shares remaining after such redemption will be released from escrow. If a request is received to redeem escrowed shares prior to the payment of such additional sales charge, the sales charge will be withheld from the redemption proceeds.

4. By signing the Letter, the investor irrevocably constitutes and appoints the Transfer Agent as attorney-in-fact to surrender for redemption any or all escrowed shares.

5. The shares eligible for purchase under the Letter (or the holding of which may be counted toward completion of the Letter) do not include any shares sold without a front-end sales charge or without being subject to a Class A contingent deferred sales charge unless (for the purpose of determining completion of the obligation to purchase shares under the Letter) the shares were acquired in exchange for shares of one of the Oppenheimer Funds whose shares were acquired by payment of a sales charge.

6. Shares held in escrow hereunder will automatically be exchanged for shares of another fund to which an exchange is requested, as described in the section of the Prospectus entitled "Exchange Privilege," and the escrow will be transferred to that other fund.

Redemptions. Information on how to redeem shares of the Fund is provided in the Prospectus. The Prospectus states that payment for shares tendered for redemption is ordinarily made in cash. However, if the Board of Trustees determines that it would be detrimental to the best interests of the remaining shareholders of the Fund to make payment wholly in cash, the Fund may pay the redemption price in whole or in part by a distribution in kind of securities from the portfolio of the Fund, in lieu of cash, in conformity with applicable Securities and Exchange Commission rules. The Fund has elected to be governed by Rule 18f-1 under the Investment Company Act, pursuant to which it is obligated to redeem shares of the Fund solely in cash up to the lesser of \$250,000 or 1% of the net assets of the Fund during any 90-day period for any one shareholder. If shares are redeemed in kind, the redeeming shareholder might incur brokerage or other costs in converting the assets to cash. Any securities distributed by the Fund pursuant to an "in-kind" redemption will be readily marketable. The method of valuing securities used to make redemptions in kind will be the same as the method of valuing portfolio securities described above under "Determination of Net Asset Value Per Share," and such valuation will be made as of the same time the redemption price is determined.

The Trust's Board of Trustees has the right to cause the involuntary redemption of the shares held in any account if the aggregate net asset value of such shares is less than \$200 or such lesser amount as the Board may fix. The Trust's Board of Trustees will not cause the involuntary redemption of shares held in an account if the aggregate net asset value of such shares has fallen below the stated minimum solely as result of market fluctuations. Should the Board elect to exercise this right, it may also fix, in accordance with the Investment Company Act, the requirements for any notice to be given to the shareholders in question (not less than 30 days), or may set requirements for permission to allow the shareholder to increase the investment so that the shares would not be involuntarily redeemed.

Asset Builder Plans. To establish an Asset Builder Plan from a bank account, a check (minimum \$25) for the initial purchase must accompany the application. Shares purchased by Asset Builder Plan payments from bank accounts are subject to the redemption restrictions for recent purchases described in "How To Sell Shares," in the Prospectus. Asset Builder Plans also enable shareholders of Oppenheimer Tax-Exempt Cash Reserves or Oppenheimer Cash Reserves to use those accounts for monthly automatic purchases of shares of up to four other Eligible Funds.



There is a sales charge on the purchase of certain Eligible Funds. An application should be obtained from the Transfer Agent, completed and returned, and a prospectus of the selected fund(s) (available from the Distributor) should be obtained before initiating Asset Builder payments. The amount of the Asset Builder investment may be changed or the automatic investments may be terminated at any time by writing to the Transfer Agent. A reasonable period (approximately 15 days) is required after the Transfer Agent's receipt of such instructions to implement them. The Fund reserves the right to amend, suspend, or discontinue offering such plans at any time without prior notice.

**Cancellation of Purchase Orders.** Cancellation of purchase orders for the Fund's shares (for example, when a purchase check is returned to the Fund unpaid) causes a loss to be incurred when the net asset value of the Fund's shares on the cancellation date is less than on the purchase date. That loss is equal to the amount of the decline in the net asset value per share multiplied by the number of shares in the purchase order. The investor is responsible for that loss. If the investor fails to compensate the Fund for the loss, the Distributor will do so. The Fund may reimburse the Distributor for that amount by redeeming shares from any account registered in that investor's name, or the Fund or the Distributor may seek other redress.

**Checkwriting.** When a check is presented to the Bank for clearance, the Bank will ask the Fund to redeem a sufficient number of full and fractional shares in the shareholder's account to cover the amount of the check. This enables the shareholder to continue receiving dividends on those shares until the check is presented to the Fund. Checks may not be presented for payment at the offices of the Bank or the Fund's Custodian. This limitation does not affect the use of checks for the payment of bills or to obtain cash at other banks. The Fund reserves the right to amend, suspend or discontinue offering checkwriting privileges at any time without prior notice.

**Reinvestment Privilege.** Within six months of a redemption, a shareholder may reinvest all or part of the redemption proceeds of (i) Class A shares, or (ii) Class B shares that were subject to the Class B contingent deferred sales charge when redeemed, in Class A shares of the Fund or any of the other OppenheimerFunds into which shares of the Fund are exchangeable as described below, at the net asset value next computed after receipt by the Transfer Agent of the reinvestment order. The shareholder must ask the Distributor for such privilege at the time of reinvestment. Any capital gain that was realized when the shares were redeemed is taxable, and reinvestment will not alter any capital gains tax payable on that gain. If there has been a capital loss on the redemption, some or all of the loss may not be tax deductible, depending on the timing and amount of the reinvestment. Under the Internal Revenue Code, if the redemption proceeds of Fund shares on which a sales charge was paid are reinvested in shares of the Fund or another of the OppenheimerFunds within 90 days of payment of the sales charge, the shareholder's basis in the shares of the Fund that were redeemed may not include the amount of the sales charge paid. That would reduce the loss or increase the gain recognized from the redemption. The Fund may amend, suspend or cease offering this reinvestment privilege at any time as to shares redeemed after the date of such amendment, suspension or cessation.

**Transfer of Shares.** Shares are not subject to the payment of a contingent deferred sales charge of either class at the time of transfer to the name of another person or entity (whether the transfer occurs by absolute assignment, gift or bequest, not involving, directly or indirectly, a public sale). The transferred shares will remain subject to the contingent deferred sales charge, calculated as if the transferee shareholder had acquired the transferred shares in the same manner and at the same time as the transferring shareholder. If less than all shares held in an account are transferred, and some but not all shares in the account would be subject to a contingent deferred sales charge if redeemed at the time of transfer, the priorities described in the Prospectus under "How to Buy Shares" for the imposition of the Class B contingent deferred

sales charge will be followed in determining the order in which shares are transferred.

Special Arrangements for Repurchase of Shares from Dealers and Brokers. The Distributor is the Fund's agent to repurchase its shares from authorized dealers or brokers. The repurchase price will be the net asset value next computed after the receipt of an order placed by such dealer or broker, except that orders received from dealers or brokers after 4:00 P.M. on a regular business day will be processed at that day's net asset value if such orders were received by the dealer or broker from its customers prior to 4:00 P.M., and were transmitted to and received by the Distributor prior to its close of business that day (normally 5:00 P.M.). Payment ordinarily will be made within seven days after the Distributor's receipt of the required documents, with signature(s) guaranteed as described above.

Automatic Withdrawal and Exchange Plans. Investors owning shares of the Fund valued at \$5,000 or more can authorize the Transfer Agent to redeem shares (minimum \$50) automatically on a monthly, quarterly, semi-annual or annual basis under an Automatic Withdrawal Plan. Shares will be redeemed three business days prior to the date requested by the shareholder for receipt of the payment. Automatic withdrawals of up to \$1,500 per month may be requested by telephone if payments are by check payable to all shareholders of record and sent to the address of record for the account (and if the address has not been changed within the prior 30 days). Required minimum distributions from OppenheimerFunds-sponsored retirement plans may not be arranged on this basis. Payments are normally made by check, but shareholders having AccountLink privileges (see "How To Buy Shares") may arrange to have Automatic Withdrawal Plan payments transferred to the bank account designated on the OppenheimerFunds New Account Application or signature-guaranteed instructions. The Fund cannot guarantee receipt of the payment on the date requested and reserves the right to amend, suspend or discontinue offering such plans at any time without prior notice. Because of the sales charge assessed on Class A share purchases, shareholders should not make regular additional Class A purchases while participating in an Automatic Withdrawal Plan. Class B shareholders should not establish withdrawal plans, because of the imposition of the Class B CDSC on such withdrawals (except where the Class B CDSC is waived as described in "Class B Contingent Deferred Sales Charge").

By requesting an Automatic Withdrawal or Exchange Plan, the shareholder agrees to the terms and conditions applicable to such plans, as stated below and in the provisions of the OppenheimerFunds Application relating to such Plans, as well as the Prospectus. These provisions may be amended from time to time by the Fund and/or the Distributor. When adopted, such amendments will automatically apply to existing Plans.

- Automatic Exchange Plans. Shareholders can authorize the Transfer Agent (on the OppenheimerFunds Application or signature-guaranteed instructions) to exchange a pre-determined amount of shares of the Fund for shares (of the same class) of other OppenheimerFunds automatically on a monthly, quarterly, semi-annual or annual basis under an Automatic Exchange Plan. The minimum amount that may be exchanged to each other fund account is \$25. Exchanges made under these plans are subject to the restrictions that apply to exchanges as set forth in "Exchange Privilege" in the Prospectus and "How to Exchange Shares" below in this Statement of Additional Information.

- Automatic Withdrawal Plans. Fund shares will be redeemed as necessary to meet withdrawal payments. Shares acquired without a sales charge will be redeemed first and thereafter shares acquired with reinvested dividends and capital gains distributions will be redeemed next, followed by shares acquired with a sales charge, to the extent necessary to make withdrawal payments. Depending upon the amount withdrawn, the investor's principal may be depleted. Payments made under such plans should not be considered as a yield or income on your investment. It may not be desirable to purchase additional Class A

shares while making automatic withdrawals because of the sales charges that apply to purchases when made. Accordingly, a shareholder normally may not maintain an Automatic Withdrawal Plan while simultaneously making regular purchases of Class A shares.

The transfer agent will administer the investor's Automatic Withdrawal Plan (the "Plan") as agent for the investor (the "Planholder") who executed the Plan authorization and application submitted to the Transfer Agent. The Transfer Agent shall incur no liability to the Planholder for any action taken or omitted by the Transfer Agent in good faith to administer the Plan. Certificates will not be issued for shares of the Fund purchased for and held under the Plan, but the Transfer Agent will credit all such shares to the account of the Planholder on the records of the Fund. Any share certificates held by a Planholder may be surrendered unendorsed to the Transfer Agent with the Plan application so that the shares represented by the certificate may be held under the Plan.

For accounts subject to Automatic Withdrawal Plans, distributions of capital gains must be reinvested in shares of the Fund, which will be done at net asset value without a sales charge. Dividends on shares held in the account may be paid in cash or reinvested.

Redemptions of shares needed to make withdrawal payments will be made at the net asset value per share determined on the redemption date. Checks or AccountLink payments of the proceeds of Plan withdrawals will normally be transmitted three business days prior to the date selected for receipt of the payment (the date selected for receipt is an approximate date), according to the choice specified in writing by the Planholder.

The amount and the interval of disbursement payments and the address to which checks are to be mailed or AccountLink payments are to be sent may be changed at any time by the Planholder by writing to the Transfer Agent. The Planholder should allow at least two weeks' time in mailing such notification for the requested change to be put in effect. The Planholder may, at any time, instruct the Transfer Agent by written notice (in proper form in accordance with the requirements of the then-current Prospectus of the Fund) to redeem all, or any part of, the shares held under the Plan. In that case, the Transfer Agent will redeem the number of shares requested at the net asset value per share in effect in accordance with the Fund's usual redemption procedures and will mail a check for the proceeds to the Planholder.

The Plan may be terminated at any time by the Planholder by writing to the Transfer Agent. A Plan may also be terminated at any time by the Transfer Agent upon receiving directions to that effect from the Fund. The Transfer Agent will also terminate a Plan upon receipt of evidence satisfactory to it of the death or legal incapacity of the Planholder. Upon termination of a Plan by the Transfer Agent or the Fund, shares that have not been redeemed from the account will be held in uncertificated form in the name of the Planholder, and the account will continue as a dividend-reinvestment, uncertificated account unless and until proper instructions are received from the Planholder or his or her executor or guardian, or other authorized person.

To use shares held under the Plan as collateral for a debt, the Planholder may request issuance of a portion of the shares in certificated form. Upon written request from the Planholder, the Transfer Agent will determine the number of shares for which a certificate may be issued without causing the withdrawal checks to stop because of exhaustion of uncertificated shares needed to continue payments. However, should such uncertificated shares become exhausted, Plan withdrawals will terminate.

If the Transfer Agent ceases to act as transfer agent for the Fund, the Planholder will be deemed to have appointed any successor transfer agent to act as agent in administering the Plan.

How to Exchange Shares. The list of OppenheimerFunds to which exchanges of shares may be made (subject to restrictions in the Prospectus and in this Statement of Additional Information) is contained in "Reduced Sales Charges," above.

Class A shares of OppenheimerFunds may be exchanged for shares of any Money Market Fund; shares of any Money Market Fund purchased without a sales charge may be exchanged for shares of OppenheimerFunds offered with a sales charge upon payment of the sales charge (or, if applicable, may be used to purchase shares of OppenheimerFunds subject to a CDSC); and shares of this Fund acquired by reinvestment of dividends or distributions from any other of the OppenheimerFunds or from any unit investment trust for which reinvestment arrangements have been made with the Distributor may be exchanged at net asset value for shares of any of the OppenheimerFunds. No CDSC is imposed on exchanges of shares of either class purchased subject to a CDSC. However, when Class A shares acquired by exchange of Class A shares purchased subject to a Class A CDSC are redeemed within 18 months of the end of the calendar month of the initial purchase of the exchanged Class A shares, the Class A CDSC is imposed on the redeemed shares (see "Class A Contingent Deferred Sales Charge" in the Prospectus), and the Class B CDSC is imposed on Class B shares redeemed within six years of the initial purchase of the exchanged Class B shares.

The Fund reserves the right to reject telephone or written exchange requests submitted in bulk by anyone on behalf of 10 or more accounts. The Fund may accept requests for exchanges of up to 50 accounts per day from representatives of authorized dealers that qualify for this privilege. In connection with any exchange request, the number of shares exchanged may be less than the number requested if the exchange or the number requested would include shares subject to a restriction cited in the Prospectus or this Statement of Additional Information or shares covered by a share certificate that is not tendered with the request. In those cases, only the shares available for exchange without restriction will be exchanged.

When Class B shares are redeemed to effect an exchange, the priorities described in "How To Buy Shares" in the Prospectus for the imposition of the Class B contingent deferred sales charge will be followed in determining the order in which the shares are exchanged. Shareholders should take into account the effect of any exchange on the applicability and rate of any contingent deferred sales charge that might be imposed in the subsequent redemption of remaining shares. Shareholders owning shares of both classes must specify whether they intend to exchange Class A or Class B shares.

When exchanging shares by telephone, the shareholder must either have an existing account in, or acknowledge receipt of a prospectus of, the fund to which the exchange is to be made. For full or partial exchanges of an account made by telephone, any special account features such as Asset Builder Plans, Automatic Withdrawal Plans and retirement plan contributions will be switched to the new account unless the Transfer Agent is instructed otherwise. If all telephone lines are busy (which might occur, for example, during periods of substantial market fluctuations), shareholders might not be able to request exchanges by telephone and would have to submit written exchange requests.

Shares to be exchanged are redeemed on the regular business day the Transfer Agent receives an exchange request in proper form (the "Redemption Date"). Normally, shares of the fund to be acquired are purchased on the Redemption Date, but such purchases may be delayed by either fund up to five business days if it determines that it would be disadvantaged by an immediate transfer of the redemption proceeds. The Fund reserves the right, in its discretion, to refuse any exchange request that may disadvantage it (for example, if the receipt of multiple exchange request from a dealer might require the disposition of portfolio securities at a time or at a price that might be disadvantageous to the Fund).

The different OppenheimerFunds available for exchange have different investment objectives, policies and risks, and a shareholder should assure that the Fund selected is appropriate for his or her investment and should be aware of the tax consequences of an exchange. For federal tax purposes, an exchange transaction is treated as a redemption of shares of one fund and a purchase of shares of another. "Reinvestment Privilege," above, discusses some of the tax consequences of reinvestment of redemption proceeds in such cases. The Fund, the Distributor, and the Transfer Agent are unable to provide investment, tax or legal advice to a shareholder in connection with an exchange request or any other transaction.

Exchanges of Class B Shares. As stated in the Prospectus, shares of a particular class of OppenheimerFunds having more than one class of shares may be exchanged only for shares of the same class of another of the OppenheimerFunds. All of the OppenheimerFunds (except Oppenheimer Strategic Diversified Income Fund) offer Class A shares; if the shares of a fund offering one class are not denominated with a class designation in the Prospectus, they are considered "Class A" shares. Only the following other OppenheimerFunds offer Class B shares as of the date of this Statement of Additional Information (this list may change from time to time, and to obtain a current list, please call the Transfer Agent at 1-800-525-7048):

- Oppenheimer Strategic Income & Growth Fund
- Oppenheimer Strategic Investment Grade Bond Fund
- Oppenheimer Strategic Short-Term Income Fund
- Oppenheimer New York Tax-Exempt Fund
- Oppenheimer Tax-Free Bond Fund
- Oppenheimer California Tax-Exempt Fund
- Oppenheimer Pennsylvania Tax-Exempt Fund
- Oppenheimer Florida Tax-Exempt Fund
- Oppenheimer New Jersey Tax-Exempt Fund
- Oppenheimer Insured Tax-Exempt Bond Fund
- Oppenheimer Main Street California Tax-Exempt Fund
- Oppenheimer Total Return Fund, Inc.
- Oppenheimer Investment Grade Bond Fund
- Oppenheimer Value Stock Fund
- Oppenheimer Government Securities Fund
- Oppenheimer High Yield Fund
- Oppenheimer Mortgage Income Fund
- Oppenheimer Cash Reserves (Class B shares are only available by exchange)
- Oppenheimer Special Fund
- Oppenheimer Equity Income Fund
- Oppenheimer Global Fund

The Transfer Agent. Oppenheimer Shareholder Services, as transfer agent, is responsible for maintaining the Fund's shareholder registry and shareholder accounting records, and for shareholder servicing and administrative functions. For information about your account, call the toll-free number or write to the address of the Transfer Agent on the front cover.

#### PERFORMANCE OF THE FUND

As described in the Prospectus, from time to time the "standardized yield," "tax-equivalent yield," "dividend yield," "average annual total return", "total return," and "total return at net asset value" of an investment in each class of Fund shares may be advertised. An explanation of how yields and total returns are calculated for each class and the components of those calculations is set forth below.

Yield and total return information may be useful to investors in reviewing the Fund's performance. The Fund's advertisement of its performance must, under applicable SEC rules, include the average annual

total returns for each class of shares of the Fund for the 1, 5 and 10-year period (or the life of the class, if less) as of the most recently ended calendar quarter. This enables an investor to compare the Fund's performance to the performance of other funds for the same periods. However, a number of factors should be considered before using such information as a basis for comparison with other investments. An investment in the Fund is not insured; its yield and total return are not guaranteed and normally will fluctuate on a daily basis. When redeemed, an investor's shares may be worth more or less than their original cost. Yield and total return for any given past period are not a prediction or representation by the Fund of future yields or rates of return on its shares. The yield and total returns of the Class A and Class B shares of the Fund are affected by portfolio quality, portfolio maturity, the type of investments the Fund holds and its operating expenses.

Standardized Yields. The Fund's "yield" (referred to as "standardized yield") for a given 30-day period for a class of shares is calculated using the following formula set forth in rules adopted by the Securities and Exchange Commission that apply to all funds that quote yields:

$$\text{Standardized Yield} = 2 \left( \frac{a-b}{cd} + 1 \right)^{\frac{6}{360}} - 1$$

The symbols above represent the following factors:

- a = dividends and interest earned during the 30-day period.
- b = expenses accrued for the period (net of any expense reimbursements).
- c = the average daily number of shares of that class outstanding during the 30-day period that were entitled to receive dividends.
- d = the maximum offering price per share of the class on the last day of the period, adjusted for undistributed net investment income.

The standardized yield of a class of shares for a 30-day period may differ from its yield for any other period. The SEC formula assumes that the standardized yield for a 30-day period occurs at a constant rate for a six-month period and is annualized at the end of the six-month period. This standardized yield is not based on actual distributions paid by the Fund to shareholders in the 30-day period, but is a hypothetical yield based upon the net investment income from the Fund's portfolio investments calculated for that period. The standardized yield may differ from the "dividend yield" of that class, described below. Additionally, because each class of shares is subject to different expenses, it is likely that the standardized yields of the Fund's classes of shares will differ. For the 30-day period ended December 31, 1993, the standardized yields for the Fund's Class A and Class B shares were \_\_\_% and \_\_\_%, respectively.

Tax-Equivalent Yields. The "tax-equivalent yield" of a class of shares adjusts the yield, as calculated above, by a stated Federal tax rate. The tax-equivalent yield is based on a 30-day period, and is computed by dividing the tax-exempt portion of the yield (as calculated above) by one minus a stated income tax rate and adding the result to the portion (if any) of the yield that is not tax exempt. The tax equivalent yield may be used to compare the tax effects of income derived from shares of a class with income from taxable investments at the tax rates stated. For the 30-day period ended December 31, 1993, the tax-equivalent yield for the Fund's Class A shares and Class B shares was \_\_\_% and \_\_\_%, respectively, for a taxpayer in the \_\_\_% combined effective tax bracket. Appendix B includes a tax-equivalent yield table, based on various effective tax brackets for individual taxpayers. Such tax brackets are determined by a taxpayer's Federal and state taxable income (the net amount subject to Federal income tax after deductions and exemptions). The tax-equivalent yield table assumes that the investor is taxed at the highest bracket, regardless of whether a switch to non-taxable investments would cause a lower bracket to apply, and that state income tax payments are fully deductible for income tax purposes. For taxpayers with income above certain levels, otherwise allowable itemized deductions are limited.

Dividend Yield and Distribution Return. From time to time the Fund may

quote a "dividend yield" or a "distribution return" for each class. Dividend yield is based on the Class A or Class B share dividends derived from net investment income during a stated period. Distribution return includes dividends derived from net investment income and from realized capital gains declared during a stated period. Under those calculations, the dividends and/or distributions for that class declared during a stated period of one year or less (for example, 30 days) are added together, and the sum is divided by the maximum offering price per share of that class on the last day of the period. When the result is annualized for a period of less than one year, the "dividend yield" is calculated as follows:

Dividend Yield of the Class =

$$\frac{\text{Dividends of the Class}}{\text{Max Offering Price of the Class (last day of period)}} \div \text{number of days (accrual period)} \times 365$$

The maximum offering price for Class A shares includes the maximum front-end sales charge. For Class B shares, the maximum offering price is the net asset value per share, without considering the effect of contingent deferred sales charges.

From time to time similar yield or distribution return calculations may also be made using the Class A net asset value (instead of its respective maximum offering price) at the end of the period. The dividend yields on Class A shares for the 30-day period ended December 31, 1993, were \_\_\_\_% and \_\_\_\_% when calculated at maximum offering price and at net asset value, respectively. The dividend yield on Class B shares for the 30-day period ended December 31, 1993, was \_\_\_\_% when calculated at net asset value.

Total Returns. The "average annual total return" of each class is an average annual compounded rate of return for each year in a specified number of years. It is the rate of return based on the change in value of a hypothetical initial investment of \$1,000 ("P" in the formula below) held for a number of years ("n") to achieve an Ending Redeemable Value ("ERV"), according to the following formula:

$$\left( \frac{\text{ERV}}{\text{P}} \right)^{1/n} - 1 = \text{Average Annual Total Return}$$

The cumulative "total return" calculation measures the change in value of a hypothetical investment of \$1,000 over an entire period of years. Its calculation uses some of the same factors as average annual total return, but it does not average the rate of return on an annual basis. Total return is determined as follows:

$$\frac{\text{ERV} - \text{P}}{\text{P}} = \text{Total Return}$$

In calculating total returns for Class A shares, the current maximum sales charge of 4.75% (as a percentage of the offering price) is deducted from the initial investment ("P") (unless the return is shown at net asset value, as discussed below). For Class B shares, the payment of the applicable contingent deferred sales charge (5.0% for the first year, 4.0% for the second year, 3.0% for the third and fourth years, 2.0% in the fifth year, 1.0% in the sixth year and none thereafter) is applied to the investment result for the time period shown (unless the total return is shown at net asset value, as described below). Total returns also assume that all dividends and capital gains distributions during the period are reinvested to buy additional shares at net asset value per share, and that the investment is redeemed at the end of the period. The "average annual total returns" on an investment in Class A shares of the Fund for the one year period ended December 31, 1993 and for the period from September 18,



1989 (commencement of operations) to December 31, 1993, were \_\_\_\_% and \_\_\_\_%, respectively. The cumulative "total return" on Class A shares for the latter period was \_\_\_\_%. For the fiscal period from April 30, 1993 through December 31, 1993, the average annual total return and the cumulative total return on an investment in Class B shares of the Fund were \_\_\_\_% and \_\_\_\_%, respectively.

From time to time the Fund may also quote an "average annual total return at net asset value" or a cumulative "total return at net asset value" for Class A or Class B shares. It is based on the difference in net asset value per share at the beginning and the end of the period for a hypothetical investment in that class of shares (without considering front-end or contingent sales charges) and takes into consideration the reinvestment of dividends and capital gains distributions. The cumulative "total returns at net asset value" on the Fund's Class A shares for the fiscal year ended December 31, 1993, and for the period from September 18, 1989 to December 31, 1993 were \_\_\_\_% and \_\_\_\_%, respectively. The cumulative total return at net asset value on the Fund's Class B shares for the fiscal period from April 30, 1993 through December 31, 1993 was \_\_\_\_%.

Other Performance Comparisons. From time to time the Fund may publish the ranking of the performance of its Class A or Class B shares by Lipper Analytical Services, Inc. ("Lipper"), a widely-recognized independent mutual fund monitoring service. Lipper monitors the performance of regulated investment companies, including the Fund, and ranks their performance for various periods based on categories relating to investment objectives. The performance of the Fund's classes is ranked against (i) all other fixed-income funds other than money market funds and (ii) Pennsylvania municipal bond funds. The Lipper performance rankings are based on total return that includes the reinvestment of capital gains distributions and income dividends but does not take sales charges or taxes into consideration.

From time to time the Fund may publish the ranking of the performance of its Class A or Class B shares by Morningstar, Inc., an independent mutual fund monitoring service that ranks mutual funds, including the Fund, in broad investment categories (equity, taxable bond, tax-exempt and other) monthly, based upon each fund's three, five and ten-year average annual total returns (when available) and a risk adjustment factor that reflects Fund performance relative to three-month U.S. Treasury bill monthly returns. Such returns are adjusted for fees and sales loads. There are five ranking categories with a corresponding number of stars: highest (5), above average (4), neutral (3), below average (2) and lowest (1). Morningstar ranks the Class A and Class B shares of the Fund in relation to other rated funds.

The total return on an investment made in Class A or Class B shares of the Fund may be compared with the performance for the same period of the Lehman Brothers Municipal Bond Index, as described in the Prospectus.

From time to time the Fund may also include in its advertisements and sales literature performance information about the Fund or rankings of the Fund's performance cited in newspapers or periodicals, such as The New York Times, Money, The Wall Street Journal, Fortune, or other publications. These articles may include quotations of performance from other sources, such as Lipper or Morningstar.

When comparing yield, total return and investment risk of an investment in Class A or Class B shares of the Fund with other investments, investors should understand that certain other investments have different risk characteristics than an investment in shares of the Fund. For example, certificates of deposit may have fixed rates of return and may be insured as to principal and interest by the FDIC, while the Fund's returns will fluctuate and its share values and returns are not guaranteed. Money market accounts offered by banks also may be insured by the FDIC and may offer stability of principal. U.S. Treasury



securities are guaranteed as to principal and interest by the full faith and credit of the U.S. government. Money market mutual funds may seek to offer a fixed price per share.

#### DISTRIBUTION AND SERVICE PLANS

The Fund has adopted a Service Plan for Class A Shares and a Distribution and Service Plan for Class B shares of the Fund under Rule 12b-1 of the Investment Company Act, pursuant to which the Fund will reimburse the Distributor for all or a portion of its costs incurred in connection with the distribution and/or servicing of the shares of that class, as described in the Prospectus. Each Plan has been approved by a vote of (i) the Board of Trustees of the Trust, including a majority of the Independent Trustees, cast in person at a meeting called for the purpose of voting on that Plan, and (ii) the holders of a "majority" (as defined in the Investment Company Act) of the shares of each class (for the Distribution and Service Plan for the Class B shares, that vote was cast by the Manager as the then-sole initial holder of Class B shares of the Fund). In addition, the Manager and the Distributor may, under the Plans, from time to time from their own resources (which, as to the Manager, may include profits derived from the advisory fee it receives from the Fund) make payments to Recipients for distribution and administrative services they perform. The Distributor and the Manager may, in their sole discretion, increase or decrease the amount of distribution assistance payments they make to Recipients from their own assets. For further details, see the discussions relating to the Plans in "How to Buy Shares" in the Prospectus.

Unless terminated as described below, each Plan continues in effect from year to year but only as long as such continuance is specifically approved at least annually by the Trust's Board of Trustees and its Independent Trustees by a vote cast in person at a meeting called for the purpose of voting on such continuance. Either Plan may be terminated at any time by the vote of a majority of the Independent Trustees or by the vote of the holders of a "majority" (as defined in the Investment Company Act) of the outstanding shares of that class. Neither Plan may be amended to increase materially the amount of payments to be made unless such amendment is approved by shareholders of the respective class, who vote exclusively on approval or amendment of the Plan for that class. All material amendments must be approved by the Independent Trustees.

While the Plans are in effect, the Treasurer of the Fund shall provide separate written reports to the Trust's Board of Trustees at least quarterly on the amount of all payments made pursuant to each Plan, the purpose for which the payment was made and the identity of each Recipient that received any such payment. The report for the Class B Plan shall also include the distribution costs for that quarter, and such costs for previous fiscal periods that are carried forward, as explained in the Prospectus and below. Those reports, including the allocations on which they are based, will be subject to the review and approval of the Independent Trustees in the exercise of their fiduciary duty. Each Plan further provides that while it is in effect, the selection and nomination of those Trustees of the Fund who are not "interested persons" of the Fund is committed to the discretion of the Independent Trustees. This does not prevent the involvement of others in such selection and nomination if the final decision on any such selection or nomination is approved by a majority of the Independent Trustees.

Under the Plans, no payment will be made to any broker, dealer or other financial institution under the Plan (each is referred to as a "Recipient") in any quarter if the aggregate net asset value of all Fund shares held by the Recipient for itself and its customers did not exceed a minimum amount, if any, that may be determined from time to time by a majority of the Fund's Independent Trustees. Initially, the Board of Trustees has set the fee at the maximum rate allowed under the Plans and set no minimum amount.

For the fiscal year ended December 31, 1993, payments under the Class A Plan totaled \$\_\_\_\_\_, all of which was paid by the Distributor to Recipients, including \$\_\_\_\_\_ paid to an affiliate of the Distributor. Unreimbursed expenses incurred with respect to Class A shares for any fiscal quarter by the Distributor may not be recovered under the Class A Plan in subsequent fiscal quarters. Payments received by the Distributor under the Class A Plan will not be used to pay any interest expense, carrying charges, or other financial costs, or allocation of overhead by the Distributor.

The Class B Plan allows the service fee payment to be paid by the Distributor to Recipients in advance for the first year Class B shares are outstanding, and thereafter on a quarterly basis, as described in the Prospectus. The advance payment is based on the net assets of the Class B shares sold. An exchange of shares does not entitle the Recipient to an advance payment of the service fee. In the event Class B shares are redeemed during the first year such shares are outstanding, the Recipient will be obligated to repay a pro rata portion of the advance of the service fee payment to the Distributor.

Although the Class B Plan permits the Distributor to retain both the asset-based sales charges and the service fee on Class B shares, or to pay Recipients the service fee on a quarterly basis, without payment in advance, the Distributor presently intends to pay the service fee to Recipients in the manner described above. A minimum holding period may be established from time to time under the Class B Plan by the Board. Initially, the Board has set no minimum holding period. All payments under the Class B Plan become subject to the limitations imposed by the National Association of Securities Dealers, Inc. Rules of Fair Practice on payments of asset based sales charges and service fees. The Distributor anticipates that it will take a number of years for it to recoup (from the Fund's payments to the Distributor under the Class B Plan) the sales commissions paid to authorized brokers or dealers. For the Fiscal period from April 30, 1993 through December 31, 1993, payments under the Class B plan totaled \$\_\_\_\_\_.

Asset-based sales charge payments are designed to permit an investor to purchase shares of the Fund without the assessment of a front-end sales load and at the same time permit the Distributor to compensate brokers and dealers in connection with the sale of Class B shares of the Fund. The Distributor's actual distribution expenses for any given year may exceed the aggregate of payments received pursuant to the Class B Plan and from contingent deferred sales charges, and such expenses will be carried forward and paid in future years. The Fund will be charged only for interest expenses, carrying charges or other financial costs that are directly related to the carry-forward of actual distribution expenses. For example, if the Distributor incurred distribution expenses of \$4 million in a given fiscal year, of which \$2,000,000 was recovered in the form of contingent deferred sales charges paid by investors and \$1,600,000 was reimbursed in the form of payments made by the Fund to the Distributor under the Class B Plan, the balance of \$400,000 (plus interest) would be subject to recovery in future fiscal years from such sources.

The Class B Plan allows for the carry-forward of distribution expenses, to be recovered from asset-based sales charges in subsequent fiscal periods, as described above and in the Prospectus. In the event the Class B Plan is terminated, the Distributor is entitled to continue to receive the asset-based sales charge of 0.75% per annum on Class B shares sold prior to termination until the Distributor has recovered its Class B distribution expenses incurred prior to termination from such payments and from the Class B CDSC.

The Fund believes that current applicable accounting standards do not require the Fund to record as a current liability its obligation under the Class B Plan to carry over and continue payments of the asset-based sales charge to the Distributor in the future to reimburse it for expenses incurred as to Class B shares sold prior to the termination of the Plan. Those accounting standards are currently being reviewed by the AICPA, as

discussed in the Prospectus. If those accounting standards should be changed to require the Fund to recognize that obligation for future payments as a current liability, the Trust's Board would consider other alternatives to that provision of the Class B Plan, because otherwise the treatment of such expenses as a current liability would affect all then-outstanding Class B shares regardless of how long they had been held. Furthermore, Class B shareholders whose shares had not matured would continue to remain subject to the Class B CDSC.

The asset-based sales charge paid to the Distributor by the Fund under the Class B Plan is intended to allow the Distributor to recoup the cost of sales commissions paid to authorized brokers and dealers at the time of sale, plus financing costs, as described in the Prospectus. Such payments may also be used to pay for the following expenses in connection with the distribution of Class B shares: (i) financing the advance of the service fee payment to Recipients under the Class B Plan, (ii) compensation and expenses of personnel employed by the Distributor to support distribution of Class B shares, and (iii) costs of sales literature, advertising and prospectuses (other than those furnished to current shareholders) and state "blue sky" registration fees.

#### DIVIDENDS, CAPITAL GAINS AND TAXES

Dividends and Distributions. Dividends will be payable on shares held of record at the time of the previous determination of net asset value, or as otherwise described in "How to Buy Shares." Daily dividends on newly purchased shares will not be declared or paid until such time as Federal Funds (funds credited to a member bank's account at the Federal Reserve Bank) are available from the purchase payment for such shares. Normally, purchase checks received from investors are converted to Federal Funds on the next business day. Dividends will be declared on shares repurchased by a dealer or broker for four business days following the trade date (i.e., to and including the day prior to settlement of the repurchase). If all shares in an account are redeemed, all dividends accrued on shares of the same class in the account will be paid together with the redemption proceeds.

Dividends, distributions and the proceeds of the redemption of Fund shares represented by checks returned to the Transfer Agent by the Postal Service as undeliverable will be invested in shares of Oppenheimer Money Market Fund, Inc., as promptly as possible after the return of such checks to the Transfer Agent, to enable the investor to earn a return on otherwise idle funds.

The amount of a class's distributions may vary from time to time depending on market conditions, the composition of the Fund's portfolio, and expenses borne by the Fund or borne separately by a class, as described in "Alternative Sales Arrangements -- Class A and Class B Shares," above. Dividends are calculated in the same manner, at the same time and on the same day for shares of each class. However, dividends on Class B shares are expected to be lower as a result of the asset-based sales charge on Class B shares, and Class B dividends will also differ in amount as a consequence of any difference in net asset value between Class A and Class B shares.

Dividends will be declared from net investment income, if any. Net investment income includes the allocation of amounts of income from the Pennsylvania Municipal Securities in the Fund's portfolio which are free from Federal and Pennsylvania personal income taxes. This allocation will be made by the use of one designated percentage applied uniformly to all income dividends made during the Fund's tax year. Such designation will normally be made following the end of each fiscal year as to income dividends paid in the prior year. The percentage of income designated as tax-exempt may substantially differ from the percentage of the Fund's income that was tax-exempt for a given period.

If the Fund qualifies as a "regulated investment company" under the Internal Revenue Code, it will not be liable for Federal income taxes on amounts paid by it as dividends and distributions. The Fund qualified as a regulated investment company in its last fiscal year and intends to qualify in future years, but reserves the right not to qualify. The Internal Revenue Code contains a number of complex tests to determine whether the Fund will qualify, and the Fund might not meet those tests in a particular year. For example, if the Fund derives 30% or more of its gross income from the sale of securities held less than three months, it may fail to qualify (see "Tax Aspects of Covered Calls and Hedging Instruments," above). If it does not qualify, the Fund will be treated for tax purposes as an ordinary corporation and will receive no tax deduction for payments of dividends and distributions made to shareholders.

Under the Internal Revenue Code, by December 31 each year the Fund must distribute 98% of its taxable investment income earned from January 1 through December 31 of that year and 98% of its capital gains realized in the period from November 1 of the prior year through October 31 of the current year, or else the Fund must pay an excise tax on the amounts not distributed. The Manager might determine in a particular year that it might be in the best interest of shareholders for the Fund not to make distributions at the required levels and to pay the excise tax on the undistributed amounts. That would reduce the amount of income or capital gains available for distribution to shareholders.

The Internal Revenue Code requires that a holder (such as the Fund) of a zero coupon security accrue as income each year a portion of the discount at which the security was purchased even though the Fund receives no interest payment in cash on the security during the year. As an investment company, the Fund must pay out substantially all of its net investment income each year or be subject to excise taxes, as described above. Accordingly, when the Fund holds zero coupon securities, it may be required to pay out as an income distribution each year an amount which is greater than the total amount of cash interest the Fund actually received during that year. Such distributions will be made from the cash assets of the Fund or by liquidation of portfolio securities, if necessary. The Fund may realize a gain or loss from such sales. In the event the Fund realizes net capital gains from such transactions, its shareholders may receive a larger capital gain distribution than they would have had in the absence of such transactions.

Dividend Reinvestment in Another Fund. Shareholders of the Fund may elect to reinvest all dividends and/or capital gains distributions in shares of the same class of any of the other OppenheimerFunds listed in "Reduced Sales Charges" above at net asset value without sales charge. Not all OppenheimerFunds currently offer Class B shares. The names of Funds that offer Class B shares can be obtained by calling the Distributor at 1-800-525-7048. To elect this option, the shareholder must notify the Transfer Agent in writing and either must have an existing account in the fund selected for reinvestment or must obtain a prospectus for that fund and an application from the Distributor to establish an account. The investment will be made at the net asset value per share in effect at the close of business on the payable date of the dividend or distribution.

#### ADDITIONAL INFORMATION ABOUT THE FUND

Information about the Trust's Declaration of Trust and Business Structure. Shares of the Fund represent an interest in the Fund proportionately equal to the interest of each other share of the same class and entitle their holders to one vote per share (and a proportional vote for a fractional share) on matters submitted to their vote at shareholder meetings. Only shareholders of a particular class vote on matters affecting only that class. The Trustees may divide or combine the shares of a class into a greater or lesser number of shares without thereby changing the proportionate beneficial interest in the Fund. Shares do not have cumulative voting rights or preemptive or subscription rights.

While Massachusetts law permits a shareholder of a business trust (such as the Fund) to be held personally liable as a "partner" under certain circumstances, the risk of a Fund shareholder incurring financial loss on account of shareholder liability is highly unlikely and is limited to the relatively remote circumstances in which the Fund would be unable to meet its obligations. The Trust's Declaration of Trust contains an express disclaimer of shareholder or Trustee liability for the Fund's obligations, and provides for indemnification and reimbursement of expenses out of its property for any shareholder held personally liable for its obligations. The Declaration of Trust also provides that the Fund shall, upon request, assume a defense of any claim made against any shareholder for any act or obligation of the Fund and satisfy any judgment thereon. Any person doing business with the Fund, and any shareholder of the Fund, agrees under the Fund's Declaration of Trust to look solely to the assets of the Fund for satisfaction of any claim or demand that may arise out of any dealings with the Fund, and the Trustees shall have no personal

liability to any such person, to the extent permitted by law.

It is not contemplated that regular annual meetings of shareholders will be held. The Fund will hold meetings when required to do so by the Investment Company Act or other applicable law, or when a shareholder meeting is called by the Trustees or upon proper request of the shareholders. Shareholders have the right, upon the declaration in writing or vote of two-thirds of the outstanding shares of the Fund, to remove a Trustee. The Trustees will call a meeting of shareholders to vote on the removal of a Trustee upon the written request of the holders of 10% of its outstanding shares. In addition, if the Trustees receive a request from at least 10 shareholders (who have been shareholders for at least six months) holding in the aggregate shares of the Fund valued at \$25,000 or more or holding 1% or more of the Fund's outstanding shares, whichever is less, that they wish to communicate with other shareholders to request a meeting to remove a Trustee, the Trustees will then either give the applicants access to the Fund's shareholder list, mail their communication to all other shareholders at the applicants' expense, or take alternative action as set forth in Section 16(c) of the Investment Company Act.

Information About the Custodian of the Fund's Portfolio Securities. The Custodian of the assets of the Fund is Citibank, N.A. The Custodian's responsibilities include safeguarding and controlling the Fund's portfolio securities, collecting income on the portfolio securities and handling the delivery of such securities to and from the Fund. The Manager and its affiliates have banking relationships with the Custodian. The Manager has represented to the Fund that its banking relationships with the Custodian have been and will continue to be unrelated to and unaffected by the relationship between the Fund and the Custodian. It will be the practice of the Fund to deal with the Custodian in a manner uninfluenced by any banking relationship the Custodian may have with the Manager and its affiliates. The Fund's cash balances with the Custodian in excess of \$100,000 are not protected by Federal deposit insurance. Such uninsured balances may at times be substantial.

The Distributor. Under the General Distributor's Agreement between the Fund and the Distributor, the Distributor acts as the Fund's principal underwriter in the continuous public offering of the Fund's Class A and Class B shares, but is not obligated to sell a specific number of shares. Expenses normally attributable to sales (other than those paid under the Class B Distribution and Service Plan), including advertising and the cost of printing and mailing prospectuses (other than those furnished to existing shareholders), are borne by the Distributor. During the Fund's fiscal years ended December 31, 1991, 1992 and 1993, the aggregate amount of sales charges on sales of the Fund's shares was \$38,724,674, \$39,326,104 and \$\_\_\_\_\_, respectively, of which the Distributor and an affiliated broker-dealer retained in the aggregate \$10,331,365, \$9,834,389 and \$\_\_\_\_\_ in those respective years.

Independent Auditors. The independent auditors of the Fund examine the Fund's financial statements and perform other related audit services. They also act as auditors for the Manager and certain other funds advised

by the Manager and its affiliates.

Investment Adviser

Oppenheimer Management Corporation  
Two World Trade Center  
New York, New York 10048-0203

Distributor

Oppenheimer Funds Distributor, Inc.  
Two World Trade Center  
New York, New York 10048-0203

Transfer and Shareholder Servicing Agent

Oppenheimer Shareholder Services  
P.O. Box 5270  
Denver, Colorado 80217-5270  
1-800-525-7048

Custodian of Portfolio Securities

Citibank, N.A.  
399 Park Avenue  
New York, New York 10043

Independent Auditors

KPMG Peat Marwick  
707 Seventeenth Street  
Denver, Colorado 80202

Legal Counsel

Gordon Altman Butowsky Weitzen  
Shalov & Wein  
114 West 47th Street  
New York, New York 10036

APPENDIX A

RATINGS OF INVESTMENTS

Municipal Bonds

Moody's. The four highest ratings of Moody's for Municipal Bonds are Aaa, Aa, A and Baa. Municipal Bonds rated Aaa are judged to be of the "best quality." The rating of Aa is assigned to bonds which are of "high quality by all standards," but as to which margins of protection or other elements make long-term risks appear somewhat larger than Aaa rated Municipal Bonds. The Aaa and Aa rated bonds comprise what are generally known as "high grade bonds." Municipal Bonds which are rated A by Moody's possess many favorable investment attributes and are considered "upper medium grade obligations." Factors giving security to principal and interest of A rated bonds are considered adequate, but elements may be present which suggest a susceptibility to impairment at some time in the future. Municipal Bonds rated Baa are considered "medium grade" obligations. 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. Those bonds in the Aa, A and Baa groups which Moody's believes possess the strongest attributes are designated Aa1, A1 and Baa1, respectively.

In addition to the alphabetic rating system described above, Municipal Bonds rated by Moody's which have a demand feature that provides the holder with the ability to periodically tender ("put") the portion of the debt covered by the demand feature, may also have a short-term rating assigned to such demand feature. The short-term rating uses the symbol "VMIG" to distinguish characteristics which include payment upon periodic demand rather than fund or scheduled maturity dates and potential reliance upon external liquidity, as well as other factors. The highest investment quality is designated by the VMIG1 rating and the lowest by VMIG4.

S&P and Fitch. The four highest ratings of S&P for Municipal Bonds are AAA (Prime), AA (High Grade), A (Good Grade), and BBB (Medium Grade). Municipal Bonds rated AAA are "obligations of the highest quality." The

rating of AA is accorded issues with investment characteristics "only slightly less marked than those of the prime quality issues." The category of A describes "the third strongest capacity for payment of debt service." Principal and interest payments on bonds in this category are regarded as safe. It differs from the two higher ratings because, with respect to general obligations bonds, there is some weakness, either in the local economic base, in debt burden, in the balance between revenues and expenditures, or in quality of management. Under certain adverse circumstances, any one such weakness might impair the ability of the issuer to meet debt obligations at some future date. With respect to revenue bonds, debt service coverage is good, but not exceptional. Stability of the pledged revenues could show some variations because of increased competition or economic influences on revenues. Basic security provisions, while satisfactory, are less stringent. Management performance appears adequate.

The BBB rating is the lowest "investment grade" security rating. The difference between A and BBB ratings is that the latter shows more than one fundamental weakness, or one very substantial fundamental weakness, whereas the former shows only one deficiency among the factors considered. With respect to revenue bonds, debt coverage is only fair. Stability of the pledged revenues could show variations, with the revenue flow possibly being subject to erosion over time. Basic security provisions are no more than adequate. Management performance could be stronger. The ratings AA, A, and BBB may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

The ratings of Fitch for Municipal Bonds are similar to those used by S&P.

#### Corporate Debt

The "other debt securities" included in the definition of temporary investments are corporate (as opposed to municipal) debt obligations rated Aaa, Aa or A by Moody's or AAA, AA or A by S&P. The Moody's corporate debt ratings of Aaa, Aa and A do not differ materially from those set forth above for Municipal Bonds. Corporate debt obligations rated AAA by S&P are "highest grade obligations." Obligations bearing the rating of AA also qualify as "high grade obligations" and "in the majority of instances differ from AAA issues only in small degrees." Corporate debt obligations rated A by S&P are regarded as "upper medium grade" and have considerable investment strength, but are not entirely free from adverse effects of changes in economic and trade conditions.

#### Commercial Paper

The commercial paper ratings of A-1 by S&P, P-1 by Moody's and F-1+ by Fitch are the highest commercial paper ratings of the respective agencies. The issuer's earnings, quality of long-term debt, management and industry position are among the factors considered in assigning such ratings.

#### Tax-Exempt Municipal Notes

Moody's ratings for state and municipal notes and other short-term loans are designated Moody's Investment Grade ("MIG"). Notes bearing the designation MIG-1 are of the best quality, enjoying strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for financing. Notes bearing the designation "MIG-2" are of high quality with ample margins of protection, although not as large as notes rated "MIG." Such short-term notes which have demand features may also carry a rating using the symbol VMIG as described above, with the designation MIG-1/VMIG 1 denoting best quality, with superior liquidity support in addition to those characteristics attributable to the designation MIG-1.

S&P's rating for Municipal Notes due in three years or less are SP-1 and SP-2. SP-1 describes issues with a very strong capacity to pay principal and interest and compares with bonds rated A by S&P; if modified by a plus sign, it compares with bonds rated AA or AAA by S&P. SP-2 describes issues with a satisfactory capacity to pay principal and interest, and compares with bonds rated BBB by S&P.



Fitch assigns the following short-term ratings to debt obligations that are payable on demand or have original maturities of generally up to three years, including municipal notes: F-1+, F-1 and F-2. F-1+ denotes exceptionally strong credit quality; the strongest degree of assurance for timely payment. F-1 indicates very strong credit quality; assurance of timely payment is only slightly less in degree than issues rated F-1+. F-2 indicates good credit quality; satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues assigned "F-1+" or "F-1" ratings.

General

Subsequent to its purchase by the Fund, an issue of Municipal Bonds or a temporary investment may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event requires the elimination of such obligation from the Fund's portfolio, but the Manager will consider such an event in its determination of whether the Fund should continue to hold such obligation in its portfolio. To the extent that the ratings accorded by S&P, Moody's or Fitch may change as a result of changes in such organizations, or changes in their rating systems, the Fund will attempt to use comparable ratings as standards for its investments in accordance with the investment policies contained herein.

TAX-EQUIVALENT YIELDS

Appendix B

<TABLE>

<CAPTION>

Federal Taxable Income	Combined Effective Tax Bracket	A Pennsylvania Tax-Exempt Bond Fund yield of:	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%
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Joint return:

Over	But Not Over		Is Equivalent to a Taxable Yield of:							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$0	\$36,900	17.38%	4.84%	5.45%	6.05%	6.66%	7.26%	7.87%	8.47%	
\$36,900	\$89,150	30.02%	5.72%	6.43%	7.14%	7.86%	8.57%	9.29%	10.00%	
\$89,150	\$140,000	32.93%	5.96%	6.71%	7.46%	8.20%	8.95%	9.69%	10.44%	
\$140,000	\$250,000	37.79%	6.43%	7.23%	8.04%	8.84%	9.65%	10.45%	11.25%	
\$250,000 and above		41.29%	6.81%	7.66%	8.52%	9.37%	10.22%	11.07%	11.92%	

</TABLE>

Single return:

<TABLE>

<CAPTION>

Over	But Not Over								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$0	\$22,100	17.38%	4.84%	5.45%	6.05%	6.66%	7.26%	7.87%	8.47%
\$22,100	\$53,500	30.02%	5.72%	6.43%	7.14%	7.86%	8.57%	9.29%	10.00%
\$53,500	\$115,000	32.93%	5.96%	6.71%	7.46%	8.20%	8.95%	9.69%	10.44%
\$115,000	\$250,000	37.29%	6.43%	7.23%	8.04%	8.84%	9.65%	10.45%	11.25%
\$250,000 and above		41.29%	6.81%	7.66%	8.52%	9.37%	10.22%	11.07%	11.92%

/TABLE

The equivalent yield table above compares tax-free income with taxable income under Federal and Commonwealth of Pennsylvania income tax rates effective January 1, 1993. Combined taxable income refers to the net amount subject to Federal and Pennsylvania income tax after deductions and exemptions. The table assumes that an investor's highest tax bracket applies to the change in taxable income resulting from a switch between taxable and non-taxable investments, that the investment is not subject to the Alternative Minimum Tax and that Pennsylvania income tax payments are fully deductible for Federal income tax purposes. They do not reflect the phaseout of itemized deductions and personal exemptions at higher



income levels, resulting in higher effective tax rates and tax equivalent yields. The income tax brackets are subject to indexing in future years to reflect changes in the Consumer Price Index. The table does not include the effect of exemption from Pennsylvania personal property taxes or school district taxes.

Oppenheimer Florida Tax-Exempt Fund  
Prospectus dated April 29, 1994.

Oppenheimer Florida Tax-Exempt Fund is a mutual fund that seeks as high a level of current interest income exempt from Federal income tax for individual investors as is available from municipal securities and consistent with preservation of capital. The Fund also seeks to offer investors the opportunity to own securities exempt from Florida intangible personal property taxes. The Fund will invest primarily in securities issued by the State of Florida and local governments and governmental agencies, but may also invest in securities of other issuers. The Fund may use certain hedging instruments in an effort to protect against market risks, but not for speculation. The Fund is not intended to be a complete investment program, and there is no assurance that it will achieve its objective.

The Fund offers two classes of shares: (1) Class A shares sold at a public offering price that includes a front-end sales charge, and (2) Class B shares, which are sold without a front-end sales charge, although you may pay a sales charge when you redeem your shares, depending on how long you own them. Class B shares are also subject to an annual "asset-based sales charge." Each class of shares bears different expenses. In deciding which class of shares to buy, you should consider how much you plan to purchase, how long you plan to keep your shares, and other factors discussed in "How to Buy Shares" on page \_\_\_\_.

This Prospectus explains concisely what you should know before investing in the Fund. Please read it carefully and keep it for future reference. You can find more detailed information about the Fund in the April 29, 1994 Statement of Additional Information. For a free copy, call Oppenheimer Shareholder Services, the Fund's Transfer Agent, at 1-800-525-7048, or write to the Transfer Agent at the address on the back cover. The Statement has been filed with the Securities and Exchange Commission and is incorporated into this Prospectus by reference (which means that it is legally part of this Prospectus).

Shares of the Fund are not deposits or obligations of any bank, nor are they guaranteed by any bank or insured by the F.D.I.C. or any other agency, and involve investment risks including possible loss of principal.

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

Contents

Page

INFORMATION ABOUT THE FUND

Expenses  
Financial History  
Investment Objective and Policies

How the Fund is Managed  
Performance of the Fund

YOUR INVESTMENT ACCOUNT

- How to Buy Shares
  - Class A Shares
  - Class B Shares
- Special Investor Services
  - AccountLink
  - Automatic Withdrawal and Exchange Plans
  - Reinvestment Privilege
- How to Sell Shares
  - By Mail
  - By Telephone
  - Checkwriting
- How to Exchange Shares
- Shareholder Account Rules and Policies
- Dividends, Capital Gains and Taxes

INFORMATION ABOUT THE FUND

Expenses

The Fund pays a variety of expenses directly for management of its assets, administration, distribution and other services and those expenses are reflected in the Fund's net asset value per share. As a shareholder, you pay these expenses indirectly. Shareholders pay other expenses directly, such as sales charges. The following tables are provided to help you understand your direct expenses of investing and your share of the Fund's operating expenses you might expect to bear indirectly, based on the Fund's expenses during its fiscal year ended December 31, 1993.

- Shareholder Transaction Expenses are charges you pay when you buy or sell shares of the Fund. Please refer to pages \_\_\_\_ through \_\_\_\_ for an explanation of how and when these charges apply.

	Class A Shares	Class B Shares
Maximum Sales Charge on Purchases (as a % of offering price)	4.75%	None
Sales Charge on Reinvested Dividends	None	None
Deferred Sales Charge (as a % of the lower of the original purchase price or redemption proceeds)	None*	5% in the first year, declining to 1% in the sixth year and eliminated thereafter
Exchange Fee	\$5.00**	\$5.00**

\*If you invest more than \$1 million in Class A shares, you may have to pay a sales charge of up to 1% if you sell your shares within 18 calendar months from the end of the calendar month during which you purchased those shares. See "How to Buy Shares - Class A Shares," below.

\*\*Fee is waived for automated exchanges on PhoneLink, described in "How to Buy Shares."

- Annual Fund Operating Expenses are paid out of the Fund's assets. The Fund pays management fees to its investment adviser, Oppenheimer Management Corporation (the "Manager"), and other regular expenses for services, such as transfer agent fees, custodial fees, audit, legal and other business expenses. The following numbers are projections based on the Fund's historical expenses and are calculated as a percentage of average net assets. The actual numbers may be more or less, depending on a number of factors, including the Fund's actual net assets. The Annual Fund Operating Expenses shown are net of a voluntary expense assumption by the Manager. The expense assumption lowered the Fund's overall expense ratio. Without such expense assumption by the Manager, the management fees for Class A shares and Class B shares would have been \_\_\_\_% of average net assets for each class, the 12b-1 fees for Class A shares and Class B shares would have been \_\_\_\_% and \_\_\_\_%, respectively, of average annual net assets, and the estimated "Total Fund Operating Expenses" for Class A shares and Class B shares have been \_\_\_\_% and \_\_\_\_%, respectively. The expense assumption is described in the Statement of Additional Information and may be modified or withdrawn by the Manager at any time.

	Class A Shares	Class B Shares
Management Fees	____%	____%
12b-1 Distribution		
Plan Fees	None	____%
Shareholder Service		
Plan Fees	____%	____%
Other Expenses	____%	____%
Total Fund		
Operating Expenses	____%	____%

- Examples. Assume that you made a \$1,000 investment in the Fund, that the Fund's annual return is 5% and that its operating expenses are as described above in the charts.

If you redeemed your shares at the end of each period below, your investment would incur the following expenses:

	1 year	3 years	5 years	10 years*
Class A Shares	\$ _____	\$ _____	\$ _____	\$ _____
Class B Shares	\$ _____	\$ _____	\$ _____	\$ _____

If you did not redeem your investment, it would incur the following expenses:

	1 year	3 years	5 years	10 years*
Class A Shares	\$ _____	\$ _____	\$ _____	\$ _____
Class B Shares	\$ _____	\$ _____	\$ _____	\$ _____

\* The Class B expenses in years 7 through 10 are based on the Class A expenses shown above, because the Fund automatically converts your Class B shares into Class A shares after 6 years. Long-term Class B shareholders could pay the economic equivalent of more than the maximum front-end sales charge allowed under applicable regulations, because of the effect of the asset-based sales charge and contingent deferred sales charge. The automatic conversion is designed to minimize the likelihood that this will occur. Please refer to "How to Buy Shares - Class B Shares" for more information.

This example illustrates the effect of expenses on an investment, but it is not meant to state or predict actual or expected costs or investment returns, all of which will vary.

Financial History

The table on this page presents selected per share data and ratios for the Fund. This information has been audited by KPMG Peat Marwick, the Fund's independent auditors, whose report on the Fund's financial statements is included in the Annual Report in the Statement of Additional Information. The Fund commenced operations on October 1, 1993.

#### Investment Objective and Policies

**Objective.** The Fund seeks as high a level of current interest income exempt from Federal income tax for individual investors as is available from Municipal Securities (which are described below) and consistent with preservation of capital. The Fund also seeks to offer investors the opportunity to own securities exempt from Florida intangible personal property taxes. Toward its objective, the Fund may use certain hedging instruments (which are described below), such as options and futures, in an effort to protect against market risks. The Fund is not intended to be a complete investment program, and there is no assurance that it will achieve its objective.

**Investment Policies and Strategies.** The Fund seeks its objective by following the fundamental policy of investing, under normal market conditions, at least 80% (and attempting to invest, as a non-fundamental policy, 100%) of its total assets in Municipal Securities and investing at least 65% of its total assets in Florida Municipal Securities (which are described below). Under normal market conditions, the Fund may invest the remainder of its assets in the following taxable investments: Municipal Securities issued to benefit a private user ("Private Activity Municipal Securities"), the interest from which may be subject to Federal alternative minimum tax; hedging instruments; temporary investments; and repurchase agreements. However, during adverse market or economic conditions, the Fund may invest for temporary defensive purposes and invest 20% or more of its total assets in investments other than Municipal Securities.

Dividends paid by the Fund derived from interest attributable to Municipal Securities, including Florida Municipal Securities, will be exempt from Federal individual income taxes. Dividends and distributions paid by the Fund to individuals who are residents of Florida are not taxable by Florida, because Florida does not impose a personal income tax. Florida does, however, impose an intangible personal property tax. Shares of the Fund will be exempt from the Florida intangible personal property tax to the extent that the Fund's assets consist of Florida Municipal Securities and obligations of the U.S. Government, its agencies, instrumentalities and territories on the last business day of each calendar year. The Fund will attempt not to hold any investments on the last business day of each calendar year to the extent such investments may result in shares of the Fund being subject to the Florida intangible personal property tax. Any net interest income on taxable investments will be taxable as ordinary income when distributed to shareholders. Distributions by the Fund will be subject to Florida corporate income taxes.

- **Temporary Defensive Investment Strategy.** In times of unstable economic or market conditions, the Manager may determine that it would be appropriate for the Fund to assume a temporary "defensive" position and invest some or all of its assets in temporary investments. This strategy would be implemented to attempt to reduce fluctuations in the value of the Fund's assets. Pursuant to this strategy, the Fund may invest in the taxable obligations described above and the following: obligations issued or guaranteed by the U.S. Government, its instrumentalities or agencies; "prime" commercial paper rated "A-1" by Standard & Poor's Corporation ("S&P") or Fitch Investors Service, Inc. ("Fitch") or "P-1" by Moody's Investors Service, Inc. ("Moody's"); corporate debt securities rated within the three highest grades by S&P, Fitch or Moody's; or bankers acceptances, time deposits and certificates of deposit of domestic banks

with assets of \$1 billion or more. The Fund may hold temporary investments pending the investment of proceeds from the sale of Fund shares or portfolio securities, pending settlement of purchases of Municipal Securities, or to meet anticipated redemptions. To the extent the Fund assumes a temporary defensive position, a portion of the Fund's distributions may be subject to Federal income tax and shares of the Fund could be subject to Florida intangible personal property taxes. In such case, the Fund may not achieve its objective.

- How Municipal Securities Held by the Fund are Rated. At the time of purchase by the Fund, Municipal Securities must be rated within the four highest rating categories of Moody's (Aaa, Aa, A and Baa), or S&P or Fitch (AAA, AA, A and BBB) or, if unrated, judged by the Manager to be of comparable quality to Municipal Securities rated within such grades. Appendix A to the Statement of Additional Information describes these rating categories. Investments in unrated Municipal Securities will not, at the time of purchase, exceed 25% of the Fund's total assets. Not more than 25% of the Fund's total assets will be invested in Municipal Securities that are (i) municipal bonds rated either "Baa" by Moody's or "BBB" by either S&P or Fitch, (ii) municipal notes rated "SP-2" by S&P, "MIG2" by Moody's or "F-2" by Fitch, or (iii) if unrated, Municipal Securities judged by the Manager to be of comparable quality to Municipal Securities rated within the grades described in (i) and (ii) above, because such Municipal Securities, although investment grade, may be subject to greater market fluctuations and risks of loss of income and principal than higher-rated Municipal Securities, and may be considered to have some speculative characteristics. A reduction in the rating of a security after its purchase by the Fund will not require the Fund to dispose of such security. Securities that have fallen below investment grade have a greater risk that the ability of the issuers of such securities to meet their debt obligations will be impaired. As of December 31, 1993, the Fund's portfolio included Municipal Securities in the following Moody's, S&P and Fitch rating categories (the amounts shown are dollar-weighted average values of the Municipal Securities in each category measured as a percentage of the Fund's total assets): AAA/Aaa, \_\_\_%; AA/Aa, \_\_\_%; A/A, \_\_\_%; and BBB/Baa, \_\_\_%; unrated by Moody's, S&P or Fitch, \_\_\_%.

- Can the Fund's Investment Objective and Policies Change? The Fund has an investment objective, which is described above, as well as investment policies that it follows to try to achieve its objective. Additionally, it uses certain investment techniques and strategies in carrying out those policies. The Fund's investment policies and practices are not "fundamental" unless a particular policy is identified in this Prospectus as "fundamental."

Fundamental policies are those that cannot be changed without the approval of a "majority" of the Fund's outstanding voting shares. The term "majority" is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"), to be a particular level of shareholder approval (and this term is explained in the Statement of Additional Information). The Fund's investment objective is a "fundamental policy." The Board of Trustees of the Trust (as defined below) may change non-fundamental policies, strategies and techniques without shareholder approval, although significant changes will be described in amendments to this Prospectus.

- Credit and Interest Rate Risks. The values of Municipal Securities will vary as a result of changing evaluations by rating services and investors of the ability of the issuers of such securities to meet interest and principal payments. Generally, higher-yielding, lower-rated Municipal Securities are subject to greater credit risk than higher-rated bonds. The values of Municipal Securities will also change in response to changes in prevailing interest rates. Should prevailing interest rates rise, the values of outstanding Municipal Securities will decline and (if purchased at principal amount) would sell at a discount. Conversely, if interest rates fall, the values of outstanding Municipal Securities will increase and (if purchased at principal amount) would sell at a premium. The magnitude of these fluctuations will be greater when

the average maturity of these securities is longer. It is anticipated that the Municipal Securities purchased for the Fund's portfolio will normally be those having longer maturities (7 to 30 years), but the Fund may invest in Municipal Securities having a broad range of maturities. Changes in the values of Municipal Securities owned by the Fund from these or other factors will not affect interest income derived from these securities but will affect the Fund's net asset value per share.

- Special Considerations - Florida Municipal Securities. The Fund concentrates its investments in Municipal Securities issued by Florida and its agencies, authorities, instrumentalities and subdivisions. The market value and marketability of Florida Municipal Securities and the interest income and repayment of principal to the Fund from them could be adversely affected by a default or a financial crisis relating to any of such issuers. Investors should consider these matters as well as economic trends in Florida, which are discussed in the Statement of Additional Information.

- Portfolio Turnover. A change in the securities held by the Fund is known as "portfolio turnover." The Fund's portfolio turnover rate is not expected to exceed 100%, although the Fund's management is unable to predict what the Fund's rate of portfolio turnover will be in any particular period. The Fund generally will not engage in the trading of securities to realize short-term gains, but the Fund may purchase and sell Municipal Securities as the Manager deems advisable to take advantage of differentials in yield. While short-term trading increases portfolio turnover, the Fund incurs little or no brokerage costs.

Municipal Securities and Florida Municipal Securities. Municipal Securities consist of municipal bonds, municipal notes (including tax anticipation notes, bond anticipation notes, revenue anticipation notes, construction loan notes and other short-term loans), tax-exempt commercial paper and other debt obligations issued by or on behalf of the Commonwealth of Florida or its political subdivisions, other states and the District of Columbia, their political subdivisions, or any commonwealth or territory of the United States, or their respective agencies, instrumentalities or authorities, the interest from which is not subject to Federal income tax, in the opinion of bond counsel to the respective issuer. Florida Municipal Securities are Municipal Securities that would enable shares of the Fund to be exempt from Florida intangible personal property taxes. No independent investigation has been made by the Manager as to the uses of proceeds of bond offerings or the application of such proceeds. "Municipal bonds" are Municipal Securities that have a maturity when issued of one year or more and "municipal notes" are Municipal Securities that have a maturity when issued of less than one year. The two principal classifications of Municipal Securities are "general obligations" (secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest) and "revenue obligations" (payable only from the revenues derived from a particular facility or class of facilities, or specific excise tax or other revenue source). The Fund may invest in Municipal Securities of both classifications.

- Municipal Lease Obligations. Municipal leases may take the form of a lease or an installment purchase contract issued by state and local government authorities to obtain funds to acquire a wide variety of equipment and facilities. The Fund may purchase certificates of participation that represent a proportionate interest in or right to the lease purchase payment under the municipal lease. Certain of these securities may be deemed to be "illiquid" securities and their purchase would be limited as described below in "Illiquid Securities". Investment in certificates of participation that the Manager has determined to be liquid (under guidelines set by the Board) will not be subject to such limitations. Those guidelines require the Manager to evaluate: (1) the frequency of trades and price quotations for such securities, (2) the number of dealers or other potential buyers willing to purchase or sell such securities; (3) the availability of market-makers; and (4) the nature of the trades for such securities. The Manager will also evaluate the likelihood of a continuing market for such securities throughout the time

they are held by the Fund and the credit quality of the instrument.

- Floating Rate/Variable Rate Obligations. Some of the Municipal Securities the Fund may purchase may have variable or floating interest rates. Variable rates are adjustable at stated periodic intervals. Floating rates are automatically adjusted according to a specified market rate for such investments, such as the percentage of the prime rate of a bank, or the 91-day U.S. Treasury Bill rate. Such obligations may be secured by bank letters of credit or other credit support arrangements.

- Inverse Floaters. The Fund may invest in variable rate bonds where the interest rate paid varies inversely with movements in short-term tax-exempt yields. Such bonds are known as "inverse floaters." As short-term rates rise, inverse floaters produce less current income.

- Non-diversification. The Fund is a "non-diversified" investment company under the Investment Company Act. As a result, it may invest its assets in a single issuer or limited number of issuers without limitation by the Investment Company Act. However, the Fund intends to qualify as a "regulated investment company" under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), pursuant to which (i) not more than 25% of the market value of the Fund's total assets will be invested in the securities of a single issuer, and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets may be invested in the securities of a single issuer and the Fund must not own more than 10% of the outstanding voting securities of a single issuer. An investment in the Fund will entail greater risk than an investment in a diversified investment company because a higher percentage of investments among fewer issuers may result in greater fluctuation in the total market value of the Fund's portfolio, and economic, political or regulatory developments may have a greater impact on the value of the Fund's portfolio than would be the case if the portfolio were diversified among more issuers.

Other Investment Techniques and Strategies. The Fund may also use the investment techniques and strategies described below, which involve certain risks. The Statement of Additional Information contains more detailed information about these practices, including limitations designed to reduce some of the risks. For more information, please refer to the description of these techniques under the same headings in "Other Investment Techniques and Strategies" in the Statement of Additional Information.

- When-Issued Securities. The Fund may purchase Municipal Securities on a "when-issued" basis and may purchase or sell such securities on a "delayed delivery" basis. These terms refer to securities that have been created and for which a market exists, but which are not available for immediate delivery. There may be a risk of loss to the Fund if the value of the security declines prior to the settlement date.

- Writing Covered Calls. To enhance income for liquidity purposes, the Fund may write (sell) call options on debt securities provided the calls are listed on a domestic securities or commodities exchange or quoted on the automated quotation system of the National Association of Securities Dealers, Inc. ("NASDAQ"). The Fund receives premiums from the calls it writes. The calls are "covered" in that the Fund must own the securities that are subject to the call (although it may substitute other qualifying securities). No more than 25% of the Fund's total assets may be subject to calls. In writing calls there are risks that the Fund may forgo profits on an increase in the price of the underlying security if the call is exercised. In addition, the Fund could experience capital losses that might cause previously-distributed income to be re-characterized for tax purposes as a return of capital to shareholders.

- Hedging With Options and Futures Contracts. The Fund may buy and sell options and futures contracts and engage in interest rate swap

transactions to manage its exposure to changing interest rates and securities prices. Some of these strategies, such as selling futures, buying puts and writing calls, hedge the Fund's portfolio against price fluctuations. Other hedging strategies, such as buying futures and calls, tend to increase market exposure. The Fund may invest in interest rate futures (futures contracts that relate to debt securities) and municipal bond index futures (futures contracts that relate to municipal bond indices), purchase put options and purchase and sell call options on debt securities, interest rate futures, and municipal bond index futures and engage in interest rate swap transactions. All of these are referred to as "hedging instruments." The Fund may also purchase calls to effect a "closing purchase transaction" to terminate its obligations as to a call it has previously written.

The Fund may enter into a stand-by commitment, pursuant to which a dealer agrees to purchase, at the Fund's option, specified Municipal Securities at a stated price on same day settlement. The aggregate price of a security subject to a stand-by commitment may be higher than the price which would otherwise be paid for the security without such stand-by commitment, thus increasing the cost of the security and reducing its yield.

A call or put may not be purchased if the value of all of the Fund's call and put options would exceed 5% of the value of the Fund's total assets. The Fund is not permitted to write (sell) puts. The Fund does not use hedging instruments for speculative purposes and all transactions involving hedging instruments will be in accordance with the requirement that the Fund invest in securities to earn income but not trade for profit. All puts and calls on securities, futures or options on such futures purchased or sold by the Fund will be listed on a national securities or commodities exchange or quoted on NASDAQ. The aggregate premiums paid on all such options which the Fund holds at any time will be limited to 20% of the Fund's total assets and the aggregate margin deposits on all such futures or options thereon at any time will be limited to 5% of the Fund's total assets.

The use of hedging instruments may involve special risks. Options and futures can be volatile investments and involve certain risks. If the Manager uses a hedging instrument at the wrong time or judges market conditions incorrectly, hedging strategies may reduce the Fund's return. The Fund could also experience losses if the prices of its futures and options positions were not correlated with its other investments or if it could not close out a position because of an illiquid market.

There are special risks in particular hedging strategies. The principal risks of futures trading are: (a) possible imperfect correlation between the prices of the futures and the market value of the Fund's portfolio securities; (b) possible lack of a liquid secondary market for closing out a futures position; (c) the need for additional skills and techniques beyond normal portfolio management; and (d) losses resulting from market movements or interest rate movements not anticipated by the Manager. These risks and the hedging strategies the Fund may use are described in greater detail in the Statement of Additional Information.

- Repurchase Agreements. The Fund may enter into repurchase agreements. There is no limit on the amount of the Fund's net assets that may be subject to repurchase agreements of seven days or less. Repurchase agreements must be fully collateralized. However, if the vendor fails to pay the re-sale price on the delivery date, the Fund may experience costs in disposing of the collateral and losses if there is any delay in doing so.

- Illiquid Securities. Under the supervision of the Trust's Board of Trustees, the Manager determines the liquidity of the Fund's investments. Investments may be illiquid because of the absence of a trading market, making it difficult to value them or dispose of them promptly at an acceptable price. The Fund will not invest more than 10%



of its net assets in illiquid investments (that limit may increase to 15% if applicable state law permits). The Fund may not invest any portion of its assets in restricted securities, which are securities that contain a contractual restriction on resale or that cannot be sold publicly until registered under the Securities Act of 1933, as amended.

- Loans of Portfolio Securities. The Fund may lend its portfolio securities (other than in repurchase transactions) amounting to not more than 25% of its total assets to brokers, dealers and other financial institutions, subject to certain conditions described in the Statement of Additional Information. The Fund presently does not intend to lend its portfolio securities, but if it does, the value of securities loaned is not expected to exceed 5% of the value of its total assets.

Other Investment Restrictions. The Fund has other investment restrictions which, together with its investment objective, are "fundamental" policies, that is, subject to change only by approval of a majority of the Fund's outstanding shares.

Under the Fund's fundamental policies, it may not concentrate investments to the extent of more than 25% of its total assets in any industry; however, there is no limitation as to investment in Municipal Securities, Florida Municipal Securities or U.S. Government obligations. As a matter of non-fundamental policy, changeable without a shareholder vote, the Fund will not: (i) invest in securities or any other investment other than the Municipal Securities, temporary investments, taxable investments and Hedging Instruments described in "Investment Policies and Strategies," "Municipal Securities and Florida Municipal Securities" and "Other Investment Techniques and Strategies" above; (ii) make loans, except through the purchase of portfolio securities subject to repurchase agreements or through loans of portfolio securities as described under "Other Investment Techniques and Strategies"; (iii) borrow money in excess of 10% of the value of its total assets, or make any additional investments whenever borrowings exceed 5% of the Fund's total assets; it may borrow only from banks as a temporary measure for extraordinary or emergency purposes (not for the purpose of leveraging its investments); (iv) pledge, mortgage or otherwise encumber, transfer or assign any of its assets to secure a debt; collateral arrangements for premium and margin payments in connection with Hedging Instruments are not deemed to be a pledge of assets; or (v) buy or sell futures contracts other than Interest Rate Futures or Municipal Bond Index Futures. All of the percentage limitations described above and elsewhere in this Prospectus apply to the Fund only at the time of purchasing a security, and the Fund need not dispose of a security merely because the Fund's assets have changed or the security has increased in value relative to the size of the Fund. There are other fundamental policies discussed in "Additional Investment Restrictions" the Statement of Additional Information, along with more information about the Fund's non-fundamental investment policies and strategies.

#### How the Fund is Managed

Organization and History. The Fund was organized on June 10, 1993 and is one of three investment portfolios or "series" of Oppenheimer Multi-State Tax-Exempt Trust (the "Trust"). The Trust is an open-end, diversified management investment company organized in 1989 as a Massachusetts business trust, with an unlimited number of authorized shares of beneficial interest. Each of the three series of the Trust is a fund that issues its own shares, has its own investment portfolio, and its own assets and liabilities.

The Board of Trustees has the power, without shareholder approval, to divide unissued shares of this Fund into two or more classes, each having its own dividends, distributions and expenses. Each class may have a different net asset value. The Board has done so, and the Fund currently has two classes of shares, Class A and Class B. Each share has one vote at shareholder meetings, with fractional shares voting

proportionally. Only shares of a class vote together on matters that affect that class alone. Shares are freely transferrable.

The Fund is governed by a Board of Trustees, which is responsible for protecting the interests of shareholders under Massachusetts law. The Trustees meet throughout the year to oversee the Fund's activities, review performance, and review the actions of the Manager. "Trustees and Officers of the Fund" in the Statement of Additional Information names the Trustees and provides more information about them and the officers of the Trust. Although the Fund is not required by law to hold annual meetings, it may hold meetings from time to time on important matters, and shareholders have the right to call a meeting to remove Trustees or to take other action described in the Declaration of Trust of the Trust.

The Manager and its Affiliates. The Fund is managed by the Manager, which chooses the Fund's investments and handles its day-to-day business. The Manager carries out its duties, subject to the policies established by the Board of Trustees, under an Investment Advisory Agreement which states the Manager's responsibilities and its fees, and describes the expenses that the Fund pays to conduct its business.

The Manager has operated as an investment adviser since 1959. The Manager and its affiliates currently manage investment companies, including other OppenheimerFunds, with assets of more than \$26 billion as of December 31, 1993, and with more than 1.8 million shareholder accounts. The Manager is owned by Oppenheimer Acquisition Corp., a holding company that is owned in part by senior officers of the Manager and controlled by Massachusetts Mutual Life Insurance Company, a mutual life insurance company.

- Portfolio Manager. Robert E. Patterson, a Senior Vice President of the Manager, serves as the Portfolio Manager and a Vice President of the Trust and is primarily responsible for the day-to-day management of the Fund's portfolio. During the past five years, Mr. Patterson has also served as an officer and portfolio manager for other OppenheimerFunds.

- Fees and Expenses. Under the Investment Advisory Agreement, the Fund pays the Manager the following annual fees, which decline on additional assets as the Fund grows: 0.60% of the first \$200 million of net assets; 0.55% of the next \$100 million; 0.50% of the next \$200 million; 0.45% of the next \$250 million; 0.40% of the next \$250 million and 0.35% of net assets over \$1 billion. The Fund's management fee for its last fiscal year was \_\_\_% of average annual net assets for Class A shares and \_\_\_% for Class B shares, which may be higher than the rate paid by some other mutual funds.

The Fund pays expenses related to its daily operations, such as custodian fees, transfer agency fees, legal and auditing costs. Those expenses are paid out of the Fund's assets and are not paid directly by shareholders. However, those expenses affect the net asset value of shares, and therefore are indirectly borne by shareholders through their investment. More information about the investment advisory agreement and the other expenses paid by the Fund is contained in the Statement of Additional Information.

There is also information about the Fund's brokerage policies and portfolio transactions in "Brokerage Policies of the Fund" in the Statement of Additional Information. Because the Fund purchases most of its portfolio securities directly from the sellers and not through brokers, it therefore incurs relatively little expense for brokerage. From time to time it may use brokers when buying portfolio securities. When deciding which brokers to use in those cases, the investment advisory agreement allows the Manager to consider whether brokers have sold shares of the Fund or any other funds for which the Manager also serves as investment adviser.

- The Distributor. The Fund's shares are sold through dealers or brokers that have a sales agreement with Oppenheimer Funds Distributor, Inc., a subsidiary of the Manager that acts as the Distributor. The Distributor also distributes the shares of other mutual funds managed by the Manager (the "OppenheimerFunds") and is sub-distributor for funds managed by a subsidiary of the Manager.

- The Transfer Agent. The Fund's transfer agent is Oppenheimer Shareholder Services, a division of the Manager, which acts as the shareholder servicing agent for the Fund and the other OppenheimerFunds on an "at-cost" basis. Shareholders should direct inquiries to the Transfer Agent at the address and toll-free numbers shown elsewhere in this Prospectus or on the back cover.

#### Performance of the Fund

Explanation of Performance Terminology. The Fund uses certain terms to illustrate its performance: "total return," "yield" and "tax-equivalent yield". These terms are used to show the performance of each class of shares separately, because the performance of each class of shares will usually be different, as a result of the different kinds of expenses each class bears. This performance information may be in advertisements about the Fund or in communications to shareholders. It may be useful to help you see how well your investment has done and to compare it to other funds or market indices, as we have done below.

It is important to understand that the Fund's yields and total returns represent past performance and should not be considered to be predictions of future returns or performance. This performance data is described below, but more detailed information about how total returns and yields are calculated is contained in the Statement of Additional Information, which also contains information about indices and other ways to compare the Fund's performance. The Fund's investment performance will vary, depending on market conditions, the composition of the portfolio, expenses and which class of shares you purchase.

- Total Returns. There are different types of "total returns" used to measure the Fund's performance. Total return is the change in value of a hypothetical investment in the Fund over a given period, assuming that all dividends and capital gains distributions are reinvested in additional shares. The cumulative total return measures the change in value over the entire period (for example, ten years). An average annual total return shows the average rate of return for each year in a period that would produce the cumulative total return over the entire period. However, average annual total returns do not show the Fund's actual year-by-year performance.

When total returns are quoted for Class A shares, they reflect the payment of the maximum initial sales charge. Total returns may be quoted "at net asset value," without considering the effect of the sales charge, and these returns would be reduced if sales charges were deducted. When total returns are shown for Class B shares, they reflect the effect of the contingent deferred sales charge that applies to the period for which total return is shown, or else they may be shown based just on the change in net asset value, without considering the effect of the contingent deferred sales charge.

- Yield and Tax-Equivalent Yield. Each class of shares calculates its yield by dividing the annualized net investment income per share on the portfolio during a 30-day period by the maximum offering price on the last day of the period. The yield of each class will differ because of the different expenses of each class of shares. The yield data represents a hypothetical investment return on the portfolio, and does not measure an investment return based on dividends actually paid to shareholders. To show that return, a dividend yield may be calculated. Dividend yield is

calculated by dividing the dividends of a class derived from net investment income during a stated period by the maximum offering price on the last day of the period. Yields and dividend yields for Class A shares reflect the deduction of the maximum initial sales charge, but may also be shown based on the Fund's net asset value per share. Yields for Class B shares do not reflect the deduction of the contingent deferred sales charge. The tax-equivalent yield for each class of shares shows the effect on performance of the tax-exempt status of distributions received from the Fund. It reflects the approximate yield that a taxable investment must earn for shareholders at stated income levels to produce an after-tax yield equivalent to the Fund's tax-exempt yield.

How Has the Fund Performed? Below is a discussion by the Manager of the Fund's performance during its last fiscal year ended December 31, 1993, followed by a graphical comparison of the Fund's performance to an appropriate broad-based market index. The Fund commenced operations on October 1, 1993.

- Management's Discussion of Performance. During the Fund's fiscal year ended December 31, 1993, the Manager emphasized investment in higher quality municipal securities, with an emphasis on essential service revenue bonds such as hospital and transportation issues, and diversified the Fund's portfolio geographically within the State of Florida and by market sector. During the fiscal year, the general municipal bond market turned in a strong performance, and the Florida municipal bond market followed this trend, benefitting from declining interest rates, gradual economic growth and increased federal tax rates, which increased demand for tax-exempt securities offering after-tax yields higher than those offered by other fixed-income alternatives.

- Comparing the Fund's Performance to the Market. The chart below shows the performance of a hypothetical \$10,000 investment in each class of shares of the Fund from the commencement of operations of the Fund through December 31, 1993, with all dividends and capital gains distributions reinvested in additional shares. The graph reflects the deduction of the 4.75% maximum initial sales charge on Class A shares and the maximum 5% contingent deferred sales charge for Class B shares.

Because the Fund primarily invests in Municipal Securities, the Fund's performance is compared to the performance of the Lehman Brothers Municipal Bond Index, an unmanaged index of a broad range of investment grade municipal bonds that is widely regarded as a measure of the performance of the general municipal bond market. Index performance reflects reinvestment of income but not capital gains or transaction costs, and none of the data below shows the effect of taxes. While index comparisons may be useful to provide a benchmark for the Fund's performance, it must be noted that the Fund's investments are not limited to the securities in any one index and the index data does not reflect any assessment of the risk of the investments included in the index.

Oppenheimer Florida Tax-Exempt Fund  
Comparison of Change in Value  
of \$10,000 Hypothetical Investment to  
Lehman Brothers Municipal Bond Index

(Graph)

Past Performance is not predictive of future performance.

Oppenheimer Florida Tax-Exempt Fund  
Cumulative Total Return of  
Class A and Class B shares at 12/31/93

Life of Fund

Class A: %-1.26%  
Class B: %-1.38%

## YOUR INVESTMENT ACCOUNT

### How to Buy Shares

The Fund offers investors two different classes of shares. The different classes of shares represent investments in the same portfolio of securities but are subject to different expenses and will likely have different share prices.

- Class A Shares. If you buy Class A shares, you pay an initial sales charge (on investments up to \$1 million). If you purchase Class A shares as part of an investment of at least \$1 million in shares of one or more OppenheimerFunds, and you sell any of those shares within 18 months after your purchase, you will pay a contingent deferred sales charge, which will vary depending on the amount you invested.

- Class B Shares. If you buy Class B shares, you pay no sales charge at the time of purchase, but if you sell your shares within six years, you will normally pay a contingent deferred sales charge that varies depending on how long you own your shares.

- Which Class of Shares Should You Choose? Once you decide that the Fund is an appropriate investment for you, the decision as to which class of shares is better suited to your needs depends on a number of factors which you should discuss with your financial advisor:

- How much do you plan to invest? If you plan to invest a substantial amount, the reduced sales charges available for larger purchases of Class A shares may be more beneficial to you, and for purchases over \$1 million, the contingent deferred sales charge on Class A shares may be more beneficial. The Distributor will not accept any order for \$1 million or more for Class B shares on behalf of a single investor for that reason.

- How long do you expect to hold your investment? While future financial needs cannot be predicted with certainty, investors who prefer not to pay an initial sales charge and who plan to hold their shares for more than 6 years might consider Class B shares. Investors who plan to redeem shares within 7 years might prefer Class A shares.

- Are there differences in account features that matter to you? Because some account features may not be available for Class B shareholders, such as checkwriting, you should carefully review how you plan to use your investment account before deciding which class of shares is better for you. Additionally, the dividends payable to Class B shareholders will be reduced by the additional expenses borne solely by that class, such as the asset-based sales charge to which Class B shares are subject, as described below and in the Statement of Additional Information.

- How does it affect payments to my broker? A salesperson or any other person who is entitled to receive compensation for selling Fund shares may receive different compensation for selling one class than for selling another class. It is important that investors understand that the purpose of the contingent deferred sales charge and asset-based sales charge for Class B shares is the same as the purpose of the front-end sales charge on sales of Class A shares.

- How Much Must You Invest? You can open a Fund account with a

minimum initial investment of \$1,000 and make additional investments at any time with as little as \$25. There are reduced minimum investments under special investment plans:

- With Asset Builder Plans, Automatic Exchange Plans, 403(b)(7) custodial plans and military allotment plans, you can make initial and subsequent investments for as little as \$25; and subsequent purchases of at least \$25 can be made by telephone through AccountLink.

- There is no minimum investment requirement if you are buying shares by reinvesting dividends from the Fund or other OppenheimerFunds (a list of them appears in the Statement of Additional Information, or you can ask your dealer or call the Transfer Agent), or by reinvesting distributions from unit investment trusts that have made arrangements with the Distributor.

- How Are Shares Purchased? You can buy shares several ways -- through any dealer, broker or financial institution that has a sales agreement with the Distributor, or directly through the Distributor, or automatically from your bank account through an Asset Builder Plan under the OppenheimerFunds AccountLink service. When you buy shares, be sure to specify Class A or Class B shares. If you do not choose, your investment will be made in Class A shares.

- Buying Shares Through Your Dealer. Your dealer will place your order with the Distributor on your behalf.

- Buying Shares Through the Distributor. Complete an OppenheimerFunds New Account Application and return it with a check payable to "Oppenheimer Funds Distributor, Inc." Mail it to P.O. Box 5270, Denver, Colorado 80217. If you don't list a dealer on the application, the Distributor will act as your agent in buying the shares.

- Buying Shares Through OppenheimerFunds AccountLink. You can use AccountLink to link your Fund account with an account at a U.S. bank or other financial institution that is an Automated Clearing House (ACH) member, to transmit funds electronically to purchase shares, to send redemption proceeds, and to transmit dividends and distributions. Shares are purchased for your account on the regular business day the Distributor is instructed by you to initiate the ACH transfer to buy shares. You can provide those instructions automatically, under an Asset Builder Plan, described below, or by telephone instructions using OppenheimerFunds PhoneLink, also described below. You must request AccountLink privileges on the application or dealer settlement instructions used to establish your account. Please refer to "AccountLink," below for more details.

Shares are sold at the public offering price based on the net asset value that is next determined after the Distributor receives the purchase order in Denver. In most cases, to receive that day's offering price, the Distributor must receive your order by 4:00 P.M., New York time (all references to time in this Prospectus mean "New York time."). The net asset value of each class of shares is determined as of that time on each day The New York Stock Exchange is open (which is a "regular business day"). If you buy shares through a dealer, the dealer must receive your order by 4:00 P.M. on a regular business day and transmit it to the Distributor so that it is received before the Distributor's close of business that day, which is normally 5:00 P.M. The Distributor may reject any purchase order for the Fund's shares, in its sole discretion.

- Asset Builder Plans. You may purchase shares of the Fund (and up to four other OppenheimerFunds) automatically each month from your account at a bank or other financial institution under an Asset Builder Plan with AccountLink. Details are on the Application and in the Statement of Additional Information.

Class A Shares. Class A shares are sold at their offering price, which is normally net asset value plus an initial sales charge. However, in some cases, described below, where purchases are not subject to an initial sales charge, the offering price may be net asset value. In some cases, reduced sales charges may be available, as described below. When you invest, the Fund receives the net asset value for your account. The sales charge varies depending on the amount of your purchase and a portion may be retained by the Distributor and allocated to your dealer. The current sales charge rates and commissions paid to dealers and brokers are as follows:

Amount of Purchase	Front-End Sales Charge As a Percentage of:		Commission as Percentage of Offering Price
	Offering Price	Amount Invested	
Less than \$50,000	4.75%	4.98%	4.00%
\$50,000 or more but less than \$100,000	4.50%	4.71%	4.00%
\$100,000 or more but less than \$250,000	3.50%	3.63%	3.00%
\$250,000 or more but less than \$500,000	2.50%	2.56%	2.25%
\$500,000 or more but less than \$1 million	2.00%	2.04%	1.80%

The Distributor reserves the right to reallocate the entire commission to dealers. If that occurs, the dealer may be considered an "underwriter" under Federal securities laws.

- Class A Contingent Deferred Sales Charge. There is no initial sales charge on purchases of Class A shares of any one or more OppenheimerFunds aggregating \$1 million or more. However, the Distributor pays dealers of record commissions on such purchases in an amount equal to the sum of 1.0% of the first \$2.5 million, plus 0.50% of the next \$2.5 million, plus 0.25% of share purchases over \$5 million. However, that commission will be paid only on the amount of those purchases in excess of \$1 million that were not previously subject to a front-end sales charge and dealer commission.

If you redeem any of those shares within 18 months of the end of the calendar month of their purchase, a contingent deferred sales charge (called the "Class A contingent deferred sales charge") will be deducted from the redemption proceeds. That sales charge will be equal to 1.0% of the aggregate net asset value of either (1) the redeemed shares (not including shares purchased by reinvestment of dividends or capital gain distributions) or (2) the original cost of the shares, whichever is less. However, the Class A contingent deferred sales charge will not exceed the aggregate commissions the Distributor paid to your dealer on all Class A shares of all OppenheimerFunds you purchased subject to the Class A contingent deferred sales charge. In determining whether a contingent deferred sales charge is payable, the Fund will first redeem shares that are not subject to the sales charge, including shares purchased by reinvestment of dividends and capital gains, and then will redeem other shares in the order that you purchased them. The Class A contingent deferred sales charge is waived in certain cases described in "Waivers of Class A Sales Charges" below.



No Class A contingent deferred sales charge is charged on exchanges of shares under the Fund's Exchange Privilege (described below). However, if the shares acquired by exchange are redeemed within 18 months of the end of the calendar month of the purchase of the exchanged shares, the sales charge will apply.

- Special Arrangements With Dealers. The Distributor may advance up to 13 months' commissions to dealers that have established special arrangements with the Distributor for Asset Builder Plans for their clients. From time to time, the Distributor may make special arrangements with dealers and make additional payments if the dealer meets specified sales criteria and other requirements. The Distributor may sponsor an annual sales conference to which a dealer firm is eligible to send, with a guest, a registered representative who sells more than \$2.5 million of Class A shares of OppenheimerFunds (other than money market funds) in a calendar year, or the dealer may, at its option, receive the equivalent cash value of that award as additional commission.

- Reduced Sales Charges for Class A Share Purchases. You may be eligible to buy Class A shares at reduced sales charge rates in one or more of the following ways:

- Right of Accumulation. You and your spouse can cumulate Class A shares you purchase for your own accounts, or jointly, or on behalf of your children who are minors, under trust or custodial accounts. A fiduciary can cumulate shares purchased for a trust, estate or other fiduciary account (including one or more employee benefit plans of the same employer) that has multiple accounts.

Additionally, you can cumulate current purchases of Class A shares of the Fund and other OppenheimerFunds with Class A shares of OppenheimerFunds you previously purchased subject to a sales charge, provided that you still hold your investment in one of the OppenheimerFunds; the value of those shares will be based on the greater of the amount you paid for the shares or their current value (at offering price). The OppenheimerFunds are listed in "Reduced Sales Charges" in the Statement of Additional Information, or a list can be obtained from the Transfer Agent. The reduced sales charge will apply only to current purchases and must be requested when you buy your shares.

- Letter of Intent. Under a Letter of Intent, you may purchase Class A shares of the Fund and other OppenheimerFunds during a 13-month period at the reduced sales charge rate that applies to the aggregate amount of the intended purchases, including purchases made up to 90 days before the date of the Letter. More information is contained in the Application and in "Reduced Sales Charges" in the Statement of Additional Information.

- Waivers of Class A Sales Charges. No sales charge is imposed on sales of Class A shares to the following persons: (1) the Manager or its affiliates; (2) present or former officers, directors, trustees and employees (and their "immediate families" as defined in "Reduced Sales Charges" in the Statement of Additional Information) of the Fund, the Manager and its affiliates, and retirement plans established by them for their employees; (3) registered management investment companies, or separate accounts of insurance companies having an agreement with the Manager or the Distributor for that purpose; (4) dealers or brokers that have a sales agreement with the Distributor, if they purchase shares for their own accounts or for retirement plans for their employees; (5) employees (and their spouses) of dealers or brokers described above or financial institutions that have entered into sales arrangements with such dealers or brokers (and are identified to the Distributor) or with the Distributor; the purchaser must certify to the Distributor at the time of purchase that the purchase is for the purchaser's own account (or for the benefit of such employee's spouse or minor children); or (6) dealers, brokers or registered investment advisers that have entered into an agreement with the Distributor providing specifically for the use of

shares of the Fund in particular investment products made available to their clients.

Additionally, no sales charge is imposed on shares that are (a) issued in plans of reorganization, such as mergers, asset acquisitions and exchange offers, to which the Fund is a party or (b) purchased by the reinvestment of loan repayments by a participant in a retirement plan for which the Manager or its affiliates acts as sponsor, or (c) purchased by the reinvestment of dividends or other distributions reinvested from the Fund or other OppenheimerFunds (other than the Cash Reserves Funds) or unit investment trusts for which reinvestment arrangements have been made with the Distributor. There is a further discussion of this policy in "Reduced Sales Charges" in the Statement of Additional Information.

The Class A contingent deferred sales charge is also waived if shares are redeemed in the following cases: (1) Automatic Withdrawal Plan payments that are limited to no more than 12% of the original account value annually; and (2) involuntary redemptions of shares by operation of law or under the procedures set forth in the Trust's Declaration of Trust or adopted by the Board of Trustees.

- Service Plan for Class A Shares. The Fund has adopted a Service Plan for Class A shares to reimburse the Distributor for a portion of its costs incurred in connection with the personal service and maintenance of accounts that hold Class A shares. Reimbursement is made quarterly at an annual rate that may not exceed 0.25% of the average annual net assets of Class A shares of the Fund. The Distributor uses all of those fees to compensate dealers, brokers, banks and other financial institutions quarterly for providing personal service and maintenance of accounts of their customers that hold Class A shares and to reimburse itself (if the Trust's Board of Trustees authorizes such reimbursements, which it has not yet done) for its other expenditures under the Plan.

Services to be provided include, among others, answering customer inquiries about the Fund, assisting in establishing and maintaining accounts in the Fund, making the Fund's investment plans available and providing other services at the request of the Fund or the Distributor. Payments are made by the Distributor quarterly at an annual rate not to exceed 0.25% of the average annual net assets of Class A shares held in accounts of the dealer or its customers. The Board of Trustees has determined that the service fee payable under the Plan will initially be 0.15% per annum, computed on the average annual net assets of Class A shares of the Fund, which fee may be increased by the Board from time to time to an annual rate not to exceed 0.25% of the average annual net assets of Class A shares of the Fund. The payments under the Plan increase the annual expenses of Class A shares. For more details, please refer to "Distribution and Service Plans" in the Statement of Additional Information.

Class B Shares. Class B shares are sold at net asset value per share without an initial sales charge. However, if Class B shares are redeemed within 6 years of their purchase, a contingent deferred sales charge will be deducted from the redemption proceeds. That sales charge will not apply to shares purchased by the reinvestment of dividends or capital gains distributions. The charge will be assessed on the lesser of the net asset value of the shares at the time of redemption or the original purchase price. The contingent deferred sales charge is not imposed on the amount of your account value represented by the increase in net asset value over the initial purchase price (including increases due to the reinvestment of dividends and capital gains distributions). The Class B contingent deferred sales charge is paid to the Distributor to reimburse its expenses of providing distribution-related services to the Fund in connection with the sale of Class B shares.

To determine whether the contingent deferred sales charge applies to a redemption, the Fund redeems shares in the following order: (1) shares acquired by reinvestment of dividends and capital gains distributions, (2)

shares held for over 6 years, and (3) shares held the longest during the 6-year period.

The amount of the contingent deferred sales charge will depend on the number of years since you invested and the dollar amount being redeemed, according to the following schedule:

Years Since Purchase Payment Was Made	Contingent Deferred Sales Charge on Redemptions in that Year (As % of Amount Subject to Charge)
0 - 1	5.0%
1 - 2	4.0%
2 - 3	3.0%
3 - 4	3.0%
4 - 5	2.0%
5 - 6	1.0%
6 and following	None

In the table, a "year" is a 12-month period. All purchases are considered to have been made on the first regular business day of the month in which the purchase was made.

- Waivers of Class B Sales Charge. The Class B contingent deferred sales charge will be waived if the shareholder requests it for redemptions from accounts following the death or disability of the shareholder (as evidenced by a determination of disability by the Social Security Administration).

The contingent deferred sales charge is also waived on Class B shares in the following cases: (i) shares sold to the Manager or its affiliates; (ii) shares sold to registered management investment companies or separate accounts of insurance companies having an agreement with the Manager or the Distributor for that purpose; (iii) shares issued in plans of reorganization to which the Fund is a party; and (iv) shares redeemed in involuntary redemptions as described above. Further details about this policy are contained in "Reduced Sales Charges" in the Statement of Additional Information.

- Automatic Conversion of Class B Shares. 72 months after you purchase Class B shares, those shares will automatically convert to Class A shares. This conversion feature relieves Class B shareholders of the asset-based sales charge that applies to Class B shares under the Class B Distribution Plan, described below. The conversion is based on the relative net asset value of the two classes, and no sales load or other charge is imposed. When Class B shares convert, any other Class B shares that were acquired by the reinvestment of dividends and distributions on the converted shares will also convert to Class A shares. The conversion feature is subject to the continued availability of a tax ruling described in "Alternative Sales Arrangements - Class A and Class B Shares" in the Statement of Additional Information.

- Distribution and Service Plan for Class B Shares. The Fund has adopted a Distribution and Service Plan for Class B shares to compensate the Distributor for its services and costs in distributing Class B shares and servicing accounts. Under the Plan, the Fund pays the Distributor an annual "asset-based sales charge" of 0.75% per year on Class B shares that are outstanding for 6 years or less. The Distributor also receives a service fee of up to 0.25% per year. The Board has currently set the service fee at 0.15% per year, which amount may be increased by the Board from time to time to an amount not exceeding 0.25% per year. The service fee and asset-based sales charge are computed on the average annual net assets of Class B shares, determined as of the close of each regular business day. The asset-based sales charge allows investors to buy Class B shares without a front-end sales charge while allowing the Distributor to compensate dealers that sell Class B shares.

The Distributor uses the service fee to compensate dealers for providing personal service for accounts that hold Class B shares. Those services are similar to those provided under the Class A Service Plan, described above. The asset-based sales charge and service fees increase Class B expenses by up to 1.00% (currently 0.90% as described above) of average net assets per year.

The Distributor pays the 0.15% service fee to dealers in advance for the first year after Class B shares have been sold by the dealer. After the shares have been held for a year, the Distributor pays the fee on a quarterly basis. The Distributor currently pays sales commissions of 3.85% of the purchase price to dealers from its own resources at the time of sale. The Distributor retains the asset-based sales charge to recoup the sales commissions it pays, the advances of service fee payments it makes, and its financing costs.

If the Plan is terminated by the Fund, it provides for continuing payments of the asset-based sales charge to the Distributor for certain expenses already incurred. The accounting treatment for the Fund's obligation under the Plan for those future payments is discussed in "Distribution and Service Plans" in the Statement of Additional Information. The accounting standards now used are currently under review by the American Institute of Certified Public Accountants, and it is possible that those standards will change and that the Fund's Class B Plan would be changed as a result. At December 31, 1993, the end of the Plan year, the Distributor had incurred unreimbursed expenses under the Plan of \$\_\_\_\_\_ (equal to \_\_\_% of the Fund's net assets represented by Class B shares on that date), which have been carried over into the present Plan year.

#### Special Investor Services

AccountLink. OppenheimerFunds AccountLink links your Fund account to your account at your bank or other financial institution to enable you to send money electronically between those accounts to perform a number of types of account transactions, including purchases of shares by telephone (either through a service representative or by PhoneLink, described below), automatic investments under Asset Builder Plans, and sending dividends and distributions or Automatic Withdrawal Plan payments directly to your bank account. Please refer to the Application for details or call the Transfer Agent for more information.

AccountLink privileges must be requested on the Application you use to buy shares, or on your dealer's settlement instructions if you buy your shares through your dealer. After your account is established, you can request AccountLink privileges on signature-guaranteed instructions to the Transfer Agent. AccountLink privileges will apply to each shareholder listed in the registration on your account as well as to your dealer representative of record unless and until the Transfer Agent receives written instructions terminating or changing those privileges. After you establish AccountLink for your account, any change of bank account information must be made by signature-guaranteed instructions to the Transfer Agent signed by all shareholders who own the account.

- Using AccountLink to Buy Shares. Purchases may be made by telephone only after your account has been established. To purchase shares in amounts up to \$250,000 through a telephone representative, call the Distributor at 1-800-852-8457. The purchase payment will be debited from your bank account.

- PhoneLink. PhoneLink is the OppenheimerFunds automated telephone system that enables shareholders to perform a number of account transactions automatically using a touch-tone phone. PhoneLink may be used on already-established Fund accounts after you obtain a Personal

Identification Number (PIN), by calling the special PhoneLink number: 1-800-533-3310.

- Purchasing Shares. You may purchase shares in amounts up to \$100,000 by phone, by calling 1-800-533-3310. You must have established AccountLink privileges to link your bank account with the Fund, to pay for these purchases.

- Exchanging Shares. With the OppenheimerFunds Exchange Privilege, described below, you can exchange shares automatically by phone from your Fund account to another OppenheimerFunds account you have already established by calling the special PhoneLink number. Please refer to "Exchange Privilege," below, for details.

- Selling Shares. You can redeem shares by telephone automatically by calling the PhoneLink number and the Fund will send the proceeds directly to your AccountLink bank account. Please refer to "How to Sell Shares," below for details.

Automatic Withdrawal and Exchange Plans. The Fund has several plans that enable you to sell shares automatically or exchange them to another OppenheimerFunds account on a regular basis:

- Automatic Withdrawal Plans. If your Fund account is \$5,000 or more, you can establish an Automatic Withdrawal Plan to receive payments of at least \$50 on a monthly, quarterly, semi-annual or annual basis. The checks may be sent to you or sent automatically to your bank account on AccountLink. You may even set up certain types of Withdrawals of up to \$1,500 per month by telephone. You should consult the Application and Statement of Additional Information for more details.

- Automatic Exchange Plans. You can authorize the Transfer Agent to exchange an amount you establish in advance automatically for shares of up to five other OppenheimerFunds on a monthly, quarterly, semi-annual or annual basis under an Automatic Exchange Plan. The minimum purchase for each other OppenheimerFunds account is \$25. These exchanges are subject to the terms of the Exchange Privilege, described below.

Reinvestment Privilege. If you redeem some or all of your Fund shares, you have up to 6 months to reinvest all or part of the redemption proceeds in Class A shares of the Fund or other OppenheimerFunds without paying sales charge. This privilege applies to Class A shares that you sell, and Class B shares on which you paid a contingent deferred sales charge when you redeemed them. You must be sure to ask the Distributor for this privilege when you send your payment. Please consult the Statement of Additional Information for more details.

#### How to Sell Shares

You can arrange to take money out of your account on any regular business day by selling (redeeming) some or all of your shares. Your shares will be sold at the next net asset value calculated after your order is received and accepted by the Transfer Agent. The Fund offers you a number of ways to sell your shares: in writing, by using the Fund's Checkwriting privilege or by telephone. You can also set up Automatic Withdrawal Plans to redeem shares on a regular basis, as described above. If you have questions about any of these procedures, and especially if you are redeeming shares in a special situation, such as due to the death of the owner, please call the Transfer Agent first, at 1-800-525-7048, for assistance.

- Certain Requests Require a Signature Guarantee. To protect you

and the Fund from fraud, certain redemption requests must be in writing and must include a signature guarantee in the following situations (there may be other situations also requiring a signature guarantee):

- You wish to redeem more than \$50,000 worth of shares and receive a check
- The check is not payable to all shareholders listed on the account statement
- The check is not sent to the address of record on your statement
- Shares are being transferred to a Fund account with a different owner or name
- Shares are redeemed by someone other than the owners (such as an Executor)

- Where Can I Have My Signature Guaranteed? The Transfer Agent will accept a guarantee of your signature by a number of financial institutions, including: a U.S. bank, trust company, credit union or savings association, or from a foreign bank that has a U.S. correspondent bank, or from a U.S. registered dealer or broker in securities, municipal securities or government securities, or from a U.S. national securities exchange, a registered securities association or a clearing agency. If you are signing as a fiduciary or on behalf of a corporation, partnership or other business, you must also include your title in the signature.

Selling Shares by Mail. Write a "letter of instructions" that includes:

- Your name
- The Fund's name
- Your Fund account number (from your statement)
- The dollar amount or number of shares to be redeemed
- Any special payment instructions
- Any share certificates for the shares you are selling, and
- Any special requirements or documents requested by the Transfer Agent to assure proper authorization of the person asking to sell shares.

Use the following address for requests by mail:  
Oppenheimer Shareholder Services  
P.O. Box 5270, Denver,  
Colorado 80217

Send courier or Express Mail requests to:  
Oppenheimer Shareholder Services  
10200 E. Girard Avenue, Building D  
Denver, Colorado 80231

Selling Shares by Telephone. You and your dealer representative of record may also sell your shares by telephone. To receive the redemption price on a regular business day, your call must be received by the Transfer Agent by 4:00 P.M. You may not redeem shares held in an OppenheimerFunds retirement plan or under a share certificate by telephone.

- - To redeem shares through a service representative, call 1-800-852-8457
- - To redeem shares automatically on PhoneLink, call 1-800-533-3310

Whichever method you use, you may have a check sent to the address on the account, or, if you have linked your Fund account to your bank account on AccountLink, you may have the proceeds wired to that account.

- Telephone Redemptions Paid by Check. Up to \$50,000 may be redeemed by telephone, once in each seven-day period. The check must be payable to all owners of record of the shares and must be sent to the address on the account. This service is not available within 30 days of changing the address on an account.

- Telephone Redemptions Through AccountLink. There are no dollar limits on telephone redemption proceeds sent to a bank account designated when you establish AccountLink. Normally the ACH wire to your bank is initiated on the business day after the redemption. You do not receive dividends on the proceeds of the shares you redeemed while they are waiting to be wired.

CheckWriting. To be able to write checks against your Fund account, you may request that privilege on your account Application or you can contact the Transfer Agent for signature cards, which must be signed (with a signature guarantee) by all owners of the account and returned to the Transfer Agent so that checks can be sent to you to use. Shareholders with joint accounts can elect in writing to have checks paid over the signature of one owner.

- Checks can be written to the order of whomever you wish, but may not be cashed at the Fund's bank or custodian.

- Checkwriting privileges are not available for accounts holding Class B shares or Class A shares that are subject to a contingent deferred sales charge.

- Checks must be written for at least \$100.

- Checks cannot be paid if they are written for more than your account value.

Remember: your shares fluctuate in value and you should not write a check close to the total account value.

- You may not write a check that would require the Fund to redeem shares that were purchased by check or Asset Builder Plan payments within the prior 15 days.

- Don't use your checks if you changed your Fund account number.

The Fund will charge a \$10 fee for any check that is not paid because (1) the owners of the account told the Fund not to pay the check, or (2) the check was for more than the account balance, or (3) the check did not have the proper signatures, (4) or the check was written for less than \$100.

How to Exchange Shares



Shares of the Fund may be exchanged for shares of certain OppenheimerFunds at net asset value per share at the time of exchange, without sales charge. A \$5 service fee will be deducted from the fund account you are exchanging into to help defray administrative costs. That charge is waived for automated exchanges on PhoneLink described below. To exchange shares, you must meet several conditions:

- Shares of the fund selected for exchange must be available for sale in your state of residence
- The prospectuses of this Fund and the fund whose shares you want to buy must offer the exchange privilege
- You must hold the shares you buy when you establish your account for at least 7 days before you can exchange them; after the account is open 7 days, you can exchange shares every regular business day
- You must meet the minimum purchase requirements for the fund you purchase by exchange
- Before exchanging into a fund, you should obtain and read its prospectus

Shares of a particular class may be exchanged only for shares of the same class in the other OppenheimerFunds. For example, you can exchange Class A shares of this Fund only for Class A shares of another fund. At present, not all of the OppenheimerFunds offer the same two classes of shares. If a fund has only one class of shares that does not have a class designation, they are "Class A" shares for exchange purposes. In some cases, sales charges may be imposed on exchange transactions. Certain OppenheimerFunds offer Class A, Class B and/or Class C shares, and a list can be obtained by calling the Distributor at 1-800-525-7048. Please refer to the Statement of Additional Information for more details about this policy.

Exchanges may be requested in writing or by telephone:

- **Written Exchange Requests.** Submit an OppenheimerFunds Exchange Request form, signed by all owners of the account. Send it to the Transfer Agent at the addresses listed in "How to Sell Shares."
- **Telephone Exchange Requests.** Telephone exchange requests may be made either by calling a service representative at 1-800-852-8457 or by using PhoneLink for automated exchanges, by calling 1-800-533-3310. Telephone exchanges may be made only between accounts that are registered with the same names and address. Shares held under certificates may not be exchanged by telephone.

You can obtain a list of eligible OppenheimerFunds in the Statement of Additional Information or by calling the Transfer Agent at 1-800-525-7048. Exchanges of shares involve a redemption of the shares of the fund you own and a purchase of shares of the other fund.

There are certain exchange policies you should be aware of:

- Shares are normally redeemed from one fund and purchased from the other fund in the exchange transaction on the same regular business day on which the Transfer Agent receives an exchange request by 4:00

P.M. that is in proper form, but either fund may delay the purchase of shares of the fund you are exchanging into if it determines it would be disadvantaged by a same-day transfer of the proceeds to buy shares. For example, the receipt of multiple exchange requests from a dealer in a "market-timing" strategy might require the disposition of securities at a time or price disadvantageous to the Fund.

- Because excessive trading can hurt fund performance and harm shareholders, the Fund reserves the right to refuse any exchange request that will disadvantage it, or to refuse multiple exchange requests submitted by a shareholder or dealer.
  
- The Fund may amend, suspend or terminate the exchange privilege at any time. Although the Fund will attempt to provide you notice whenever it is reasonably able to do so, it may impose these changes at any time.
  
- If the Transfer Agent cannot exchange all the shares you request because of a restriction cited above, only the shares eligible for exchange will be exchanged.

#### Shareholder Account Rules and Policies

- Net Asset Value Per Share is determined for each class of shares as of 4:00 P.M. each day The New York Stock Exchange is open by dividing the value of the Fund's net assets attributable to a class by the number of shares of that class that are outstanding. The Trust's Board of Trustees has established procedures to value the Fund's securities to determine net asset value. In general, securities values are based on market value. There are special procedures for valuing illiquid and restricted securities, short-term obligations for which market values cannot be readily obtained, and call options and hedging instruments. These procedures are described more completely in the Statement of Additional Information.

- The offering of shares may be suspended during any period in which the determination of net asset value is suspended, and the offering may be suspended by the Board of Trustees at any time the Board believes it is in the Fund's best interest to do so.

- Telephone Transaction Privileges for purchases, redemptions or exchanges may be modified, suspended or terminated by the Fund at any time. If an account has more than one owner, the Fund and the Transfer Agent may rely on the instructions of any one owner. Telephone privileges apply to each owner of the account and the dealer representative of record for the account unless and until the Transfer Agent receives cancellation instructions from an owner of the account.

- The Transfer Agent will record any telephone calls to verify data concerning transactions and has adopted other procedures to confirm that telephone instructions are genuine, by requiring callers to provide tax identification numbers and other account data or by using PINs, and by confirming such transactions in writing. If the Transfer Agent does not use reasonable procedures it may be liable for losses due to unauthorized transactions, but otherwise it will not be liable for losses or expenses arising out of telephone instructions reasonably believed to be genuine. If you are unable to reach the Transfer Agent during periods of unusual market activity, you may not be able to complete a telephone transaction and should consider placing your order by mail.

- Redemption or transfer requests will not be honored until the Transfer Agent receives all required documents in proper form. From time to time, the Transfer Agent in its discretion may waive certain of the

requirements for redemptions stated in this Prospectus.

- Dealers that can perform account transactions for their clients by participating in NETWORKING through the National Securities Clearing Corporation are responsible for obtaining their clients' permission to perform those transactions and are responsible to their clients who are shareholders of the Fund if the Dealer performs any transaction erroneously.

- The redemption price for shares will vary from day to day because the value of the securities in the Fund's portfolio fluctuates, and the redemption price, which is the net asset value per share, will normally be different for Class A and Class B shares. Therefore, the redemption value of your shares may be more or less than their original cost.

- Payment for redeemed shares is made ordinarily in cash and forwarded by check or through AccountLink (as elected by the shareholder under the redemption procedures described above) within 7 days after the Transfer Agent receives redemption instructions in proper form, except under unusual circumstances determined by the Securities and Exchange Commission delaying or suspending such payments. The Transfer Agent may delay forwarding a check or processing a payment via AccountLink for recently purchased shares, but only until the purchase payment has cleared. That delay may be as much as 15 days from the date the shares were purchased. That delay may be avoided if you arrange with your bank to provide telephone or written assurance to the Transfer Agent that your purchase payment has cleared.

- Involuntary redemptions of small accounts may be made by the Fund if the account value has fallen below \$200 for reasons other than the fact that the market value of shares has dropped, and in some cases involuntary redemptions may be made to repay the Distributor for losses from the cancellation of share purchase orders. Under unusual circumstances, shares of the Fund may be redeemed "in kind," which means that the redemption proceeds will be paid with securities from the Fund's portfolio. Please refer to the Statement of Additional Information for more details.

- "Backup Withholding" of Federal income tax may be applied at the rate of 31% from dividends, distributions and redemption proceeds (including exchanges) if you fail to furnish the Fund a certified Social Security or taxpayer identification number when you sign your application, or if you violate Internal Revenue Service regulations on tax reporting of dividends.

- The Fund does not charge a redemption fee, but if your dealer or broker handles your redemption, they may charge a fee. That fee can be avoided by redeeming your Fund shares directly through the Transfer Agent. Under the circumstances described in "How To Buy Shares," you may be subject to a contingent deferred sales charges when redeeming certain Class A and Class B shares.

#### Dividends, Capital Gains and Taxes

Dividends. The Fund declares dividends separately for Class A and Class B shares from net investment income each regular business day and pays those dividends to shareholders monthly. Normally, dividends are paid on the tenth business day of every month, but the Board of Trustees can change that date. It is expected that distributions paid with respect to Class A shares will generally be higher than for Class B shares because expenses allocable to Class B shares will generally be higher.

During the Fund's fiscal year ended December 31, 1993, the Manager had undertaken to assume the Fund's expenses to the extent required to

enable the Fund to pay dividends on each Class A share at a targeted level of \$.636 per fiscal year. As a result of this undertaking, the Fund's net asset value was higher during that period than it otherwise would have been. See the Statement of Additional Information for further information. There can be no assurance as to the payment of any dividends or the realization of any capital gains and the practice of maintaining a targeted dividend level and the amount thereof may be changed by the Board at any time without prior notice to shareholders.

**Capital Gains.** The Fund may make distributions at least once each year out of any net short-term or long-term capital gains. Long-term capital gains will be separately identified in the tax information the Fund sends you after the end of the year. Short-term capital gains are treated as dividends.

**Distribution Options.** When you open your account, specify on your application how you want to receive your distributions. For OppenheimerFunds retirement accounts, all distributions are reinvested. For other accounts, you have four options:

- Reinvest all distributions in the Fund. You can elect to reinvest all dividends and long-term capital gains distributions in additional shares of the Fund.
- Reinvest capital gains only. You can elect to reinvest long-term capital gains in the Fund while receiving dividends by check or sent to your bank account on AccountLink.
- Receive all distributions in cash. You can elect to receive a check for all dividends and long-term capital gains distributions or have them sent to your bank on AccountLink.
- Reinvest your distributions in another OppenheimerFunds account. You can reinvest all distributions in another OppenheimerFunds account you have established.

**Taxes.** You should be aware of the following tax implications of investing in the Fund. Long-term capital gains are taxable as long-term capital gains when distributed to shareholders. Dividends paid from short-term capital gains and net investment income are taxable as ordinary income. Distributions subject to federal income tax will be taxable when paid, whether you reinvest them in additional shares or take them in cash. Every year the Fund will send you and the IRS a statement showing the amount of each taxable distribution you received in the previous year. Receipt of tax-exempt income must be reported on your federal income tax return.

- "Buying a Dividend": When a fund goes ex-dividend, its share price is reduced by the amount of the distribution. If you buy shares on or just before the ex-dividend date, you will pay the full price for the shares and then receive a portion of the price back as a taxable dividend.
- Taxes on transactions: Share redemptions, including redemptions for exchanges, are subject to capital gains tax. A capital gain or loss is the difference between the price you paid for the shares and the price you received when you sold them.
- Returns of Capital: If distributions made by the Fund must be recharacterized at the end of a fiscal year because of the Fund's investment policies (for example, due to losses on foreign currency exchange), shareholders may have a non-taxable return of capital. This will be identified in notices to shareholders.

The Fund intends to qualify under the Internal Revenue Code during each fiscal year to pay "exempt-interest dividends" to its shareholders. Exempt-interest dividends which are derived from net investment income earned by the Fund on Municipal Securities will be excludable from the gross income of shareholders for Federal income tax purposes. All of the Fund's dividends (excluding distributions) paid during 1993 were exempt from such Federal income taxes. A portion of the exempt-interest dividends paid by the Fund may be an item of tax preference for shareholders subject to the alternative minimum tax. \_\_\_% of the Fund's dividends (excluding distributions) paid during 1993 were a tax preference item for such shareholders. Shareholders receiving Social Security benefits should be aware that exempt-interest dividends are a factor in determining whether such benefits are subject to Federal income tax. Losses realized by shareholders on the redemption of Fund shares within six months of purchase (which period may be shortened by regulation) will be disallowed for Federal income tax purposes to the extent of exempt-interest dividends received on such shares. Corporate shareholders and "substantial users" of facilities financed by Private Activity Municipal Securities should read "Investment Objective and Policies" in the Statement of Additional Information before purchasing shares. For Federal income tax purposes, a shareholder receiving a dividend from income earned by the Fund from one or more of (i) certain taxable temporary investments, (ii) income from securities loans, (iii) income or gains from Hedging Instruments, and (iv) an excess of net short-term capital gain over net long-term capital loss from the Fund, treats the dividend as a receipt of either ordinary income or short-term capital gains in the computation of gross income, regardless of whether the dividend is reinvested. The Fund's dividends will not be eligible for the dividends-received deduction for corporations.

Florida does not currently impose a personal income tax on individuals. Accordingly, dividends or distributions paid by the Fund to individuals who are Florida residents are not subject to any Florida state income tax. Distributions of taxable investment income and capital gains by the Fund will be subject to Florida corporate income taxes. Florida currently imposes an "intangible tax" at the annual rate of 0.2% on certain securities and other intangible assets owned by Florida residents on the first day of each calendar year. The Fund has received a ruling from the Florida Department of Revenue that, if on the close of business on the last business day of the calendar year the Fund's portfolio assets consist entirely of securities that are exempt from the Florida intangible personal property tax, including obligations of the U.S. government, its agencies, instrumentalities and territories (including Puerto Rico, Guam and the U.S. Virgin Islands) and Florida Municipal Securities, shares of the Fund will be exempt from Florida's intangible tax in the following year. On the last business day of the 1993 calendar year the Fund's assets consisted solely of assets exempt from Florida's intangible personal property tax. The Fund anticipates that on the last business day of each calendar year the Fund's assets will consist solely of assets exempt from Florida's intangible personal property tax. Transaction costs involved in restructuring the Fund's portfolio to take advantage of the exemption from the intangibles tax in any year could reduce the Fund's investment return and might exceed any increased investment return the Fund achieved by investing in non-exempt assets during the year.

This information is only a summary of certain federal tax information about your investment. More information is contained in the Statement of Additional Information, and in addition you should consult with your tax advisor about the effect of an investment in the Fund on your particular tax situation.

APPENDIX TO PROSPECTUS OF  
OPPENHEIMER FLORIDA TAX-EXEMPT FUND

Graphic material included in Prospectus of Oppenheimer Florida Tax-Exempt Fund: "Comparison of Total Return of Oppenheimer Florida Tax-Exempt Fund with The Lehman Brothers Municipal Bond Index - Change in Value of

a \$10,000 Hypothetical Investment"

A linear graph will be included in the Prospectus of Oppenheimer Florida Tax-Exempt Fund (the "Fund") depicting the initial account value and subsequent account value of a hypothetical \$10,000 investment in the Fund since the commencement of the Fund's operations (October 1, 1993) and comparing such values with the same investments over the same time periods with The Lehman Brothers Municipal Bond Index. Set forth below are the relevant data points that will appear on the linear graph. Additional information with respect to the foregoing, including a description of The Lehman Brothers Municipal Bond Index, is set forth in the Prospectus under "Performance of the Fund - How Has the Fund Performed?"

Fiscal Period Ended	Oppenheimer Florida Tax-Exempt Fund A	Lehman Brothers Municipal Bond Index
10/1/93 (1)	\$9,525	\$10,000
12/31/93	\$9,874	\$10,121

Fiscal Period Ended	Oppenheimer Florida Tax-Exempt Fund B	Lehman Brothers Municipal Bond Index
10/1/93 (1)	\$10,000	\$10,000
12/31/93	\$9,862	\$10,121

(1) The Fund commenced operations on October 1, 1993.

Oppenheimer Florida Tax-Exempt Fund  
Two World Trade Center  
New York, New York 10048-0203  
Telephone: 1-800-525-7048

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Oppenheimer Management Corporation  
Two World Trade Center  
New York, New York 10048-0203

Distributor  
Oppenheimer Funds Distributor, Inc.  
Two World Trade Center  
New York, New York 10048-0203

Transfer Agent  
Oppenheimer Shareholder Services  
P.O. Box 5270  
Denver, Colorado 80217  
1-800-525-7048

Custodian of Portfolio Securities  
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New York, New York 10043

Independent Auditors  
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707 Seventeenth Street  
Denver, Colorado 80202

Legal Counsel  
Gordon Altman Butowsky  
Weitzen Shalov & Wein

No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus or the Additional Statement, and if given or made, such information and representation must not be relied upon as having been authorized by the Fund, Oppenheimer Management Corporation, Oppenheimer Funds Distributor, Inc., or any affiliate thereof. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state.

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Prospectus

OPPENHEIMER  
Florida Tax-Exempt Fund

Dated April 29, 1994

(OppenheimerFunds Logo)

Prospectus and  
New Account Application

OPPENHEIMER  
Florida Tax-Exempt Fund

Dated April 29, 1994

(OppenheimerFunds Logo)

STATEMENT OF ADDITIONAL INFORMATION  
OPPENHEIMER FLORIDA TAX-EXEMPT FUND

Two World Trade Center, New York, New York 10048-0203  
1-800-525-7048

This Statement of Additional Information is not a Prospectus. This Statement of Additional Information contains more complete information about the investment policies and the account features of Oppenheimer Florida Tax-Exempt Fund (the "Fund") described in the Fund's Prospectus dated April 29, 1994, and should be read together with the Prospectus. A copy of the Prospectus may be obtained by writing to Oppenheimer Shareholder Services ("the Transfer Agent"), P.O. Box 5270, Denver, Colorado 80217 or by calling the Transfer Agent at the toll-free number shown above.

TABLE OF CONTENTS

Page

Investment Objective and Policies  
Other Investment Techniques and Strategies  
Additional Investment Restrictions  
Trustees and Officers of the Trust  
How the Fund is Managed  
Brokerage Policies of the Fund



Your Investment Account  
Performance of the Fund  
Distribution and Service Plans  
Dividends, Capital Gains and Taxes  
Additional Information about the Fund  
Independent Auditors' Report  
Financial Statements of the Fund  
Appendix A: Ratings of Investments  
Appendix B: Tax-Equivalent Yields

This Statement of Additional Information is dated April 29, 1994.

#### INVESTMENT OBJECTIVE AND POLICIES

The investment objective and policies of the Fund are discussed in the Prospectus. Set forth below is supplemental information about those policies and the types of securities in which the Fund invests. Certain capitalized terms used in this Statement of Additional Information have the same meaning as those terms have in the Prospectus.

**Investment Policies and Strategies.** The Fund will not make investments with the objective of seeking capital growth. However, the value of the securities held by the Fund may be affected by changes in general interest rates. Because the current value of debt securities varies inversely with changes in prevailing interest rates, if interest rates increase after a security is purchased, that security would normally decline in value. Conversely, should interest rates decrease after a security is purchased, its value would normally rise. Thus, the Fund may realize a capital gain or loss upon disposition of a portfolio security. There are, of course, variations in Municipal Securities, both within a particular classification and between classifications, depending on numerous factors. The yields of Municipal Securities depend on, among other things, general market conditions, general conditions of the Municipal Securities market, the size of a particular offering, the maturity of the obligation and the rating of the issue. The market value of Municipal Securities will vary as a result of changing evaluations of the ability of their issuers to meet interest and principal payments, as well as changes in the interest rates payable on new issues of Municipal Securities.

**Municipal Securities.** The types of Municipal Securities in which the Fund may invest are described in the Prospectus under "Investment Objective and Policies." A discussion of the general characteristics of types of Municipal Securities follows.

**Municipal Bonds.** The principal classifications of long-term municipal bonds are "general obligation" and "revenue" or "industrial development" bonds.

**General Obligation Bonds.** Issuers of general obligation bonds include states, counties, cities, towns, and regional districts. The proceeds of these obligations are used to fund a wide range of public projects, including construction or improvement of schools, highways and roads, and water and sewer systems. The basic security behind general obligation bonds is the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. The taxes that can be levied for the payment of debt service may be limited or unlimited as to the rate or amount of special assessments.

**Revenue Bonds.** The principal security for a revenue bond is generally the net revenues derived from a particular facility group of facilities, or, in some cases, the proceeds of a special excise or other specific revenue source. Revenue bonds are issued to finance a wide variety of capital projects including: electric, gas, water and sewer systems; highways, bridges, and tunnels; port and airport facilities; colleges and universities; and hospitals. Although the principal security behind these bonds may vary, many provide additional security in the form of a debt service reserve fund the money from which may be used to make principal and interest payments on the issuer's obligations.

Housing finance authorities have a wide range of security, including partially or fully insured mortgages, rent subsidized and/or collateralized mortgages, and/or the net revenues from housing or other public projects. Some authorities provide further security in the form of a state's ability (without obligation) to make up deficiencies in the debt service reserve fund.

**Industrial Development Bonds.** Industrial development bonds, which are considered municipal bonds if the interest paid is exempt from federal income tax, are issued by or on behalf of public authorities to raise money to finance various privately operated facilities for business and manufacturing, housing, sports, and pollution control. These bonds are also used to finance public facilities such as airports, mass transit systems, ports, and parking. The payment of the principal and interest on such bonds is dependent solely on the ability of the facility's user to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment.

**Municipal Notes.** Municipal Securities having a maturity when issued of less than one year are generally known as municipal notes. Municipal notes generally are used to provide for short-term working capital needs and include:

**Tax Anticipation Notes.** Tax anticipation notes are issued to finance working capital needs of municipalities. Generally, they are issued in anticipation of various seasonal tax revenue, such as income, sales, use of business taxes, and are payable from these specific future taxes.

**Revenue Anticipation Notes.** Revenue anticipation notes are issued in expectation of receipt of other types of revenue, such as federal revenues available under the Federal revenue sharing programs.

**Bond Anticipation Notes.** Bond anticipation notes are issued to provide interim financing until long-term financing can be arranged. In most cases, the long-term bonds then provide the money for the repayment of the notes.

**Construction Loan Notes.** Construction loan notes are sold to provide construction financing. After successful completion and acceptance, many projects receive permanent financing through the Federal Housing Administration.

**Tax-Exempt Commercial Paper.** Tax-exempt commercial paper is a short-term obligation with a stated maturity of 365 days or less. It is issued by state and local governments or their agencies to finance seasonal working capital needs or as short-term financing in anticipation of longer-term financing.

**Floating Rate/Variable Rate Obligations.** Floating rate and variable rate demand notes are tax-exempt obligations which may have a stated maturity in excess of one year, but may include features that permit the holder to recover the principal amount of the underlying security at specified intervals not exceeding one year and upon no more than 30 days' notice. The issuer of such notes normally has a corresponding right, after a given period, to prepay in its discretion the outstanding principal amount of the note plus accrued interest upon a specified number of days notice to the holder. The interest rate on a floating rate demand note is based on a stated prevailing market rate, such as a bank's prime rate, the 90-day U.S. Treasury Bill rate, or some other standard, and is adjusted automatically each time such rate is adjusted. The interest rate on a variable rate demand note is also based on a stated prevailing market rate but is adjusted automatically at specified intervals of no less than one year. Generally, the changes in the interest rate on such securities reduce the fluctuation in their market value. As interest rates decrease or increase, the potential for capital appreciation or depreciation is less than that for fixed-rate obligations of the same maturity. The Manager may determine that an unrated floating rate or variable rate demand obligation meets the Fund's quality standards by reason of being backed by a letter of credit or guarantee issued by a bank that meets those quality standards. Floating rate or variable rate obligations which do not provide for recovery of principal and interest within seven days

will be subject to the limitations applicable to illiquid securities described in "Investment Objective and Policies - Illiquid Securities" in the Prospectus. There is otherwise no limit on the amount of the Fund's assets that may be invested in floating rate and variable rate obligations.

**Municipal Lease Obligations.** Municipal leases may take the form of a lease or an installment purchase contract issued by a state or local government authority to obtain funds to acquire a wide variety of equipment and facilities. Although lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, a lease obligation is ordinarily backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation. However, certain lease obligations contain "non-appropriation" clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. In addition to the risk of "non-appropriation," municipal lease securities do not yet have a highly developed market to provide the degree of liquidity of conventional municipal bonds. Municipal leases, like other municipal debt obligations, are subject to the risk of non-payment. The ability of issuers of municipal leases to make timely lease payments may be adversely affected in general economic downturns and as relative governmental cost burdens are reallocated among federal, state and local governmental units. Such non-payment would result in a reduction of income to the Fund, and could result in a reduction in the value of the municipal lease experiencing non-payment and a potential decrease in the net asset value of the Fund.

**Puts and Standby Commitments.** When the Fund buys Municipal Securities, it may obtain a standby commitment to repurchase the securities that entitles it to achieve same-day settlement from the repurchaser and to receive an exercise price equal to the amortized cost of the underlying security plus accrued interest, if any, at the time of exercise. A put purchased in conjunction with a Municipal Security enables the Fund to sell the underlying security within a specified period of time at a fixed exercise price. The Fund may pay for a standby commitment or put either separately in cash or by paying a higher price for the securities acquired subject to the standby commitment or put. The Fund will enter into these transactions only with banks and dealers which, in the Manager's opinion, present minimal credit risks. The Fund's ability to exercise a put or standby commitment will depend on the ability of the bank or dealer to pay for the securities if the put or standby commitment is exercised. If the bank or dealer should default on its obligation, the Fund might not be able to recover all or a portion of any loss sustained from having to sell the security elsewhere. Puts and standby commitments are not transferable by the Fund, and therefore terminate if the Fund sells the underlying security to a third party. The Fund intends to enter into these arrangements to facilitate portfolio liquidity, although such arrangements may enable the Fund to sell a security at a pre-arranged price which may be higher than the prevailing market price at the time the put or standby commitment is exercised. However, the Fund might refrain from exercising a put or standby commitment if the exercise price is significantly higher than the prevailing market price, to avoid imposing a loss on the seller which could jeopardize the Fund's business relationships with the seller. Any consideration paid by the Fund for the put or standby commitment (which increases the cost of the security and reduces the yield otherwise available from the security) will be reflected on the Fund's books as unrealized depreciation while the put or standby commitment is held, and a realized gain or loss when the put or commitment is exercised or expires. Interest income received by the Fund from Municipal Securities subject to puts or standby commitments may not qualify as tax exempt in its hands if the terms of the put or standby commitment cause the Fund not to be treated as the tax owner of the underlying Municipal Securities.

**Private Activity Municipal Securities.** The Tax Reform Act of 1986 (the "Tax Reform Act") reorganized, as well as amended, the rules governing tax exemption for interest on Municipal Securities. The Tax Reform Act generally does not change the tax treatment of bonds issued in order to finance governmental operations. Thus, interest on obligations issued by or on behalf of state or local government, the proceeds of which

are used to finance the operations of such governments (e.g., general obligation bonds) continues to be tax-exempt. However, the Tax Reform Act further limited the use of tax-exempt bonds for non-governmental (private) purposes. More stringent restrictions were placed on the use of proceeds of such bonds. Interest on certain private activity bonds (other than those specified as "qualified" tax-exempt private activity bonds, e.g., exempt facility bonds including certain industrial development bonds, qualified mortgage bonds, qualified Section 501(c)(3) bonds, qualified student loan bonds, etc.) is taxable under the revised rules. In addition, the limitations as to the amount of private activity bonds which each state may issue were revised downward, which will reduce the supply of such bonds.

Interest on certain private activity bonds issued after August 7, 1986, which continues to be tax-exempt, will be treated as a tax preference item subject to the alternative minimum tax (discussed below) to which certain taxpayers are subject. Further, a private activity bond which would otherwise be a qualified tax-exempt private activity bond will not, under Internal Revenue Code Section 147(a), be a qualified bond for any period during which it is held by a person who is a "substantial user" of the facilities or by a "related person" of such a substantial user. This "substantial user" provision is applicable primarily to exempt facility bonds, including industrial development bonds. The Fund may not be an appropriate investment for entities which are "substantial users" (or persons related thereto) of such exempt facilities, and such persons should consult their own tax advisers before purchasing shares. A "substantial user" of such facilities is defined generally as a "non-exempt person who regularly uses part of a facility" financed from the proceeds of exempt facility bonds. Generally, an individual will not be a "related person" under the Internal Revenue Code unless such investor or the investor's immediate family (spouse, brothers, sisters and immediate descendants) own directly or indirectly in the aggregate more than 50% in value of the equity of a corporation or partnership which is a "substantial user" of a facility financed from the proceeds of exempt facility bonds. In addition, the Tax Reform Act revised downward the limitations as to the amount of private activity bonds which each state may issue, which will reduce the supply of such bonds. The value of the Fund's portfolio could be affected if there is a reduction in the availability of such bonds. That value may also be affected by a 1988 U.S. Supreme Court decision upholding the constitutionality of the imposition of a Federal tax on the interest earned on Municipal Securities issued in bearer form.

A Municipal Security is treated as a taxable private activity bond under a test for: (a) a trade or business use and security interest, or (b) a private loan restriction. Under the trade or business use and security interest test, an obligation is a private activity bond if: (i) more than 10% of bond proceeds are used for private business purposes and (ii) 10% or more of the payment of principal or interest on the issue is directly or indirectly derived from such private use or is secured by the privately used property or the payments related to the use of the property. For certain types of uses, a 5% threshold is substituted for this 10% threshold. (The term "private business use" means any direct or indirect use in a trade or business carried on by an individual or entity other than a governmental unit.) Under the private loan restriction, the amount of bond proceeds which may be used to make private loans is limited to the lesser of 5% or \$5.0 million of the proceeds. Thus, certain issues of Municipal Securities could lose their tax-exempt status retroactively if the issuer fails to meet certain requirements as to the expenditure of the proceeds of that issue or use of the bond-financed facility. The Fund makes no independent investigation of the users of such bonds or their use of proceeds. If the Fund should hold a bond that loses its tax-exempt status retroactively, there might be an adjustment to the tax-exempt income previously paid to shareholders.

The Federal alternative minimum tax is designed to ensure that all taxpayers pay some tax, even if their regular tax is zero. This is accomplished in part by including in taxable income certain tax preference items in arriving at alternative minimum taxable income. The Tax Reform Act made tax-exempt interest from certain private activity bonds a tax preference item for purposes of the alternative minimum tax on individuals and corporations. Any exempt-interest dividend paid by a regulated investment company will be treated as interest on a specific private

activity bond to the extent of its proportionate share of the interest on such bonds received by the regulated investment company. The U.S. Treasury is authorized to issue regulations implementing this provision. In addition, corporate taxpayers subject to the alternative minimum tax may, under some circumstances, have to include exempt-interest dividends in calculating their alternative minimum taxable income in situations where the "adjusted current earnings" of the corporation exceeds its alternative minimum taxable income. The Fund may hold Municipal Securities the interest on which (and thus a proportionate share of the exempt-interest dividends paid by the Fund) will be subject to the Federal alternative minimum tax on individuals and corporations. The Fund anticipates that under normal circumstances it will not purchase any such securities in an amount greater than 20% of its total assets.

Changes in Ratings. Subsequent to its purchase by the Fund, a Municipal Security may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event requires the Fund to sell the security, but the Manager will consider such events in determining whether the Fund should continue to hold the security. To the extent that ratings given by Moody's, S&P or Fitch change as a result of changes in such organizations or their rating systems, the Fund will attempt to use comparable ratings as standards for investments in accordance with the Fund's investment policies.

Special Investment Considerations - Florida Municipal Securities. As explained in the Prospectus, the Fund is highly sensitive to the fiscal stability of Florida State and its subdivisions, agencies, instrumentalities or authorities which issue the Florida Municipal Securities in which the Fund concentrates its investments. Investors should also consider the factors discussed below under "Hedging With Options and Futures Contracts."

The following information on risk factors in concentrating in Florida Municipal Securities is only a summary, based on publicly available information and official statements relating to information compiled annually by the State of Florida (the "State") and other private sources, and no representation is made as to the accuracy of such information. The information is provided as general information intended to give a recent historical description and is not intended to indicate future or continuing trends in the financial or other positions of the State or of local governmental units located in the State. The Fund has not independently verified this information.

Since 1980, the State's unemployment rate has, generally, tracked below that of the nation. Only since 1990 has the State's jobless rate moved ahead of the national average. The State's unemployment rate, forecast at 8.3% in 1993 and 7.1% in 1994, is projected to track above the national rate. Nevertheless, the average rate of unemployment for the State from 1980 through 1992 was 7.1%, while the national average was 7.8%.

Personal income in the State has been growing strongly the last several years and has generally outperformed both the nation as a whole and the Southeast in particular. Hurricane-related income losses of the third quarter of 1992 were largely erased in the last three months of 1992. For 1993, 1994 and 1995, inflation-adjusted increases in personal income are forecast at 3.1%, 4.5% and 4.7%, respectively. By not allowing for inflation, growth would be 6.1%, 7.6% and 8.0%.

The State's strong population growth is one reason why its economy is performing better than the nation as a whole. In 1980, the State was ranked seventh among the 50 states with a population of 9.7 million people. The State has continued to grow since then and, as of 1991, ranked fourth with an estimated population of 13.2 million. Populations increased in 19 of the 20 Florida Metropolitan areas and in the rural counties during the first quarter of 1993. The only exception was Miami, where hurricane-related departures continued. A Dade County Planning Department study shows that 101,000 residents moved out of south Dade County in the four months following the hurricane in August, 1992, with more than half of those leaving the county. Population growth in Florida is forecast at between 1.8% and 2.0% for each year 1993 through 1995.

Residents are predicted to number almost 14.0 million in 1994, and 14.3 million by 1995.

Tourism is one of the State's most important industries. 39.9 million visitors are expected to visit the State in 1993, a 2.3 increase over 1992. 41.7 million visitors are expected to visit the State in 1994 (a 4.5% increase over 1993).

Although construction jobs fueled employment growth in late 1992 in Miami, Ft. Lauderdale, Orlando and West Palm Beach, the housing sector declined in the first quarter of 1993. Single-family construction increased in 8 of the State's 20 metropolitan areas. Multi-family construction starts fell to a record low of 11,800 units statewide on an annualized basis, although there were significant increases in Orlando, Tampa Bay and Daytona Beach.

Employment in the construction industry is predicted to continue to rise through 1995, with 8 percent growth in 1993 and 10 percent in the next two years. As the economy recovers, increased migration to Florida is expected to result in a need for more housing. Single-family housing starts are predicted to top 100,000 in 1994-95, and multi-family starts are forecast to double. Church construction has been the strongest sector of nonresidential building recently (construction awards for places of worship reached a twenty-six year record high in 1992). Manufacturing plants and warehouses, hospitals, and hotels/motels have all turned up from recessionary lows, as has annual contracting for non-building construction such as sewers and roads, indicating that nonresidential construction is expected to add to the expansion in 1994.

Financial operations of the State covering all receipts and expenditures are maintained through the use of three funds--the General Revenue Fund, Trust Funds, and the Working Capital Trust Fund. General Revenue plus Working Capital funds available to the State for fiscal year 1991-92 totalled \$11,231.1 million. Compared to effective appropriations from General Revenues for fiscal year 1991-92 of \$11,046.5 million, this results in unencumbered reserves of \$184.6 million at the end of fiscal year 1991-92.

Estimated General Revenue plus Working Capital funds available to the State for fiscal year 1992-93 total \$12,100.0 million. Compared to estimated effective appropriations from General Revenues for fiscal year 1992-93 of \$11,913.7 million, this results in estimated unencumbered reserves of \$186.3 million at the end of fiscal year 1992-93.

Estimated fiscal year 1993-94 General Revenue plus Working Capital funds available are expected to total \$13,108.4 million, an 8.3% increase over fiscal year 1991-92.

The Sales and Use Tax is the greatest single source of tax receipts in the State. For the State fiscal year ended June 30, 1992, receipts from this source were \$8,368 million, an increase of approximately 2.5% from fiscal year 1990-91. The second largest source of State-tax receipts is the Motor Fuel Tax. The estimated collections from this source during the fiscal year ending June 30, 1992, were \$1,117.0 million, up 20.21% over the previous fiscal year. Alcoholic beverage tax revenues totalled \$527.2 million for the State fiscal year ending June 30, 1992, down by .26% over the previous year. The receipts of corporate income tax for the fiscal year ended June 30, 1992 were \$801.3 million, an increase of 14.21% from the preceding year. Gross Receipt tax collections for fiscal year 1991-92 totalled \$391.5 million, an increase of 17.23% over the previous fiscal year. Effective July 1, 1992, the tax rate was increased from 2.25% to 2.5% of the gross receipts of electric, natural gas, and telecommunications services. Documentary stamp tax collections totalled \$504.0 million during fiscal year 1991-92, increasing 7.25% from the previous fiscal year. Severance taxes totalled \$7.03 million during fiscal year 1991-92, down 24.66% from the previous fiscal year. In November, 1986, the voters of the State approved a constitutional amendment to allow the State to operate a lottery. Fiscal year 1991-92 produced ticket sales of \$2.19 billion of which education received approximately \$845.3 million.

The State Constitution does not permit a state or local personal income tax. An amendment to the State Constitution by the electors of the



State is required to impose a personal income tax in the State.

On August 23, 1992, Hurricane Andrew swept across southern Florida causing extensive property damage. The effect of such damage on Florida's growth rate, unemployment, tourism, general revenues and other vital statistics and on the ability of state government or affected local governmental units to pay the interest on, or repay the principal of any Florida Municipal Securities in which the Fund may invest or the ratings of such Florida Municipal Securities has not yet been determined.

An amendment to the Florida Constitution was approved by statewide ballot in the November 3, 1992 general election, limiting changes in the assessed value of homestead properties for ad valorem tax purposes to the lesser of (a) 3% of the assessed value for the preceding calendar year or (b) the percentage change in the Consumer Price Index for the preceding calendar year and providing for reassessment of market values upon changes in ownership. Although the impact of such constitutional amendment cannot be determined, it may have the effect of causing local governmental units in the State to rely more on non-ad valorem revenues to meet operating and other requirements normally funded with ad valorem tax revenues.

According to the Division of Bond Finance of the Department of General Services of the State, as of August 27, 1993, the State maintains a high bond rating from both Moody's Investors Service, Inc. (Aa) and Standard & Poor's Corporation (AA) on the majority of its general bonds.

#### OTHER INVESTMENT TECHNIQUES AND STRATEGIES

**When-Issued and Delayed Delivery Transactions.** As stated in the Prospectus, the Fund may purchase Municipal Securities on a "when-issued" basis, and may purchase or sell such securities on a "delayed delivery" basis. Payment for and delivery of the securities generally settles within 45 days of the date the offer is accepted. The purchase price and yield are fixed at the time the buyer enters into the commitment. However, the Fund intends to be as fully invested as possible and will not invest in when-issued securities if its income or net asset value will be materially adversely affected. At the time the Fund makes the commitment to purchase a Municipal Security on a when-issued basis, it will record the transaction on its books and reflect the value of the security in determining its net asset value. It will also segregate cash or other high quality liquid Municipal Securities equal in value to the commitment for the when-issued securities. While when-issued securities may be sold prior to the settlement date, the Fund intends to acquire the securities upon settlement unless a prior sale appears desirable for investment reasons. There is a risk that the yield available in the market when delivery occurs may be higher than the yield on the security acquired.

**Loans of Portfolio Securities.** The Fund may lend its portfolio securities subject to the restrictions stated in the Prospectus. Under applicable regulatory requirements (which are subject to change), the loan collateral must, on each business day, be at least equal to the market value of the loaned securities and must consist of cash, bank letters of credit or securities of the U.S. Government (or its agencies or instrumentalities) or other cash equivalents in which the Fund is permitted to invest. To be acceptable as collateral, letters of credit must obligate a bank to pay amounts demanded by the Fund if the demand meets the terms of the letter. Such terms and the issuing bank must be satisfactory to the Fund. The Fund receives an amount equal to the dividends or interest on loaned securities and also receives one or more of (a) negotiated loan fees, (b) interest on securities used as collateral, or (c) interest on short-term debt securities purchased with such loan collateral; either type of interest may be shared with the borrower. The Fund may also pay reasonable finder's, custodian and administrative fees. The terms of the Fund's loans must meet certain tests under the Internal Revenue Code and permit the Fund to reacquire loaned securities on five days' notice or in time to vote on any important matter. Income from securities loans is not included in the exempt-interest dividends paid by the Fund.

**Inverse Floaters.** The Fund will invest in inverse floaters in the expectation that they will provide higher expected tax-exempt yields than are available for fixed-rate bonds having comparable credit ratings and maturity. In certain instances, the holder of an inverse floater may have an option to convert it into a fixed-rate bond pursuant to a "rate lock

option." Inverse floaters may produce relatively high current income, reflecting the spread between short-term and long-term tax-exempt interest rates. As long as the municipal yield curve remains relatively steep and short-term rates remain relatively low, owners of inverse floaters will continue to earn above-market interest rates because they are receiving the higher long-term rates and have paid for bonds with lower short-term rates. If the yield curve flattens and shifts upward, an inverse floater will lose value more quickly than conventional long-term municipal bonds.

**Writing Covered Calls.** When the Fund writes a call on a security, it receives a premium and agrees to sell the underlying investment to a purchaser of a corresponding call during the call period (usually not more than nine months) at a fixed exercise price (which may differ from the market price of the underlying investment) regardless of market price changes during the call period. To terminate its obligation on a call it has written, the Fund may purchase a corresponding call in a "closing purchase transaction." A profit or loss will be realized, depending upon whether the net of the amount of option transaction costs and the premium previously received on the call written is more or less than the price of the call subsequently purchased. A profit may also be realized if the call lapses unexercised, because the Fund retains the related investment and the premium received. Any such profits are considered short-term gains for Federal tax purposes, as are premiums on lapsed calls, and when distributed by the Fund are taxable as ordinary income. If the Fund could not effect a closing purchase transaction due to lack of a market, it would have to hold the underlying investment until the call lapsed or was exercised.

**Hedging With Options and Futures Contracts.** As described in the Prospectus, the Fund may employ one or more types of hedging instruments. Hedging instruments will only be used in accordance with the requirement that the Fund invest in securities to earn income and not to trade for profit and that it not vary its portfolio investments except in certain specified circumstances. When hedging to attempt to protect against declines in the market value of the Fund's portfolio, to permit the Fund to retain unrealized gains in the value of portfolio securities which have appreciated, or to facilitate selling securities for investment reasons, the Fund may: (i) sell Interest Rate Futures or Municipal Bond Index Futures, (ii) buy puts on such Futures or securities, or (iii) write covered calls on securities, Interest Rate Futures or Municipal Bond Index Futures (as described in the Prospectus). When hedging to permit the Fund to establish a position in the debt securities market as a temporary substitute for purchasing individual debt securities (which the Fund will normally purchase, and then terminate that hedging position), the Fund may: (i) buy Interest Rate Futures or Municipal Bond Index Futures, or (ii) buy calls on such Futures or securities (as described in the Prospectus). The Fund's strategy of hedging with Futures and options on Futures will be incidental to the Fund's activities in the underlying cash market. Additional Information about the hedging instruments the Fund may use is provided below.

**Interest Rate Futures.** The Fund may buy and sell futures contracts relating to debt securities ("Interest Rate Futures") and municipal bond indices ("Municipal Bond Index Futures," discussed below). An Interest Rate Future obligates the seller to deliver and the purchaser to take the related debt securities at a specified price on a specified date. No amount is paid or received upon the purchase or sale of an Interest Rate Future. Upon entering into a Futures transaction, the Fund will be required to deposit an initial margin payment, equal to a specified percentage of the contract amount, with the futures commission merchant (the "futures broker"). The initial margin will be deposited with the Fund's Custodian in an account registered in the futures broker's name; however, the futures broker can gain access to that account only under specified conditions. As the Future is marked to market to reflect changes in its market value, subsequent margin payments, called variation margin, will be made to and from the futures broker on a daily basis. At any time prior to the expiration of the Future, the Fund may elect to close out its position by taking an opposite position, at which time a final determination of variation margin is made and additional cash is required to be paid by or released to the Fund. Any gain or loss is then realized. Although Interest Rate Futures by their terms call for



settlement by the delivery of debt securities, in most cases the obligation is fulfilled by entering into an offsetting transaction. All futures transactions are effected through a clearinghouse associated with the exchange on which the contracts are traded.

**Municipal Bond Index Futures.** A "municipal bond index" assigns relative values to the municipal bonds in the index, and is used as the basis for trading long-term municipal bond futures contracts. Municipal Bond Index Futures are similar to Interest Rate Futures except that settlement is made in cash. The obligation under such contracts may also be satisfied by entering into an offsetting contract to close out the Futures position. Net gain or loss on options on Municipal Bond Index Futures depends on the price movements of the securities included in the index. The strategies which the Fund employs regarding Municipal Bond Index Futures are similar to those described above with regard to Interest Rate Futures.

**Purchasing Puts and Calls.** When the Fund purchases a call, it pays a premium and has the right to buy the related investment from a seller of a corresponding call on the same investment during the call period at a fixed exercise price. The Fund benefits only if the call is sold at a profit or if, during the call period, the market price of the underlying investment is above the call price plus the transaction costs and premium paid and the call is exercised. If the call is not exercised or sold (whether or not at a profit), it will become worthless at its expiration date and the Fund will lose its premium payment and the right to purchase the underlying investment.

When the Fund buys a put, it pays a premium and has the right to sell the related investment to a seller of a corresponding put on the same investment during the put period at a fixed exercise price. Buying a put on a debt security, Interest Rate Future or Municipal Bond Index Future the Fund owns enables the Fund to protect itself during the put period against a decline in the value of the underlying investment below the exercise price by selling such underlying investment at the exercise price to a seller of a corresponding put. If the market price of the underlying investment is equal to or above the exercise price and as a result the put is not exercised or resold, the put will become worthless at its expiration date and the Fund will lose its premium payment and the right to sell the underlying investment; the put may, however, be sold prior to expiration (whether or not at a profit).

Puts and calls on municipal bond indices, Interest Rate Futures or Municipal Bond Index Futures are similar to puts and calls on debt securities or futures contracts except that all settlements are in cash and gain or loss depends on changes in the index in question (and thus on price movements in the debt securities market generally) rather than on price movements in individual securities or futures contracts. When the Fund buys a call on a municipal bond index, Interest Rate Future or Municipal Bond Index Future, it pays a premium. During the call period, upon exercise of a call by the Fund, a seller of a corresponding call on the same index will pay the Fund an amount of cash to settle the call if the closing level of the index or Future upon which the call is based is greater than the exercise price of the call; that cash payment is equal to the difference between the closing price of the index and the exercise price of the call times a specified multiple (the "multiplier") which determines the total dollar value for each point of difference. When the Fund buys a put on an Interest Rate Future or Municipal Bond Index Future, it pays a premium and has the right during the put period to require a seller of a corresponding put, upon the Fund's exercise of its put, to deliver to the Fund an amount of cash to settle the put if the closing level of the index or Future upon which the put is based is less than the exercise price of the put; that cash payment is determined by the multiplier, in the same manner as described above as to calls.

An option position may be closed out only on a market which provides secondary trading for options of the same series and there is no assurance that a liquid secondary market will exist for any particular option. The Fund's option activities may affect its turnover rate and brokerage commissions. The exercise of calls written by the Fund may cause it to sell underlying investments, thus increasing its turnover rate in a manner beyond its control. The exercise by the Fund of puts may also cause the sale of related investments, also causing turnover, since the related

investment might be sold for reasons which would not exist in the absence of the put. Although such exercise is within the Fund's control, holding a put might cause the Fund to sell the related investments for reasons which would not exist in the absence of the put. The Fund will pay a brokerage commission each time it buys or sells a call, put or an underlying investment in connection with the exercise of a put or call. Such commissions may be higher than those which would apply to direct purchases or sales of the underlying investment.

Premiums paid for options are small in relation to the market value of the related investments and consequently, put and call options offer large amounts of leverage. The leverage offered by trading in options could result in the underlying investments in the Fund's net asset value being more sensitive to changes in the value of the underlying investments.

**Interest Rate Swap Transactions.** Swap agreements entail both interest rate risk and credit risk. With respect to interest rate risk, the Fund could be obligated to pay more under its swap agreements than it receives, as a result of interest rate changes. Credit risk arises from the possibility that the counterparty will default. If the counterparty to an interest rate swap defaults, the Fund's loss will consist of the net amount of contractual interest payments that the Fund has not yet received. The Manager will monitor the creditworthiness of counterparties to the Fund's interest rate swap transactions on an ongoing basis. The Fund will enter into swap transactions with appropriate counterparties pursuant to master netting agreements. A master netting agreement provides that all swaps done between the Fund and that counterparty under the master agreement shall be regarded as parts of an integral agreement. If on any date amounts are payable in the same currency in respect of one or more swap transactions, the net amount payable on that date in that currency shall be paid. In addition, the master netting agreement may provide that if one party defaults generally or on one swap, the counterparty may terminate the swaps with that party. Under such agreements, if there is a default resulting in a loss to one party, the measure of that party's damages is calculated by reference to the average cost of a replacement swap with respect to each swap (i.e., the mark-to-market value at the time of the termination of each swap). The gains and losses on all swaps are then netted, and the result is the counterparty's gain or loss on termination. The termination of all swaps and the netting of gains and losses on termination is generally referred to as "aggregation."

**Additional Information about Hedging Instruments and Their Use.** The Fund's Custodian, or a securities depository acting for the Custodian, will act as the Fund's escrow agent through the facilities of the Options Clearing Corporation ("OCC"), as to the investments on which the Fund has written calls traded on exchanges, or as to other acceptable escrow securities, so that no margin will be required for such transactions. OCC will release the securities on the expiration of the calls or upon the Fund's entering into a closing purchase transaction. An option position may be closed out only on a market which provides secondary trading for options of the same series and there is no assurance that a liquid secondary market will exist for any particular option. The Fund's option activities may affect its portfolio turnover rate and brokerage commissions. The exercise of calls written by the Fund may cause the Fund to sell related portfolio securities, thus increasing its portfolio turnover rate. The exercise by the Fund of puts on securities will cause the sale of related investments, increasing portfolio turnover. Although such exercise is within the Fund's control, holding a put might cause the Fund to sell the related investments for reasons which would not exist in the absence of the put. The Fund will pay a brokerage commission each time it buys a call or put, sells a call, or buys or sells an underlying investment in connection with the exercise of a call or put. Such commissions may be higher on a relative basis than those which would apply to direct purchases or sales of such underlying investments. Premiums paid for options as to underlying investments are small in relation to the market value of such investments and consequently, put and call options offer large amounts of leverage. The leverage offered by trading in options could result in the Fund's net asset value being more sensitive to changes in the value of the underlying investment.

**Regulatory Aspects of Hedging Instruments.** The use of Futures and

options thereon to attempt to protect against the market risk of a decline in the value of portfolio securities is referred to as having a "short futures position," and the use of such instruments to attempt to protect against the market risk that portfolio securities are not fully included in an increase in value of the market as a whole is referred to as having a "long futures position." The Fund must operate within certain restrictions as to its long and short positions in Futures and options thereon under a rule (the "CFTC Rule") adopted by the Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act (the "CEA"), which excludes the Fund from registration with the CFTC as a "commodity pool operator" (as defined under the CEA), if it complies with the CFTC Rule. Under these restrictions, the Fund will not, as to any positions, whether long, short or a combination thereof, enter into Futures and options thereon for which the aggregate initial margins and premiums exceed 5% of the fair market value of its net assets, with certain exclusions as defined in the CFTC Rule. Under the restrictions, the Fund also must, as to its short positions, use Futures and options thereon solely for bona fide hedging purposes within the meaning and intent of the applicable provisions of the CEA.

Transactions in options by the Fund are subject to limitations established by each of the exchanges governing the maximum number of options which may be written or held by a single investor or group of investors acting in concert, regardless of whether the options were written or purchased on the same or different exchanges or are held in one or more accounts or through one or more different exchanges or through one or more brokers. Thus, the number of options which the Fund may write or hold may be affected by options written or held by other entities, including other investment companies having the same adviser as the Fund or an affiliated investment adviser. Position limits also apply to Futures. An exchange may order the liquidation of positions found to be in violation of these limits and may impose certain other sanctions. Due to requirements under the Investment Company Act, when the Fund purchases an Interest Rate Future or Municipal Bond Index Future, the Fund will maintain, in a segregated account or accounts with its Custodian, cash or readily-marketable, short-term (maturing in one year or less) debt instruments in an amount equal to the market value of the securities underlying such Future, less the margin deposit applicable to it.

**Tax Aspects of Hedging Instruments and Covered Calls.** The Fund intends to qualify as a "regulated investment company" under the Internal Revenue Code. One of the tests for such qualification is that less than 30% of its gross income (irrespective of losses) must be derived from gains realized on the sale of securities held for less than three months. Due to this limitation, the Fund will limit the extent to which it engages in the following activities, but will not be precluded from them: (i) selling investments, including Interest Rate Futures and Municipal Bond Index Futures, held for less than three months; (ii) writing calls on investments held less than three months; (iii) purchasing calls or puts which expire in less than three months; (iv) effecting closing transactions with respect to calls or puts purchased less than three months previously; and (v) exercising puts or calls held by the Fund for less than three months.

**Possible Risk Factors in Hedging.** In addition to the risks with respect to Futures and options discussed in the Prospectus and above, there is a risk in using short hedging by selling Interest Rate Futures and Municipal Bond Index Futures that the prices of such Futures or the applicable index will correlate imperfectly with the behavior of the cash (i.e., market value) prices of the Fund's securities. The ordinary spreads between prices in the cash and futures markets are subject to distortions due to differences in the natures of those markets. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions which could distort the normal relationship between the cash and futures markets. Second, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced, thus producing distortion. Third, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation

by speculators in the futures market may cause temporary price distortions.

The risk of imperfect correlation increases as the composition of the Fund's portfolio diverges from the securities included in the applicable index. To compensate for the imperfect correlation of movements in the price of the debt securities being hedged and movements in the price of the hedging instruments, the Fund may use hedging instruments in a greater dollar amount than the dollar amount of debt securities being hedged if the historical volatility of the prices of such debt securities being hedged is more than the historical volatility of the applicable index. It is also possible that where the Fund has used hedging instruments in a short hedge, the market may advance and the value of the debt securities held in the Fund's portfolio may decline. If this occurred, the Fund would lose money on the hedging instruments and also experience a decline in value of its debt securities. However, while this could occur for a very brief period or to a very small degree, over time the value of a diversified portfolio of debt securities will tend to move in the same direction as the indices upon which the hedging instruments are based. If the Fund uses hedging instruments to establish a position in the debt securities markets as a temporary substitute for the purchase of individual debt securities (long hedging) by buying Interest Rate Futures, Municipal Bond Index Futures and/or calls on such Futures or debt securities, it is possible that the market may decline; if the Fund then concludes not to invest in such securities at that time because of concerns as to possible further market decline or for other reasons, the Fund will realize a loss on the hedging instruments that is not offset by a reduction in the price of the debt securities purchased.

Repurchase Agreements. In a repurchase transaction, the Fund acquires a security from, and simultaneously resells it to, an approved vendor (a U.S. commercial bank or the U.S. branch of a foreign bank with assets of at least \$1 billion or a broker-dealer with net capital of at least \$50 million which has been designated a primary dealer in government securities) for delivery on an agreed-on future date. The resale price exceeds the purchase price in that it reflects an agreed-upon interest rate effective for the period during which the repurchase agreement is in effect. The majority of these transactions run from day to day, and delivery pursuant to resale typically will occur within one to five days of the purchase. Repurchase agreements are considered loans under the Investment Company Act, collateralized by the underlying security. The Fund's repurchase agreements require that at all times while the repurchase agreement is in effect, the value of the collateral must equal or exceed the repurchase price to fully collateralize the loan. Additionally, the Manager will continuously monitor the collateral's value and will impose creditworthiness requirements to confirm that the vendor is financially sound.)

#### ADDITIONAL INVESTMENT RESTRICTIONS

The most significant investment restrictions that apply to the Fund are described in the Prospectus. There are additional investment restrictions that the Fund must follow that are fundamental policies of the Fund. Fundamental policies and the Fund's investment objective, described in the Prospectus, cannot be changed without the vote of a "majority" of the Fund's outstanding voting securities. Under the Investment Company Act, such a "majority" vote is defined as the vote of the holders of the lesser of (i) 67% or more of the shares present or represented by proxy at a shareholders' meeting, if the holders of more than 50% of the outstanding shares are present or represented by a proxy, or (ii) more than 50% of the outstanding shares.

Under these additional restrictions, the Fund cannot: (1) invest in real estate, but this shall not prevent the Fund from investing in Municipal Securities or other permitted securities secured by real estate or interests therein; (2) purchase securities other than hedging instruments on margin; however, the Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of securities; (3) make short sales of securities; (4) underwrite securities

or invest in securities subject to restrictions on resale; (5) invest in or hold securities of any "issuer" (see below) if officers and Trustees or Directors of the Trust and the Manager individually owning more than .5% of the securities of such issuer together own more than 5% of the securities of such issuer; or (6) invest in securities of any other investment company, except in connection with a merger, consolidation, acquisition or reorganization.

Under restriction (5) above, the identification of the issuer of a Municipal Security depends on the terms and conditions of the security. When the assets and revenues of an agency, authority, instrumentality or other political subdivision are separate from those of the government creating the subdivision and the security is backed only by the assets and revenues of the subdivision, such subdivision would be deemed to be the sole issuer. Similarly, in the case of an industrial development bond, if that bond is backed only by the assets and revenues of the nongovernmental user, then such nongovernmental user would be deemed the sole issuer. However, if in either case the creating government or some other entity guarantees a security, such a guarantee would be considered a separate security and is to be treated as an issue of such government or other agency. In applying these restrictions to the Fund's investments, the Manager will consider a nongovernmental user of facilities financed by industrial development bonds as being in a particular industry, despite the fact that such bonds are Municipal Securities as to which there is no industry concentration limitation. Although this application of the restriction is not technically a fundamental policy under the Investment Company Act, it will not be changed without shareholder approval. The Manager has no present intention of investing more than 25% of the total assets of the Fund in securities paying interest from revenues of similar type projects, or in industrial development bonds. Neither of these are fundamental policies, and therefore may be changed without shareholder approval. Should any such change be made, the Prospectus and/or this Additional Statement will be supplemented accordingly.

#### TRUSTEES AND OFFICERS OF THE TRUST

The Trustees and officers of the Trust and their principal occupations and business affiliations during the past five years are listed below. All of the Trustees are also trustees, directors or managing general partners of Oppenheimer Fund, Oppenheimer Time Fund, Oppenheimer Special Fund, Oppenheimer Tax-Free Bond Fund, Oppenheimer New York Tax-Exempt Fund, Oppenheimer California Tax-Exempt Fund, Oppenheimer Global Fund, Oppenheimer Money Market Fund, Inc., Oppenheimer U.S. Government Trust, Oppenheimer Gold & Special Minerals Fund, Oppenheimer Target Fund, Oppenheimer Asset Allocation Fund, Oppenheimer Mortgage Income Fund, Oppenheimer Global Bio-Tech Fund, Oppenheimer Global Environment Fund, Oppenheimer Global Growth & Income Fund, Oppenheimer Discovery Fund, Oppenheimer Multi-Sector Income Trust and Oppenheimer Multi-Government Trust (collectively, the "New York OppenheimerFunds"). All of the Trust's officers except Mr. Patterson are officers of the New York OppenheimerFunds. Mr. Spiro is President and Mr. Levy is Chairman of the New York OppenheimerFunds. As of March \_\_, 1994, the Trustees and officers of the Trust as a group beneficially owned less than 1% of the outstanding Class A and Class B shares of the Trust and of the Fund.

LEON LEVY, Chairman of the Board of Trustees  
General Partner of Odyssey Partners, L.P. (investment partnership);  
Chairman of Avatar Holdings, Inc. (real estate development).

LEO CHERNE, Trustee  
386 Park Avenue South, New York, New York 10016  
Chairman Emeritus of the International Rescue Committee  
(philanthropic organization); formerly Executive Director of the  
Research Institute of America.

EDMUND T. DELANEY, Trustee  
5 Gorham Road, Chester, Connecticut 06412  
Attorney-at-Law; formerly a Member of the Connecticut State  
Historical Commission and Counsel to Copp, Berall & Hempstead (a law  
firm).

ROBERT G. GALLI, Trustee\*

Vice Chairman of the Manager and Vice President of Oppenheimer Acquisition Corp. ("OAC") the Manager's parent holding company; formerly he held the following positions: a director of Oppenheimer Funds Distributor, Inc. (the "Distributor"), Vice President and a director of HarbourView Asset Management Corporation ("HarbourView") and Centennial Asset Management Corporation ("Centennial"), investment adviser subsidiaries of the Manager, a director of Shareholder Financial Services, Inc. ("SFSI") and Shareholder Services, Inc. ("SSI"), transfer agent subsidiaries of the Manager, an officer of other Oppenheimer Funds and Executive Vice President and General Counsel of the Manager and the Distributor.

BENJAMIN LIPSTEIN, Trustee

591 Breezy Hill Road, Hillsdale, NY 12529

Professor Emeritus of Marketing, Stern Graduate School of Business Administration, New York University.

ELIZABETH B. MOYNIHAN, Trustee

801 Pennsylvania Avenue, N.W., Washington, DC 20004

Author and architectural historian; a trustee of the American Schools of Oriental Research and the Freer Gallery of Art, Smithsonian Institution; a member of the Indo-U.S. Sub-Commission on Education and Culture; a trustee of the Institute of Fine Arts, New York University, and a trustee of the Preservation League of New York State.

KENNETH A. RANDALL, Trustee

6 Whittaker's Mill, Williamsburg, Virginia 23185

A director of Northeast Bancorp, Inc. (bank holding company), Dominion Resources, Inc. (electric utility holding company) and Kemper Corporation (insurance and financial services company); formerly Chairman of the Board of ICL, Inc. (information systems).

EDWARD V. REGAN, Trustee

40 Park Avenue, New York, New York 10016

President of Jerome Levy Institute, Bard College; Member of the U.S. Competitiveness Policy Council; formerly New York State Comptroller.

RUSSELL S. REYNOLDS, JR., Trustee

200 Park Avenue, New York, New York 10166

Founder Chairman of Russell Reynolds Associates, Inc. (executive recruiting); Chairman of Directors Publication, Inc. (consulting and publishing); a Trustee of Mystic Seaport Museum, International House, Greenwich Historical Society and Greenwich Hospital.

SIDNEY M. ROBBINS, Trustee

50 Overlook Road, Ossining, New York 10562

Chase Manhattan Professor Emeritus of Financial Institutions, Graduate School of Business, Columbia University; Visiting Professor of Finance, University of Hawaii; a director of The Korea Fund, Inc. and The Malaysia Fund, Inc. (closed-end investment companies); a member of the Board of Advisors, Olympus Private Placement Fund, L.P.; Professor Emeritus of Finance, Adelphi University.

DONALD W. SPIRO, President and Trustee\*

Chairman Emeritus of the Manager; formerly Chairman and President of the Manager and President and a Director of the Distributor.

PAULINE TRIGERE, Trustee

550 Seventh Avenue, New York, New York 10018

Chairman and Chief Executive Officer of Trigere, Inc. (design and sale of women's fashions).

CLAYTON K. YEUTTER, Trustee

1325 Merrie Ridge Road, McLean, Virginia 22101

Of Counsel, Hogan & Hartson (a law firm); a director of B.A.T. Industries, Ltd. (tobacco and financial services), Caterpillar, Inc.

(machinery), ConAgra, Inc. (food and agricultural products), FMC Corp. (chemicals and machinery), Lindsay Manufacturing Co. and Texas Instruments, Inc. (electronics); formerly (in descending chronological order) Deputy Chairman, Bush/Quayle Presidential Campaign, Counsellor to the President (Bush) for Domestic Policy, Chairman of the Republican National Committee, Secretary of the U.S. Department of Agriculture, and U.S. Trade Representative, Executive Office of the President.

ROBERT E. PATTERSON, Vice President and Portfolio Manager  
Senior Vice President of the Manager; an officer of other OppenheimerFunds.

ANDREW J. DONOHUE, Secretary  
Executive Vice President and General Counsel of the Manager and the Distributor; an officer of other OppenheimerFunds; formerly Senior Vice President and Associate General Counsel of the Manager and the Distributor; Partner in, Kraft & McManimon (a law firm); an officer of First Investors Corporation (a broker-dealer) and First Investors Management Company, Inc. (broker-dealer and investment adviser); director and an officer of First Investors Family of Funds and First Investors Life Insurance Company.

GEORGE C. BOWEN, Treasurer  
3410 South Galena Street, Denver, Colorado 80231  
Senior Vice President and Treasurer of the Manager; Vice President and Treasurer of the Distributor and HarbourView; Senior Vice President, Treasurer and Assistant Secretary and a director Centennial; Vice President/Treasurer and Secretary of SSI and SFSI; an officer of other OppenheimerFunds; formerly Senior Vice President/Comptroller and Secretary of Oppenheimer Asset Management Corporation.

LYNN M. COLUCCY Assistant Treasurer  
3410 South Galena Street, Denver, Colorado 80231  
Vice President and Assistant Treasurer of the Manager; an officer of other OppenheimerFunds; formerly Vice President/Director of Internal Audit of the Manager.

ROBERT G. ZACK, Assistant Secretary  
Senior Vice President and Associate General Counsel of the Manager; Assistant Secretary of SSI and SFSI; an officer of other OppenheimerFunds.

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\*A Trustee who is an "interested person" of the Fund as defined in the Investment Company Act.

Remuneration of Trustees. The officers of the Fund (including Mr. Spiro, an officer and Trustee) are affiliated with the Manager and receive no salary or fee from the Fund. During the fiscal year ended December 31, 1993, the remuneration (including expense reimbursements) paid by the Fund to all Trustees of the Fund (excluding Mr. Spiro) as a group for services as Trustees and as members of one or more committees totaled \$\_\_\_\_\_. The Fund has adopted a retirement plan under which each Trustee who is not an "interested person" of the Fund and who retires after a minimum required period of service would be entitled to retirement payments upon reaching age 70 based on length of service and computed as a percentage of the average of the five highest years of compensation, subject to a maximum amount per year. No Trustee has retired since adoption of the program and no payments have been made thereunder by the Fund. In the fiscal year ended December 31, 1993, the Fund accrued \$\_\_\_\_\_ for retirement plan benefits for its Trustees under the plan.

Major Shareholders. As of March \_\_, 1994, no person owned of record or was known by the Trust or the Fund to own beneficially 5% or more of the outstanding Class A shares or Class B shares of the Trust or the Fund, respectively.

HOW THE FUND IS MANAGED



The Fund's Manager is wholly-owned by Oppenheimer Acquisition Corp., a holding company controlled by Massachusetts Mutual Life Insurance Company. OAC is also owned in part by certain of the Manager's directors and officers, some of whom may serve as officers of the Fund, and one of whom (Mr. Spiro) serves as Trustee of the Trust.

A management fee is payable monthly to the Manager under the terms of the investment advisory agreement between the Manager and the Fund (the "Agreement"), and is computed on the aggregate net assets of the Fund as of the close of business each day. The Agreement requires the Manager, at its expense, to provide the Fund with adequate office space, facilities and equipment, and to provide and supervise the activities of all administrative and clerical personnel required to provide effective administration for the Fund, including the compilation and maintenance of records with respect to its operations, the preparation and filing of specified reports, and composition of proxy materials and registration statements for continuous public sale of shares of the Fund. Expenses not expressly assumed by the Manager under the Agreement or by the Distributor are paid by the Fund. The Agreement lists examples of expenses paid by the Fund, the major categories of which relate to interest, taxes, brokerage commissions, fees to unaffiliated trustees, legal, bookkeeping and audit expenses, custodian and transfer agent expenses, share issuance costs, certain printing and registration costs and non-recurring expenses, including litigation. The Fund also pays its organizational and start-up expenses, as explained in the notes to the accompanying Financial Statements. For the fiscal year ended December 31, 1993, the management fees payable by the Fund to the Manager were \$\_\_\_\_\_. This amount reflects the expense assumptions of \$\_\_\_\_\_ by the Manager for such period.

The Agreement contains no provision whereby the Fund's expenses are limited by an assumption of those expenses by the Manager. However, independently of the Agreement, the Manager has voluntarily agreed to assume the Fund's expenses to the extent required so that the total expenses of the Fund (including the advisory fee but excluding taxes, interest, brokerage fees, Rule 12b-1 Distribution Plan expenses and extraordinary expenses such as litigation costs) shall not exceed the most stringent state regulatory limitation on Fund expenses applicable to the distribution of shares of the Fund. In addition, the Manager has voluntarily agreed to assume the expenses of the Fund to the extent required to enable the Fund to pay dividends per Class A share at the rate of \$.636 per fiscal year. The payment of the management fee will be reduced monthly to the extent necessary so that there will not be any accrued but unpaid liability under this expense assumption undertaking. The Manager reserves the right to modify or terminate this voluntary expense assumption undertaking at any time. Any assumption of the Fund's expenses under these undertakings would lower the Fund's overall expense ratio and increase its total return during any period in which expenses are assumed.

The Agreement provides that in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations thereunder, the Manager is not liable for any loss sustained by reason of any investment of Fund assets made with due care and in good faith. The Agreement permits the Manager to act as investment adviser for any other person, firm or corporation and to use the name "Oppenheimer" in connection with one or more additional companies for which it may act as investment adviser or general distributor. If the Manager shall no longer act as investment adviser to the Fund, the right of the Fund to use the name "Oppenheimer" as part of its title may be withdrawn.

#### BROKERAGE POLICIES OF THE FUND

Portfolio Transactions. Portfolio decisions are made by portfolio managers under the supervision of the Manager's executive officers. As most purchases of Municipal Securities made by the Fund are principal transactions at net prices, the Fund incurs little or no brokerage costs. The Fund deals directly with the selling or purchasing principal or market maker without incurring charges for the services of a broker on its behalf



unless it is determined that better price or execution may be obtained by utilizing the services of a broker. Purchases of portfolio securities from underwriters include a commission or concession paid by the issuer to the underwriter, and purchases from dealers include a spread between the bid and asked price. The Fund seeks to obtain prompt execution of orders at the most favorable net price.

Brokerage Provisions of the Investment Advisory Agreement. The Agreement contains provisions relating to the selection of brokers, dealers and futures commission merchants (collectively, "brokers") for the Fund's Futures, and put and call transactions. The Manager is authorized by the Agreement to employ brokers as may, in its best judgment based on all relevant factors, implement the policy of the Fund to obtain, at reasonable expense, the "best execution" (prompt and reliable execution at the most favorable price obtainable) of such transactions. The Manager need not seek competitive commission bidding but is expected to minimize the commissions paid to the extent consistent with the interest and policies of the Fund.

The Agreement allows affiliates of the Manager to act as the Fund's brokers and receive brokerage commissions. Commissions paid to affiliates are calculated in accordance with "Procedures" adopted pursuant to Securities and Exchange Commission ("SEC") Rule 17e-1 under the Act, which requires that commissions paid to an affiliate or an affiliate of an affiliate of the Manager must be "reasonable and fair compared to the commission, fee or other remuneration received or to be received by other brokers in connection with comparable transactions involving similar securities during a comparable period of time." When the Fund engages in an option transaction, ordinarily the same broker will be used for the purchase or sale of the option and any transactions in the securities to which the option relates. Where possible, concurrent orders to purchase or sell the same security by more than one of the accounts managed by the Manager or its affiliates are combined. The transactions effected pursuant to such combined orders are averaged as to price and allocated in accordance with the purchase or sale orders actually placed for each account.

Under the Agreement, the Manager is authorized to select brokers other than affiliated brokers which provide brokerage and/or research services for the Fund and/or the other accounts over which the Manager or its affiliates have investment discretion. The commissions paid to such brokers may be higher than another qualified broker would have charged if a good faith determination is made by the Manager that the commission is reasonable and fair in relation to the services provided. Subject to the foregoing considerations, the Manager may also consider the willingness of particular broker-dealers to sell shares as a factor in their selection.

The research services provided by a particular broker may be useful only to one or more of the advisory accounts of the Manager and its affiliates, and investment research for the commissions of these other accounts may be useful both to the Fund and one or more of such other accounts. Such research, which may be supplied by a third party at the instance of a broker, includes information and analyses on particular companies, issuers and industries as well as market or economic trends and portfolio strategy, receipt of market quotations for portfolio evaluations, information systems, computer hardware and similar products and services. It serves to broaden the scope and supplement the research activities of the Manager, to make available additional views for consideration and comparisons, and to enable the Manager to obtain market information for the valuation of securities held in the Fund's portfolio or being considered for purchase. If a research service also assists the Manager in a non-research capacity (such as bookkeeping or other administrative functions), then only the percentage or component that provides assistance to the Manager in the investment decision-making process may be paid for in commission dollars. The Board and the independent Trustees of the Trust annually review information furnished by the Manager relative to the commissions paid to brokers furnishing such services in an effort to ascertain that the amount of such commissions was reasonably related to the value or benefit of such services.

Other funds advised by the Manager have investment objectives and policies similar to those of the Fund. Such other funds may purchase or sell the same securities at the same time as the Fund, which could affect the supply or price of such securities. If two or more of such funds purchase the same security on the same day from the same dealer, the Manager may average the price of the transactions and allocate the average among such funds.

#### YOUR INVESTMENT ACCOUNT

How the Fund Determines Net Asset Value Per Share. The net asset values per share of Class A and Class B shares of the Fund are determined as of 4:00 P.M., New York time, each day the New York Stock Exchange (the "NYSE") is open (a "regular business day") by dividing the value of the Fund's net assets attributable to that class by the number of shares of that class outstanding. The NYSE's most recent annual holiday schedule (which is subject to change) states that it will close New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The NYSE may also close on other days. Dealers other than NYSE members may conduct trading in Municipal Securities on certain days on which the NYSE is closed (e.g., Good Friday), so that securities of the same type held by the Fund may be traded, and the net asset values per share of Class A and Class B shares of the Fund may be significantly affected, on such days when shareholders cannot purchase or redeem shares.

The Trust's Board of Trustees has established procedures for the valuation of its securities: (i) long-term debt securities, and short-term debt securities having a remaining maturity in excess of 60 days, are valued at the mean between the asked and bid prices determined by a portfolio pricing service approved by the Board or obtained from active market makers in the security; (ii) short-term debt securities having a remaining maturity of 60 days or less are valued at cost, adjusted for amortization of premiums and accretion of discounts; and (iii) securities (including restricted securities) not having readily-available market quotations are valued at fair value under the Board's procedures. In the case of Municipal Securities, U.S. Government securities and corporate bonds, where last sale information is not generally available, such pricing procedures may include "matrix" comparisons to the prices for comparable instruments on the basis of quality, yield, maturity and other special factors involved. With the approval of the Trust's Board of Trustees, the Manager may employ a pricing service, bank or broker-dealer experienced in such matters to price any of the types of securities described above. The Trustees will monitor the accuracy of pricing services by comparing prices used for portfolio evaluation to actual sales prices of selected securities. The Fund values puts, calls, Interest Rate Futures and Municipal Bond Index Futures at the last sale prices on the principal exchange or on the NASDAQ on which they are traded, or if there are no sales that day, at values based on the last sale price of the preceding trading day or closing bid and asked prices.

When the Fund writes a call, an amount equal to the premium received is included in the Fund's Statement of Assets and Liabilities as an asset, and an equivalent deferred credit is included in the liability section. The deferred credit is "marked-to-market" to reflect the current market value of the call. If a call written by the Fund expires or if the Fund enters into a closing purchase transaction, the Fund has a gain or loss from the sale of the underlying securities and the proceeds are increased by the premium originally received. If a call written by the Fund is exercised, the proceeds are increased by the premium originally received. If a put held by the Fund is exercised by it, the amount the Fund receives on its sale of the related investment is reduced by the amount of the premium paid by the Fund.

Alternative Sales Arrangements - Class A and Class B Shares. The Alternative Sales Arrangements permit an investor to choose the method of purchasing shares that is more beneficial to the investor depending on the amount of the purchase, the length of time the investor expects to hold shares and other relevant circumstances. Investors should understand that the purpose and function of the deferred sales charge and asset-based sales charge with respect to Class B shares are the same as those of the initial sales charge with respect to Class A shares. Any salesperson or

other person entitled to receive compensation for selling Fund shares may receive different compensation with respect to one class of shares than the other. The Distributor will not accept any order for \$1 million or more of Class B shares on behalf of a single investor (not including dealer "street name" or omnibus accounts) because generally it will be more advantageous for that investor to purchase Class A shares of the Fund instead.

The two classes of shares each represent an interest in the same portfolio investments of the Fund. However, each class has different shareholder privileges and features. The net income attributable to Class B shares and the dividends payable on Class B shares will be reduced by incremental expenses borne solely by that class, including the asset-based sales charge to which Class B shares are subject.

The conversion of Matured Class B shares to Class A shares is subject to the continuing availability of a private letter ruling from the Internal Revenue Service, or an opinion of counsel or tax adviser, to the effect that the conversion of Matured Class B shares does not constitute a taxable event for the holder under Federal income tax law. If such a revenue ruling or opinion is no longer available, the automatic conversion feature may be suspended, in which event no further conversions of Matured Class B shares would occur while such suspension remained in effect. Although Matured Class B shares could then be exchanged for Class A shares on the basis of relative net asset value of the two classes, without the imposition of a sales charge or fee, such exchange could constitute a taxable event for the holder, and absent such exchange, Class B shares might continue to be subject to the asset-based sales charge for longer than six years.

The methodology for calculating the net asset value, dividends and distributions of the Fund's Class A and Class B shares recognizes two types of expenses. General expenses that do not pertain specifically to either class are allocated pro rata to the shares of each class, based on the percentage of the net assets of such class to the Fund's total net assets, and then equally to each outstanding share within a given class. Such general expenses include (i) management fees, (ii) legal, bookkeeping and audit fees, (iii) printing and mailing costs of shareholder reports, Prospectuses, Additional Statements and other materials for current shareholders, (iv) fees to unaffiliated Trustees, (v) custodian expenses, (vi) share issuance costs, (vii) organization and start-up costs, (viii) interest, taxes and brokerage commissions, and (ix) non-recurring expenses, such as litigation costs. Other expenses that are directly attributable to a class are allocated equally to each outstanding share within that class. Such expenses include (i) Distribution Plan fees, (ii) incremental transfer and shareholder servicing agent fees and expenses, (iii) registration fees and (iv) shareholder meeting expenses, to the extent that such expenses pertain to a specific class rather than to the Fund as a whole.

AccountLink. When shares are purchased through AccountLink, each purchase must be at least \$25.00. Shares will be purchased on the regular business day the Distributor is instructed to initiate the Automated Clearing House transfer to buy the shares. Dividends will begin to accrue on such shares on the day the Fund receives Federal Funds for such purchase through the ACH system before 4:00 P.M., which is normally 3 days after the ACH transfer is initiated. The Distributor and the Fund are not responsible for any delays. If the Federal Funds are received after 4:00 P.M., dividends will begin to accrue on the next regular business day after such Federal Funds are received.

Reduced Sales Charges. As discussed in the Prospectus, a reduced sales charge rate may be obtained for Class A shares under Right of Accumulation and Letters of Intent because of the economies of sales efforts and reduction in expenses realized by the Distributor, dealers and brokers making such sales. No sales charge is imposed in certain other circumstances described in the Prospectus because the Distributor incurs little or no selling expenses. The term "immediate family" refers to

one's spouse, children, grandchildren, grandparents, parents, parents-in-law, brothers and sisters, sons- and daughters-in-law, a sibling's spouse and a spouse's siblings.

- The OppenheimerFunds. The OppenheimerFunds are those mutual funds for which the Distributor acts as the distributor or the sub-Distributor and include the following:

Oppenheimer Tax-Free Bond  
Fund  
Oppenheimer New York Tax  
-Exempt Fund  
Oppenheimer California Tax  
-Exempt Fund  
Oppenheimer Intermediate Tax  
-Exempt Bond Fund  
Oppenheimer Insured Tax  
-Exempt Bond Fund  
Oppenheimer Main Street  
California Tax-Exempt Fund  
Oppenheimer Florida Tax  
-Exempt Fund  
Oppenheimer Pennsylvania Tax  
-Exempt Fund  
Oppenheimer Fund  
Oppenheimer Discovery Fund  
Oppenheimer Time Fund  
Oppenheimer Target Fund  
Oppenheimer Special Fund  
Oppenheimer Equity Income  
Fund  
Oppenheimer Value Stock Fund  
Oppenheimer Asset Allocation  
Fund  
Oppenheimer Total Return  
Fund, Inc.  
Oppenheimer Main Street  
Income & Growth Fund  
  
Oppenheimer High Yield Fund  
Oppenheimer Champion High  
Yield Fund  
Oppenheimer Investment Grade  
Bond Fund  
Oppenheimer U.S. Government  
Trust  
Oppenheimer Government  
Securities Fund  
Oppenheimer Mortgage Income  
Fund  
Oppenheimer Global Fund  
Oppenheimer Global Bio-Tech  
Fund  
Oppenheimer Global  
Environment Fund  
Oppenheimer Global Growth &  
Income Fund  
Oppenheimer Gold & Special  
Minerals Fund  
Oppenheimer Strategic Income  
Fund  
Oppenheimer Strategic  
Investment Grade Bond Fund  
Oppenheimer Strategic Short  
-Term Income Fund  
Oppenheimer Strategic Income  
& Growth Fund  
Oppenheimer Strategic  
Diversified Income Fund  
Oppenheimer New Jersey Tax-Exempt Fund

the following "Money Market Funds":

Oppenheimer Money Market  
Fund, Inc.  
Oppenheimer Cash Reserves  
Oppenheimer Tax-Exempt Cash  
Reserves  
Centennial Money Market Trust  
Centennial Tax Exempt Trust  
Centennial Government Trust

Centennial New York Tax  
Exempt Trust  
Centennial California Tax  
Exempt Trust  
Centennial America Fund,  
L.P.  
Daily Cash Accumulation  
Fund, Inc.

There is an initial sales charge on the purchase of Class A shares of each of the Oppenheimer Funds except Money Market Funds (under certain circumstances described herein, redemption proceeds of Money Market Fund shares may be subject to a CDSC).

- Letters of Intent. A Letter of Intent ("Letter") is the investor's statement of intention to purchase Class A shares of the Fund (and other eligible Oppenheimer Funds) sold with a front-end sales charge during the 13-month period from the investor's first purchase pursuant to the Letter (the "Letter of Intent period"), which may, at the investor's request, include purchases made up to 90 days prior to the date of the Letter. The Letter states the investor's intention to make the aggregate amount of purchases (excluding any purchases made by reinvestments of dividends or distributions or purchases made at net asset value without sales charge), which together with the investor's holdings of such funds (calculated at their respective public offering prices calculated on the date of the Letter) will equal or exceed the amount specified in the Letter to obtain the reduced sales charge rate (as set forth in the Prospectus) applicable to purchases of shares in that amount (the "intended amount"). Each purchase under the Letter will be made at the public offering price applicable to a single lump-sum purchase of shares in the intended amount, as described in the Prospectus.

In submitting a Letter, the investor makes no commitment to purchase shares, but if the investor's purchases of shares within the Letter of Intent period, when added to the value (at offering price) of the investor's holdings of shares on the last day of that period, do not equal or exceed the intended amount, the investor agrees to pay the additional amount of sales charge applicable to such purchases, as set forth in "Terms of Escrow," below (as those terms may be amended from time to time). The investor agrees that shares equal in value to 5% of the intended amount will be held in escrow by the Transfer Agent subject to the Terms of Escrow. Also, the investor agrees to be bound by the terms of the Prospectus, this Statement of Additional Information and the Application used for such Letter of Intent, and if such terms are amended, as they may be from time to time by the Fund, that those amendments will apply automatically to existing Letters of Intent.

If the total eligible purchases made during the Letter of Intent period do not equal or exceed the intended amount, the commissions previously paid to the dealer of record for the account and the amount of sales charge retained by the Distributor will be adjusted to the rates applicable to actual total purchases. If total eligible purchases during the Letter of Intent period exceed the intended amount and exceed the amount needed to qualify for the next sales charge rate reduction set forth in the applicable prospectus, the sales charges paid will be adjusted to the lower rate, but only if and when the dealer returns to the

Distributor the excess of the amount of commissions allowed or paid to the dealer over the amount of commissions that apply to the actual amount of purchases. The excess commissions returned to the Distributor will be used to purchase additional shares for the investor's account at the net asset value per share in effect on the date of such purchase, promptly after the Distributor's receipt thereof.

In determining the total amount of purchases made under a Letter, shares redeemed by the investor prior to the termination of the Letter of Intent period will be deducted. It is the responsibility of the dealer of record and/or the investor to advise the Distributor about the Letter in placing any purchase orders for the investor during the Letter of Intent period. All of such purchases must be made through the Distributor.

#### Terms of Escrow that Apply to Letters of Intent.

1. Out of the initial purchase (or subsequent purchases if necessary) made pursuant to a Letter, shares of the Fund equal in value to 5% of the intended amount specified in the Letter shall be held in escrow by the Transfer Agent. For example, if the intended amount specified under the Letter is \$50,000, the escrow shall be shares valued in the amount of \$2,500 (computed at the public offering price adjusted for a \$50,000 purchase). Any dividends and capital gains distributions on the escrowed shares will be credited to the investor's account.

2. If the total minimum investment specified under the Letter is completed within the thirteen-month Letter of Intent period, the escrowed shares will be promptly released to the investor.

3. If, at the end of the thirteen-month Letter of Intent period the total purchases pursuant to the Letter are less than the intended amount specified in the Letter, the investor must remit to the Distributor an amount equal to the difference between the dollar amount of sales charges actually paid and the amount of sales charges which would have been paid if the total amount purchased had been made at a single time. Such sales charge adjustment will apply to any shares redeemed prior to the completion of the Letter. If such difference in sales charges is not paid within twenty days after a request from the Distributor or the dealer, the Distributor will, within sixty days of the expiration of the Letter, redeem the number of escrowed shares necessary to realize such difference in sales charges. Full and fractional shares remaining after such redemption will be released from escrow. If a request is received to redeem escrowed shares prior to the payment of such additional sales charge, the sales charge will be withheld from the redemption proceeds.

4. By signing the Letter, the investor irrevocably constitutes and appoints the Transfer Agent as attorney-in-fact to surrender for redemption any or all escrowed shares.

5. The shares eligible for purchase under the Letter (or the holding of which may be counted toward completion of the Letter) do not include any shares sold without a front-end sales charge or without being subject to a Class A contingent deferred sales charge unless (for the purpose of determining completion of the obligation to purchase shares under the Letter) the shares were acquired in exchange for shares of one of the Oppenheimer Funds whose shares were acquired by payment of a sales charge.

6. Shares held in escrow hereunder will automatically be exchanged for shares of another fund to which an exchange is requested, as described in the section of the Prospectus entitled "Exchange Privilege," and the escrow will be transferred to that other fund.

Redemptions. Information on how to redeem shares of the Fund is provided in the Prospectus. The Prospectus states that payment for shares tendered for redemption is ordinarily made in cash. However, if the Board of Trustees determines that it would be detrimental to the best interests of

the remaining shareholders of the Fund to make payment wholly in cash, the Fund may pay the redemption price in whole or in part by a distribution in kind of securities from the portfolio of the Fund, in lieu of cash, in conformity with applicable Securities and Exchange Commission rules. The Fund has elected to be governed by Rule 18f-1 under the Investment Company Act, pursuant to which it is obligated to redeem shares of the Fund solely in cash up to the lesser of \$250,000 or 1% of the net assets of the Fund during any 90-day period for any one shareholder. If shares are redeemed in kind, the redeeming shareholder might incur brokerage or other costs in converting the assets to cash. Any securities distributed by the Fund pursuant to an "in-kind" redemption will be readily marketable. The method of valuing securities used to make redemptions in kind will be the same as the method of valuing portfolio securities described above under "Determination of Net Asset Value Per Share," and such valuation will be made as of the same time the redemption price is determined.

The Trust's Board of Trustees has the right to cause the involuntary redemption of the shares held in any account if the aggregate net asset value of such shares is less than \$200 or such lesser amount as the Board may fix. The Trust's Board of Trustees will not cause the involuntary redemption of shares held in an account if the aggregate net asset value of such shares has fallen below the stated minimum solely as result of market fluctuations. Should the Board elect to exercise this right, it may also fix, in accordance with the Investment Company Act, the requirements for any notice to be given to the shareholders in question (not less than 30 days), or may set requirements for permission to allow the shareholder to increase the investment so that the shares would not be involuntarily redeemed.

Asset Builder Plans. To establish an Asset Builder Plan from a bank account, a check (minimum \$25) for the initial purchase must accompany the application. Shares purchased by Asset Builder Plan payments from bank accounts are subject to the redemption restrictions for recent purchases described in "How To Sell Shares," in the Prospectus. Asset Builder Plans also enable shareholders of Oppenheimer Tax-Exempt Cash Reserves or Oppenheimer Cash Reserves to use those accounts for monthly automatic purchases of shares of up to four other Eligible Funds.

There is a sales charge on the purchase of certain Eligible Funds. An application should be obtained from the Transfer Agent, completed and returned, and a prospectus of the selected fund(s) (available from the Distributor) should be obtained before initiating Asset Builder payments. The amount of the Asset Builder investment may be changed or the automatic investments may be terminated at any time by writing to the Transfer Agent. A reasonable period (approximately 15 days) is required after the Transfer Agent's receipt of such instructions to implement them. The Fund reserves the right to amend, suspend, or discontinue offering such plans at any time without prior notice.

Cancellation of Purchase Orders. Cancellation of purchase orders for the Fund's shares (for example, when a purchase check is returned to the Fund unpaid) causes a loss to be incurred when the net asset value of the Fund's shares on the cancellation date is less than on the purchase date. That loss is equal to the amount of the decline in the net asset value per share multiplied by the number of shares in the purchase order. The investor is responsible for that loss. If the investor fails to compensate the Fund for the loss, the Distributor will do so. The Fund may reimburse the Distributor for that amount by redeeming shares from any account registered in that investor's name, or the Fund or the Distributor may seek other redress.

Checkwriting. When a check is presented to the Bank for clearance, the Bank will ask the Fund to redeem a sufficient number of full and fractional shares in the shareholder's account to cover the amount of the check. This enables the shareholder to continue receiving dividends on those shares until the check is presented to the Fund. Checks may not be presented for payment at the offices of the Bank or the Fund's Custodian. This limitation does not affect the use of checks for the payment of bills



or to obtain cash at other banks. The Fund reserves the right to amend, suspend or discontinue offering checkwriting privileges at any time without prior notice.

**Reinvestment Privilege.** Within six months of a redemption, a shareholder may reinvest all or part of the redemption proceeds of (i) Class A shares, or (ii) Class B shares that were subject to the Class B contingent deferred sales charge when redeemed, in Class A shares of the Fund or any of the other OppenheimerFunds into which shares of the Fund are exchangeable as described below, at the net asset value next computed after receipt by the Transfer Agent of the reinvestment order. The shareholder must ask the Distributor for such privilege at the time of reinvestment. Any capital gain that was realized when the shares were redeemed is taxable, and reinvestment will not alter any capital gains tax payable on that gain. If there has been a capital loss on the redemption, some or all of the loss may not be tax deductible, depending on the timing and amount of the reinvestment. Under the Internal Revenue Code, if the redemption proceeds of Fund shares on which a sales charge was paid are reinvested in shares of the Fund or another of the OppenheimerFunds within 90 days of payment of the sales charge, the shareholder's basis in the shares of the Fund that were redeemed may not include the amount of the sales charge paid. That would reduce the loss or increase the gain recognized from the redemption. The Fund may amend, suspend or cease offering this reinvestment privilege at any time as to shares redeemed after the date of such amendment, suspension or cessation.

**Transfer of Shares.** Shares are not subject to the payment of a contingent deferred sales charge of either class at the time of transfer to the name of another person or entity (whether the transfer occurs by absolute assignment, gift or bequest, not involving, directly or indirectly, a public sale). The transferred shares will remain subject to the contingent deferred sales charge, calculated as if the transferee shareholder had acquired the transferred shares in the same manner and at the same time as the transferring shareholder. If less than all shares held in an account are transferred, and some but not all shares in the account would be subject to a contingent deferred sales charge if redeemed at the time of transfer, the priorities described in the Prospectus under "How to Buy Shares" for the imposition of the Class B contingent deferred sales charge will be followed in determining the order in which shares are transferred.

**Special Arrangements for Repurchase of Shares from Dealers and Brokers.** The Distributor is the Fund's agent to repurchase its shares from authorized dealers or brokers. The repurchase price will be the net asset value next computed after the receipt of an order placed by such dealer or broker, except that orders received from dealers or brokers after 4:00 P.M. on a regular business day will be processed at that day's net asset value if such orders were received by the dealer or broker from its customers prior to 4:00 P.M., and were transmitted to and received by the Distributor prior to its close of business that day (normally 5:00 P.M.). Payment ordinarily will be made within seven days after the Distributor's receipt of the required documents, with signature(s) guaranteed as described above.

**Automatic Withdrawal and Exchange Plans.** Investors owning shares of the Fund valued at \$5,000 or more can authorize the Transfer Agent to redeem shares (minimum \$50) automatically on a monthly, quarterly, semi-annual or annual basis under an Automatic Withdrawal Plan. Shares will be redeemed three business days prior to the date requested by the shareholder for receipt of the payment. Automatic withdrawals of up to \$1,500 per month may be requested by telephone if payments are by check payable to all shareholders of record and sent to the address of record for the account (and if the address has not been changed within the prior 30 days). Required minimum distributions from OppenheimerFunds-sponsored retirement plans may not be arranged on this basis. Payments are normally made by check, but shareholders having AccountLink privileges (see "How To Buy Shares") may arrange to have Automatic Withdrawal Plan payments transferred to the bank account designated on the OppenheimerFunds New Account Application or signature-guaranteed instructions. The Fund cannot



guarantee receipt of the payment on the date requested and reserves the right to amend, suspend or discontinue offering such plans at any time without prior notice. Because of the sales charge assessed on Class A share purchases, shareholders should not make regular additional Class A purchases while participating in an Automatic Withdrawal Plan. Class B shareholders should not establish withdrawal plans, because of the imposition of the Class B CDSC on such withdrawals (except where the Class B CDSC is waived as described in "Class B Contingent Deferred Sales Charge").

By requesting an Automatic Withdrawal or Exchange Plan, the shareholder agrees to the terms and conditions applicable to such plans, as stated below and in the provisions of the OppenheimerFunds Application relating to such Plans, as well as the Prospectus. These provisions may be amended from time to time by the Fund and/or the Distributor. When adopted, such amendments will automatically apply to existing Plans.

- Automatic Exchange Plans. Shareholders can authorize the Transfer Agent (on the OppenheimerFunds Application or signature-guaranteed instructions) to exchange a pre-determined amount of shares of the Fund for shares (of the same class) of other OppenheimerFunds automatically on a monthly, quarterly, semi-annual or annual basis under an Automatic Exchange Plan. The minimum amount that may be exchanged to each other fund account is \$25. Exchanges made under these plans are subject to the restrictions that apply to exchanges as set forth in "Exchange Privilege" in the Prospectus and "How to Exchange Shares" below in this Statement of Additional Information.

- Automatic Withdrawal Plans. Fund shares will be redeemed as necessary to meet withdrawal payments. Shares acquired without a sales charge will be redeemed first and thereafter shares acquired with reinvested dividends and capital gains distributions will be redeemed next, followed by shares acquired with a sales charge, to the extent necessary to make withdrawal payments. Depending upon the amount withdrawn, the investor's principal may be depleted. Payments made under such plans should not be considered as a yield or income on your investment. It may not be desirable to purchase additional Class A shares while making automatic withdrawals because of the sales charges that apply to purchases when made. Accordingly, a shareholder normally may not maintain an Automatic Withdrawal Plan while simultaneously making regular purchases of Class A shares.

The transfer agent will administer the investor's Automatic Withdrawal Plan (the "Plan") as agent for the investor (the "Planholder") who executed the Plan authorization and application submitted to the Transfer Agent. The Transfer Agent shall incur no liability to the Planholder for any action taken or omitted by the Transfer Agent in good faith to administer the Plan. Certificates will not be issued for shares of the Fund purchased for and held under the Plan, but the Transfer Agent will credit all such shares to the account of the Planholder on the records of the Fund. Any share certificates held by a Planholder may be surrendered unendorsed to the Transfer Agent with the Plan application so that the shares represented by the certificate may be held under the Plan.

For accounts subject to Automatic Withdrawal Plans, distributions of capital gains must be reinvested in shares of the Fund, which will be done at net asset value without a sales charge. Dividends on shares held in the account may be paid in cash or reinvested.

Redemptions of shares needed to make withdrawal payments will be made at the net asset value per share determined on the redemption date. Checks or AccountLink payments of the proceeds of Plan withdrawals will normally be transmitted three business days prior to the date selected for receipt of the payment (the date selected for receipt is an approximate date), according to the choice specified in writing by the Planholder.

The amount and the interval of disbursement payments and the address to which checks are to be mailed or AccountLink payments are to be sent may be changed at any time by the Planholder by writing to the Transfer Agent. The Planholder should allow at least two weeks' time in mailing such notification for the requested change to be put in effect. The Planholder may, at any time, instruct the Transfer Agent by written notice (in proper form in accordance with the requirements of the then-current Prospectus of the Fund) to redeem all, or any part of, the shares held under the Plan. In that case, the Transfer Agent will redeem the number of shares requested at the net asset value per share in effect in accordance with the Fund's usual redemption procedures and will mail a check for the proceeds to the Planholder.

The Plan may be terminated at any time by the Planholder by writing to the Transfer Agent. A Plan may also be terminated at any time by the Transfer Agent upon receiving directions to that effect from the Fund. The Transfer Agent will also terminate a Plan upon receipt of evidence satisfactory to it of the death or legal incapacity of the Planholder. Upon termination of a Plan by the Transfer Agent or the Fund, shares that have not been redeemed from the account will be held in uncertificated form in the name of the Planholder, and the account will continue as a dividend-reinvestment, uncertificated account unless and until proper instructions are received from the Planholder or his or her executor or guardian, or other authorized person.

To use shares held under the Plan as collateral for a debt, the Planholder may request issuance of a portion of the shares in certificated form. Upon written request from the Planholder, the Transfer Agent will determine the number of shares for which a certificate may be issued without causing the withdrawal checks to stop because of exhaustion of uncertificated shares needed to continue payments. However, should such uncertificated shares become exhausted, Plan withdrawals will terminate.

If the Transfer Agent ceases to act as transfer agent for the Fund, the Planholder will be deemed to have appointed any successor transfer agent to act as agent in administering the Plan.

How to Exchange Shares. The list of OppenheimerFunds to which exchanges of shares may be made (subject to restrictions in the Prospectus and in this Statement of Additional Information) is contained in "Reduced Sales Charges," above.

Class A shares of OppenheimerFunds may be exchanged for shares of any Money Market Fund; shares of any Money Market Fund purchased without a sales charge may be exchanged for shares of OppenheimerFunds offered with a sales charge upon payment of the sales charge (or, if applicable, may be used to purchase shares of OppenheimerFunds subject to a CDSC); and shares of this Fund acquired by reinvestment of dividends or distributions from any other of the OppenheimerFunds or from any unit investment trust for which reinvestment arrangements have been made with the Distributor may be exchanged at net asset value for shares of any of the OppenheimerFunds. No CDSC is imposed on exchanges of shares of either class purchased subject to a CDSC. However, when Class A shares acquired by exchange of Class A shares purchased subject to a Class A CDSC are redeemed within 18 months of the end of the calendar month of the initial purchase of the exchanged Class A shares, the Class A CDSC is imposed on the redeemed shares (see "Class A Contingent Deferred Sales Charge" in the Prospectus), and the Class B CDSC is imposed on Class B shares redeemed within six years of the initial purchase of the exchanged Class B shares.

The Fund reserves the right to reject telephone or written exchange requests submitted in bulk by anyone on behalf of 10 or more accounts. The Fund may accept requests for exchanges of up to 50 accounts per day from representatives of authorized dealers that qualify for this privilege. In connection with any exchange request, the number of shares exchanged may be less than the number requested if the exchange or the number requested would include shares subject to a restriction cited in the Prospectus or

this Statement of Additional Information or shares covered by a share certificate that is not tendered with the request. In those cases, only the shares available for exchange without restriction will be exchanged.

When Class B shares are redeemed to effect an exchange, the priorities described in "How To Buy Shares" in the Prospectus for the imposition of the Class B contingent deferred sales charge will be followed in determining the order in which the shares are exchanged. Shareholders should take into account the effect of any exchange on the applicability and rate of any contingent deferred sales charge that might be imposed in the subsequent redemption of remaining shares. Shareholders owning shares of both classes must specify whether they intend to exchange Class A or Class B shares.

When exchanging shares by telephone, the shareholder must either have an existing account in, or acknowledge receipt of a prospectus of, the fund to which the exchange is to be made. For full or partial exchanges of an account made by telephone, any special account features such as Asset Builder Plans, Automatic Withdrawal Plans and retirement plan contributions will be switched to the new account unless the Transfer Agent is instructed otherwise. If all telephone lines are busy (which might occur, for example, during periods of substantial market fluctuations), shareholders might not be able to request exchanges by telephone and would have to submit written exchange requests.

Shares to be exchanged are redeemed on the regular business day the Transfer Agent receives an exchange request in proper form (the "Redemption Date"). Normally, shares of the fund to be acquired are purchased on the Redemption Date, but such purchases may be delayed by either fund up to five business days if it determines that it would be disadvantaged by an immediate transfer of the redemption proceeds. The Fund reserves the right, in its discretion, to refuse any exchange request that may disadvantage it (for example, if the receipt of multiple exchange request from a dealer might require the disposition of portfolio securities at a time or at a price that might be disadvantageous to the Fund).

The different OppenheimerFunds available for exchange have different investment objectives, policies and risks, and a shareholder should assure that the Fund selected is appropriate for his or her investment and should be aware of the tax consequences of an exchange. For federal tax purposes, an exchange transaction is treated as a redemption of shares of one fund and a purchase of shares of another. "Reinvestment Privilege," above, discusses some of the tax consequences of reinvestment of redemption proceeds in such cases. The Fund, the Distributor, and the Transfer Agent are unable to provide investment, tax or legal advice to a shareholder in connection with an exchange request or any other transaction.

Exchanges of Class B Shares. As stated in the Prospectus, shares of a particular class of OppenheimerFunds having more than one class of shares may be exchanged only for shares of the same class of another of the OppenheimerFunds. All of the OppenheimerFunds (except Oppenheimer Strategic Diversified Income Fund) offer Class A shares; if the shares of a fund offering one class are not denominated with a class designation in the Prospectus, they are considered "Class A" shares. Only the following other OppenheimerFunds offer Class B shares as of the date of this Statement of Additional Information (this list may change from time to time, and to obtain a current list, please call the Transfer Agent at 1-800-525-7048):

Oppenheimer Strategic Income & Growth Fund  
Oppenheimer Strategic Investment Grade Bond Fund  
Oppenheimer Strategic Short-Term Income Fund  
Oppenheimer New York Tax-Exempt Fund  
Oppenheimer Tax-Free Bond Fund

Oppenheimer California Tax-Exempt Fund  
 Oppenheimer Pennsylvania Tax-Exempt Fund  
 Oppenheimer Florida Tax-Exempt Fund  
 Oppenheimer New Jersey Tax-Exempt Fund  
 Oppenheimer Insured Tax-Exempt Bond Fund  
 Oppenheimer Main Street California Tax-Exempt Fund  
 Oppenheimer Total Return Fund, Inc.  
 Oppenheimer Investment Grade Bond Fund  
 Oppenheimer Value Stock Fund  
 Oppenheimer Government Securities Fund  
 Oppenheimer High Yield Fund  
 Oppenheimer Mortgage Income Fund  
 Oppenheimer Cash Reserves (Class B shares are  
 only available by exchange)  
 Oppenheimer Special Fund  
 Oppenheimer Equity Income Fund  
 Oppenheimer Global Fund

The Transfer Agent. Oppenheimer Shareholder Services, as transfer agent, is responsible for maintaining the Fund's shareholder registry and shareholder accounting records, and for shareholder servicing and administrative functions. For information about your account, call the toll-free number or write to the address of the Transfer Agent on the front cover.

#### PERFORMANCE OF THE FUND

As described in the Prospectus, from time to time the "standardized yield," "tax-equivalent yield," "dividend yield," "average annual total return," "total return," and "total return at net asset value" of an investment in each class of Fund shares may be advertised. An explanation of how yields and total returns are calculated for each class and the components of those calculations is set forth below.

Yield and total return information may be useful to investors in reviewing the Fund's performance. The Fund's advertisement of its performance must, under applicable SEC rules, include the average annual total returns for each class of shares of the Fund for the 1, 5 and 10-year period (or the life of the class, if less) as of the most recently ended calendar quarter. This enables an investor to compare the Fund's performance to the performance of other funds for the same periods. However, a number of factors should be considered before using such information as a basis for comparison with other investments. An investment in the Fund is not insured; its yield and total return are not guaranteed and normally will fluctuate on a daily basis. When redeemed, an investor's shares may be worth more or less than their original cost. Yield and total return for any given past period are not a prediction or representation by the Fund of future yields or rates of return on its shares. The yield and total returns of the Class A and Class B shares of the Fund are affected by portfolio quality, portfolio maturity, the type of investments the Fund holds and its operating expenses.

Standardized Yields. The Fund's "yield" (referred to as "standardized yield") for a given 30-day period for a class of shares is calculated using the following formula set forth in rules adopted by the Securities and Exchange Commission that apply to all funds that quote yields:

$$\text{Standardized Yield} = 2 \left( \frac{a-b}{cd} + 1 \right)^{\frac{6}{360}} - 1$$

The symbols above represent the following factors:

- a = dividends and interest earned during the 30-day period.
- b = expenses accrued for the period (net of any expense reimbursements).
- c = the average daily number of shares of that class outstanding during the 30-day period that were entitled to receive dividends.

d = the maximum offering price per share of the class on the last day of the period, adjusted for undistributed net investment income.

The standardized yield of a class of shares for a 30-day period may differ from its yield for any other period. The SEC formula assumes that the standardized yield for a 30-day period occurs at a constant rate for a six-month period and is annualized at the end of the six-month period. This standardized yield is not based on actual distributions paid by the Fund to shareholders in the 30-day period, but is a hypothetical yield based upon the net investment income from the Fund's portfolio investments calculated for that period. The standardized yield may differ from the "dividend yield" of that class, described below. Additionally, because each class of shares is subject to different expenses, it is likely that the standardized yields of the Fund's classes of shares will differ. For the 30-day period ended December 31, 1993, the standardized yields for the Fund's Class A and Class B shares were \_\_\_\_% and \_\_\_\_%, respectively.

**Tax-Equivalent Yields.** The "tax-equivalent yield" of a class of shares adjusts the yield, as calculated above, by a stated Federal tax rate. The tax-equivalent yield is based on a 30-day period, and is computed by dividing the tax-exempt portion of the yield (as calculated above) by one minus a stated income tax rate and adding the result to the portion (if any) of the yield that is not tax exempt. The tax equivalent yield may be used to compare the tax effects of income derived from shares of a class with income from taxable investments at the tax rates stated. For the 30-day period ended December 31, 1993, the tax-equivalent yield for the Fund's Class A shares and Class B shares was \_\_\_\_% and \_\_\_\_%, respectively, for a taxpayer in the \_\_\_\_% combined effective tax bracket. Appendix B includes a tax-equivalent yield table, based on various effective tax brackets for individual taxpayers. Such tax brackets are determined by a taxpayer's Federal and state taxable income (the net amount subject to Federal income tax after deductions and exemptions). The tax-equivalent yield table assumes that the investor is taxed at the highest bracket, regardless of whether a switch to non-taxable investments would cause a lower bracket to apply, and that state income tax payments are fully deductible for income tax purposes. For taxpayers with income above certain levels, otherwise allowable itemized deductions are limited.

**Dividend Yield and Distribution Return.** From time to time the Fund may quote a "dividend yield" or a "distribution return" for each class. Dividend yield is based on the Class A or Class B share dividends derived from net investment income during a stated period. Distribution return includes dividends derived from net investment income and from realized capital gains declared during a stated period. Under those calculations, the dividends and/or distributions for that class declared during a stated period of one year or less (for example, 30 days) are added together, and the sum is divided by the maximum offering price per share of that class) on the last day of the period. When the result is annualized for a period of less than one year, the "dividend yield" is calculated as follows:

Dividend Yield of the Class =

Dividends of the Class

-----  
Max Offering Price of the Class (last day of period)

Divided by number of days (accrual period) x 365

The maximum offering price for Class A shares includes the maximum front-end sales charge. For Class B shares, the maximum offering price is the net asset value per share, without considering the effect of contingent deferred sales charges.

From time to time similar yield or distribution return calculations may also be made using the Class A net asset value (instead of its respective maximum offering price) at the end of the period. The dividend yields on Class A shares for the 30-day period ended December 31, 1993, were \_\_\_\_% and \_\_\_\_% when calculated at maximum offering price and at net asset value, respectively. The dividend yield on Class B shares for the

30-day period ended December 31, 1993, was \_\_\_\_% when calculated at net asset value.

Total Returns. The "average annual total return" of each class is an average annual compounded rate of return for each year in a specified number of years. It is the rate of return based on the change in value of a hypothetical initial investment of \$1,000 ("P" in the formula below) held for a number of years ("n") to achieve an Ending Redeemable Value ("ERV"), according to the following formula:

$$\begin{aligned} & ( ERV )^{1/n} \\ & (-----) - 1 = \text{Average Annual Total Return} \\ & ( P ) \end{aligned}$$

The cumulative "total return" calculation measures the change in value of a hypothetical investment of \$1,000 over an entire period of years. Its calculation uses some of the same factors as average annual total return, but it does not average the rate of return on an annual basis. Total return is determined as follows:

$$\begin{aligned} & ERV - P \\ & - ----- = \text{Total Return} \\ & P \end{aligned}$$

In calculating total returns for Class A shares, the current maximum sales charge of 4.75% (as a percentage of the offering price) is deducted from the initial investment ("P") (unless the return is shown at net asset value, as discussed below). For Class B shares, the payment of the applicable contingent deferred sales charge (5.0% for the first year, 4.0% for the second year, 3.0% for the third and fourth years, 2.0% in the fifth year, 1.0% in the sixth year and none thereafter) is applied to the investment result for the time period shown (unless the total return is shown at net asset value, as described below). Total returns also assume that all dividends and capital gains distributions during the period are reinvested to buy additional shares at net asset value per share, and that the investment is redeemed at the end of the period. For the fiscal period from October 1, 1993 through December 31, 1993, the average annual total return and the cumulative total return on an investment in Class A shares of the Fund were \_\_\_\_% and \_\_\_\_%, respectively, and in Class B shares of the Fund were \_\_\_\_% and \_\_\_\_%, respectively.

From time to time the Fund may also quote an "average annual total return at net asset value" or a cumulative "total return at net asset value" for Class A or Class B shares. It is based on the difference in net asset value per share at the beginning and the end of the period for a hypothetical investment in that class of shares (without considering front-end or contingent sales charges) and takes into consideration the reinvestment of dividends and capital gains distributions. The cumulative total return at net asset value on the Fund's Class A shares for the fiscal period from October 1, 1993 through December 31, 1993 was \_\_\_\_%. The cumulative total return at net asset value on the Fund's Class B shares for the fiscal period from October 1, 1993 through December 31, 1993 was \_\_\_\_%.

Other Performance Comparisons. From time to time the Fund may publish the ranking of the performance of its Class A or Class B shares by Lipper Analytical Services, Inc. ("Lipper"), a widely-recognized independent mutual fund monitoring service. Lipper monitors the performance of regulated investment companies, including the Fund, and ranks their performance for various periods based on categories relating to investment objectives. The performance of the Fund's classes is ranked against (i) all other fixed-income funds other than money market funds and (ii) Florida municipal bond funds. The Lipper performance rankings are based on total return that includes the reinvestment of capital gains distributions and income dividends but does not take sales charges or taxes into consideration.

From time to time the Fund may publish the ranking of the performance of its Class A or Class B shares by Morningstar, Inc., an independent mutual fund monitoring service that ranks mutual funds, including the Fund, in broad investment categories (equity, taxable bond, tax-exempt and other) monthly, based upon each fund's three, five and ten-year average annual total returns (when available) and a risk adjustment factor that reflects Fund performance relative to three-month U.S. Treasury bill monthly returns. Such returns are adjusted for fees and sales loads. There are five ranking categories with a corresponding number of stars: highest (5), above average (4), neutral (3), below average (2) and lowest (1). Morningstar ranks the Class A and Class B shares of the Fund in relation to other rated funds.

The total return on an investment made in Class A or Class B shares of the Fund may be compared with the performance for the same period of the Lehman Brothers Municipal Bond Index, as described in the Prospectus.

From time to time the Fund may also include in its advertisements and sales literature performance information about the Fund or rankings of the Fund's performance cited in newspapers or periodicals, such as The New York Times, Money, The Wall Street Journal, Fortune, or other publications. These articles may include quotations of performance from other sources, such as Lipper or Morningstar.

When comparing yield, total return and investment risk of an investment in Class A or Class B shares of the Fund with other investments, investors should understand that certain other investments have different risk characteristics than an investment in shares of the Fund. For example, certificates of deposit may have fixed rates of return and may be insured as to principal and interest by the FDIC, while the Fund's returns will fluctuate and its share values and returns are not guaranteed. Money market accounts offered by banks also may be insured by the FDIC and may offer stability of principal. U.S. Treasury securities are guaranteed as to principal and interest by the full faith and credit of the U.S. government. Money market mutual funds may seek to offer a fixed price per share.

#### DISTRIBUTION AND SERVICE PLANS

The Fund has adopted a Service Plan for Class A Shares and a Distribution and Service Plan for Class B shares of the Fund under Rule 12b-1 of the Investment Company Act, pursuant to which the Fund will reimburse the Distributor for all or a portion of its costs incurred in connection with the distribution and/or servicing of the shares of that class, as described in the Prospectus. Each Plan has been approved by a vote of (i) the Board of Trustees of the Trust, including a majority of the Independent Trustees, cast in person at a meeting called for the purpose of voting on that Plan, and (ii) the holders of a "majority" (as defined in the Investment Company Act) of the shares of each class (for the Distribution and Service Plan for the Class B shares, that vote was cast by the Manager as the then-sole initial holder of Class B shares of the Fund). In addition, the Manager and the Distributor may, under the Plans, from time to time from their own resources (which, as to the Manager, may include profits derived from the advisory fee it receives from the Fund) make payments to Recipients for distribution and administrative services they perform. The Distributor and the Manager may, in their sole discretion, increase or decrease the amount of distribution assistance payments they make to Recipients from their own assets. For further details, see the discussions relating to the Plans in "How to Buy Shares" in the Prospectus.

Unless terminated as described below, each Plan continues in effect from year to year but only as long as such continuance is specifically approved at least annually by the Trust's Board of Trustees and its Independent Trustees by a vote cast in person at a meeting called for the purpose of voting on such continuance. Either Plan may be terminated at any time by the vote of a majority of the Independent Trustees or by the



vote of the holders of a "majority" (as defined in the Investment Company Act) of the outstanding shares of that class. Neither Plan may be amended to increase materially the amount of payments to be made unless such amendment is approved by shareholders of the respective class, who vote exclusively on approval or amendment of the Plan for that class. All material amendments must be approved by the Independent Trustees.

While the Plans are in effect, the Treasurer of the Fund shall provide separate written reports to the Trust's Board of Trustees at least quarterly on the amount of all payments made pursuant to each Plan, the purpose for which the payment was made and the identity of each Recipient that received any such payment. The report for the Class B Plan shall also include the distribution costs for that quarter, and such costs for previous fiscal periods that are carried forward, as explained in the Prospectus and below. Those reports, including the allocations on which they are based, will be subject to the review and approval of the Independent Trustees in the exercise of their fiduciary duty. Each Plan further provides that while it is in effect, the selection and nomination of those Trustees of the Fund who are not "interested persons" of the Fund is committed to the discretion of the Independent Trustees. This does not prevent the involvement of others in such selection and nomination if the final decision on any such selection or nomination is approved by a majority of the Independent Trustees.

Under the Plans, no payment will be made to any broker, dealer or other financial institution under the Plan (each is referred to as a "Recipient") in any quarter if the aggregate net asset value of all Fund shares held by the Recipient for itself and its customers did not exceed a minimum amount, if any, that may be determined from time to time by a majority of the Fund's Independent Trustees. Initially, the Board of Trustees has set the fee at the maximum rate allowed under the Plans and set no minimum amount.

For the fiscal period from October 1, 1993 through December 31, 1993, payments under the Class A Plan totaled \$\_\_\_\_\_, all of which was paid by the Distributor to Recipients, including \$\_\_\_\_\_ paid to an affiliate of the Distributor. Unreimbursed expenses incurred with respect to Class A shares for any fiscal quarter by the Distributor may not be recovered under the Class A Plan in subsequent fiscal quarters. Payments received by the Distributor under the Class A Plan will not be used to pay any interest expense, carrying charges, or other financial costs, or allocation of overhead by the Distributor.

The Class B Plan allows the service fee payment to be paid by the Distributor to Recipients in advance for the first year Class B shares are outstanding, and thereafter on a quarterly basis, as described in the Prospectus. The advance payment is based on the net assets of the Class B shares sold. An exchange of shares does not entitle the Recipient to an advance payment of the service fee. In the event Class B shares are redeemed during the first year such shares are outstanding, the Recipient will be obligated to repay a pro rata portion of the advance of the service fee payment to the Distributor.

Although the Class B Plan permits the Distributor to retain both the asset-based sales charges and the service fee on Class B shares, or to pay Recipients the service fee on a quarterly basis, without payment in advance, the Distributor presently intends to pay the service fee to Recipients in the manner described above. A minimum holding period may be established from time to time under the Class B Plan by the Board. Initially, the Board has set no minimum holding period. All payments under the Class B Plan become subject to the limitations imposed by the National Association of Securities Dealers, Inc. Rules of Fair Practice on payments of asset based sales charges and service fees. The Distributor anticipates that it will take a number of years for it to recoup (from the Fund's payments to the Distributor under the Class B Plan) the sales commissions paid to authorized brokers or dealers. For the Fiscal period from October 1, 1993 through December 31, 1993, payments under the Class B plan totaled \$\_\_\_\_\_.



Asset-based sales charge payments are designed to permit an investor to purchase shares of the Fund without the assessment of a front-end sales load and at the same time permit the Distributor to compensate brokers and dealers in connection with the sale of Class B shares of the Fund. The Distributor's actual distribution expenses for any given year may exceed the aggregate of payments received pursuant to the Class B Plan and from contingent deferred sales charges, and such expenses will be carried forward and paid in future years. The Fund will be charged only for interest expenses, carrying charges or other financial costs that are directly related to the carry-forward of actual distribution expenses. For example, if the Distributor incurred distribution expenses of \$4 million in a given fiscal year, of which \$2,000,000 was recovered in the form of contingent deferred sales charges paid by investors and \$1,600,000 was reimbursed in the form of payments made by the Fund to the Distributor under the Class B Plan, the balance of \$400,000 (plus interest) would be subject to recovery in future fiscal years from such sources.

The Class B Plan allows for the carry-forward of distribution expenses, to be recovered from asset-based sales charges in subsequent fiscal periods, as described above and in the Prospectus. In the event the Class B Plan is terminated, the Distributor is entitled to continue to receive the asset-based sales charge of 0.75% per annum on Class B shares sold prior to termination until the Distributor has recovered its Class B distribution expenses incurred prior to termination from such payments and from the Class B CDSC.

The Fund believes that current applicable accounting standards do not require the Fund to record as a current liability its obligation under the Class B Plan to carry over and continue payments of the asset-based sales charge to the Distributor in the future to reimburse it for expenses incurred as to Class B shares sold prior to the termination of the Plan. Those accounting standards are currently being reviewed by the AICPA, as discussed in the Prospectus. If those accounting standards should be changed to require the Fund to recognize that obligation for future payments as a current liability, the Trust's Board would consider other alternatives to that provision of the Class B Plan, because otherwise the treatment of such expenses as a current liability would affect all then-outstanding Class B shares regardless of how long they had been held. Furthermore, Class B shareholders whose shares had not matured would continue

to remain subject to the Class B CDSC.

The asset-based sales charge paid to the Distributor by the Fund under the Class B Plan is intended to allow the Distributor to recoup the cost of sales commissions paid to authorized brokers and dealers at the time of sale, plus financing costs, as described in the Prospectus. Such payments may also be used to pay for the following expenses in connection with the distribution of Class B shares: (i) financing the advance of the service fee payment to Recipients under the Class B Plan, (ii) compensation and expenses of personnel employed by the Distributor to support distribution of Class B shares, and (iii) costs of sales literature, advertising and prospectuses (other than those furnished to current shareholders) and state "blue sky" registration fees.

#### DIVIDENDS, CAPITAL GAINS AND TAXES

Dividends and Distributions. Dividends will be payable on shares held of record at the time of the previous determination of net asset value, or as otherwise described in "How to Buy Shares." Daily dividends on newly purchased shares will not be declared or paid until such time as Federal Funds (funds credited to a member bank's account at the Federal Reserve Bank) are available from the purchase payment for such shares. Normally, purchase checks received from investors are converted to Federal Funds on the next business day. Dividends will be declared on shares repurchased by a dealer or broker for four business days following the trade date (i.e., to and including the day prior to settlement of the repurchase). If all shares in an account are redeemed, all dividends accrued on shares

of the same class in the account will be paid together with the redemption proceeds.

Dividends, distributions and the proceeds of the redemption of Fund shares represented by checks returned to the Transfer Agent by the Postal Service as undeliverable will be invested in shares of Oppenheimer Money Market Fund, Inc., as promptly as possible after the return of such checks to the Transfer Agent, to enable the investor to earn a return on otherwise idle funds.

The amount of a class's distributions may vary from time to time depending on market conditions, the composition of the Fund's portfolio, and expenses borne by the Fund or borne separately by a class, as described in "Alternative Sales Arrangements -- Class A and Class B Shares," above. Dividends are calculated in the same manner, at the same time and on the same day for shares of each class. However, dividends on Class B shares are expected to be lower as a result of the asset-based sales charge on Class B shares, and Class B dividends will also differ in amount as a consequence of any difference in net asset value between Class A and Class B shares.

Dividends will be declared from net investment income, if any. Net investment income includes the allocation of amounts of income from the Municipal Securities in the Fund's portfolio which are free from Federal income taxes. This allocation will be made by the use of one designated percentage applied uniformly to all income dividends made during the Fund's tax year. Such designation will normally be made following the end of each fiscal year as to income dividends paid in the prior year. The percentage of income designated as tax-exempt may substantially differ from the percentage of the Fund's income that was tax-exempt for a given period.

If the Fund qualifies as a "regulated investment company" under the Internal Revenue Code, it will not be liable for Federal income taxes on amounts paid by it as dividends and distributions. The Fund qualified as a regulated investment company in its last fiscal year and intends to qualify in future years, but reserves the right not to qualify. The Internal Revenue Code contains a number of complex tests to determine whether the Fund will qualify, and the Fund might not meet those tests in a particular year. For example, if the Fund derives 30% or more of its gross income from the sale of securities held less than three months, it may fail to qualify (see "Tax Aspects of Covered Calls and Hedging Instruments," above). If it does not qualify, the Fund will be treated for tax purposes as an ordinary corporation and will receive no tax deduction for payments of dividends and distributions made to shareholders.

Under the Internal Revenue Code, by December 31 each year the Fund must distribute 98% of its taxable investment income earned from January 1 through December 31 of that year and 98% of its capital gains realized in the period from November 1 of the prior year through October 31 of the current year, or else the Fund must pay an excise tax on the amounts not distributed. The Manager might determine in a particular year that it might be in the best interest of shareholders for the Fund not to make distributions at the required levels and to pay the excise tax on the undistributed amounts. That would reduce the amount of income or capital gains available for distribution to shareholders.

The Internal Revenue Code requires that a holder (such as the Fund) of a zero coupon security accrue as income each year a portion of the discount at which the security was purchased even though the Fund receives no interest payment in cash on the security during the year. As an investment company, the Fund must pay out substantially all of its net investment income each year or be subject to excise taxes, as described above. Accordingly, when the Fund holds zero coupon securities, it may be required to pay out as an income distribution each year an amount which is greater than the total amount of cash interest the Fund actually received during that year. Such distributions will be made from the cash

assets of the Fund or by liquidation of portfolio securities, if necessary. The Fund may realize a gain or loss from such sales. In the event the Fund realizes net capital gains from such transactions, its shareholders may receive a larger capital gain distribution than they would have had in the absence of such transactions.

Dividend Reinvestment in Another Fund. Shareholders of the Fund may elect to reinvest all dividends and/or capital gains distributions in shares of the same class of any of the other OppenheimerFunds listed in "Reduced Sales Charges" above at net asset value without sales charge. Not all OppenheimerFunds currently offer Class B shares. The names of Funds that offer Class B shares can be obtained by calling the Distributor at 1-800-525-7048. To elect this option, the shareholder must notify the Transfer Agent in writing and either must have an existing account in the fund selected for reinvestment or must obtain a prospectus for that fund and an application from the Distributor to establish an account. The investment will be made at the net asset value per share in effect at the close of business on the payable date of the dividend or distribution.

#### ADDITIONAL INFORMATION ABOUT THE FUND

Information about the Trust's Declaration of Trust and Business Structure. Shares of the Fund represent an interest in the Fund proportionately equal to the interest of each other share of the same class and entitle their holders to one vote per share (and a proportional vote for a fractional share) on matters submitted to their vote at shareholder meetings. Only shareholders of a particular class vote on matters affecting only that class. The Trustees may divide or combine the shares of a class into a greater or lesser number of shares without thereby changing the proportionate beneficial interest in the Fund. Shares do not have cumulative voting rights or preemptive or subscription rights.

While Massachusetts law permits a shareholder of a business trust (such as the Fund) to be held personally liable as a "partner" under certain circumstances, the risk of a Fund shareholder incurring financial loss on account of shareholder liability is highly unlikely and is limited to the relatively remote circumstances in which the Fund would be unable to meet its obligations. The Trust's Declaration of Trust contains an express disclaimer of shareholder or Trustee liability for the Fund's obligations, and provides for indemnification and reimbursement of expenses out of its property for any shareholder held personally liable for its obligations. The Declaration of Trust also provides that the Fund shall, upon request, assume a defense of any claim made against any shareholder for any act or obligation of the Fund and satisfy any judgment thereon. Any person doing business with the Fund, and any shareholder of the Fund, agrees under the Fund's Declaration of Trust to look solely to the assets of the Fund for satisfaction of any claim or demand that may arise out of any dealings with the Fund, and the Trustees shall have no personal liability to any such person, to the extent permitted by law.

It is not contemplated that regular annual meetings of shareholders will be held. The Fund will hold meetings when required to do so by the Investment Company Act or other applicable law, or when a shareholder meeting is called by the Trustees or upon proper request of the shareholders. Shareholders have the right, upon the declaration in writing or vote of two-thirds of the outstanding shares of the Fund, to remove a Trustee. The Trustees will call a meeting of shareholders to vote on the removal of a Trustee upon the written request of the holders of 10% of its outstanding shares. In addition, if the Trustees receive a request from at least 10 shareholders (who have been shareholders for at least six months) holding in the aggregate shares of the Fund valued at \$25,000 or more or holding 1% or more of the Fund's outstanding shares, whichever is less, that they wish to communicate with other shareholders to request a meeting to remove a Trustee, the Trustees will then either give the applicants access to the Fund's shareholder list, mail their communication to all other shareholders at the applicants' expense, or take alternative action as set forth in Section 16(c) of the Investment Company Act.

Information About the Custodian of the Fund's Portfolio Securities. The Custodian of the assets of the Fund is Citibank, N.A. The Custodian's responsibilities include safeguarding and controlling the Fund's portfolio securities, collecting income on the portfolio securities and handling the delivery of such securities to and from the Fund. The Manager and its affiliates have banking relationships with the Custodian. The Manager has represented to the Fund that its banking relationships with the Custodian have been and will continue to be unrelated to and unaffected by the relationship between the Fund and the Custodian. It will be the practice of the Fund to deal with the Custodian in a manner uninfluenced by any banking relationship the Custodian may have with the Manager and its affiliates. The Fund's cash balances with the Custodian in excess of \$100,000 are not protected by Federal deposit insurance. Such uninsured balances may at times be substantial.

The Distributor. Under the General Distributor's Agreement between the Fund and the Distributor, the Distributor acts as the Fund's principal underwriter in the continuous public offering of the Fund's Class A and Class B shares, but is not obligated to sell a specific number of shares. Expenses normally attributable to sales (other than those paid under the Class B Distribution and Service Plan), including advertising and the cost of printing and mailing prospectuses (other than those furnished to existing shareholders), are borne by the Distributor. During the period October 1, 1993 through December 31, 1993, the aggregate amount of sales charges on sales of the Fund's shares was \$\_\_\_\_\_, of which the Distributor and an affiliated broker-dealer retained in the aggregate \$\_\_\_\_\_.

Independent Auditors. The independent auditors of the Fund examine the Fund's financial statements and perform other related audit services. They also act as auditors for the Manager and certain other funds advised by the Manager and its affiliates.

Investment Adviser

Oppenheimer Management Corporation  
Two World Trade Center  
New York, New York 10048-0203

Distributor

Oppenheimer Funds Distributor, Inc.  
Two World Trade Center  
New York, New York 10048-0203

Transfer and Shareholder Servicing Agent

Oppenheimer Shareholder Services  
P.O. Box 5270  
Denver, Colorado 80217-5270  
1-800-525-7048

Custodian of Portfolio Securities

Citibank, N.A.  
399 Park Avenue  
New York, New York 10043

Independent Auditors

KPMG Peat Marwick  
707 Seventeenth Street  
Denver, Colorado 80202

Legal Counsel

Gordon Altman Butowsky Weitzen  
Shalov & Wein  
114 West 47th Street  
New York, New York 10036

## RATINGS OF INVESTMENTS

## Municipal Bonds

Moody's. The four highest ratings of Moody's for Municipal Bonds are Aaa, Aa, A and Baa. Municipal Bonds rated Aaa are judged to be of the "best quality." The rating of Aa is assigned to bonds which are of "high quality by all standards," but as to which margins of protection or other elements make long-term risks appear somewhat larger than Aaa rated Municipal Bonds. The Aaa and Aa rated bonds comprise what are generally known as "high grade bonds." Municipal Bonds which are rated A by Moody's possess many favorable investment attributes and are considered "upper medium grade obligations." Factors giving security to principal and interest of A rated bonds are considered adequate, but elements may be present which suggest a susceptibility to impairment at some time in the future. Municipal Bonds rated Baa are considered "medium grade" obligations. 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. Those bonds in the Aa, A and Baa groups which Moody's believes possess the strongest attributes are designated Aa1, A1 and Baa1, respectively.

In addition to the alphabetic rating system described above, Municipal Bonds rated by Moody's which have a demand feature that provides the holder with the ability to periodically tender ("put") the portion of the debt covered by the demand feature, may also have a short-term rating assigned to such demand feature. The short-term rating uses the symbol "VMIG" to distinguish characteristics which include payment upon periodic demand rather than fund or scheduled maturity dates and potential reliance upon external liquidity, as well as other factors. The highest investment quality is designated by the VMIG1 rating and the lowest by VMIG4.

S&P and Fitch. The four highest ratings of S&P for Municipal Bonds are AAA (Prime), AA (High Grade), A (Good Grade), and BBB (Medium Grade). Municipal Bonds rated AAA are "obligations of the highest quality." The rating of AA is accorded issues with investment characteristics "only slightly less marked than those of the prime quality issues." The category of A describes "the third strongest capacity for payment of debt service." Principal and interest payments on bonds in this category are regarded as safe. It differs from the two higher ratings because, with respect to general obligations bonds, there is some weakness, either in the local economic base, in debt burden, in the balance between revenues and expenditures, or in quality of management. Under certain adverse circumstances, any one such weakness might impair the ability of the issuer to meet debt obligations at some future date. With respect to revenue bonds, debt service coverage is good, but not exceptional. Stability of the pledged revenues could show some variations because of increased competition or economic influences on revenues. Basic security provisions, while satisfactory, are less stringent. Management performance appears adequate.

The BBB rating is the lowest "investment grade" security rating. The difference between A and BBB ratings is that the latter shows more than one fundamental weakness, or one very substantial fundamental weakness, whereas the former shows only one deficiency among the factors considered. With respect to revenue bonds, debt coverage is only fair. Stability of the pledged revenues could show variations, with the revenue flow possibly being subject to erosion over time. Basic security provisions are no more than adequate. Management performance could be stronger. The ratings AA, A, and BBB may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

The ratings of Fitch for Municipal Bonds are similar to those used by S&P.

## Corporate Debt

The "other debt securities" included in the definition of temporary investments are corporate (as opposed to municipal) debt obligations rated Aaa, Aa or A by Moody's or AAA, AA or A by S&P. The Moody's corporate

debt ratings of Aaa, Aa and A do not differ materially from those set forth above for Municipal Bonds. Corporate debt obligations rated AAA by S&P are "highest grade obligations." Obligations bearing the rating of AA also qualify as "high grade obligations" and "in the majority of instances differ from AAA issues only in small degrees." Corporate debt obligations rated A by S&P are regarded as "upper medium grade" and have considerable investment strength, but are not entirely free from adverse effects of changes in economic and trade conditions.

Commercial Paper

The commercial paper ratings of A-1 by S&P, P-1 by Moody's and F-1+ by Fitch are the highest commercial paper ratings of the respective agencies. The issuer's earnings, quality of long-term debt, management and industry position are among the factors considered in assigning such ratings.

Tax-Exempt Municipal Notes

Moody's ratings for state and municipal notes and other short-term loans are designated Moody's Investment Grade ("MIG"). Notes bearing the designation MIG-1 are of the best quality, enjoying strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for financing. Notes bearing the designation "MIG-2" are of high quality with ample margins of protection, although not as large as notes rated "MIG." Such short-term notes which have demand features may also carry a rating using the symbol VMIG as described above, with the designation MIG-1/VMIG 1 denoting best quality, with superior liquidity support in addition to those characteristics attributable to the designation MIG-1.

S&P's rating for Municipal Notes due in three years or less are SP-1 and SP-2. SP-1 describes issues with a very strong capacity to pay principal and interest and compares with bonds rated A by S&P; if modified by a plus sign, it compares with bonds rated AA or AAA by S&P. SP-2 describes issues with a satisfactory capacity to pay principal and interest, and compares with bonds rated BBB by S&P.

Fitch assigns the following short-term ratings to debt obligations that are payable on demand or have original maturities of generally up to three years, including municipal notes: F-1+, F-1 and F-2. F-1+ denotes exceptionally strong credit quality; the strongest degree of assurance for timely payment. F-1 indicates very strong credit quality; assurance of timely payment is only slightly less in degree than issues rated F-1+. F-2 indicates good credit quality; satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues assigned "F-1+" or "F-1" ratings.

General

Subsequent to its purchase by the Fund, an issue of Municipal Bonds or a temporary investment may cease to be rated or its rating may be reduced below the minimum required for purchase by the Fund. Neither event requires the elimination of such obligation from the Fund's portfolio, but the Manager will consider such an event in its determination of whether the Fund should continue to hold such obligation in its portfolio. To the extent that the ratings accorded by S&P, Moody's or Fitch may change as a result of changes in such organizations, or changes in their rating systems, the Fund will attempt to use comparable ratings as standards for its investments in accordance with the investment policies contained herein.

TAX-EQUIVALENT YIELDS

Appendix B

<TABLE>

<CAPTION>

<table border="0"> <tr> <td> <table border="0"> <tr> <td>Taxable</td> <td>Federal</td> <td colspan="7">A Florida Tax-Exempt Bond Fund yield of:</td> </tr> <tr> <td>Income</td> <td>Tax Bracket</td> <td>4.00%</td> <td>4.50%</td> <td>5.00%</td> <td>5.50%</td> <td>6.00%</td> <td>6.50%</td> <td>7.00%</td> </tr> </table> </td> </tr> </table>	<table border="0"> <tr> <td>Taxable</td> <td>Federal</td> <td colspan="7">A Florida Tax-Exempt Bond Fund yield of:</td> </tr> <tr> <td>Income</td> <td>Tax Bracket</td> <td>4.00%</td> <td>4.50%</td> <td>5.00%</td> <td>5.50%</td> <td>6.00%</td> <td>6.50%</td> <td>7.00%</td> </tr> </table>	Taxable	Federal	A Florida Tax-Exempt Bond Fund yield of:							Income	Tax Bracket	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%
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Taxable	Federal	A Florida Tax-Exempt Bond Fund yield of:																	
Income	Tax Bracket	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%											

Joint return:

Over	But Not Over	Is Equivalent to a Taxable Yield of:
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<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$0	\$36,900	15.00%	4.71%	5.29%	5.88%	6.47%	7.06%	7.65%	8.24%
\$36,900	\$89,150	28.00%	5.56%	6.25%	6.94%	7.64%	8.33%	9.03%	9.72%
\$89,150	\$140,000	31.00%	5.80%	6.52%	7.25%	7.97%	8.70%	9.42%	10.14%
\$140,000	\$250,000	36.00%	6.25%	7.03%	7.81%	8.59%	9.38%	10.16%	10.94%
\$250,000 and above		39.60%	6.62%	7.45%	8.28%	9.11%	9.93%	10.76%	11.59%

</TABLE>

Single return:

<TABLE>

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Over	But Not Over	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$0	\$22,100	15.00%	4.71%	5.29%	5.88%	6.47%	7.06%	7.65%	8.24%
\$22,100	\$53,500	28.00%	5.56%	6.25%	6.94%	7.64%	8.33%	9.03%	9.72%
\$53,500	\$115,000	31.00%	5.80%	6.52%	7.25%	7.97%	8.70%	9.42%	10.14%
\$115,000	\$250,000	36.00%	6.25%	7.03%	7.81%	8.59%	9.38%	10.16%	10.94%
\$250,000 and above		39.60%	6.62%	7.45%	8.28%	9.11%	9.93%	10.76%	11.59%

Florida does not impose a state income tax. The table assumes that an investor's highest tax bracket applies to the change in taxable income resulting from a switch between taxable and non-taxable investments and that the investment is not subject to the Alternative Minimum Tax. The income tax brackets are subject to indexing in future years to reflect changes in the Consumer Price Index. The table reflects the exemption of Fund shares from the Florida intangible personal property tax.

OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST

FORM N-1A

PART C

OTHER INFORMATION

ITEM 24. Financial Statements and Exhibits

(a) Financial Statements

(1) Condensed Financial Information

(i) for Oppenheimer Pennsylvania Tax-Exempt Fund ("OPTF") - To be filed by amendment.

(ii) for Oppenheimer Florida Tax-Exempt Fund ("OFTEF") - To be filed by amendment.

(iii) for Oppenheimer New Jersey Tax-Exempt Fund ("ONJTEF") - Not applicable.

(2) Independent Auditors' Report

(i) for OPTF - To be filed by amendment.

(ii) for OFTEF - To be filed by amendment.

(iii) for ONJTEF - Not applicable.

(3) Statement of Investments

(i) for OPTF - To be filed by amendment.

(ii) for OFTEF - To be filed by amendment.

(iii) for ONJTEF - Not applicable.

(4) Statement of Assets and Liabilities

(i) for OPTF - Filed with Post-Effective Amendment No. 5, 4/29/93, and incorporated herein by reference.

(ii) for OFTEF - To be filed by amendment.



(iii) for ONJTEF - Not applicable.

(5) Statement of Operations

(i) for OPTEF - To be filed by amendment.

(ii) for OFTEF - To be filed by amendment.

(iii) for ONJTEF - Not applicable.

(6) Statement of Changes in Net Assets

(i) for OPTEF - To be filed by amendment.

(ii) for OFTEF - To be filed by amendment.

(iii) for ONJTEF - Not applicable.

(7) Notes to Financial Statements

(i) for OPTEF - To be filed by amendment.

(ii) for OFTEF - To be filed by amendment.

(iii) for ONJTEF - Not applicable.

(8) Independent Auditors' Consent

(i) for OPTEF - To be filed by amendment.

(ii) for OFTEF - To be filed by amendment.

(iii) for ONJTEF - Not applicable.

(b) Exhibits

(1) Registrant's Amended and Restated Declaration of Trust - Filed herewith.

(2) By-Laws dated 10/10/89 - Filed with Post-Effective Amendment No.4, 5/1/92, and incorporated herein by reference.

(3) Not applicable.

(4) (i) OPTEF Specimen Class A Share Certificate - Filed with Pre-Effective Amendment No. 1, 9/15/89, and incorporated herein by reference.

(ii) OPTEF Specimen Class B Share Certificate - Filed with Post-Effective Amendment No. 6, 7/16/93, and incorporated herein by reference.

(iii) OFTEF Specimen Class A Share Certificate - Filed with Post-Effective Amendment No. 7, 10/1/93, and incorporated herein by reference.

(iv) OFTEF Specimen Class B Share Certificate - Filed with Post-Effective Amendment No. 7, 10/1/93, and incorporated herein by reference.

(v) ONJTEF Specimen Class A Share Certificate - Filed herewith.

(vi) ONJTEF Specimen Class B Share Certificate - Filed herewith.

(5) (i) Investment Advisory Agreement for OPTEF dated 10/22/90 - Filed with Post-Effective Amendment No. 2, 3/1/91, and incorporated

herein by reference.

(ii) Investment Advisory Agreement for OFTEF dated 10/1/93 - Filed with Post-Effective Amendment No. 8, 12/29/93, and incorporated herein by reference.

(iii) Investment Advisory Agreement for ONJTEF dated 12/9/93 - Filed with Post-Effective Amendment No. 9 to Registrant's Registration Statement, 2/25/94, and incorporated herein by reference.

(6) (a) General Distributor's Agreement between the Registrant and Oppenheimer Funds Distributor, Inc. ("Distributor") (formerly, Oppenheimer Funds Management, Inc.) dated 12/10/92 - Filed with Post-Effective Amendment No. 5, 4/29/93, and incorporated herein by reference.

(b) Form of Distributor Dealer Agreement: Filed with Post-Effective Amendment No. 12 to the Registration Statement of Oppenheimer Government Securities Fund (Reg. No. 33-02769), 12/2/92, and incorporated herein by reference.

(c) Form of Distributor Broker Agreement -Filed with Post-Effective Amendment No. 12 to the Registration Statement of Oppenheimer Government Securities Fund (Reg. No. 33-02769), 12/2/92, and incorporated herein by reference.

(d) Form of Distributor Agency Agreement -Filed with Post-Effective Amendment No. 12 to the Registration Statement of Oppenheimer Government Securities Fund (Reg. No. 33-02769), 12/2/92, and incorporated herein by reference.

(e) Broker Agreement between Distributor and Newbridge Securities dated 10/1/86 - Filed with Post-Effective Amendment No. 25 of Oppenheimer Special Fund (Reg. No. 2-45272), 11/1/86 and incorporated herein by reference.

(7) Retirement Plan for Non-Interested Trustees dated 6/7/90 - Filed with Post-Effective Amendment No. 34 to the Registration Statement of Oppenheimer Special Fund (File No. 2-45272) 8/31/90, and incorporated herein by reference.

(8) Custodian Agreement dated 9/18/89 - Filed with Post-Effective Amendment No. 3 to Registrant's Registration Statement, 4/30/91, and incorporated herein by reference.

(9) Not applicable.

(10) Opinion and Consent of Counsel dated 9/15/89 - Filed with Pre-Effective Amendment No. 2, 9/18/89, and incorporated herein by reference.

(11) Not applicable.

(12) Not applicable.

(13) Investment Letter dated 8/29/89 from Oppenheimer Management Corporation to Registrant - Filed with Post-Effective Amendment No. 3 to the Registrant's Registration Statement, 4/30/91, and incorporated herein by reference.

(14) Not applicable.

(15) (i) Service Plan and Agreement for Class A shares of OPTEF under Rule 12b-1 of the Investment Company Act - Filed with Post-Effective Amendment No. 6, 7/16/93, and incorporated herein by reference.

(ii) Distribution and Service Plan and Agreement for Class B shares of OPTEF under Rule 12b-1 of the Investment Company Act - Filed with Post-Effective Amendment No. 6, 7/16/93, and incorporated herein by reference.

(iii) Service Plan and Agreement for Class A shares of OFTEF under Rule 12b-1 of the Investment Company Act - Filed with Post-Effective Amendment No. 7, 10/1/93, and incorporated herein by reference.

(iv) Distribution and Service Plan and Agreement for Class B shares of OFTEF under Rule 12b-1 of the Investment Company Act - Filed with Post-Effective Amendment No. 7, 10/1/93, and incorporated herein by reference.

(v) Service Plan and Agreement for Class A shares of ONJTEF under Rule 12b-1 of the Investment Company Act dated 12/9/93 - Filed with Post-Effective Amendment No. 9 to Registrant's Registration Statement, 2/25/94, and incorporated herein by reference.

(vi) Distribution and Service Plan and Agreement for Class B shares of ONJTEF under Rule 12b-1 of the Investment Company Act dated 12/9/93 - Filed with Post-Effective Amendment No. 9 to Registrant's Registration Statement, 2/25/94, and incorporated herein by reference.

(16)(i) Performance Computation Schedule for OPTEF - To be filed by amendment.

(ii) Performance Computation Schedule for OFTEF - To be filed by amendment.

(iii) Performance Computation Schedule for ONJTEF - Not applicable.

-- Powers of Attorney - Filed with Post-Effective Amendments No. 6 and No. 7, 7/16/93 and 10/1/93, respectively, and incorporated herein by reference.

ITEM 25. Persons Controlled by or under Common Control with Registrant

None

ITEM 26. Number of Holders of Securities

Title of Class	Number of Record Holders as of February 18, 1994
OPTEF Shares of Beneficial Interest, Class A	2406
OPTEF Shares of Beneficial Interest, Class B	277
OFTEF Shares of Beneficial Interest, Class A	176
OFTEF Shares of Beneficial Interest, Class B	156
ONJTEF Shares of Beneficial Interest, Class A	None
ONJTEF Shares of Beneficial Interest, Class B	None

ITEM 27. Indemnification

Reference is made to paragraphs (c) through (f) of Section 12 of Article SEVENTH of Registrant's Declaration of Trust filed as Exhibit 24(b)(1)(i) to this Registration Statement and incorporated herein by reference.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to trustees, officers and controlling persons of Registrant pursuant to the foregoing provisions or otherwise, Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Registrant of expenses incurred or paid by a trustee, officer or controlling person of Registrant in the successful

defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person, Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

ITEM 28. Business and Other Connections of Investment Adviser

(a) Oppenheimer Management Corporation is the investment adviser of the Registrant; it and certain affiliates act in the same capacity for other registered investment companies as described in Parts A and B of this Registration Statement.

(b) For information as to the business, profession, vocation or employment of a substantial nature of each of the directors and officers of Oppenheimer Management Corporation, reference is made to Part(s) A and B of this Registration Statement and to the registration on Form ADV filed by Oppenheimer Management Corporation under the Investment Advisers Act of 1940, which is incorporated herein by reference.

ITEM 29. Principal Underwriter

(a) The Distributor is the general distributor of Registrant's shares. It is also the general distributor of certain of the other open-end registered investment companies for which Oppenheimer Management Corporation is the investment adviser, as described in Parts A and B of this Registration Statement.

(b) The information contained in the registration on Form BD of the Distributor filed under the Securities Exchange Act of 1934, is incorporated herein by reference.

(c) Not applicable.

ITEM 30. Location of Accounts and Records

The accounts, books and other documents required to be maintained Registrant pursuant to Section 31(a) of the Investment Company Act and rules promulgated thereunder are in possession of Oppenheimer Management Corporation, at its offices at 3410 South Galena Street, Denver, Colorado 80231.

ITEM 31. Management Services

Not applicable.

ITEM 32. Undertakings

(a) Not applicable.

(b) Not applicable.

(c) Registrant undertakes to call a meeting of shareholders for the purpose of voting upon the question of removal of a Trustee or Trustees when requested to do so by the holders of at least 10% of Registrant's outstanding shares and in connection with such meeting to comply with provisions of Section 16(c) of the Investment Company Act of 1940 relating to shareholder communications.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and/or the Investment Company Act of 1940, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York on the 28th day of February, 1994.

OPPENHEIMER GLOBAL FUND

/s/ Donald W. Spiro\*  
by: -----

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

Signatures: -----	Title -----	Date -----
/s/ Leon Levy* ----- Leon Levy	Chairman of the Board of Trustees	February 28, 1994
/s/ Donald W. Spiro* ----- Donald W. Spiro	President, Principal Executive Officer and Trustee	February 28, 1994
/s/ George Bowen* ----- George Bowen	Treasurer and Principal Financial and Accounting Officer	February 28, 1994
/s/ Leo Cherne* ----- Leo Cherne	Trustee	February 28, 1994
/s/ Edmund T. Delaney* ----- Edmund T. Delaney	Trustee	February 28, 1994
/s/ Robert G. Galli* ----- Robert G. Galli	Trustee	February 28, 1994
/s/ Benjamin Lipstein* ----- Benjamin Lipstein	Trustee	February 28, 1994
/s/ Kenneth A. Randall* ----- Kenneth A. Randall	Trustee	February 28, 1994
/s/ Sidney M. Robbins* ----- Sidney M. Robbins	Trustee	February 28, 1994
/s/ Russell S. Reynolds Jr.* ----- Russell S. Reynolds, Jr.	Trustee	February 28, 1994
/s/ Pauline Trigere* ----- Pauline Trigere	Trustee	February 28, 1994
/s/ Elizabeth B. Moynihan* ----- Elizabeth B. Moynihan	Trustee	February 28, 1994
/s/ Clayton K. Yeutter* ----- Clayton K. Yeutter	Trustee	February 28, 1994
/s/ Edward V. Regan* ----- Edward V. Regan	Trustee	February 28, 1994

\*By: /s/ Robert G. Zack  
-----  
Robert G. Zack, Attorney-in-Fact

EXHIBIT INDEX

Form N-1A Item No.	Description
24(b) (1)	Amended and Restated Declaration of Trust dated 12/9/93
24(b) (4) (v)	ONJTEF Specimen Class A Share Certificate
24(b) (4) (vi)	ONJTEF Specimen Class B Share Certificate

</TABLE>

AMENDED AND RESTATED  
DECLARATION OF TRUST  
OF  
OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST

This AMENDED AND RESTATED DECLARATION OF TRUST, made as of December 9, 1993, by and among the individuals executing this Amended and Restated Declaration of Trust as the Trustees.

WHEREAS, the Trustees established Oppenheimer Pennsylvania Tax-Exempt Fund (the "Trust") as a trust fund under the laws of the Commonwealth of Massachusetts, for the investment and reinvestment of funds contributed thereto, under a Declaration of Trust dated July 15, 1989, as amended pursuant to an Amended and Restated Declaration of Trust dated April 23, 1993, and as further amended pursuant to an Amended and Restated Declaration of Trust dated as of June 10, 1993;

WHEREAS, the Trustees desire to further amend such Declaration of Trust, as amended, without shareholder approval, as permitted under ARTICLE FOURTH, to create an additional series of shares and to fix and determine the relative rights and preferences of such additional series of shares as set forth in said ARTICLE FOURTH;

NOW, THEREFORE, the Trustees declare that all money and property contributed to the trust fund hereunder shall henceforth be held and managed under this Amended and Restated Declaration of Trust IN TRUST as herein set forth below.

FIRST: This Trust shall be known as OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST (formerly, "Oppenheimer Pennsylvania Tax-Exempt Fund"). The address of Oppenheimer Multi-State Tax-Exempt Trust is Two World Trade Center, New York, New York 10048-0203. The Registered Agent for Service is Massachusetts Mutual Life Insurance Company, 1295 State Street, Springfield, Massachusetts 01111, Attention: Stephen Kuhn, Esq.

SECOND: Whenever used herein, unless otherwise required by the context or specifically provided:

1. All terms used in this Declaration of Trust that are defined in the 1940 Act (defined below) shall have the meanings given to them in the 1940 Act.

2. "Board" or "Board of Trustees" or the "Trustees" means the Board of Trustees of the Trust.

3. "By-Laws" means the By-Laws of the Trust as amended from time to time.

4. "Class" means a Class of a series of Shares of the Trust



established and designated under or in accordance with the provisions of Article FOURTH.

5. "Commission" means the Securities and Exchange Commission.

6. "Declaration of Trust" shall mean this Amended and Restated Declaration of Trust as it may be amended or restated from time to time.

7. The "1940 Act" refers to the Investment Company Act of 1940 and the Rules and Regulations of the Commission thereunder, all as amended from time to time.

8. "Series" refers to series of Shares of the Trust established and designated under or in accordance with the provisions of Article FOURTH.

9. "Shareholder" means a record owner of Shares of the Trust.

10. "Shares" refers to the transferable units of interest into which the beneficial interest in the Trust or any Series or Class of the Trust (as the context may require) shall be divided from time to time and includes fractions of Shares as well as whole Shares.

11. The "Trust" refers to the Massachusetts business trust created by this Declaration of Trust, as amended or restated from time to time.

12. "Trustees" refers to the individual trustees in their capacity as trustees hereunder of the Trust and their successor or successors for the time being in office as such trustees.

THIRD: The purpose or purposes for which the Trust is formed and the business or objects to be transacted, carried on and promoted by it are as follows:

1. To hold, invest or reinvest its funds, and in connection therewith to hold part or all of its funds in cash, and to purchase or otherwise acquire, hold for investment or otherwise, sell, sell short, assign, negotiate, transfer, exchange or otherwise dispose of or turn to account or realize upon, securities (which term "securities" shall for the purposes of this Declaration of Trust, without limitation of the generality thereof, be deemed to include any stocks, shares, bonds, financial futures contracts, indexes, debentures, notes, mortgages or other obligations, and any certificates, receipts, warrants or other instruments representing rights to receive, purchase or subscribe for the same, or evidencing or representing any other rights or interests therein, or in any property or assets) created or issued by any issuer (which term "issuer" shall for the purposes of this Declaration of Trust, without limitation of the generality thereof be deemed to include any persons, firms, associations, corporations, syndicates, business trusts, partnerships, investment companies, combinations, organizations, governments, or subdivisions thereof) and in financial instruments (whether they are considered as securities or commodities); and to

exercise, as owner or holder of any securities or financial instruments, all rights, powers and privileges in respect thereof; and to do any and all acts and things for the preservation, protection, improvement and enhancement in value of any or all such securities or financial instruments.

2. To borrow money and pledge assets in connection with any of the objects or purposes of the Trust, and to issue notes or other obligations evidencing such borrowings, to the extent permitted by the 1940 Act and by the Trust's fundamental investment policies under the 1940 Act.

3. To issue and sell its Shares in such Series and Classes and amounts and on such terms and conditions, for such purposes and for such amount or kind of consideration (including without limitation thereto, securities) now or hereafter permitted by the laws of the Commonwealth of Massachusetts and by this Declaration of Trust, as the Trustees may determine.

4. To purchase or otherwise acquire, hold, dispose of, resell, transfer, reissue or cancel its Shares, or to classify or reclassify any unissued Shares or any Shares previously issued and reacquired of any Series or Class into one or more Series or Classes that may have been established and designated from time to time, all without the vote or consent of the Shareholders of the Trust, in any manner and to the extent now or hereafter permitted by this Declaration of Trust.

5. To conduct its business in all its branches at one or more offices in New York, Colorado and elsewhere in any part of the world, without restriction or limit as to extent.

6. To carry out all or any of the foregoing objects and purposes as principal or agent, and alone or with associates or to the extent now or hereafter permitted by the laws of Massachusetts, as a member of, or as the owner or holder of any stock of, or share of interest in, any issuer, and in connection therewith or make or enter into such deeds or contracts with any issuers and to do such acts and things and to exercise such powers, as a natural person could lawfully make, enter into, do or exercise.

7. To do any and all such further acts and things and to exercise any and all such further powers as may be necessary, incidental, relative, conducive, appropriate or desirable for the accomplishment, carrying out or attainment of all or any of the foregoing purposes or objects.

The foregoing objects and purposes shall, except as otherwise expressly provided, be in no way limited or restricted by reference to, or inference from, the terms of any other clause of this or any other Article of this Declaration of Trust, and shall each be regarded as independent and construed as powers as well as objects and purposes, and the enumeration of specific purposes, objects and powers shall not be construed to limit

or restrict in any manner the meaning of general terms or the general powers of the Trust now or hereafter conferred by the laws of the Commonwealth of Massachusetts nor shall the expression of one thing be deemed to exclude another, though it be of a similar or dissimilar nature, not expressed; provided, however, that the Trust shall not carry on any business, or exercise any powers, in any state, territory, district or country except to the extent that the same may lawfully be carried on or exercised under the laws thereof.

FOURTH:

1. The beneficial interest in the Trust shall be divided into Shares, all without par value, but the Trustees shall have the authority from time to time, without obtaining shareholder approval, to create one or more Series of Shares in addition to the Series specifically established and designated in part 3 of this Article FOURTH, and to divide the shares of any Series into two or more Classes pursuant to Part 2 of this Article FOURTH, all as they deem necessary or desirable, to establish and designate such Series and Classes, and to fix and determine the relative rights and preferences as between the different Series of Shares or Classes as to right of redemption and the price, terms and manner of redemption, liabilities and expenses to be borne by any Series or Class, special and relative rights as to dividends and other distributions and on liquidation, sinking or purchase fund provisions, conversion on liquidation, conversion rights, and conditions under which the several Series or Classes shall have individual voting rights or no voting rights. Except as aforesaid, all Shares of the different Series shall be identical.

(a) The number of authorized Shares and the number of Shares of each Series and each Class of a Series that may be issued is unlimited, and the Trustees may issue Shares of any Series or Class of any Series for such consideration and on such terms as they may determine (or for no consideration if pursuant to a Share dividend or split-up), all without action or approval of the Shareholders. All Shares when so issued on the terms determined by the Trustees shall be fully paid and non-assessable. The Trustees may classify or reclassify any unissued Shares or any Shares previously issued and reacquired of any Series into one or more Series or Classes of Series that may be established and designated from time to time. The Trustees may hold as treasury Shares (of the same or some other Series), reissue for such consideration and on such terms as they may determine, or cancel, at their discretion from time to time, any Shares of any Series reacquired by the Trust.

(b) The establishment and designation of any Series or any Class of any Series in addition to that established and designated in part 3 of this Article FOURTH shall be effective upon the execution by a majority of the Trustees of an instrument setting forth such establishment and designation and the relative rights and preferences of such Series or such Class of such Series or as otherwise provided in such instrument. At any time that there are no Shares outstanding of any particular Series

previously established and designated, the Trustees may by an instrument executed by a majority of their number abolish that Series and the establishment and designation thereof. Each instrument referred to in this paragraph shall be an amendment to this Declaration of Trust, and the Trustees may make any such amendment without shareholder approval.

(c) Any Trustee, officer or other agent of the Trust, and any organization in which any such person is interested may acquire, own, hold and dispose of Shares of any Series or Class of any Series of the Trust to the same extent as if such person were not a Trustee, officer or other agent of the Trust; and the Trust may issue and sell or cause to be issued and sold and may purchase Shares of any Series or Class of any Series from any such person or any such organization subject only to the general limitations, restrictions or other provisions applicable to the sale or purchase of Shares of such Series or Class generally.

2. The Trustees shall have the authority from time to time, without obtaining shareholder approval, to divide the Shares of any Series into two or more Classes as they deem necessary or desirable, and to establish and designate such Classes. In such event, each Class of a Series shall represent interests in the designated Series of the Trust and have such voting, dividend, liquidation and other rights as may be established and designated by the Trustees. Expenses and liabilities related directly or indirectly to the Shares of a Class of a Series may be borne solely by such Class (as shall be determined by the Trustees) and, as provided in Article FIFTH, a Class of a Series may have exclusive voting rights with respect to matters relating solely to such Class. The bearing of expenses and liabilities solely by a Class of Shares of a Series shall be appropriately reflected (in the manner determined by the Trustees) in the net asset value, dividend and liquidation rights of the Shares of such Class of a Series. The division of the Shares of a Series into Classes and the terms and conditions pursuant to which the Shares of the Classes of a Series will be issued must be made in compliance with the 1940 Act. No division of Shares of a Series into Classes shall result in the creation of a Class of Shares having a preference as to dividends or distributions or a preference in the event of any liquidation, termination or winding up of the Trust, to the extent such a preference is prohibited by Section 18 of the 1940 Act as to the Trust.

The relative rights and preferences of shares of different classes shall be the same in all respects except that, and unless and until the Board of Trustees shall determine otherwise: (i) when a vote of Shareholders is required under this Declaration of Trust or when a meeting of Shareholders is called by the Board of Trustees, the Shares of a Class shall vote exclusively on matters that affect that Class only; (ii) the expenses and liabilities related to a Class shall be borne solely by such Class (as determined and allocated to such Class by the Trustees from time to time in a manner consistent with parts 2 and 3 of Article FOURTH); and (iii) pursuant to paragraph 10 of Article NINTH, the Shares of each Class shall have such other rights and preferences as are set forth from time to time in the then effective prospectus and/or statement of additional

information relating to the Shares. Dividends and distributions on one class may differ from the dividends and distributions on another class, and the net asset value of the shares of one class may differ from the net asset value of shares of another class.

3. Without limiting the authority of the Trustees set forth in part 1 of this Article FOURTH to establish and designate any further Series, the Trustees hereby establish three Series of Shares: "Oppenheimer Pennsylvania Tax-Exempt Fund," established by the Declaration of Trust dated July 15, 1989; "Oppenheimer Florida Tax-Exempt Fund," established by the Amended and Restated Declaration of Trust dated as of June 10, 1993; and "Oppenheimer New Jersey Tax-Exempt Fund," established by this Amended and Restated Declaration of Trust. The Shares of each such Series shall be divided into two Classes, which shall be designated Class A and Class B, as follows. The Shares of each Series and any Shares of any further Series or Classes that may from time to time be established and designated by the Trustees shall (unless the Trustees otherwise determine with respect to some further Series or Classes at the time of establishing and designating the same) have the following relative rights and preferences:

(a) Assets Belonging to Series. All consideration received by the Trust for the issue or sale of Shares of a particular Series, together with all assets in which such consideration is invested or reinvested, all income, earnings, profits, and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from any reinvestment of such proceeds in whatever form the same may be, shall irrevocably belong to that Series for all purposes, subject only to the rights of creditors, and shall be so recorded upon the books of account of the Trust. Such consideration, assets, income, earnings, profits, and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from any reinvestment of such proceeds, in whatever form the same may be, together with any General Items allocated to that Series as provided in the following sentence, are herein referred to as "assets belonging to" that Series. In the event that there are any assets, income, earnings, profits, and proceeds thereof, funds, or payments which are not readily identifiable as belonging to any particular Series (collectively "General Items"), the Trustees shall allocate such General Items to and among any one or more of the Series established and designated from time to time in such manner and on such basis as they, in their sole discretion, deem fair and equitable; and any General Items so allocated to a particular Series shall belong to that Series. Each such allocation by the Trustees shall be conclusive and binding upon the shareholders of all Series for all purposes.

(b) (1) Liabilities Belonging to Series. The liabilities, expenses, costs, charges and reserves attributable to each Series shall be charged and allocated to the assets belonging to each particular Series. Any general liabilities, expenses, costs, charges and reserves of the Trust

which are not identifiable as belonging to any particular Series shall be allocated and charged by the Trustees to and among any one or more of the Series established and designated from time to time in such manner and on such basis as the Trustees in their sole discretion deem fair and equitable. The liabilities, expenses, costs, charges and reserves allocated and so charged to each Series are herein referred to as "liabilities belonging to" that Series. Each allocation of liabilities, expenses, costs, charges and reserves by the Trustees shall be conclusive and binding upon the shareholders of all Series for all purposes.

(2) Liabilities Belonging to a Class. If a Series is divided into more than one Class, the liabilities, expenses, costs, charges and reserves attributable to a Class shall be charged and allocated to the Class to which such liabilities, expenses, costs, charges or reserves are attributable. Any general liabilities, expenses, costs, charges or reserves belonging to the Series which are not identifiable as belonging to any particular Class shall be allocated and charged by the Trustees to and among any one or more of the Classes established and designated from time to time in such manner and on such basis as the Trustees in their sole discretion deem fair and equitable. The allocations in the two preceding sentences shall be subject to the 1940 Act or any release, rule, regulation, interpretation or order thereunder relating to such allocations. The liabilities, expenses, costs, charges and reserves allocated and so charged to each Class are herein referred to as "liabilities belonging to" that Class. Each allocation of liabilities, expenses, costs, charges and reserves by the Trustees shall be conclusive and binding upon the holders of all Classes for all purposes.

(c) Dividends. Dividends and distributions on Shares of a particular Series or Class may be paid to the holders of Shares of that Series or Class, with such frequency as the Trustees may determine, which may be daily or otherwise pursuant to a standing resolution or resolutions adopted only once or with such frequency as the Trustees may determine, from such of the income, capital gains accrued or realized, and capital and surplus, from the assets belonging to that Series, as the Trustees may determine, after providing for actual and accrued liabilities belonging to such Series or Class. All dividends and distributions on Shares of a particular Series or Class shall be distributed pro rata to the Shareholders of such Series or Class in proportion to the number of Shares of such Series or Class held by such Shareholders at the date and time of record established for the payment of such dividends or distributions, except that in connection with any dividend or distribution program or procedure the Trustees may determine that no dividend or distribution shall be payable on Shares as to which the Shareholder's purchase order and/or payment have not been received by the time or times established by the Trustees under such program or procedure. Such dividends and distributions may be made in cash or Shares or a combination thereof as determined by the Trustees or pursuant to any program that the Trustees may have in effect at the time for the election by each Shareholder of the mode of the making of such dividend or distribution to that Shareholder. Any such dividend or distribution paid in Shares will be paid at the net



asset value thereof as determined in accordance with paragraph 13 of Article SEVENTH.

(d) Liquidation. In the event of the liquidation or dissolution of the Trust, the Shareholders of each Series and all Classes of each Series that has been established and designated shall be entitled to receive, as a Series or Class, when and as declared by the Trustees, the excess of the assets belonging to that Series over the liabilities belonging to that Series or Class. The assets so distributable to the Shareholders of any particular Series shall be distributed among such Shareholders in proportion to the number of Shares of such Class of that Series held by them and recorded on the books of the Trust.

(e) Transfer. All Shares of each particular Series or Class shall be transferable, but transfers of Shares of a particular Class and Series will be recorded on the Share transfer records of the Trust applicable to such Series or Class of that Series only at such times as Shareholders shall have the right to require the Trust to redeem Shares of such Series or Class of that Series and at such other times as may be permitted by the Trustees.

(f) Equality. All Shares of each Series shall represent an equal proportionate interest in the assets belonging to that Series (subject to the liabilities belonging to such Series or any Class of that Series), and each Share of any particular Series shall be equal to each other Share of that Series and shares of each Class of a Series shall be equal to each other Share of such Class; but the provisions of this sentence shall not restrict any distinctions permissible under this Article FOURTH that may exist with respect to Shares of the different Classes of a Series. The Trustees may from time to time divide or combine the Shares of any particular Class or Series into a greater or lesser number of Shares of that Class or Series without thereby changing the proportionate beneficial interest in the assets belonging to that Class or Series or in any way affecting the rights of Shares of any other Class or Series.

(g) Fractions. Any fractional Share of any Class and Series, if any such fractional Share is outstanding, shall carry proportionately all the rights and obligations of a whole Share of that Class and Series, including those rights and obligations with respect to voting, receipt of dividends and distributions, redemption of Shares, and liquidation of the Trust.

(h) Conversion Rights. Subject to compliance with the requirements of the 1940 Act, the Trustees shall have the authority to provide whether (i) holders of Shares of any Series shall have the right to exchange said Shares into Shares of one or more other Series of Shares, (ii) holders of shares of any Class shall have the right to exchange said Shares into Shares of one or more other Classes of the same or a different Series, and/or (iii) the Trust shall have the right to carry out exchanges of the aforesaid kind, in each case in accordance with such requirements and procedures as may be established by the Trustees.



(i) Ownership of Shares. The ownership of Shares shall be recorded on the books of the Trust or of a transfer or similar agent for the Trust, which books shall be maintained separately for the Shares of each Class and Series that has been established and designated. No certification certifying the ownership of Shares need be issued except as the Trustees may otherwise determine from time to time. The Trustees may make such rules as they consider appropriate for the issuance of Share certificates, the use of facsimile signatures, the transfer of Shares and similar matters. The record books of the Trust as kept by the Trust or any transfer or similar agent, as the case may be, shall be conclusive as to who are the Shareholders and as to the number of Shares of each Class and Series held from time to time by each such Shareholder.

(j) Investments in the Trust. The Trustees may accept investments in the Trust from such persons and on such terms and for such consideration, not inconsistent with the provisions of the 1940 Act, as they from time to time authorize. The Trustees may authorize any distributor, principal underwriter, custodian, transfer agent or other person to accept orders for the purchase or sale of Shares that conform to such authorized terms and to reject any purchase or sale orders for Shares whether or not conforming to such authorized terms.

FIFTH: The following provisions are hereby adopted with respect to voting Shares of the Trust and certain other rights:

1. The Shareholders shall have the power to vote (a) for the election of Trustees when that issue is submitted to them, (b) with respect to the amendment of this Declaration of Trust except where the Trustees are given authority to amend the Declaration of Trust without shareholder approval, (c) to the same extent as the shareholders of a Massachusetts business corporation, as to whether or not a court action, proceeding or claim should be brought or maintained derivatively or as a class action on behalf of the Trust or the Shareholders, and (d) with respect to those matters relating to the Trust as may be required by the 1940 Act or required by law, by this Declaration of Trust, or the By-Laws of the Trust or any registration statement of the Trust filed with the Commission or any State, or as the Trustees may consider desirable.

2. The Trust will not hold shareholder meetings unless required by the 1940 Act, the provisions of this Declaration of Trust, or any other applicable law, or unless the Trustees determine to call a meeting of shareholders.

3. At all meetings of Shareholders, each Shareholder shall be entitled to one vote on each matter submitted to a vote of the Shareholders of the affected Series for each Share standing in his name on the books of the Trust on the date, fixed in accordance with the By-Laws, for determination of Shareholders of the affected Series entitled to vote at such meeting (except, if the Board so determines, for Shares redeemed prior to the meeting), and each such Series shall vote separately ("Individual Series

Voting"); a Series shall be deemed to be affected when a vote of the holders of that Series on a matter is required by the 1940 Act; provided, however, that as to any matter with respect to which a vote of Shareholders is required by the 1940 Act or by any applicable law that must be complied with, such requirements as to a vote by Shareholders shall apply in lieu of Individual Series Voting as described above. If the shares of a Series shall be divided into Classes as provided in Article FOURTH, the shares of each Class shall have identical voting rights except that the Trustees, in their discretion, may provide a Class of a Series with exclusive voting rights with respect to matters which relate solely to such Class. If the Shares of any Series shall be divided into Classes with a Class having exclusive voting rights with respect to certain matters, the quorum and voting requirements described below with respect to action to be taken by the Shareholders of the Class of such Series on such matters shall be applicable only to the Shares of such Class. Any fractional Share shall carry proportionately all the rights of a whole Share, including the right to vote and the right to receive dividends. The presence in person or by proxy of the holders of one-third of the Shares, or of the Shares of any Series or Class of any Series, outstanding and entitled to vote thereat shall constitute a quorum at any meeting of the Shareholders or of that Series or Class, respectively; provided however, that if any action to be taken by the Shareholders or by a Series or Class at a meeting requires an affirmative vote of a majority, or more than a majority, of the shares outstanding and entitled to vote, then in such event the presence in person or by proxy of the holders of a majority of the shares outstanding and entitled to vote at such a meeting shall constitute a quorum for all purposes. At a meeting at which is a quorum is present, a vote of a majority of the quorum shall be sufficient to transact all business at the meeting. If at any meeting of the Shareholders there shall be less than a quorum present, the Shareholders or the Trustees present at such meeting may, without further notice, adjourn the same from time to time until a quorum shall attend, but no business shall be transacted at any such adjourned meeting except such as might have been lawfully transacted had the meeting not been adjourned.

4. Each Shareholder, upon request to the Trust in proper form determined by the Trust, shall be entitled to require the Trust to redeem from the net assets of that Series all or part of the Shares of such Series and Class standing in the name of such Shareholder. The method of computing such net asset value, the time at which such net asset value shall be computed and the time within which the Trust shall make payment therefor, shall be determined as hereinafter provided in Article SEVENTH of this Declaration of Trust. Notwithstanding the foregoing, the Trustees, when permitted or required to do so by the 1940 Act, may suspend the right of the Shareholders to require the Trust to redeem Shares.

5. No Shareholder shall, as such holder, have any right to purchase or subscribe for any Shares of the Trust which it may issue or sell, other than such right, if any, as the Trustees, in their discretion, may determine.

6. All persons who shall acquire Shares shall acquire the same subject to the provisions of the Declaration of Trust.

7. Cumulative voting for the election of Trustees shall not be allowed.

SIXTH:

1. The persons who shall act as initial Trustees until the first meeting or until their successors are duly chosen and qualify are the initial trustees executing this Declaration of Trust or any counterpart thereof. However, the By-Laws of the Trust may fix the number of Trustees at a number greater or lesser than the number of initial Trustees and may authorize the Trustees to increase or decrease the number of Trustees, to fill any vacancies on the Board which may occur for any reason including any vacancies created by any such increase in the number of Trustees, to set and alter the terms of office of the Trustees and to lengthen or lessen their own terms of office or make their terms of office of indefinite duration, all subject to the 1940 Act. Unless otherwise provided by the By-Laws of the Trust, the Trustees need not be Shareholders.

2. A Trustee at any time may be removed either with or without cause by resolution duly adopted by the affirmative vote of the holders of two-thirds of the outstanding Shares, present in person or by proxy at any meeting of Shareholders called for such purpose; such a meeting shall be called by the Trustees when requested in writing to do so by the record holders of not less than ten per centum of the outstanding Shares. A Trustee may also be removed by the Board of Trustees as provided in the By-Laws of the Trust.

3. The Trustees shall make available a list of names and addresses of all Shareholders as recorded on the books of the Trust, upon receipt of the request in writing signed by not less than ten Shareholders (who have been shareholders for at least six months) holding in the aggregate shares of the Trust valued at not less than \$25,000 at current offering price (as defined in the then effective Prospectus and/or Statement of Additional Information relating to the Shares under the Securities Act of 1933, as amended from time to time) or holding not less than 1% in amount of the entire amount of Shares issued and outstanding; such request must state that such Shareholders wish to communicate with other Shareholders with a view to obtaining signatures to a request for a meeting to take action pursuant to part 2 of this Article SIXTH and be accompanied by a form of communication to the Shareholders. The Trustees may, in their discretion, satisfy their obligation under this part 3 by either making available the Shareholder list to such Shareholders at the principal offices of the Trust, or at the offices of the Trust's transfer agent, during regular business hours, or by mailing a copy of such communication and form of request, at the expense of such requesting Shareholders, to all other Shareholders, and the Trustees may also take such other action as may be permitted under Section 16(c) of the 1940 Act.

4. The Trust may at any time or from time to time apply to the Commission for one or more exemptions from all or part of said Section 16(c) of the 1940 Act, and, if an exemptive order or orders are issued by the Commission, such order or orders shall be deemed part of said Section 16(c) for the purposes of parts 2 and 3 of this Article SIXTH.

SEVENTH: The following provisions are hereby adopted for the purpose of defining, limiting and regulating the powers of the Trust, the Trustees and the Shareholders.

1. As soon as any Trustee is duly elected by the Shareholders or the Trustees and shall have accepted this Trust, the Trust estate shall vest in the new Trustee or Trustees, together with the continuing Trustees, without any further act or conveyance, and he or she shall be deemed a Trustee hereunder.

2. The death, declination, resignation, retirement, removal, or incapacity of the Trustees, or any one of them, shall not operate to annul or terminate the Trust but the Trust shall continue in full force and effect pursuant to the terms of this Declaration of Trust.

3. The assets of the Trust shall be held separate and apart from any assets now or hereafter held in any capacity other than as Trustee hereunder by the Trustees or any successor Trustees. All of the assets of the Trust shall at all times be considered as vested in the Trustees. No Shareholder shall have, as a holder of beneficial interest in the Trust, any authority, power or right whatsoever to transact business for or on behalf of the Trust, or on behalf of the Trustees, in connection with the property or assets of the Trust, or in any part thereof.

4. The Trustees in all instances shall act as principals, and are and shall be free from the control of the Shareholders. The Trustees shall have full power and authority to do any and all acts and to make and execute, and to authorize the officers and agents of the Trust to make and execute, any and all contracts and instruments that they may consider necessary or appropriate in connection with the management of the Trust. The Trustees shall not in any way be bound or limited by present or future laws or customs in regard to Trust investments, but shall have full authority and power to make any and all investments which they, in their uncontrolled discretion, shall deem proper to accomplish the purpose of this Trust. Subject to any applicable limitation in this Declaration of Trust or by the By-Laws of the Trust, the Trustees shall have power and authority:

(a) to adopt By-Laws not inconsistent with this Declaration of Trust providing for the conduct of the business of the Trust and to amend and repeal them to the extent that they do not reserve that right to the Shareholders;

(b) to elect and remove such officers and appoint and terminate such

officers as they consider appropriate with or without cause, and to appoint and designate from among the Trustees such committees as the Trustees may determine, and to terminate any such committee and remove any member of such committee;

(c) to employ as custodian of any assets of the Trust a bank or trust company or any other entity qualified and eligible to act as a custodian, subject to any conditions set forth in this Declaration of Trust or in the By-Laws;

(d) to retain a transfer agent and shareholder servicing agent, or both;

(e) to provide for the distribution of Shares either through a principal underwriter or the Trust itself or both;

(f) to set record dates in the manner provided for in the By-Laws of the Trust;

(g) to delegate such authority as they consider desirable to any officers of the Trust and to any agent, custodian or underwriter;

(h) to vote or give assent, or exercise any rights of ownership, with respect to stock or other securities or property held in Trust hereunder; and to execute and deliver powers of attorney to such person or persons as the Trustees shall deem proper, granting to such person or persons such power and discretion with relation to securities or property as the Trustees shall deem proper;

(i) to exercise powers and rights of subscription or otherwise which in any manner arise out of ownership of securities held in trust hereunder;

(j) to hold any security or property in a form not indicating any trust, whether in bearer, unregistered or other negotiable form, either in its own name or in the name of a custodian or a nominee or nominees, subject in either case to proper safeguards according to the usual practice of Massachusetts business trusts or investment companies;

(k) to consent to or participate in any plan for the reorganization, consolidation or merger of any corporation or concern, any security of which is held in the Trust; to consent to any contract, lease, mortgage, purchase, or sale of property by such corporation or concern, and to pay calls or subscriptions with respect to any security held in the Trust;

(l) to compromise, arbitrate, or otherwise adjust claims in favor of or against the Trust or any matter in controversy including, but not limited to, claims for taxes;

(m) to make, in the manner provided in the By-Laws, distributions of income and of capital gains to Shareholders;

(n) to borrow money to the extent and in the manner permitted by the 1940 Act and the Trust's fundamental policy thereunder as to borrowing;

(o) to enter into investment advisory or management contracts, subject to the 1940 Act, with any one or more corporations, partnerships, trusts, associations or other persons;

(p) to change the name of the Trust or any Class or Series of the Trust as they consider appropriate without prior shareholder approval; and

(q) to establish officers' and Trustees' fees or compensation and fees or compensation for committees of the Trustees to be paid by the Trust or each Series thereof in such manner and amount as the Trustees may determine.

5. No one dealing with the Trustees shall be under any obligation to make any inquiry concerning the authority of the Trustees, or to see to the application of any payments made or property transferred to the Trustees or upon their order.

6. (a) The Trustees shall have no power to bind any Shareholder personally or to call upon any Shareholder for the payment of any sum of money or assessment whatsoever other than such as the Shareholder may at any time personally agree to pay by way of subscription to any Shares or otherwise. This paragraph shall not limit the right of the Trustees to assert claims against any shareholder based upon the acts or omissions of such shareholder or for any other reason. There is hereby expressly disclaimed shareholder and Trustee liability for the acts and obligations of the Trust. Every note, bond, contract or other undertaking issued by or on behalf of the Trust or the Trustees relating to the Trust shall include a notice and provision limiting the obligation represented thereby to the Trust and its assets (but the omission of such notice and provision shall not operate to impose any liability or obligation on any Shareholder or Trustee).

(b) Whenever this Declaration of Trust calls for or permits any action to be taken by the Trustees hereunder, such action shall mean that taken by the Board of Trustees by vote of the majority of a quorum of Trustees as set forth from time to time in the By-Laws of the Trust or as required by the 1940 Act.

(c) The Trustees shall possess and exercise any and all such additional powers as are reasonably implied from the powers herein contained such as may be necessary or convenient in the conduct of any business or enterprise of the Trust, to do and perform anything necessary, suitable, or proper for the accomplishment of any of the purposes, or the attainment of any one or more of the objects, herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of the Trust, and to do and perform all other acts and things necessary or incidental to the purposes herein before set forth, or that

may be deemed necessary by the Trustees.

(d) The Trustees shall have the power, to the extent not inconsistent with the 1940 Act, to determine conclusively whether any moneys, securities, or other properties of the Trust are, for the purposes of this Trust, to be considered as capital or income and in what manner any expenses or disbursements are to be borne as between capital and income whether or not in the absence of this provision such moneys, securities, or other properties would be regarded as capital or income and whether or not in the absence of this provision such expenses or disbursements would ordinarily be charged to capital or to income.

7. The By-Laws of the Trust may divide the Trustees into classes and prescribe the tenure of office of the several classes, but no class of Trustee shall be elected for a period shorter than that from the time of the election following the division into classes until the next meeting and thereafter for a period shorter than the interval between meetings or for a period longer than five years, and the term of office of at least one class shall expire each year.

8. The Shareholders shall have the right to inspect the records, documents, accounts and books of the Trust, subject to reasonable regulations of the Trustees, not contrary to Massachusetts law, as to whether and to what extent, and at what times and places, and under what conditions and regulations, such right shall be exercised.

9. Any officer elected or appointed by the Trustees or by the Shareholders or otherwise, may be removed at any time, with or without cause, in such lawful manner as may be provided in the By-Laws of the Trust.

10. The Trustees shall have power to hold their meetings, to have an office or offices and, subject to the provisions of the laws of Massachusetts, to keep the books of the Trust outside of said Commonwealth at such places as may from time to time be designated by them. Action may be taken by the Trustees without a meeting by unanimous written consent or by telephone or similar method of communication.

11. Securities held by the Trust shall be voted in person or by proxy by the President or a Vice-President, or such officer or officers of the Trust as the Trustees shall designate for the purpose, or by a proxy or proxies thereunto duly authorized by the Trustees, except as otherwise ordered by vote of the holders of a majority of the Shares outstanding and entitled to vote in respect thereto.

12. (a) Subject to the provisions of the 1940 Act, any Trustee, officer or employee, individually, or any partnership of which any Trustee, officer or employee may be a member, or any corporation or association of which any Trustee, officer or employee may be an officer, partner, director, trustee, employee or stockholder, or otherwise may have an interest, may be a party to, or may be pecuniarily or otherwise



interested in, any contract or transaction of the Trust, and in the absence of fraud no contract or other transaction shall be thereby affected or invalidated; provided that in such case a Trustee, officer or employee or a partnership, corporation or association of which a Trustee, officer or employee is a member, officer, director, trustee, employee or stockholder is so interested, such fact shall be disclosed or shall have been known to the Trustees including those Trustees who are not so interested and who are neither "interested" nor "affiliated" persons as those terms are defined in the 1940 Act, or a majority thereof; and any Trustee who is so interested, or who is also a director, officer, partner, trustee, employee or stockholder of such other corporation or a member of such partnership or association which is so interested, may be counted in determining the existence of a quorum at any meeting of the Trustees which shall authorize any such contract or transaction, and may vote thereat to authorize any such contract or transaction, with like force and effect as if he were not so interested.

(b) Specifically, but without limitation of the foregoing, the Trust may enter into a management or investment advisory contract or underwriting contract and other contracts with, and may otherwise do business with any manager or investment adviser for the Trust and/or principal underwriter of the Shares of the Trust or any subsidiary or affiliate of any such manager or investment adviser and/or principal underwriter and may permit any such firm or corporation to enter into any contracts or other arrangements with any other firm or corporation relating to the Trust notwithstanding that the Trustees of the Trust may be composed in part of partners, directors, officers or employees of any such firm or corporation, and officers of the Trust may have been or may be or become partners, directors, officers or employees of any such firm or corporation, and in the absence of fraud the Trust and any such firm or corporation may deal freely with each other, and no such contract or transaction between the Trust and any such firm or corporation shall be invalidated or in any way affected thereby, nor shall any Trustee or officer of the Trust be liable to the Trust or to any Shareholder or creditor thereof or to any other person for any loss incurred by it or him solely because of the existence of any such contract or transaction; provided that nothing herein shall protect any director or officer of the Trust against any liability to the trust or to its security holders to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

(c) As used in this paragraph the following terms shall have the meanings set forth below:

(i) the term "indemnitee" shall mean any present or former Trustee, officer or employee of the Trust, any present or former Trustee, partner, Director or officer of another trust, partnership, corporation or association whose securities are or were owned by the Trust or of which the Trust is or was a creditor and who served or serves in such capacity at the request of the Trust, and the heirs, executors, administrators,

successors and assigns of any of the foregoing; however, whenever conduct by an indemnitee is referred to, the conduct shall be that of the original indemnitee rather than that of the heir, executor, administrator, successor or assignee;

(ii) the term "covered proceeding" shall mean any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, to which an indemnitee is or was a party or is threatened to be made a party by reason of the fact or facts under which he or it is an indemnitee as defined above;

(iii) the term "disabling conduct" shall mean willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of the office in question;

(iv) the term "covered expenses" shall mean expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by an indemnitee in connection with a covered proceeding; and

(v) the term "adjudication of liability" shall mean, as to any covered proceeding and as to any indemnitee, an adverse determination as to the indemnitee whether by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent.

(d) The Trust shall not indemnify any indemnitee for any covered expenses in any covered proceeding if there has been an adjudication of liability against such indemnitee expressly based on a finding of disabling conduct.

(e) Except as set forth in paragraph (d) above, the Trust shall indemnify any indemnitee for covered expenses in any covered proceeding, whether or not there is an adjudication of liability as to such indemnitee, such indemnification by the Trust to be to the fullest extent now or hereafter permitted by any applicable law unless the By-laws limit or restrict the indemnification to which any indemnitee may be entitled. The Board of Trustees may adopt bylaw provisions to implement subparagraphs (c), (d) and (e) hereof.

(f) Nothing herein shall be deemed to affect the right of the Trust and/or any indemnitee to acquire and pay for any insurance covering any or all indemnitees to the extent permitted by applicable law or to affect any other indemnification rights to which any indemnitee may be entitled to the extent permitted by applicable law. Such rights to indemnification shall not, except as otherwise provided by law, be deemed exclusive of any other rights to which such indemnitee may be entitled under any statute now or hereafter enacted, By-Law, contract or otherwise.

13. The Trustees are empowered, in their absolute discretion, to establish bases or times, or both, for determining the net asset value per Share of any Class and Series in accordance with the 1940 Act and to

authorize the voluntary purchase by any Class and Series, either directly or through an agent, of Shares of any Class and Series upon such terms and conditions and for such consideration as the Trustees shall deem advisable in accordance with the 1940 Act.

14. Payment of the net asset value per Share of any Class and Series properly surrendered to it for redemption shall be made by the Trust within seven days, or as specified in any applicable law or regulation, after tender of such stock or request for redemption to the Trust for such purpose together with any additional documentation that may be reasonably required by the Trust or its transfer agent to evidence the authority of the tenderor to make such request, plus any period of time during which the right of the holders of the shares of such Class of that Series to require the Trust to redeem such shares has been suspended. Any such payment may be made in portfolio securities of such Class of that Series and/or in cash, as the Trustees shall deem advisable, and no Shareholder shall have a right, other than as determined by the Trustees, to have Shares redeemed in kind.

15. The Trust shall have the right, at any time and without prior notice to the Shareholder, to redeem Shares of the Class and Series held by such Shareholder held in any account registered in the name of such Shareholder for its current net asset value, if and to the extent that such redemption is necessary to reimburse either that Series or Class of the Trust or the distributor (i.e., principal underwriter) of the Shares for any loss either has sustained by reason of the failure of such Shareholder to make timely and good payment for Shares purchased or subscribed for by such Shareholder, regardless of whether such Shareholder was a Shareholder at the time of such purchase or subscription, subject to and upon such terms and conditions as the Trustees may from time to time prescribe.

EIGHTH: The name "Oppenheimer" included in the name of the Trust and of any Series shall be used pursuant to a royalty-free, non-exclusive license from Oppenheimer Management Corporation ("OMC"), incidental to and as part of any one or more advisory, management or supervisory contracts which may be entered into by the Trust with OMC. Such license shall allow OMC to inspect and, subject to the control of the Board of Trustees, to control the nature and quality of services offered by the Trust under such name. The license may be terminated by OMC upon termination of such advisory, management or supervisory contracts or without cause upon 60 days' written notice, in which case neither the Trust nor any Series or Class shall have any further right to use the name "Oppenheimer" in its name or otherwise and the Trust, the Shareholders and its officers and Trustees shall promptly take whatever action may be necessary to change its name and the names of any Series or Classes accordingly.

NINTH:

1. In case any Shareholder or former Shareholder shall be held to be personally liable solely by reason of his being or having been a

Shareholder and not because of his acts or omissions or for some other reason, the Shareholder or former Shareholder (or the Shareholders, heirs, executors, administrators or other legal representatives or in the case of a corporation or other entity, its corporate or other general successor) shall be entitled out of the Trust estate to be held harmless from and indemnified against all loss and expense arising from such liability. The Trust shall, upon request by the Shareholder, assume the defense of any such claim made against any Shareholder for any act or obligation of the Trust and satisfy any judgment thereon.

2. It is hereby expressly declared that a trust and not a partnership is created hereby. No individual Trustee hereunder shall have any power to bind the Trust, the Trust's officers or any Shareholder. All persons extending credit to, doing business with, contracting with or having or asserting any claim against the Trust or the Trustees shall look only to the assets of the Trust for payment under any such credit, transaction, contract or claim; and neither the Shareholders nor the Trustees, nor any of their agents, whether past, present or future, shall be personally liable therefor; notice of such disclaimer shall be given in each agreement, obligation or instrument entered into or executed by the Trust or the Trustees. Nothing in this Declaration of Trust shall protect a Trustee against any liability to which such Trustee would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of the office of Trustee hereunder.

3. The exercise by the Trustees of their powers and discretion hereunder in good faith and with reasonable care under the circumstances then prevailing, shall be binding upon everyone interested. Subject to the provisions of paragraph 2 of this Article NINTH, the Trustees shall not be liable for errors of judgment or mistakes of fact or law. The Trustees may take advice of counsel or other experts with respect to the meaning and operations of this Declaration of Trust, applicable laws, contracts, obligations, transactions or any other business the Trust may enter into, and subject to the provisions of paragraph 2 of this Article NINTH, shall be under no liability for any act or omission in accordance with such advice or for failing to follow such advice. The Trustees shall not be required to give any bond as such, nor any surety if a bond is required.

4. This Trust shall continue without limitation of time but subject to the provisions of sub-sections (a), (b), (c) and (d) of this paragraph 4.

(a) The Trustees, with the favorable vote of the holders of a majority of the outstanding voting securities, as defined in the 1940 Act, of any one or more Series entitled to vote, may sell and convey the assets of that Series (which sale may be subject to the retention of assets for the payment of liabilities and expenses) to another issuer for a consideration which may be or include securities of such issuer. Upon making provision for the payment of liabilities, by assumption by such issuer or otherwise, the Trustees shall distribute the remaining proceeds

ratably among the holders of the outstanding Shares of the Series the assets of which have been so transferred.

(b) The Trustees, with the favorable vote of the holders of a majority of the outstanding voting securities, as defined in the 1940 Act, of any one or more Series entitled to vote, may at any time sell and convert into money all the assets of that Series. Upon making provisions for the payment of all outstanding obligations, taxes and other liabilities, accrued or contingent, of that Series, the Trustees shall distribute the remaining assets of that Series ratably among the holders of the outstanding Shares of that Series.

(c) The Trustees, with the favorable vote of the holders of a majority of the outstanding voting securities, as defined in the 1940 Act, of any one or more Series entitled to vote, may otherwise alter, convert or transfer the assets of that Series or those Series.

(d) Upon completion of the distribution of the remaining proceeds or the remaining assets as provided in sub-sections (a) and (b), and in subsection (c) where applicable, the Series the assets of which have been so transferred shall terminate, and if all the assets of the Trust have been so transferred, the Trust shall terminate and the Trustees shall be discharged of any and all further liabilities and duties hereunder and the right, title and interest of all parties shall be cancelled and discharged.

5. The original or a copy of this instrument and of each restated declaration of trust or instrument supplemental hereto shall be kept at the office of the Trust where it may be inspected by any Shareholder. A copy of this instrument and of each supplemental or restated declaration of trust shall be filed with the Secretary of the Commonwealth of Massachusetts, as well as any other governmental office where such filing may from time to time be required. Anyone dealing with the Trust may rely on a certificate by an officer of the Trust as to whether or not any such supplemental or restated declarations of trust have been made and as to any matters in connection with the Trust hereunder, and, with the same effect as if it were the original, may rely on a copy certified by an officer of the Trust to be a copy of this instrument or of any such supplemental or restated declaration of trust. In this instrument or in any such supplemental or restated declaration of trust, references to this instrument, and all expressions like "herein", "hereof" and "hereunder" shall be deemed to refer to this instrument as amended or affected by any such supplemental or restated declaration of trust. This instrument may be executed in any number of counterparts, each of which shall be deemed an original.

6. The Trust set forth in this instrument is created under and is to be governed by and construed and administered according to the laws of the Commonwealth of Massachusetts. The Trust shall be of the type commonly called a Massachusetts business trust, and without limiting the provisions hereof, the Trust may exercise all powers which are ordinarily exercised

by such a trust.

7. The Board of Trustees is empowered to cause the redemption of the Shares held in any account if the aggregate net asset value of such Shares has been reduced to \$200 or less upon such notice to the shareholder in question, with such permission to increase the investment in question and upon such other terms and conditions as may be fixed by the Board of Trustees in accordance with the 1940 Act.

8. In the event that any person advances the organizational expenses of the Trust, such advances shall become an obligation of the Trust subject to such terms and conditions as may be fixed by, and on a date fixed by, or determined with criteria fixed by the Board of Trustees, to be amortized over a period or periods to be fixed by the Board.

9. Whenever any action is taken under this Declaration of Trust including action which is required or permitted by the 1940 Act or any other applicable law, such action shall be deemed to have been properly taken if such action is in accordance with the construction of the 1940 Act or such other applicable law then in effect as expressed in "no action" letters of the staff of the Commission or any release, rule, regulation or order under the 1940 Act or any decision of a court of competent jurisdiction, notwithstanding that any of the foregoing shall later be found to be invalid or otherwise reversed or modified by any of the foregoing.

10. Any action which may be taken by the Board of Trustees under this Declaration of Trust or its By-Laws may be taken by the description thereof in the then effective prospectus and/or statement of additional information relating to the Shares under the Securities Act of 1933 or in any proxy statement of the Trust rather than by formal resolution of the Board.

11. Whenever under this Declaration of Trust, the Board of Trustees is permitted or required to place a value on assets of the Trust, such action may be delegated by the Board, and/or determined in accordance with a formula determined by the Board, to the extent permitted by the 1940 Act.

12. If authorized by vote of the Trustees and, if a vote of Shareholders is required under this Declaration of Trust, the favorable vote of the holders of a "majority" of the outstanding voting securities, as defined in the 1940 Act, entitled to vote, or by any larger vote which may be required by applicable law in any particular case, the Trustees may amend or otherwise supplement this instrument, by making a Restated Declaration of Trust or a Declaration of Trust supplemental hereto, which thereafter shall form a part hereof; any such Supplemental or Restated Declaration of Trust may be executed by and on behalf of the Trust and the Trustees by an officer or officers of the Trust.

IN WITNESS WHEREOF, the undersigned have executed this instrument as of this 9th day of December, 1993.

/s/Leo Cherne  
-----

Leo Cherne  
50 East 79 Street  
New York, NY 10021

/s/Benjamin Lipstein  
-----

Benjamin Lipstein  
591 Breezy Hill Road  
Hillsdale, NY 12529

/s/Edmund T. Delaney  
-----

Edmund T. Delaney  
5 Gorham Road  
Chester, CT 06412

/s/Donald W. Spiro  
-----

Donald W. Spiro  
399 Ski Trail  
Kinneton, NJ 07405

/s/Leon Levy  
-----

Leon Levy  
One Sutton Place South  
New York, NY 10022

/s/Pauline Trigere  
-----

Pauline Trigere  
525 Park Avenue  
New York, NY 10021

/s/Sidney M. Robbins  
-----

Sidney M. Robbins  
50 Overlook Road  
Ossining, NY 10562

/s/Kenneth A. Randall  
-----

Kenneth A. Randall  
6 Whittaker's Mill  
Williamsburg, VA 23185

/s/Russell S. Reynolds  
-----

Russell S. Reynolds  
39 Clapboard Ridge Road  
Greenwich, CT 06830

/s/Elizabeth B. Moynihan  
-----

Elizabeth B. Moynihan  
801 Pennsylvania Avenue  
Washington, D.C. 20004

/s/ Clayton K. Yeutter  
-----

Clayton K. Yeutter  
1325 Merrie Ridge Road  
McLean, Virginia 22101

/s/Edward V. Regan  
-----

Edward V. Regan  
40 Park Avenue  
New York, New York 10016

/s/Robert G. Galli  
-----

Robert G. Galli  
11-54 Shearwater Court  
Jersey City, NJ 07305



OPPENHEIMER NEW JERSEY TAX-EXEMPT FUND  
Class A Share Certificate (8-1/2" x 12-5/8")

I. FRONT OF CERTIFICATE (All text and other matter lies within 7-1/4"  
x 11-1/4" decorative border)

(upper left) box with heading: NUMBER [of shares]

(upper right) box with heading: CLASS A SHARES

(centered  
below boxes) Oppenheimer Multi-State Tax-Exempt Trust  
A MASSACHUSETTS BUSINESS TRUST  
SERIES: OPPENHEIMER NEW JERSEY TAX-EXEMPT FUND

(at left) THIS IS TO CERTIFY THAT

(at right)  
SEE REVERSE FOR  
CERTAIN DEFINITIONS

(box with number)  
CUSIP 683940 506

(at left) is the owner of

(centered) FULLY PAID CLASS A SHARES OF  
BENEFICIAL INTEREST OF

Oppenheimer New Jersey Tax-Exempt Fund

a series of Oppenheimer Multi-State Tax-Exempt Trust  
(hereinafter called the "Trust"), transferable only on the  
books of the Trust by the holder hereof in person or by  
duly authorized attorney, upon surrender of this  
certificate properly endorsed. This certificate and the  
shares represented hereby are issued and shall be held  
subject to all of the provisions of the Trust's  
Declaration of Trust to all of which the holder by  
acceptance hereof assents. This certificate is not valid  
until countersigned by the Transfer Agent.

WITNESS the facsimile seal of the Trust and the signatures  
of its duly authorized officers.

Dated:

(at left

(at right

of seal)  
/s/ Andrew J. Donohue  
-----  
SECRETARY

of seal)  
/s/ Donald W. Spiro  
-----  
PRESIDENT

(centered at bottom)  
1-1/2" diameter facsimile seal  
with legend  
OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST  
SEAL  
1989  
COMMONWEALTH OF MASSACHUSETTS

(at lower right,  
printed vertically)

Countersigned  
OPPENHEIMER SHAREHOLDER SERVICES  
(A DIVISION OF OPPENHEIMER MANAGEMENT

CORPORATION)

Denver (Colo.)

Transfer Agent

By \_\_\_\_\_  
Authorized Signature

(at lower left corner, outside  
ornamental border)  
000-000000 [certificate number]

II. BACK OF CERTIFICATE (text reads from top to bottom of 12-5/8"  
dimension)

The following abbreviations, when used in the inscription on the face  
of this certificate, shall be construed as though they were written out  
in full according to applicable laws or regulations.

TEN COM - as tenants in common  
TEN ENT - as tenants by the entirety  
JT TEN WROS NOT TC - as joint tenants  
with rights of survivorship and not  
as tenants in common

UNIF GIFT/TRANSFER MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

UNDER UGMA/UTMA \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not on above list.

For Value Received ..... hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE AND PROVIDE CERTIFICATION BY TRANSFEREE (box for identifying number)

\_\_\_\_\_  
(Please print or type name and address of assignee)  
\_\_\_\_\_

\_\_\_\_\_ Class A Shares of beneficial interest represented by the within Certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney to transfer the said shares on the books of the within named Trust with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

\_\_\_\_\_  
(Both must sign if joint owners)

Signature(s) \_\_\_\_\_  
Guaranteed Name of Guarantor  
By: \_\_\_\_\_  
Signature of Officer/Title

(text printed vertically to right of above paragraph)

NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the certificate in every particular without alteration or enlargement or any change whatever.

(text printed in box to left of signature(s))

Signatures must be guaranteed by a financial institution of the type described in the current prospectus of the Trust.

\_\_\_\_\_  
THIS SPACE MUST NOT BE COVERED IN ANY WAY



OPPENHEIMER NEW JERSEY TAX-EXEMPT FUND  
Class B Share Certificate (8-1/2" x 12-5/8")

I. FRONT OF CERTIFICATE (All text and other matter lies within 7-1/4"  
x 11-1/4" decorative border)

(upper left) box with heading: NUMBER [of shares]

(upper right) box with heading: CLASS B SHARES

(centered  
below boxes) Oppenheimer Multi-State Tax-Exempt Trust  
A MASSACHUSETTS BUSINESS TRUST  
SERIES: OPPENHEIMER NEW JERSEY TAX-EXEMPT FUND

(at left) THIS IS TO CERTIFY THAT

(at right)  
SEE REVERSE FOR  
CERTAIN DEFINITIONS

(box with number)  
CUSIP 683940 605

(at left) is the owner of

(centered) FULLY PAID CLASS B SHARES OF  
BENEFICIAL INTEREST OF

Oppenheimer New Jersey Tax-Exempt Fund

a series of Oppenheimer Multi-State Tax-Exempt Trust  
(hereinafter called the "Trust"), transferable only on the  
books of the Trust by the holder hereof in person or by  
duly authorized attorney, upon surrender of this  
certificate properly endorsed. This certificate and the  
shares represented hereby are issued and shall be held  
subject to all of the provisions of the Trust's  
Declaration of Trust to all of which the holder by  
acceptance hereof assents. This certificate is not valid  
until countersigned by the Transfer Agent.

WITNESS the facsimile seal of the Trust and the signatures  
of its duly authorized officers.

Dated:

(at left

(at right

of seal)  
/s/ Andrew J. Donohue  
-----  
SECRETARY

of seal)  
/s/ Donald W. Spiro  
-----  
PRESIDENT

(centered at bottom)  
1-1/2" diameter facsimile seal  
with legend  
OPPENHEIMER MULTI-STATE TAX-EXEMPT TRUST  
SEAL  
1989  
COMMONWEALTH OF MASSACHUSETTS

(at lower right,  
printed vertically)

Countersigned  
OPPENHEIMER SHAREHOLDER SERVICES  
(A DIVISION OF OPPENHEIMER MANAGEMENT

CORPORATION)

Denver (Colo.)

Transfer Agent

By \_\_\_\_\_  
Authorized Signature

(at lower left corner, outside  
ornamental border)  
000-000000 [certificate number]

II. BACK OF CERTIFICATE (text reads from top to bottom of 12-5/8"  
dimension)

The following abbreviations, when used in the inscription on the face  
of this certificate, shall be construed as though they were written out  
in full according to applicable laws or regulations.

TEN COM - as tenants in common  
TEN ENT - as tenants by the entirety  
JT TEN WROS NOT TC - as joint tenants  
with rights of survivorship and not  
as tenants in common

UNIF GIFT/TRANSFER MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

UNDER UGMA/UTMA \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not on above list.

For Value Received ..... hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE AND PROVIDE CERTIFICATION BY TRANSFEREE (box for identifying number)

\_\_\_\_\_  
(Please print or type name and address of assignee)  
\_\_\_\_\_

\_\_\_\_\_ Class B Shares of beneficial interest represented by the within Certificate, and do hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney to transfer the said shares on the books of the within named Trust with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

\_\_\_\_\_  
(Both must sign if joint owners)

Signature(s) \_\_\_\_\_

Guaranteed Name of Guarantor

By: \_\_\_\_\_  
Signature of Officer/Title

(text printed vertically to right of above paragraph)

NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the certificate in every particular without alteration or enlargement or any change whatever.

(text printed in box to left of signature(s))

Signatures must be guaranteed by a financial institution of the type described in the current prospectus of the Trust.

\_\_\_\_\_  
THIS SPACE MUST NOT BE COVERED IN ANY WAY



