FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1994-10-24**
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FILER

MUNICIPAL SECURITIES TRUST SERIES 45 & 73RD DISCOUNT SERIES

CIK:**851949**| State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **485BPOS** | Act: **33** | File No.: **033-29313** | Film No.: **94554675**

Business Address
245 PARK AVE
BEAR STEARNS & CO INC
NEW YORK NY 10167

MUNICIPAL SECURITIES TRUST SERIES 46 & 74TH DISCOUNT SER

CIK:**853595**| State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **485BPOS** | Act: **33** | File No.: **033-30144** | Film No.: **94554676**

Business Address
245 PARK AVENUE
C/O BEAR STEARNS & CO INC
NEW YORK NY 10167

As filed with the Securities and Exchange Commission on October 24, 1994

Registration No. 33-29313*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 5
To
FORM S-6

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

A. Exact name of trust: MUNICIPAL SECURITIES TRUST, SERIES 45 & 73RD DISCOUNT SERIES AND SERIES 46 & 74TH DISCOUNT SERIES

B. Name of depositors: BEAR, STEARNS & CO. INC.
GRUNTAL & CO., INCORPORATED

C. Complete address of depositors' principal executive offices:

Bear, Stearns & Co. Inc.	Gruntal & Co., Incorporated
245 Park Avenue	14 Wall Street
New York, NY 10167	New York, NY 10005

D. Name and complete address of agent for service:

PETER J. DeMARCO	ROBERT SABLOWSKY
Managing Director	Executive Vice President
Bear, Stearns & Co. Inc.	Gruntal & Co., Incorporated
245 Park Avenue	14 Wall Street
New York, NY 10167	New York, NY 10005

Copy of comments to:
MICHAEL R. ROSELLA, ESQ.
Battle Fowler
75 East 75th Street
New York, NY 10022
(212) 856-6858

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

/ / immediately upon filing pursuant to paragraph (b) of Rule 485
/X / on (October 28, 1994) pursuant to paragraph (b)
/ / 60 days after filing pursuant to paragraph (a)
/ / on (date) pursuant to paragraph (a) of Rule 485

* The Prospectus included in this Registration Statement constitutes a combined Prospectus as permitted by the provisions of Rule 429 of the General Rules and Regulations under the Securities Act of 1933 (the "Act"). Said Prospectus covers units of undivided interest in Municipal Securities Trust, Series 45 & 73rd Discount Series and Series 46 & 74th Discount Series covered by prospectuses heretofore filed as part of separate registration statements on Form S-6 (Registration Nos. 33-29313 and 33-30144, respectively) under the Act. This filing constitutes Post-Effective Amendment No. 5 for all of the aforementioned Series.

Each of the Registrants has registered an indefinite number of securities under the Securities Act of 1933 pursuant to Section 24(f) under the Investment Company Act of 1940, as amended, and Rule 24f-2 thereunder, and each of the Registrants filed a Rule 24f-4 Notice for its fiscal year ended June 30, 1994 on August 26, 1994.

MUNICIPAL SECURITIES TRUST
SERIES 45 AND 73RD DISCOUNT SERIES,
SERIES 46 AND 74TH DISCOUNT SERIES

CROSS-REFERENCE SHEET

Pursuant to Rule 404 of Regulation C
under the Securities Act of 1933

(Form N-8B-2 Items required by Instruction as
to the Prospectus in Form S-6)

Form N-8B-2 Item Number	Form S-6 Heading in Prospectus
I. Organization and General Information	
1. (a) Name of trust..................	Front Cover of Prospectus
(b) Title of securities issued......	"
2. Name and address of each depositor..	The Sponsor
3. Name and address of trustee.........	The Trustee
4. Name and address of principal underwriters.....................	The Sponsor
5. State of organization of trust......	Organization
6. Execution and termination of trust agreement..................	Trust Agreement, Amendment and Termination
7. Changes of name.....................	Not Applicable
8. Fiscal year.........................	"
9. Litigation..........................	None
II. General Description of the Trust and Securities of the Trust	
10. (a) Registered or bearer securities......................	Certificates
(b) Cumulative or distributive securities.....................	Interest and Principal Distributions
(c) Redemption.....................	Trustee Redemption
(d) Conversion, transfer, etc.......	Certificates, Sponsor Repurchase, Trustee Redemption, Exchange Privilege and Conversion Offer
(e) Periodic payment plan...........	Not Applicable
(f) Voting rights..................	Trust Agreement, Amendment and Termination
(g) Notice to certificateholders....	Records, Portfolio, Trust Agreement, Amendment and Termination, The Sponsor, The Trustee
(h) Consents required..............	Trust Agreement, Amendment and Termination
(i) Other provisions...............	Tax Status
11. Type of securities comprising units.................	Objectives, Portfolio, Description of Portfolio
12. Certain information regarding periodic payment certificates.....	Not Applicable
13. (a) Load, fees, expenses, etc.......	Summary of Essential Information, Offering Price, Volume and Other Discounts, Sponsor's and Underwriters' Profits, Total Reinvestment Plan, Trust Expenses and Charges
(b) Certain information regarding periodic payment certificates...	Not Applicable
(c) Certain percentages............	Summary of Essential Information, Offering Price, Total Reinvestment Plan
(d) Price differences..............	Volume and Other Discounts
(e) Other loads, fees, expenses.....	Certificates

(f) Certain profits receivable by depositors, principal underwriters, trustee or affiliated persons.............	Sponsor's and Underwriters' Profits
(g) Ratio of annual charges to income......................	Not Applicable
14. Issuance of trust's securities......	Organization, Certificates
15. Receipt and handling of payments from purchasers..................	Organization
16. Acquisition and disposition of underlying securities............	Organization, Objectives, Portfolio, Portfolio Supervision
17. Withdrawal or redemption...........	Comparison of Public Offering Price, Sponsor's Repurchase Price and Redemption Price, Sponsor Repurchase, Trustee Redemption
18. (a) Receipt, custody and disposition of income..........	Distribution Elections, Interest and Principal Distributions, Records, Total Reinvestment Plan
(b) Reinvestment of distributions...	Total Reinvestment Plan
(c) Reserves or special funds.......	Interest and Principal Distributions
(d) Schedule of distributions.......	Not Applicable
19. Records, accounts and reports.......	Records, Total Reinvestment Plan
20. Certain miscellaneous provisions of trust agreement................	Trust Agreement, Amendment and Termination
(a) Amendment......................	"
(b) Termination....................	"
(c) and (d) Trustee, removal and successor......................	The Trustee
(e) and (f) Depositor, removal and successor..................	The Sponsor
21. Loans to security holders..........	Not Applicable
22. Limitations on liability...........	The Sponsor, The Trustee, The Evaluator
23. Bonding arrangements...............	Part II--Item A
24. Other material provisions of trust agreement...............	Not Applicable

III. Organization, Personnel and Affiliated Persons of Depositor

25. Organization of depositor..........	The Sponsor
26. Fees received by depositor.........	Not Applicable
27. Business of depositor..............	The Sponsor
28. Certain information as to officials and affiliated persons of depositor.............	Part II--Item C
29. Voting securities of depositor......	Not Applicable
30. Persons controlling depositor.......	"
31. Payments by depositor for certain services rendered to trust........	"
32. Payment by depositor for certain other services rendered to trust..	"
33. Remuneration of employees of depositor for certain services rendered to trust..................	"
34. Remuneration of other persons for certain services rendered to trust..	"

IV. Distribution and Redemption of Securities

35. Distribution of trust's securities by states.............	Distribution of Units
36. Suspension of sales of trust's securities...............	Not Applicable
37. Revocation of authority to distribute....................	"
38. (a) Method of distribution.........	Distribution of Units, Total Reinvestment Plan
(b) Underwriting agreements.........	"
(c) Selling agreements.............	"

39. (a)	Organization of principal underwriters....................	The Sponsor
(b)	N.A.S.D. membership of principal underwriters..........	"
40.	Certain fees received by principal underwriters............	Not Applicable
41. (a)	Business of principal underwriters....................	The Sponsor
(b)	Branch offices of principal underwriters....................	Not Applicable
(c)	Salesmen of principal underwriters....................	"
42.	Ownership of trust's securities by certain persons.....	"
43.	Certain brokerage commissions received by principal underwriters......................	"
44. (a)	Method of valuation.............	Summary of Essential Information, Offering Price, Accrued Interest, Volume and Other Discounts, Total Reinvestment Plan, Distribution of Units
(b)	Schedule as to offering price...	Not Applicable
(c)	Variation in offering price to certain persons.............	Distribution of Units, Total Reinvestment Plan, Volume and Other Discounts
45.	Suspension of redemption rights.....	Trustee Redemption
46. (a)	Redemption valuation...........	Comparison of Public Offering Price, Sponsor's Repurchase Price and Redemption Price, Trustee Redemption
(b)	Schedule as to redemption price................	Not Applicable
47.	Maintenance of position in underlying securities............	Comparison of Public Offering Price, Sponsor's Repurchase Price and Redemption Price, Sponsor Repurchase, Trustee Redemption

V. Information Concerning the Trustee or Custodian

48.	Organization and regulation of trustee.......................	The Trustee
49.	Fees and expenses of trustee........	Trust Expenses and Charges
50.	Trustee's lien......................	"

VI. Information Concerning Insurance of Holders of Securities

51.	Insurance of holders of trust's securities................	Not Applicable

VII. Policy of Registrant

52. (a)	Provisions of trust agreement with respect to selection or elimination of underlying securities......................	Objectives, Portfolio, Portfolio Supervision
(b)	Transactions involving elimination of underlying securities......................	Not Applicable
(c)	Policy regarding substitution or elimination of underlying securities......................	Objectives, Portfolio, Portfolio Supervision, Substitution of Bonds
(d)	Fundamental policy not otherwise covered..............	Not Applicable
53.	Tax status of trust.................	Tax Status

VIII. Financial and Statistical Information

54. Trust's securities during last ten years....................	Not Applicable
55. Hypothetical account for issuers of periodic payment plans.........	"
56. Certain information regarding periodic payment certificates.....	"
57. Certain information regarding periodic payment plans...........	"
58. Certain other information regarding periodic payment plans..	"
59. Financial Statements (Instruction 1(c) to Form S-6)......	Statement of Financial Condition

Note: Part A of This Prospectus May Not Be Distributed Unless Accompanied by Part B.

MUNICIPAL SECURITIES TRUST

SERIES 45

The Trust is a unit investment trust designated Series 45 ("Municipal Trust") with an underlying portfolio of long-term tax-exempt bonds issued by or on behalf of states, municipalities and public authorities, and was formed to preserve capital and to provide interest income (including, where applicable, earned original issue discount) which, in the opinions of bond counsel to the respective issuers, is, with certain exceptions, currently exempt from regular Federal income tax (including where applicable earned original discount) under existing law but may be subject to state and local taxes. Such interest income may, however, be a specific preference item for purposes of Federal individual and/or corporate alternative minimum tax. Investors may recognize taxable capital gain upon maturity or earlier redemption of the underlying bonds. (See "Tax Status" and "The Trust--Portfolio" in Part B of this Prospectus.) The Sponsors are Bear, Stearns & Co. Inc. and Gruntal & Co., Incorporated (sometimes referred to as the "Sponsor" or the "Sponsors"). The value of the Units of the Trust will fluctuate with the value of the underlying bonds. Minimum purchase: 1 Unit.

This Prospectus consists of two parts. Part A contains the Summary of Essential Information as of June 30, 1994 (the "Evaluation Date"), a summary of certain specific information regarding the Trust and audited financial statements of the Trust, including the related portfolio, as of the Evaluation Date. Part B of this Prospectus contains a general summary of the Trust.

Investors should retain both parts of this Prospectus for future reference.

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

Prospectus Part A Dated October 28, 1994

THE TRUST. The Trust is a unit investment trust formed to preserve capital and to provide interest income (including, where applicable, earned original issue discount) which, in the opinions of bond counsel to the respective issuers, is, with certain exceptions, currently exempt from regular federal income tax under existing law through investment in a fixed, diversified portfolio of long-term bonds (the "Bonds") issued by or on behalf of states, municipalities and public authorities. A Trust designated as a short/intermediate-term trust must have a dollar-weighted average portfolio maturity of more than two years but less than five years; a Trust designated as an intermediate-term trust must have a dollar-weighted average portfolio maturity of more than three years but not more than ten years; a Trust designated as an intermediate/long-term trust must have a dollar-weighted average portfolio maturity of more than ten years but less than fifteen years; and a Trust designated as a long-term trust must have a dollar-weighted average portfolio maturity of more than ten years. Although the Supreme Court has determined that Congress has the authority to subject interest on bonds such as the Bonds in the Trust to regular federal income taxation, existing law excludes such interest from regular federal income tax. Such interest income may, however, be subject to the federal corporate alternative minimum tax and to state and local taxes. (See "Description of Portfolio" in this Part A for a description of those Bonds which pay interest income subject to the federal individual alternative minimum tax. See also "Tax Status" in Part B of this Prospectus.) Some of the Bonds in the portfolio may be "Zero Coupon Bonds", which are original issue discount bonds that provide for payment at maturity at par value, but do not provide for the payment of any current interest. Some of the Bonds in the portfolio may have been purchased at an aggregate premium over par. Some of the Bonds in the Trust have been issued with optional refunding or refinancing provisions ("Refunded Bonds") whereby the issuer of the Bond has the right to call such Bond prior to its stated maturity date (and other than pursuant to sinking fund provisions) and to issue new bonds ("Refunding Bonds") in order to finance the redemption. Issuers typically utilize refunding calls in order to take advantage of lower interest rates in the marketplace. Some of these Refunded Bonds may be called for redemption pursuant to pre-refunding provisions ("Pre-Refunded Bonds") whereby the proceeds from the issue of the Refunding Bonds are typically invested in government securities in escrow for the benefit of the holders of the Pre-Refunded Bonds until the refunding call date. Usually, Pre-Refunded Bonds will bear a triple-A rating because of this escrow. The issuers of Pre-Refunded Bonds must call such Bonds on their refunding call date. Therefore, as of such date, the Trust will receive the call price for such bonds but will cease receiving interest income with respect to them. For a list of those Bonds which are Pre-Refunded Bonds, if any, as of the Evaluation Date, see "Notes to Financial Statements" in this Part A. All of the Bonds in the Trust were rated "A" or better by Standard & Poor's Corporation or Moody's Investors Service, Inc. at the time originally deposited in the Trust. For a discussion of the significance of such ratings see "Description of Bond Ratings" in Part B of this Prospectus and for a list of ratings on the Evaluation Date see the "Portfolio". The payment of interest and preservation of capital are, of course, dependent upon the continuing ability of the issuers of the Bonds to meet their obligations. There can be no assurance that the Trust's objectives will be achieved. Investment in the Trust should be made with an understanding of the risks which an investment in long-term fixed rate obligations may entail, including the risk that the value of the underlying portfolio will decline with increases in interest rates, and that the value of Zero Coupon Bonds is subject to greater fluctuations than coupon bonds in response to changes in interest rates. Each Unit in the Trust represents a 1/6952nd undivided interest in the principal and net income of the Trust. The principal amount of Bonds deposited in the Trust per Unit is reflected in the Summary of Essential Information. (See "The Trust--Organization" in Part B of this Prospectus.) The Units being offered hereby are issued and outstanding Units which have been purchased by the Sponsor in the secondary market.

PUBLIC OFFERING PRICE. The secondary market Public Offering Price of each Unit is equal to the aggregate bid price of the Bonds in the Trust divided by the number of Units outstanding, plus a sales charge of 4.9% of the Public Offering Price, which is the same as 5.152% of the net amount invested in Bonds per Unit. In addition, accrued interest to expected date of settlement is added to the Public Offering Price. If Units had been purchased on the Evaluation Date, the Public Offering Price per Unit would have been $849.55 plus accrued interest of $13.36 under the monthly distribution plan, $18.45 under the semi-annual distribution plan and $52.73 under the annual distribution plan, for a total of $862.91, $868.00 and $902.28, respectively. The Public Offering Price per Unit can vary on a daily basis in accordance with fluctuations in the aggregate bid price of the Bonds. (See the "Summary of Essential Information" and "Public Offering--Offering Price" in Part B of this Prospectus.)

ESTIMATED LONG TERM RETURN AND ESTIMATED CURRENT RETURN. Units of each Trust are offered to investors on a "dollar price" basis (using the computation method previously described under "Public Offering Price") as distinguished from a "yield price" basis often used in offerings of tax exempt bonds (involving the lesser of the yield as computed to maturity of bonds or to an earlier redemption date). Since they are offered on a dollar price basis, the rate of return on an investment in Units of each Trust is measured in terms of "Estimated Current Return" and "Estimated Long Term Return".

Estimated Long Term Return is calculated by: (1) computing the yield to maturity or to an earlier call date (whichever results in a lower yield) for each Bond in the Trust's portfolio in accordance with accepted bond practices, which practices take into account not only the interest payable on the Bond but also the amortization of premiums or accretion of discounts, if any; (2) calculating the average of the yields for the Bonds in the Trust's portfolio by weighing each Bond's yield by the market value of the Bond and by the amount of time remaining to the date to which the Bond is priced (thus creating an average yield for the portfolio of the Trust); and (3) reducing the average yield for the portfolio of the Trust in order to reflect estimated fees and expenses of the Trust and the maximum sales charge paid by investors. The resulting Estimated Long Term Return represents a measure of the return to investors earned over the estimated life of the Trust. (For the Estimated Long Term Return to Certificateholders under the monthly, semi-annual and annual distribution plans, see "Summary of Essential Information".)

Estimated Current Return is a measure of the Trust's cash flow. Estimated Current Return is computed by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price per Unit. In contrast to the Estimated Long Term Return, the Estimated Current Return does not take into account the amortization of premium or accretion of discount, if any, on the Bonds in the portfolio of the Trust. Moreover, because interest rates on Bonds purchased at a premium are generally higher than current interest rates on newly issued bonds of a similar type with comparable rating, the Estimated Current Return per Unit may be affected adversely if such Bonds are redeemed prior to their maturity.

The Estimated Net Annual Interest Income per Unit of the Trust will vary with changes in the fees and expenses of the Trustee and the Evaluator applicable to the Trust and with the redemption, maturity, sale or other disposition of the Bonds in the Trust. The Public Offering Price will vary with changes in the bid prices of the Bonds. Therefore, there is no assurance that the present Estimated Current Return or Estimated Long Term Return will be realized in the future. (For the Estimated Current Return to Certificateholders under the monthly, semi-annual and annual distribution plans, see "Summary of Essential Information". See "Estimated Long Term Return and Estimated Current Return" in Part B of this Prospectus.)

A schedule of cash flow projections is available from the Sponsor upon request.

DISTRIBUTIONS. Distributions of interest income, less expenses, will be made by the Trust either monthly, semi-annually or annually depending upon the plan of distribution applicable to the Unit purchased. A purchaser of a Unit in the secondary market will initially receive distributions in accordance with the plan selected by the prior owner of such Unit and may thereafter change the plan as provided in "Interest and Principal Distributions" in Part B of this Prospectus. Distributions of principal, if any, will be made semi-annually on June 15 and December 15 of each year. (See "Rights of Certificateholders--Interest and Principal Distributions" in Part B of this Prospectus. For estimated monthly, semi-annual and annual interest distributions, see "Summary of Essential Information".)

MARKET FOR UNITS. The Sponsors, although not obligated to do so, intend to maintain and intend to continue to maintain a market for the Units at prices based upon the aggregate bid price of the Bonds in the portfolio of the Trust. The Secondary Market repurchase price is based on the aggregate bid price of the Bonds in the Trust portfolio, and the reoffer price is based on the aggregate bid price of the Bonds plus a sales charge of 4.9% of the Public Offering Price (5.152% of the net amount invested) plus net accrued interest. If such a market is not maintained, a Certificateholder will be able to redeem his Units with the Trustee at a price also based upon the aggregate bid price of the Bonds. (See "Sponsor Repurchase" and "Public Offering--Offering Price" in Part B of this Prospectus.)

TOTAL REINVESTMENT PLAN. Certificateholders under the semi-annual and annual plans of distribution have the opportunity to have their interest distributions and principal distributions, if any, reinvested in available series of "Insured Municipal Securities Trust" or "Municipal Securities Trust." (See "Total Reinvestment Plan" and for residents of Texas, see "Total Reinvestment Plan for Texas Residents" in Part B of this

Prospectus.) The Plan is not designed to be a complete investment program.

MUNICIPAL SECURITIES TRUST
SERIES 45

SUMMARY OF ESSENTIAL INFORMATION AS OF JUNE 30, 1994

Date of Deposit: July 20, 1989
Principal Amount of Bonds ...$5,700,000
Number of Units 6,952
Fractional Undivided Interest in Trust per Unit 1/6952
Principal Amount of Bonds per Unit $819.91
Secondary Market Public Offering Price**
Aggregate Bid Price of Bonds in Trust ....$5,616,700+++
Divided by 6,952 Units $807.93
Plus Sales Charge of 4.9% of Public Offering Price $41.63
Public Offering Price per Unit ....$849.55+
Redemption and Sponsors' Repurchase Price per Unit ....$807.93+ +++ ++++
Excess of Secondary Market Public Offering Price over Redemption and Sponsors' Repurchase Price per Unit ....$41.63++++
Difference between Public Offering Price per Unit and Principal Amount per Unit Premium/(Discount) ...$29.64
Evaluation Time: 4:00 p.m. New York Time.
Minimum Principal Distribution: $1.00 per Unit.

Weighted Average Life to Maturity: 18 Years.
Minimum Value of Trust: Trust may be terminated if value of Trust is less than $2,800,000 in principal amount of Bonds.
Mandatory Termination Date: The earlier of December 31, 2039 or the disposition of the last Bond in the Trust.
Trustee***: United States Trust Company of New York.
Trustee's Annual Fee: Monthly plan $.96 per $1,000; semi-annual plan $.50 per $1,000; and annual plan is $.32 per $1,000.
Evaluator: Kenny S&P Evaluation Services.
Evaluator's Fee for Each Evaluation: Minimum of $15 plus $.25 per each issue of Bonds in excess of 50 issues (treating separate maturities as separate issues).
Sponsors: Bear, Stearns & Co. Inc. Gruntal & Co., Incorporated
Sponsors' Annual Fee: Maximum of $.25 per $1,000 principal amount of Bonds (see "Trust Expenses and Charges" in Part B of this Prospectus).

PER UNIT INFORMATION BASED UPON INTEREST DISTRIBUTION PLAN ELECTED

	Monthly Option	Semi-Annual Option	Annual Option
Gross annual interest income#	$64.61	$64.61	$64.61
Less estimated annual fees and expenses	1.58	1.05	.87
Estimated net annual interest income (cash)#	$63.03	$63.56	$63.74
Estimated interest distribution#	5.25	31.78	63.74
Estimated daily interest accrual#	.1750	.1765	.1770
Estimated current return#++	7.42%	7.48%	7.50%
Estimated long term return++	5.71%	5.77%	5.79%
Record dates	1st of each month	Dec. 1 and June 1	Dec. 1
Interest distribution dates	15th of each month	Dec. 15 and June 15	Dec. 15

* The Date of Deposit is the date on which the Trust Agreement was signed and the deposit of the Bonds with the Trustee made.

** For information regarding offering price per unit and applicable sales charge under the Total Reinvestment Plan, see "Total Reinvestment Plan" in Part B of this Prospectus.

*** The Trustee maintains its corporate trust office at 770 Broadway, New York, New York 10003 (tel. no.: 1-800-428-8890). For information regarding redemption by the Trustee, see "Trustee Redemption" in Part B of this Prospectus.

+ Plus accrued interest to expected date of settlement (approximately five business days after purchase) of $13.36 monthly, $18.45 semi-annually and $52.73 annually.

++ The estimated current return and estimated long term return are increased for transactions entitled to a discount (see "Employee Discounts" in Part B of this Prospectus), and are higher under the semi-annual and annual options due to lower Trustee's fees and expenses.

+++ Based solely upon the bid side evaluation of the underlying Bonds (including, where applicable, undistributed cash in the principal account). Upon tender for redemption, the price to be paid will be calculated as described under "Trustee Redemption" in Part B of this Prospectus.

++++ See "Comparison of Public Offering Price, Sponsor's Repurchase Price and Redemption Price" in Part B of this Prospectus.

Does not include income accrual from original issue discount bonds, if any.

INFORMATION REGARDING THE TRUST AS OF JUNE 30, 1994

DESCRIPTION OF PORTFOLIO

The portfolio of the Trust consists of 14 issues representing obligations of issuers located in 9 states. The Sponsor has not participated as a sole underwriter or manager, co-manager or member of an underwriting syndicate from which any of the initial aggregate principal amount of the Bonds were acquired. None of the Bonds are obligations of state and local housing authorities; approximately 21.4% are hospital revenue bonds; approximately 22.8% are issued in connection with the financing of nuclear generating facilities; and approximately 1.7% are "mortgage subsidy" bonds. All of the Bonds in the Trust are subject to redemption prior to their stated maturity dates pursuant to sinking fund or call provisions. The Bonds may also be subject to other calls, which may be permitted or required by events which cannot be predicted (such as destruction, condemnation, termination of a contract, or receipt of excess or unanticipated revenues). One issue representing $125,000 of the principal amount of the Bonds is a general obligation bond. All thirteen of the remaining issues representing $5,575,000 of the principal amount of the Bonds are payable from the income of a specific project or authority and are not supported by the issuer's power to levy taxes. The portfolio is divided for purpose of issue as follows: Airport Facilities 2, Coal Power 1, Convention Center 1, Education 1, Hospital 3, Mortgage Revenue 1, Nuclear Power 2, Solid Waste 1 and Toll Revenue 1. For an explanation of the significance of these factors see "The Trust--Portfolio" in Part B of this Prospectus.

As of June 30, 1994, $1,755,000 (approximately 30.7% of the aggregate principal amount of the Bonds) were original issue discount bonds. None of these original issue discount bonds are Zero Coupon Bonds. Approximately 3.9% of the aggregate principal amount of the Bonds in the Trust were purchased at a "market" discount from par value at maturity, approximately 65.4% were purchased at a premium and none were purchased at par. For an explanation of the significance of these factors see "Discount and Zero Coupon Bonds" in Part B of this Prospectus.

None of the Bonds in the Trust are subject to the federal individual alternative minimum tax under the Tax Reform Act of 1986. See "Tax Status" in Part B of this Prospectus.

FINANCIAL AND STATISTICAL INFORMATION

Selected data for each Unit outstanding for the periods listed below:

Distribu-
tions of

Period Ended	Units Out-standing	Net Asset* Value Per Unit	Distributions of Interest During the Period (per Unit) Monthly Option	Semi-Annual Option	Annual Option	Principal During the Period (Per Unit)
June 30, 1992	7,000	$ 984.17	$75.90	$76.51	$76.75	-0-
June 30, 1993	7,000	1,019.34	74.41	75.06	76.71	-0-
June 30, 1994	6,952	826.08	71.66	72.28	75.11	$132.80

* Net Asset Value per Unit is calculated by dividing net assets as disclosed in the "Statement of Net Assets" by the number of Units outstanding as of the date of the Statement of Net Assets. See Note 5 of Notes to Financial Statements for a description of the components of Net Assets.

Independent Auditors' Report

The Sponsor, Trustee and Certificateholders
Municipal Securities Trust, Series 45:

We have audited the accompanying statement of net assets, including the portfolio, of Municipal Securities Trust, Series 45 as of June 30, 1994, and the related statements of operations, and changes in net assets for each of the years in the three year period then ended. These financial statements are the responsibility of the Trustee (see note 2). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 1994, by correspondence with the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Securities Trust, Series 45 as of June 30, 1994, and the results of its operations and the changes in its net assets for each of the years in the three year period then ended, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

New York, New York
September 15, 1994

MUNICIPAL SECURITIES TRUST, SERIES 45

Statement of Net Assets

June 30, 1994

Assets:

Investments in marketable securities, at market value (cost $5,735,428)	$ 5,616,659
Excess of other assets over total liabilities	126,238

Net assets (6,952 units of fractional undivided interest outstanding, $826.08 per unit)	$ 5,742,897

See accompanying notes to financial statements.

<TABLE>

MUNICIPAL SECURITIES TRUST, SERIES 45

Statements of Operations

<CAPTION>

	Years ended June 30, 1994	1993	1992
<S>	<C>	<C>	<C>
Investment income - interest	$ 496,630	544,750	544,016
Expenses:			
Trustee's fees	7,170	8,293	7,835
Evaluator's fees	1,124	1,065	945
Sponsor's advisory fee	1,735	1,750	1,750
Total expenses	10,029	11,108	10,530
Investment income, net	486,601	533,642	533,486
Realized and unrealized gain (loss) on investments:			
Net realized loss on bonds sold or called	(92,896)	(32,409)	(472)
Unrealized appreciation (depreciation) for the year	(313,989)	266,989	112,990
Net gain (loss) on investments	(406,885)	234,580	112,518
Net increase in net assets resulting from operations	$ 79,716	768,222	646,004

See accompanying notes to financial statements.
</TABLE>

<TABLE>

MUNICIPAL SECURITIES TRUST, SERIES 45

Statements of Changes in Net Assets

<CAPTION>

	Years ended June 30, 1994	1993	1992
<S>	<C>	<C>	<C>
Operations:			
Investment income, net	$ 486,601	533,642	533,486
Net realized loss on bonds sold or called	(92,896)	(32,409)	(472)
Unrealized appreciation (depreciation) for the year	(313,989)	266,989	112,990
Net increase in net assets resulting from operations	79,716	768,222	646,004
Distributions to certificateholders:			

Investment Income	500,102	522,004	532,612
Principal	923,912	-	-
Redemptions:			
Interest	954	-	-
Principal	47,256	-	-
Total distributions and redemptions	1,472,224	522,004	532,612
Total increase(decrease)	(1,392,508)	246,218	113,392
Net assets at beginning of the year	7,135,405	6,889,187	6,775,795
Net assets at end of the year (including undistributed net investment income of $126,198, $140,653 and $131,912 respectively)	$ 5,742,897	7,135,405	6,889,187

See accompanying notes to financial statements.
</TABLE>

Notes to Financial Statements

June 30, 1994, 1993 and 1992

(1) Organization and Financial and Statistical Information

Municipal Securities Trust, Series 45 (Trust) was organized on July 20, 1989 (date of deposit) by Bear Stearns and Co. Inc. and Gruntal and Co. Inc., Incorporated (Co-Sponsors) under the laws of the State of New York by a Trust Indenture and Agreement, and is registered under the Investment Company Act of 1940.

(2) Summary of Significant Accounting Policies

United States Trust Company of New York (Trustee) has custody of and responsibility for the accounting records and financial statements of the Trust and is responsible for establishing and maintaining a system of internal control related thereto.

The Trustee is also responsible for all estimates of expenses and accruals reflected in the Trust's financial statements. The accompanying financial statements have been adjusted to record the unrealized appreciation (depreciation) of investments and to record interest income and expenses on the accrual basis.

Investments are carried at market value which is determined by either Standard and Poor's Corporation, or Moody's Investors Service, Inc. (Evaluator), as discussed in the footnotes to the portfolio. The market value of the portfolio is based upon the bid prices for the bonds at the end of the period, except that the market value on the date of deposit represents the cost to the Trust based on the offering prices for investments at that date. The difference between cost and market value is reflected as unrealized appreciation (depreciation) of investments. Securities transactions are recorded on the trade date. Realized gains (losses) from securities transactions are determined on the basis of average cost of the securities sold or redeemed.

(3) Income Taxes

The Trust is not subject to Federal income taxes as provided for by the Internal Revenue Code.

(4) Trust Administration

The fees and expenses of the Trust are incurred and paid on the basis set forth under "Trust Expenses and Charges" in Part B of this Prospectus.

The Trust Indenture and Agreement provides for interest distributions as often as monthly (depending upon the distribution plan elected by the Certificateholders).

The Trust Indenture and Agreement further requires that principal received from the disposition of bonds, other than those bonds sold in connection with the redemption of units, be distributed to Certificateholders.

The Trust Indenture and Agreement also requires the Trust to redeem units tendered. 48 units were redeemed during the year ended June 30, 1994. No units have been redeemed during the years ended June 30, 1993 and 1992.

See "Financial and Statistical Information" in Part A of this Prospectus for the amounts of per unit distributions during the years ended June 30, 1994, 1993 and 1992.

(5) Net Assets
At June 30, 1994, the net assets of the Trust represented the interest of Certificateholders as follows:

Original cost to Certificateholders	$ 7,181,029
Less initial gross underwriting commission	(351,870)
	6,829,159
Cost of securities sold or called	(1,093,731)
Net unrealized depreciation	(118,769)
Undistributed net investment income	126,198
Undistributed proceeds from bonds sold or called	40
Total	$ 5,742,897

The original cost to Certificateholders, less the initial gross underwriting commission, represents the aggregate initial public offering price net of the applicable sales charge on 7,000 units of fractional undivided interest of the Trust as of the date of deposit.

<TABLE>

MUNICIPAL SECURITIES TRUST, SERIES 45
Portfolio
June 30, 1994
<CAPTION>

Port-folio No.	Aggregate Principal Amount	Name of Issuer and Title of Bonds	Ratings (1)	Coupon Rate/ Date(s) of Maturity(2)	Redemption Feature S.F.--Sinking Fund Ref.--Refunding(2)(7)	Market Value(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	$ 355,000	Baldwin Cnty. Al. Bd. of Ed. Spec. Tax Schl. Warrants Series 1989	A*	5.500% 6/01/2009	No Sinking Fund 6/01/98 @ 102 Ref.	$ 331,343
2	420,000	Maricopa Cnty. Az. Indus. Dev. Auth. Hosp. Sys. Rev. Rfndg. Bonds (Samaritan Hlth. Serv.) Series 1985A	A*	9.250 12/01/2015	12/01/05 @ 100 S.F. 12/01/95 @ 102 Ref.	454,444
3	700,000	Salt River Az. Agrclrl. Imprvmt. & Pwr. Dstrct. (Salt River Prjt. Elec. Sys. Rev. Bonds) 1986 Series C	AA	5.000 1/01/2025	1/01/20 @ 100 S.F. 1/01/96 @ 100 Ref.	560,637
4	100,000	Chicago Ill. O'Hare Intrnl. Arpt. Gen. Arpt. Rev. Bonds 1984 Series B	A+	10.625 1/01/2015	1/01/10 @ 100 S.F. 1/01/95 @ 103 Ref.	105,938
5	300,000	Mich. State Hosp. Finc. Auth. Hosp.	AA*	10.000 11/01/2015	11/01/06 @ 100 S.F. 11/01/95 @ 102 Ref.	324,486

		Rev. Rfndg. Bonds (Daughters of Charity Hlth. Sys. St. Mary's Hosp.) Series 1985A				
6	100,000	Mich. State Hsg. Dev. Auth. Single Fam. Insrd. Mtg. Rev. Bonds Series 1978A	AA1*	5.000 4/01/2010	4/01/05 @ 100 S.F. 7/31/94 @ 100 Ref.	86,581
7	500,000	Detroit Mi. Cnvntn. Fac. Ltd. Tax Rev. Bonds (Cobo Hall Expansion Prjt.) Series 1985 (5)	AAA	9.000 9/30/2010	9/30/03 @ 100 S.F. 9/30/94 @ 103 Ref.	521,900
8	600,000	Salem Cnty. N.J. Indus. Poll. Cntrl. Fncg. Auth. Rev. Bonds Publ. Serv. Elec. & Gas Co. Prjt. Series 1984 C	A2*	10.500 11/01/2014	No Sinking Fund 11/01/94 @ 102 Ref.	626,136
9	700,000	N.C. Eastern Muni. Pwr. Agncy. Pwr. Sys. Rev. Rfndg. Bonds Series 1987 A (5)	AAA*	4.500 1/01/2024	7/01/20 @ 100 S.F. 1/01/22 @ 100 Ref.	536,305
10	500,000	Bexar Cnty. Tx. Hlth. Facs. Dev. Corp. Incarnate Word Hlth. Serv. Rfndg. Rev. Bonds	A	9.500 11/01/2015	11/01/05 @ 100 S.F. 11/01/95 @ 102 Ref.	538,030
11	600,000	Grapevine Tx. Indus. Dev. Corp. Arpt. Fac. Rev. Bonds Series 1985 (American Airlines Inc. Prjt.)	BAA1*	9.250 12/01/2012	No Sinking Fund 12/01/95 @ 102 Ref.	639,846
12	600,000	Harris Cnty. Tx. Toll Rd. Multimode Rev. Bonds Sr. Lien Series 1985C (5)	AAA	8.700 8/15/2017	8/15/08 @ 100 S.F. 8/15/97 @ 103 Ref.	683,562
13	100,000	So. East. Pub. Serv. Auth. of Va. Sr. Rev. Bonds (Rgnl. Solid Waste Sys.) Series 1984 A (5)	AAA	10.500 7/01/2015	7/01/03 @ 100 S.F. 7/01/95 @ 102 Ref.	107,845
14	125,000	King Cnty. Wash. Gen. Oblig. Rfndg. Bonds (Unlmtd. Tax) Series 1978A & Series 1978B	AAA	4.000 10/01/2007	No Sinking Fund None	99,606
	-----------					----------
	$ 5,700,000					$ 5,616,659
	===========					==========

See accompanying footnotes to portfolio and notes to financial statements.
</TABLE>

Footnotes to Portfolio

June 30, 1994

(1) All ratings are by Standard & Poor's Corporation, except for those identified by an asterisk (*) which are by Moody's Investors Service, Inc. A brief description of the ratings symbols and their meanings is set forth under "Description of Bond Ratings" in Part B of this Prospectus.

(2) See "The Trust - Portfolio" in Part B of this Prospectus for an explanation of redemption features. See "Tax Status" in Part B of this Prospectus for a statement of the Federal tax consequences to a Certificateholder upon the sale, redemption or maturity of a bond.

(3) At June 30, 1994, the net unrealized depreciation of all the

bonds was comprised of the following:

Gross unrealized appreciation	$ 144,281
Gross unrealized depreciation	(263,050)
Net unrealized depreciation	$ (118,769)

(4) The annual interest income, based upon bonds held at June 30, 1994, to the Trust is $449,200

(5) The bonds have been prerefunded and will be redeemed at the next refunding call date.

(6) Bonds sold or called after June 30, 1994 are noted in a footnote "Changes in Trust Portfolio" under "Description of Portfolio" in Part A of this Prospectus.

(7) The bonds may also be subjected to other calls, which may be permitted or required by events which cannot be predicted (such as destruction, condenation, termination of a contract, or receipt of excess or unanticipated revenues).

Note: Part A of this Prospectus May Not Be Distributed Unless Accompanied by Part B.

MUNICIPAL SECURITIES TRUST

73RD DISCOUNT SERIES
(MULTIPLIER PORTFOLIO)

The Trust is a unit investment trust designated 73rd Discount Series ("Municipal Discount Trust") with an underlying portfolio of long-term tax-exempt bonds and was formed to preserve capital and to provide interest income (including, where applicable, earned original issue discount) which, in the opinions of bond counsel to the respective issuers, is, with certain exceptions, currently exempt from regular federal income tax under existing law but may be subject to state and local taxes. (See "Tax Status" and "The Trust--Portfolio" in Part B of this Prospectus.) The Sponsors are Bear, Stearns & Co. Inc. and Gruntal & Co., Incorporated (sometimes referred to as the "Sponsor" or the "Sponsors"). The value of the Units of the Trust will fluctuate with the value of the bonds. Minimum purchase: 1 Unit.

This Prospectus consists of two parts. Part A contains the Summary of Essential Information as of June 30, 1994 (the "Evaluation Date"), a summary of certain specific information regarding the Trust and audited financial statements of the Trust, including the related portfolio, as of the Evaluation Date. Part B of this Prospectus contains a general summary of the Trust.

Investors should retain both parts of this Prospectus for future reference.

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

Prospectus Part A Dated October 28, 1994

THE TRUST. The Trust is a unit investment trust formed to preserve capital and to provide interest income (including, where applicable, earned original issue discount) which, in the opinions of bond counsel to the respective issuers, is, with certain exceptions, currently exempt from regular federal income tax under existing law through investment in a fixed, diversified portfolio of long-term bonds issued by or on behalf of states, municipalities and public authorities (the "Bonds"). Although the Supreme Court has determined that Congress has the authority to subject interest on bonds such as the Bonds in the Trust to regular federal income taxation, existing law excludes such interest from regular federal income tax. Such interest income may, however, be subject to the federal corporate alternative minimum tax and to state and local taxes. (See "Description of Portfolio" in this Part A for a description of those Bonds which pay interest income subject to the federal individual alternative minimum tax. See also "Tax Status" in Part B of this Prospectus.) The Bonds were acquired at prices which resulted in the portfolio as a whole being purchased at a deep discount from par value. The portfolio may also include bonds issued at a substantial original issue discount some of which may be "Zero Coupon Bonds", which are original issue discount bonds that provide for payment at maturity at par value, but do not provide for the payment of current interest. Some of the Bonds in the portfolio may have been purchased at an aggregate premium over par. Some of the Bonds in the Trust have been issued with optional refunding or refinancing provisions ("Refunded Bonds") whereby the issuer of the Bond has the right to call such Bond prior to its stated maturity date (and other than pursuant to sinking fund provisions) and to issue new bonds ("Refunding Bonds") in order to finance the redemption. Issuers typically utilize refunding calls in order to take advantage of lower interest rates in the marketplace. Some of these Refunded Bonds may be called for redemption pursuant to pre-refunding provisions ("Pre-Refunded Bonds") whereby the proceeds from the issue of the Refunding Bonds are typically invested in government securities in escrow for the benefit of the holders of the Pre-Refunded Bonds until the refunding call date. Usually, Pre-Refunded Bonds will bear a triple-A rating because of this escrow. The issuers of Pre-Refunded Bonds must call such Bonds on their refunding call date. Therefore, as of such date, the Trust will receive the call price for such bonds but will cease receiving interest income with respect to them. For a list of those Bonds which are Pre-Refunded Bonds as of the Evaluation Date, if any, see "Notes to Financial Statements" in this Part A. All of the Bonds in the Trust were rated "A" or better by Standard & Poor's Corporation or Moody's Investors Service, Inc. at the time originally deposited in the Trust. For a discussion of the significance of such ratings see "Description of Bond Ratings" in Part B of this Prospectus and for a list of ratings on the Evaluation Date see the "Portfolio". The payment of interest and preservation of capital are, of course, dependent upon the continuing ability of the issuers of the Bonds to meet their obligations. There can be no assurance that the Trust's objectives will be achieved. Investment in the Trust should be made with an understanding of the risks which an investment in long-term fixed rate obligations may entail, including the risk that the value of the underlying portfolio will decline with increases in interest rates, and that the value of Zero Coupon Bonds is subject to greater fluctuations than coupon bonds in response to changes in interest rates. Each Unit in the Trust represents a 1/13000th undivided interest in the principal and net income of the Trust. The principal amount of Bonds deposited in the Trust per Unit is reflected in the Summary of Essential Information. (See "The Trust--Organization" in Part B of this Prospectus.) The Units being offered hereby are issued and outstanding Units which have been purchased by the Sponsor in the secondary market.

PUBLIC OFFERING PRICE. The secondary market Public Offering Price of each Unit is equal to the aggregate bid price of the Bonds in the Trust divided by the number of Units outstanding, plus a sales charge of 5.5% of the Public Offering Price, which is the same as 5.820% of the net amount invested in Bonds per Unit. In addition, accrued interest to expected date of settlement including earned original issue discount is added to the Public Offering Price. If Units had been purchased on the Evaluation Date, the Public Offering Price per Unit would have been $494.55 plus accrued interest of $8.51 under the monthly distribution plan, $11.47 under the semi-annual distribution plan and $31.97 under the annual distribution plan, for a total of $503.06, $506.02 and $526.52, respectively. The Public Offering Price per Unit can vary on a daily basis in accordance with fluctuations in the aggregate bid price of the Bonds. (See the "Summary of Essential Information" and "Public Offering--Offering Price" in Part B of this Prospectus.)

ESTIMATED LONG TERM RETURN AND ESTIMATED CURRENT RETURN. Units of each Trust are offered to investors on a "dollar price" basis (using the computation method previously described under "Public Offering Price") as distinguished from a "yield price" basis often used in offerings of tax exempt bonds (involving the lesser of the yield as computed to maturity of bonds or to an earlier redemption date). Since they are offered on a dollar price basis, the rate of return on an investment in Units of each Trust is measured in terms of "Estimated Current Return" and "Estimated Long Term Return".

Estimated Long Term Return is calculated by: (1) computing the yield to maturity or to an earlier call date (whichever results in a lower yield) for each Bond in the Trust's portfolio in accordance with accepted bond practices, which practices take into account not only the interest payable on the Bond but also the amortization of premiums or accretion of discounts, if any; (2) calculating the average of the yields for the Bonds in the Trust's portfolio by weighing each Bond's yield by the market value of the Bond and by the amount of time remaining to the date to which the Bond is priced (thus creating an average yield for the portfolio of the Trust); and (3) reducing the average yield for the portfolio of the Trust in order to reflect estimated fees and expenses of the Trust and the maximum sales charge paid by investors. The resulting Estimated Long Term Return represents a measure of the return to investors earned over the estimated life of the Trust. (For the Estimated Long Term Return to Certificateholders under the monthly, semi-annual and annual distribution plans, see "Summary of Essential Information".)

Estimated Current Return is a measure of the Trust's cash flow. Estimated Current Return is computed by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price per Unit. In contrast to the Estimated Long Term Return, the Estimated Current Return does not take into account the amortization of premium or accretion of discount, if any, on the Bonds in the portfolio of the Trust. Moreover, because interest rates on Bonds purchased at a premium are generally higher than current interest rates on newly issued bonds of a similar type with comparable rating, the Estimated Current Return per Unit may be affected adversely if such Bonds are redeemed prior to their maturity.

The Estimated Net Annual Interest Income per Unit of the Trust will vary with changes in the fees and expenses of the Trustee and the Evaluator applicable to the Trust and with the redemption, maturity, sale or other disposition of the Bonds in the Trust. The Public Offering Price will vary with changes in the bid prices of the Bonds. Therefore, there is no assurance that the present Estimated Current Return or Estimated Long Term Return will be realized in the future. (For the Estimated Current Return to Certificateholders under the monthly, semi-annual and annual distribution plans, see "Summary of Essential Information". See "Estimated Long Term Return and Estimated Current Return" in Part B of this Prospectus.)

A schedule of cash flow projections is available from the Sponsor upon request.

DISTRIBUTIONS. Distributions of interest income, less expenses, will be made by the Trust either monthly, semi-annually or annually depending upon the plan of distribution applicable to the Unit purchased. A purchaser of a Unit in the secondary market will initially receive distributions in accordance with the plan selected by the prior owner of such Unit and may thereafter change the plan as provided under "Interest and Principal Distributions" in Part B of the Prospectus. Distributions of principal, if any, will be made semi-annually on June 15 and December 15 of each year. (See "Rights of Certificateholders--Interest and Principal Distributions" in Part B of this Prospectus. For estimated monthly, semi-annual and annual interest distributions, see "Summary of Essential Information.")

MARKET FOR UNITS. The Sponsors, although not obligated to do so, intend to maintain a market for the Units at prices based upon the aggregate bid price of the Bonds in the portfolio of the Trust. The secondary market repurchase price is based on the aggregate bid price of the Bonds in the Trust portfolio, and the reoffer price is based on the aggregate bid price of the Bonds plus a sales charge of 5.5% (5.820% of the net amount invested) plus net accrued interest. If such a market is not maintained, a Certificateholder will be able to redeem his Units with the Trustee at a price also based upon the aggregate bid price of the Bonds. (See "Sponsor Repurchase" and "Public Offering--Offering Price" in Part B of this Prospectus.)

TOTAL REINVESTMENT PLAN. Certificateholders under the semi-annual and annual plans of distribution have the opportunity to have their interest distributions and principal distributions, if any, reinvested in available series of "Municipal Securities Trust." (See "Total Reinvestment Plan" and for residents of Texas, see "Total Reinvestment Plan for Texas Residents" in Part B of this Prospectus.) The Plan is not designed to be a complete investment program.

MUNICIPAL SECURITIES TRUST
73RD DISCOUNT SERIES

SUMMARY OF ESSENTIAL INFORMATION AS OF JUNE 30, 1994

Date of Deposit: July 20, 1989
Principal Amount of Bonds ...$10,634,000
Number of Units 13,000
Fractional Undivided Interest in Trust per Unit 1/13000
Principal Amount of Bonds per Unit $818.00
Secondary Market Public Offering Price**
  Aggregate Bid Price of Bonds in Trust ....$6,075,536+++
  Divided by 13,000 Units ...$467.35
  Plus Sales Charge of 5.5% of Public Offering Price $27.20
  Public Offering Price per Unit ....$494.55+
Redemption and Sponsors' Repurchase Price per Unit ....$467.35+
+++
++++
Excess of Secondary Market Public Offering Price over Redemption and Sponsors' Repurchase Price per Unit ....$27.20++++
Difference between Public Offering Price per Unit and Principal Amount per Unit Premium/(Discount) ...$(323.45)
Evaluation Time: 4:00 p.m. New York Time.
Minimum Principal Distribution: $1.00 per Unit.

Weighted Average Life to Maturity: 23.4 Years.
Minimum Value of Trust: Trust may be terminated if value of Trust is less than $5,200,000 in principal amount of Bonds.
Mandatory Termination Date: The earlier of December 31, 2039 or the disposition of the last Bond in the Trust.
Trustee***: United States Trust Company of New York.
Trustee's Annual Fee: Monthly plan $.84 per $1,000; semi-annual plan $.38 per $1,000; and annual plan is $.30 per $1,000.
Evaluator: Kenny S&P Evaluation Services.
Evaluator's Fee for Each Evaluation: Minimum of $15 plus $.25 per each issue of Bonds in excess of 50 issues (treating separate maturities as separate issues).
Sponsors: Bear, Stearns & Co. Inc. Gruntal & Co., Incorporated
Sponsors' Annual Fee: Maximum of $.25 per $1,000 principal amount of Bonds (see "Trust Expenses and Charges" in Part B of this Prospectus).

PER UNIT INFORMATION BASED UPON INTEREST DISTRIBUTION PLAN ELECTED

	Monthly Option	Semi-Annual Option	Annual Option
Gross annual interest income#	$39.26	$39.26	$39.26
Less estimated annual fees and expenses	1.48	.94	.86
Estimated net annual interest income (cash)#	$37.78	$38.32	$38.40
Estimated interest distribution#	3.14	19.16	38.40
Estimated daily interest accrual#	.1049	.1064	.1066
Estimated current return#++	7.64%	7.75%	7.76%
Estimated long term return++	6.19%	6.30%	6.31%
Record dates	1st of each month	Dec. 1 and June 1	Dec. 1
Interest distribution dates	15th of each month	Dec. 15 and June 15	Dec. 15

* The Date of Deposit is the date on which the Trust Agreement was signed and the deposit of the Bonds with the Trustee made.

** For information regarding offering price per unit and applicable sales charge under the Total Reinvestment Plan, see "Total Reinvestment Plan" in Part B of this Prospectus.

*** The Trustee maintains its corporate trust office at 770 Broadway, New York, New York 10003 (tel. no.: 1-800-428-8890). For information regarding redemption by the Trustee, see "Trustee Redemption" in Part B of this Prospectus.

\+ Plus accrued interest to expected date of settlement (approximately five business days after purchase) of $8.51 monthly, $11.47 semi-annually and $31.97 annually.

++ The estimated current return and estimated long term return are increased for transactions entitled to a discount (see "Employee Discounts" in Part B of this Prospectus), and are higher under the semi-annual and annual options due to lower Trustee's fees and expenses.

+++ Based solely upon the bid side evaluation of the underlying Bonds (including, where applicable, undistributed cash in the principal account). Upon tender for redemption, the price to be paid will be calculated as described under "Trustee Redemption" in Part B of this Prospectus.

++++ See "Comparison of Public Offering Price, Sponsor's Repurchase Price and Redemption Price" in Part B of this Prospectus.

Does not include income accrual from original issue discount bonds, if any.

INFORMATION REGARDING THE TRUST AS OF JUNE 30, 1994

DESCRIPTION OF PORTFOLIO

The portfolio of the Trust consists of 16 issues representing obligations of issuers located in 8 states and the District of Columbia. The Sponsor has not participated as a sole underwriter or manager, co-manager or member of an underwriting syndicate from which any of the initial aggregate principal amount of the Bonds were acquired. Approximately 48% of the Bonds are obligations of state and local housing authorities; approximately 12.5% are hospital revenue bonds; approximately 13.1% are issued in connection with the financing of nuclear generating facilities; and none are "mortgage subsidy" bonds. All of the Bonds in the Trust are subject to redemption prior to their stated maturity dates pursuant to sinking fund or call provisions. The Bonds may also be subject to other calls, which may be permitted or required by events which cannot be predicted (such as destruction, condemnation, termination of a contract, or receipt of excess or unanticipated revenues). None of the Bonds are general obligation bonds. Sixteen issues representing $10,634,000 of the principal amount of the Bonds are payable from the income of a specific project or authority and are not supported by the issuer's power to levy taxes. The portfolio is divided for purpose of issue as follows: Airport Facilities 3, Convention Center 1, Federally Assisted Mortgage 1, Federally Insured Mortgage 1, Hospital 3, Nuclear Power 3, Solid Waste 1, Toll Revenue 1, Turnpike 1 and University 1. For an explanation of the significance of these factors see "The Trust--Portfolio" in Part B of this Prospectus.

As of June 30, 1994, $5,709,000 (approximately 53.6% of the aggregate principal amount of the Bonds) were original issue discount bonds. Of these original issue discount bonds, $5,109,000 (approximately 48% of the aggregate principal amount of the Bonds) were Zero Coupon Bonds. Zero Coupon Bonds do not provide for the payment of any current interest and provide for payment at maturity at par value unless sooner sold or redeemed. The market value of Zero Coupon Bonds is subject to greater fluctuations than coupon bonds in response to changes in interest rates. None of the aggregate principal amount of the Bonds in the Trust were purchased at a "market" discount from par value at maturity, approximately 46.4% were purchased at a premium and none were purchased at par. For an explanation of the significance of these factors see "Discount and Zero Coupon Bonds" in Part B of this Prospectus.

None of the Bonds in the Trust are subject to the federal individual alternative minimum tax under the Tax Reform Act of 1986. See "Tax Status" in Part B of this Prospectus.

FINANCIAL AND STATISTICAL INFORMATION

Selected data for each Unit outstanding for the periods listed below:

	Distributions of Interest During the Period (per Unit)	Distributions of Principal During

Period Ended	Units Outstanding	Net Asset* Value Per Unit	Monthly Option	Semi-Annual Option	Annual Option	the Period (Per Unit)
June 30, 1992	13,000	$585.43	$46.56	$47.22	$47.34	-0-
June 30, 1993	13,000	601.91	44.86	45.55	47.34	-0-
June 30, 1994	13,000	479.09	43.15	43.80	45.33	$96.94

* Net Asset Value per Unit is calculated by dividing net assets as disclosed in the "Statement of Net Assets" by the number of Units outstanding as of the date of the Statement of Net Assets. See Note 5 of Notes to Financial Statements for a description of the components of Net Assets.

Independent Auditors' Report

The Sponsor, Trustee and Certificateholders
Municipal Securities Trust, 73rd Discount Series:

We have audited the accompanying statement of net assets, including the portfolio, of Municipal Securities Trust, 73rd Discount Series as of June 30, 1994, and the related statements of operations, and changes in net assets for each of the years in the three year period then ended. These financial statements are the responsibility of the Trustee (see note 2). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 1994, by correspondence with the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Securities Trust, 73rd Discount Series as of June 30, 1994, and the results of its operations and the changes in its net assets for each of the years in the three year period then ended, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

New York, New York
September 15, 1994

<TABLE>

MUNICIPAL SECURITIES TRUST, 73RD DISCOUNT SERIES

Statement of Net Assets

June 30, 1994

<S>	<C>
Investments in marketable securities, at market value (cost $6,471,490)	$ 6,075,412
Excess of other assets over other liabilities	152,815
Net assets 13,000 units of fractional undivided interest outstanding, $479.09 per unit)	$ 6,228,227

See accompanying notes to financial statements.

</TABLE>

<TABLE>

MUNICIPAL SECURITIES TRUST, 73RD DISCOUNT SERIES

Statements of Operations

<CAPTION>

	Years ended June 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Investment income - interest	$ 584,919	656,960	652,701
Expenses:			
Trustee's fees	10,142	11,596	10,848
Evaluator's fees	3,356	3,199	2,835
Sponsor's advisory fee	3,250	3,250	3,250
Total expenses	16,748	18,045	16,933
Investment income, net	568,171	638,915	635,768
Realized and unrealized gain (loss) on investments:			
Net realized loss on bonds sold or called	(118,519)	(61,358)	-
Unrealized appreciation (depreciation) for the year	(222,534)	223,161	(128,833)
Net gain (loss) on investments	(341,053)	161,803	(128,833)
Net increase in net assets resulting from operations	$ 227,118	800,718	506,935

See accompanying notes to financial statements.

</TABLE>

<TABLE>

MUNICIPAL SECURITIES TRUST, 73RD DISCOUNT SERIES

Statements of Changes in Net Assets

<CAPTION>

	Years ended June 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Operations:			
Investment income, net	$ 568,171	638,915	635,768
Net realized loss on bonds sold or called	(118,519)	(61,358)	-
Unrealized appreciation (depreciation) for the year	(222,534)	223,161	(128,833)
Net increase in net assets resulting from operations	227,118	800,718	506,935
Distributions to certificateholders			
Investment income	563,490	586,484	608,511
Principal	1,260,220	-	-
Redemptions:			
Interest	0		
Total Distributions	1,823,710	586,484	608,511
Total increase (decrease)	(1,596,592)	214,234	(101,576)
Net assets at beginning of year	7,824,819	7,610,585	7,712,161

Net assets at end of year (including undistributed net investment income of$258,352, $275,261 and $222,830 respectively)	$ 6,228,227	7,824,819	7,610,585

See accompanying notes to financial statements.
</TABLE>

MUNICIPAL SECURITIES TRUST, 73RD DISCOUNT SERIES

Notes to Financial Statements

June 30, 1994, 1993 and 1992

(1)
Organization and Financial and Statistical Information

Municipal Securities Trust, 73rd Discount Series (Trust) was organized on July 20, 1989 (date of deposit) by Bear Stearns and Co. Inc. and Gruntal and Co. Inc., Incorporated (Co-Sponsors) under the laws of the State of New York by a Trust Indenture and Agreement, and is registered under the Investment Company Act of 1940.

(2)
Summary of Significant Accounting Policies
United States Trust Company of New York (Trustee) has custody of and responsibility for the accounting records and financial statements of the Trust and is responsible for establishing and maintaining a system of internal control related thereto.

The Trustee is also responsible for all estimates of expenses and accruals reflected in the Trust's financial statements. The accompanying financial statements have been adjusted to record the unrealized appreciation (depreciation) of investments and to record interest income and expenses on the accrual basis.

The discount on the zero-coupon bonds is accreted by the interest method over the respective lives of the bonds. The accretion of such discount is included in interest income; however, it is not distributed until realized in cash upon maturity or sale of the respective bonds.

Investments are carried at market value which is determined by either Standard and Poor's Corporation, or Moody's Investors Service, Inc. (Evaluator), as discussed in the footnotes to the portfolio. The market value of the portfolio is based upon the bid prices for the bonds at the end of the period, except that the market value on the date of deposit represents the cost to the Trust based on the offering prices for investments at that date. The difference between cost (including accumulated accretion of original issue discount on zero-coupon bonds) and market value is reflected as unrealized appreciation (depreciation) of investments. Securities transactions are recorded on the trade date. Realized gains (losses) from securities transactions are determined on the basis of average cost of the securities sold or redeemed.

(3)
Income Taxes

The Trust is not subject to Federal income taxes as provided for by the Internal Revenue Code.

(4)
Trust Administration

The fees and expenses of the Trust are incurred and paid on the basis set forth under "Trust Expenses and Charges" in Part B of this Prospectus.

The Trust Indenture and Agreement provides for interest distributions as often as monthly (depending upon the distribution plan elected by the Certificateholders).

The Trust Indenture and Agreement further requires that principal received from the disposition of bonds, other than those bonds sold in connection with the redemption of units, be distributed to Certificateholders.

See "Financial and Statistical Information" in Part A of this Prospectus for the amounts of per unit distributions during the years ended June 30, 1994, 1993 and 1992.

The Trust Indenture and Agreement also requires the Trust to redeem units tendered. No units have been redeemed since the inception of the Trust.

(5)
Net Assets

At June 30, 1994, the net assets of the Trust represented the interest of Certificateholders as follows:

Original cost to Certificateholders	8,237,524
Less initial gross underwriting commission	(453,064)
Accumulated cost of bonds sold or called	(1,418,631)
Net unrealized depreciation	(396,078)
Undistributed net investment income	258,352
Undistributed proceeds from bonds sold or called	124
Total	$ 6,228,227

The original cost to Certificateholders, less the initial gross underwriting commission, represents the aggregate initial public offering price net of the applicable sales charge on 13,000 units of fractional undivided interest of the Trust as of the date of deposit.

Undistributed net investment income includes accumulated accretion of original issue discount of $105,661.

MUNICIPAL SECURITIES TRUST, 73RD DISCOUNT SERIES
Portfolio
June 30, 1994

Port-folio No.	Aggregate Principal Amount	Name of Issuer and Title of Bonds	Ratings (1)	Coupon Rate/ Date(s) of Maturity(2)	Redemption Feature S.F.--Sinking Fund Ref.--Refunding(2)(7)	Market Value(3)
1	$ 330,000	Maricopa Cnty. Az. Indus. Dev. Auth. Hosp. Sys. Rev. Rfndg. Bonds (Samaritan Hlth. Serv.) Series 1985A	A*	9.250% 12/01/2015	12/01/05 @ 100 S.F. 12/01/95 @ 102 Ref.	$ 357,063
2	650,000	St. Lucie Cnty. Fla. Poll. Cntrl. Rev. Bonds (Fla. Pwr. & Lt. Co. Prjt.) Series 1985	A+	10.000 4/01/2020	No Sinking Fund 4/01/95 @ 102 Ref.	694,779
3	100,000	Chicago Ill. O'Hare Intrntl. Arpt. Gen. Arpt. Rev. Bonds Series 1984 Series A	A+	10.625 1/01/2015	1/01/10 @ 100 S.F. 1/01/95 @ 103 Ref.	105,902
4	495,000	Mich. State Hosp. Finc. Auth. Hosp. Rev. Rfndg. Bonds (Daughters of Charity Hlth. Sys. St. Mary's Hosp.) Series 1985 A	AA*	10.000 11/01/2015	11/01/91 @ 100 S.F. 11/01/95 @ 102 Ref.	535,402
5	500,000	Detroit Mi. Cnvntn. Fac. Ltd. Tax Rev.	AAA	9.000 9/30/2010	9/30/03 @ 100 S.F. 9/30/94 @ 103 Ref.	521,900

		Bonds (Cobo Hall Expansion Prit.) Series 1985 (5)					
6	650,000	Salem Cnty. N.J. Indus. Poll Cntrl. Fincg. Auth. Rev. Bonds Publ. Serv. Elec. & Gas Co. Prjt. 1984 Series C	A2*	10.500	11/01/2014	No Sinking Fund 11/01/94 @ 102 Ref.	678,314
7	500,000	Metro. Nashville Tenn. Arpt. Auth. Spec. Fac. Rev. Bonds (American Airlines Inc. Prjt.) Series 1985	BAA2*	9.875	10/01/2005	No Sinking Fund 10/01/95 @ 102 Ref.	534,950
8	600,000	Tx. Tnpke. Auth. Dallas No. Tollway Rev. Bonds Series 1989	A*	6.000	1/01/2020	No Sinking Fund 1/01/98 @ 100 Ref.	553,788
9	70,000	Univ. of Tx. Sys. Perm Univ. Fund Rfndg. Bonds Series 1985 (5)	AAA	9.000	7/01/2005	7/01/03 @ 100 S.F. 7/01/95 @ 100 Ref.	73,125
9a	30,000	Univ. of Tx. Sys. Perm Univ. Fund Rfndg. Bonds Series 1985 (5)	AAA	9.000	7/01/2005	7/01/03 @ 100 S.F. 7/01/95 @ 100 Ref.	31,339
10	$ 500,000	Bexar Cnty. Tx. Hlth. Facs. Dev. Corp. Incarnate Word Hlth. Serv. Rfndg. Rev. Bonds 1985	A	9.500%	11/01/2015	11/01/05 @ 100 S.F. 11/01/95 @ 102 Ref.	$ 538,030
11	200,000	Grapevine Tx. Indus. Dev. Corp. Arpt. Fac. Rev. Bonds Series 1985 (American Airlines Inc. Prjt.)	BB+	9.250	12/01/2012	No Sinking Fund 12/01/95 @ 102 Ref.	213,282
12	700,000	Harris Cnty. Tx. Toll Rd. Multimode Rev. Bonds Sr. Lien Series 1985C (5)	AAA	8.700	8/15/2017	8/15/08 @ 100 S.F. 8/15/97 @ 103 Ref.	797,489
13	100,000	Matagorda Cnty. Tx. Navgtnl. Dstrct. No. 1 (Central Pwr. & Lt. Co. Prjt.) Series 1985	A	9.750	7/01/2015	No Sinking Fund 7/01/95 @ 103 Ref.	108,083
14	100,000	So. East. Pub. Serv. Auth. of Va. Sr. Rev. Bonds (Rgnl. Solid Waste Sys.) 1984 Series A (5)	AAA	10.500	7/01/2015	7/01/03 @100 S.F. 7/01/95 @ 102 Ref.	107,845
15	2,400,000	D.C. Multi-Unit Hsg. Finc. Corp. Mtg. Rev. Bonds Series 1983 (FHA Insrd. Mtg. Loan-Congress Park II Aprtmts. Sec. 8 Asstd. Prjt.) (MBIA)	AAA	0.000	11/01/2025	5/01/05 @ 11.975 S.F. 11/01/98 @ 6.415 Ref.	97,584
16	2,709,000	Ill. Hsg. Dev. Auth. Multi-Fam. Hsg. Rev. Bonds 1983 Series A	A+	0.000	7/01/2025	No Sinking Fund None	126,537
	$ 10,634,000						$ 6,075,412
	=========== ======						============

See accompanying footnotes to financial statements and portfolio.
</TABLE>

MUNICIPAL SECURITIES TRUST, 73RD DISCOUNT SERIES

Footnotes to Portfolio

June 30, 1994

(1)
All ratings are by Standard & Poor's Corporation, except for those identified by an asterisk (*) which are by Moody's Investor Service, Inc. A brief description of the ratings symbols and their meanings is set forth under "Description of Bond Ratings" in Part B of this Prospectus.

(2)
See "The Trust - Portfolio" in Part B of this Prospectus for an explanation of redemption features. See "Tax Status" in Part B of this Prospectus for a statement of the Federal tax consequences to a Certificateholder upon the sale, redemption or maturity of a bond.

(3)
At June 30, 1994, the net unrealized depreciation of all the bonds was comprised of the following:
<TABLE>

<S>	<C>
Gross unrealized appreciation	$ 49,584
Gross unrealized depreciation	(445,662)
Net unrealized depreciation	$ (396,078)

</TABLE>

(4)
The annual interest income, based upon bonds held at June 30, 1994 (excluding accretion of original issue discount on zero-coupon bonds), to the Trust is $510,425.

(5)
The bonds have been prerefunded and will be redeemed at the next refunding call date.

(6)
Bonds sold or called after June 30, 1994 are noted in a footnote "Changes in Trust Portfolio" under "Description of Portfolio" in Part A of this Prospectus.

(7)
The Bonds may also be subject to other calls, which may be permitted or required by events which cannot be predicted (such as destruction, condemnation, termination of a contract, or receipt of excess or unanticipated revenues).

Note: Part A of This Prospectus May Not Be Distributed Unless Accompanied by Part B.

MUNICIPAL SECURITIES TRUST

SERIES 46

The Trust is a unit investment trust designated Series 46 ("Municipal Trust") with an underlying portfolio of long-term tax-exempt bonds issued by or on behalf of states, municipalities and public authorities, and was formed to preserve capital and to provide interest income (including, where applicable, earned original issue discount) which, in the opinions of bond counsel to the respective issuers, is, with certain exceptions, currently exempt from regular Federal income tax (including where applicable earned original discount) under existing law but may be subject to state and local taxes. Such interest income may, however, be a specific preference item for purposes of Federal individual and/or corporate alternative minimum tax. Investors may recognize taxable capital gain upon maturity or earlier redemption of the underlying bonds.

(See "Tax Status" and "The Trust--Portfolio" in Part B of this Prospectus.) The Sponsor is Bear, Stearns & Co. Inc. The value of the Units of the Trust will fluctuate with the value of the underlying bonds. Minimum purchase: 1 Unit.

This Prospectus consists of two parts. Part A contains the Summary of Essential Information as of June 30, 1994 (the "Evaluation Date"), a summary of certain specific information regarding the Trust and audited financial statements of the Trust, including the related portfolio, as of the Evaluation Date. Part B of this Prospectus contains a general summary of the Trust.

Investors should retain both parts of this
Prospectus for future reference.

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

Prospectus Part A Dated October 28, 1994

THE TRUST. The Trust is a unit investment trust formed to preserve capital and to provide interest income (including, where applicable, earned original issue discount) which, in the opinions of bond counsel to the respective issuers, is, with certain exceptions, currently exempt from regular federal income tax under existing law through investment in a fixed, diversified portfolio of long-term bonds (the "Bonds") issued by or on behalf of states, municipalities and public authorities. A Trust designated as a short/intermediate-term trust must have a dollar-weighted average portfolio maturity of more than two years but less than five years; a Trust designated as an intermediate-term trust must have a dollar-weighted average portfolio maturity of more than three years but not more than ten years; a Trust designated as an intermediate/long-term trust must have a dollar-weighted average portfolio maturity of more than ten years but less than fifteen years; and a Trust designated as a long-term trust must have a dollar-weighted average portfolio maturity of more than ten years. Although the Supreme Court has determined that Congress has the authority to subject interest on bonds such as the Bonds in the Trust to regular federal income taxation, existing law excludes such interest from regular federal income tax. Such interest income may, however, be subject to the federal corporate alternative minimum tax and to state and local taxes. (See "Description of Portfolio" in this Part A for a description of those Bonds which pay interest income subject to the federal individual alternative minimum tax. See also "Tax Status" in Part B of this Prospectus.) Some of the Bonds in the portfolio may be "Zero Coupon Bonds", which are original issue discount bonds that provide for payment at maturity at par value, but do not provide for the payment of any current interest. Some of the Bonds in the portfolio may have been purchased at an aggregate premium over par. Some of the Bonds in the Trust have been issued with optional refunding or refinancing provisions ("Refunded Bonds") whereby the issuer of the Bond has the right to call such Bond prior to its stated maturity date (and other than pursuant to sinking fund provisions) and to issue new bonds ("Refunding Bonds") in order to finance the redemption. Issuers typically utilize refunding calls in order to take advantage of lower interest rates in the marketplace. Some of these Refunded Bonds may be called for redemption pursuant to pre-refunding provisions ("Pre-Refunded Bonds") whereby the proceeds from the issue of the Refunding Bonds are typically invested in government securities in escrow for the benefit of the holders of the Pre-Refunded Bonds until the refunding call date. Usually, Pre-Refunded Bonds will bear a triple-A rating because of this escrow. The issuers of Pre-Refunded Bonds must call such Bonds on their refunding call date. Therefore, as of such date, the Trust will receive the call price for such bonds but will cease receiving interest income with respect to them. For a list of those Bonds which are Pre-Refunded Bonds, if any, as of the Evaluation Date, see "Notes to Financial Statements" in this Part A. All of the Bonds in the Trust were rated "A" or better by Standard & Poor's

Corporation or Moody's Investors Service, Inc. at the time originally deposited in the Trust. For a discussion of the significance of such ratings see "Description of Bond Ratings" in Part B of this Prospectus and for a list of ratings on the Evaluation Date see the "Portfolio". The payment of interest and preservation of capital are, of course, dependent upon the continuing ability of the issuers of the Bonds to meet their obligations. There can be no assurance that the Trust's objectives will be achieved. Investment in the Trust should be made with an understanding of the risks which an investment in long-term fixed rate obligations may entail, including the risk that the value of the underlying portfolio will decline with increases in interest rates, and that the value of Zero Coupon Bonds is subject to greater fluctuations than coupon bonds in response to changes in interest rates. Each Unit in the Trust represents a 1/7744th undivided interest in the principal and net income of the Trust. The principal amount of Bonds deposited in the Trust per Unit is reflected in the Summary of Essential Information. (See "The Trust--Organization" in Part B of this Prospectus.) The Units being offered hereby are issued and outstanding Units which have been purchased by the Sponsor in the secondary market.

PUBLIC OFFERING PRICE. The secondary market Public Offering Price of each Unit is equal to the aggregate bid price of the Bonds in the Trust divided by the number of Units outstanding, plus a sales charge of 4.9% of the Public Offering Price, which is the same as 5.152% of the net amount invested in Bonds per Unit. In addition, accrued interest to expected date of settlement is added to the Public Offering Price. If Units had been purchased on the Evaluation Date, the Public Offering Price per Unit would have been $1,083.38 plus accrued interest of $13.41 under the monthly distribution plan, $19.49 under the semi-annual distribution plan and $57.01 under the annual distribution plan, for a total of $1,096.79, $1,102.87 and $1,140.39, respectively. The Public Offering Price per Unit can vary on a daily basis in accordance with fluctuations in the aggregate bid price of the Bonds. (See the "Summary of Essential Information" and "Public Offering--Offering Price" in Part B of this Prospectus.)

ESTIMATED LONG TERM RETURN AND ESTIMATED CURRENT RETURN. Units of each Trust are offered to investors on a "dollar price" basis (using the computation method previously described under "Public Offering Price") as distinguished from a "yield price" basis often used in offerings of tax exempt bonds (involving the lesser of the yield as computed to maturity of bonds or to an earlier redemption date). Since they are offered on a dollar price basis, the rate of return on an investment in Units of each Trust is measured in terms of "Estimated Current Return" and "Estimated Long Term Return".

Estimated Long Term Return is calculated by: (1) computing the yield to maturity or to an earlier call date (whichever results in a lower yield) for each Bond in the Trust's portfolio in accordance with accepted bond practices, which practices take into account not only the interest payable on the Bond but also the amortization of premiums or accretion of discounts, if any; (2) calculating the average of the yields for the Bonds in the Trust's portfolio by weighing each Bond's yield by the market value of the Bond and by the amount of time remaining to the date to which the Bond is priced (thus creating an average yield for the portfolio of the Trust); and (3) reducing the average yield for the portfolio of the Trust in order to reflect estimated fees and expenses of the Trust and the maximum sales charge paid by investors. The resulting Estimated Long Term Return represents a measure of the return to investors earned over the estimated life of the Trust. (For the Estimated Long Term Return to Certificateholders under the monthly, semi-annual and annual distribution plans, see "Summary of Essential Information".)

Estimated Current Return is a measure of the Trust's cash flow. Estimated Current Return is computed by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price per Unit. In contrast to the Estimated Long Term Return, the Estimated Current Return does not take into account the amortization of premium or accretion of discount, if any, on the Bonds in the portfolio of the Trust. Moreover, because interest rates on Bonds purchased at a premium are generally higher than current interest rates on newly issued bonds of a similar type with comparable rating, the Estimated Current Return per Unit may be affected adversely if such Bonds are redeemed prior to their maturity.

The Estimated Net Annual Interest Income per Unit of the Trust will vary with changes in the fees and expenses of the Trustee and the Evaluator applicable to the Trust and with the redemption, maturity, sale or other disposition of the Bonds in the Trust. The Public Offering Price will vary with changes in the bid prices of the Bonds. Therefore, there is no assurance that the present Estimated Current Return or Estimated Long Term Return will be realized in the future. (For the Estimated

Current Return to Certificateholders under the monthly, semi-annual and annual distribution plans, see "Summary of Essential Information". See "Estimated Long Term Return and Estimated Current Return" in Part B of this Prospectus.)

A schedule of cash flow projections is available from the Sponsor upon request.

DISTRIBUTIONS. Distributions of interest income, less expenses, will be made by the Trust either monthly, semi-annually or annually depending upon the plan of distribution applicable to the Unit purchased. A purchaser of a Unit in the secondary market will initially receive distributions in accordance with the plan selected by the prior owner of such Unit and may thereafter change the plan as provided in "Interest and Principal Distributions" in Part B of this Prospectus. Distributions of principal, if any, will be made semi-annually on June 15 and December 15 of each year. (See "Rights of Certificateholders--Interest and Principal Distributions" in Part B of this Prospectus. For estimated monthly, semi-annual and annual interest distributions, see "Summary of Essential Information".)

MARKET FOR UNITS. The Sponsor, although not obligated to do so, intends to maintain a market for the Units at prices based upon the aggregate bid price of the Bonds in the portfolio of the Trust. The Secondary Market repurchase price is based on the aggregate bid price of the Bonds in the Trust portfolio, and the reoffer price is based on the aggregate bid price of the Bonds plus a sales charge of 4.9% of the Public Offering Price (5.152% of the net amount invested) plus net accrued interest. If such a market is not maintained, a Certificateholder will be able to redeem his Units with the Trustee at a price also based upon the aggregate bid price of the Bonds. (See "Sponsor Repurchase" and "Public Offering--Offering Price" in Part B of this Prospectus.)

TOTAL REINVESTMENT PLAN. Certificateholders under the semi-annual and annual plans of distribution have the opportunity to have their interest distributions and principal distributions, if any, reinvested in available series of "Insured Municipal Securities Trust" or "Municipal Securities Trust." (See "Total Reinvestment Plan" and for residents of Texas, see "Total Reinvestment Plan for Texas Residents" in Part B of this Prospectus.) The Plan is not designed to be a complete investment program.

MUNICIPAL SECURITIES TRUST
SERIES 46

SUMMARY OF ESSENTIAL INFORMATION AS OF JUNE 30, 1994

Date of Deposit: November 17, 1989
Principal Amount of Bonds ...$7,721,808
Number of Units 7,744
Fractional Undivided Interest in Trust per Unit 1/7744
Principal Amount of Bonds per Unit $997.13
Secondary Market Public Offering Price**
  Aggregate Bid Price of Bonds in Trust ....$7,978,614+++
  Divided by 7,744 Units $1,030.30
  Plus Sales Charge of 4.9% of Public Offering Price $53.09
  Public Offering Price per Unit ....$1,083.38+
Redemption and Sponsor's Repurchase Price per Unit ....$1,030.30+
+++
++++
Excess of Secondary Market Public Offering Price over Redemption and Sponsor's Repurchase Price per Unit ....$53.09++++
Difference between Public

Weighted Average Life to Maturity: 17.9 Years.
Minimum Value of Trust: Trust may be terminated if value of Trust is less than $3,200,000 in principal amount of Bonds.
Mandatory Termination Date: The earlier of December 31, 2039 or the disposition of the last Bond in the Trust.
Trustee***: United States Trust Company of New York.
Trustee's Annual Fee: Monthly plan $.96 per $1,000; semi-annual plan $.50 per $1,000; and annual plan is $.32 per $1,000.
Evaluator: Kenny S&P Evaluation Services.
Evaluator's Fee for Each Evaluation: Minimum of $15 plus $.25 per each issue of Bonds in excess of 50 issues (treating separate maturities as separate issues).
Sponsor: Bear, Stearns & Co.

Offering Price per Unit and Principal Amount per Unit Premium/(Discount) ...$86.25	Inc.
Evaluation Time: 4:00 p.m. New York Time.	Sponsor's Annual Fee: Maximum of $.25 per $1,000 principal amount of Bonds (see "Trust Expenses and Charges" in Part B of this Prospectus).
Minimum Principal Distribution: $1.00 per Unit.	

PER UNIT INFORMATION BASED UPON INTEREST DISTRIBUTION PLAN ELECTED

	Monthly Option	Semi-Annual Option	Annual Option
Gross annual interest income#	$76.61	$76.61	$76.61
Less estimated annual fees and expenses	1.95	1.34	1.10
Estimated net annual interest income (cash)#	$74.66	$75.27	$75.51
Estimated interest distribution#	6.22	37.63	75.51
Estimated daily interest accrual#	.2073	.2090	.2097
Estimated current return#++	6.89%	6.95%	6.97%
Estimated long term return++	5.75%	5.81%	5.83%
Record dates	1st of each month	Dec. 1 and June 1	Dec. 1
Interest distribution dates	15th of each month	Dec. 15 and June 15	Dec. 15

* The Date of Deposit is the date on which the Trust Agreement was signed and the deposit of the Bonds with the Trustee made.

** For information regarding offering price per unit and applicable sales charge under the Total Reinvestment Plan, see "Total Reinvestment Plan" in Part B of this Prospectus.

*** The Trustee maintains its corporate trust office at 770 Broadway, New York, New York 10003 (tel. no.: 1-800-428-8890). For information regarding redemption by the Trustee, see "Trustee Redemption" in Part B of this Prospectus.

\+ Plus accrued interest to expected date of settlement (approximately five business days after purchase) of $13.41 monthly, $19.49 semi-annually and $57.01 annually.

++ The estimated current return and estimated long term return are increased for transactions entitled to a discount (see "Employee Discounts" in Part B of this Prospectus), and are higher under the semi-annual and annual options due to lower Trustee's fees and expenses.

+++ Based solely upon the bid side evaluation of the underlying Bonds (including, where applicable, undistributed cash in the principal account). Upon tender for redemption, the price to be paid will be calculated as described under "Trustee Redemption" in Part B of this Prospectus.

++++ See "Comparison of Public Offering Price, Sponsor's Repurchase Price and Redemption Price" in Part B of this Prospectus.

\# Does not include income accrual from original issue discount bonds, if any.

INFORMATION REGARDING THE TRUST AS OF JUNE 30, 1994

DESCRIPTION OF PORTFOLIO

The portfolio of the Trust consists of 13 issues representing obligations of issuers located in 9 states. The Sponsor has not participated as a sole underwriter or manager, co-manager or member of an underwriting syndicate from which any of the initial aggregate principal amount of the Bonds were acquired. Approximately 16.8% of the Bonds are obligations of state and local housing authorities; approximately 21.6% are hospital revenue bonds; none are issued in connection with the financing of nuclear generating facilities; and approximately 13.3% are "mortgage subsidy" bonds. All of the Bonds in the Trust are subject to redemption prior to their stated maturity dates pursuant to sinking fund or call provisions. The Bonds may also be subject to other calls, which may be permitted or required by events which cannot be predicted (such as destruction, condemnation, termination of a contract, or receipt of excess or unanticipated revenues). One issue representing $580,000 of the principal amount of the Bonds is a general obligation bonds. All 12 of the remaining issues representing $7,141,808 of the principal amount of the Bonds are payable from the income of a specific project or authority and are not supported by the issuer's power to levy taxes. The portfolio is divided for purpose of issue as follows: Airport Facilities 2, Electric 1, Federally Assisted Housing 1, Hospital 3, Mortgage Revenue 2, Multi-Family Housing 1, Resource Recovery 1 and University 1. For an explanation of the significance of these factors see "The Trust--Portfolio" in Part B of this Prospectus.

As of June 30, 1994, $231,808 (approximately 3.0% of the aggregate principal amount of the Bonds) were original issue discount bonds. Of these original issue discount bonds, $231,808 (approximately 3.0% of the aggregate principal amount of the Bonds) are Zero Coupon Bonds. Zero Coupon Bonds do not provide for the payment of any current interest and provide for payment at maturity at par value unless sooner sold or redeemed. The market value of Zero Coupon Bonds is subject to greater fluctuations than coupon bonds in response to changes in interest rates. Approximately 31.0% of the aggregate principal amount of the Bonds in the Trust were purchased at a "market" discount from par value at maturity, approximately 45.3% were purchased at a premium and approximately 20.7% were purchased at par. For an explanation of the significance of these factors see "Discount and Zero Coupon Bonds" in Part B of this Prospectus.

None of the Bonds in the Trust are subject to the federal individual alternative minimum tax under the Tax Reform Act of 1986. See "Tax Status" in Part B of this Prospectus.

FINANCIAL AND STATISTICAL INFORMATION

Selected data for each Unit outstanding for the periods listed below:

Period Ended	Units Outstanding	Net Asset* Value Per Unit	Distributions of Interest During the Period (per Unit) Monthly Option	Semi-Annual Option	Annual Option	Distributions of Principal During the Period (Per Unit)
June 30, 1992	7,995	$1,050.85	$74.46	$75.12	$75.34	$1.26
June 30, 1993	7,985	1,074.82	74.28	74.93	75.27	1.87
June 30, 1994	7,794	1,046.31	74.21	74.87	75.10	-0-

* Net Asset Value per Unit is calculated by dividing net assets as disclosed in the "Statement of Net Assets" by the number of Units outstanding as of the date of the Statement of Net Assets. See Note 5 of Notes to Financial Statements for a description of the components of Net Assets.

Independent Auditors' Report

The Sponsor, Trustee and Certificateholders
Municipal Securities Trust, Series 46:

We have audited the accompanying statement of net assets, including the portfolio, of Municipal Securities Trust, Series 46 as of June 30, 1994, and the related statements of operations, and changes in net assets for each of the years in the three year period then ended. These financial statements are the responsibility of the Trustee (see note 2). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 1994, by correspondence with the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Securities Trust, Series 46 as of June 30, 1994, and the results of its operations and the changes in its net assets for each of the years in the three year period then ended, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

New York, New York
September 15, 1994

<TABLE>

MUNICIPAL SECURITIES TRUST, SERIES 46

Statement of Net Assets

June 30, 1994

<S>	<C>
Investments in marketable securities, at market value (cost $7,661,869)	$ 8,035,754
Excess of other assets over total liabilities	66,864
Net assets 7,744 units of fractional undivided interest outstanding, $1,046.31 per unit)	$ 8,102,618

See accompanying notes to financial statements.

</TABLE>

<TABLE>

MUNICIPAL SECURITIES TRUST, SERIES 46

Statements of Operations

<CAPTION>

	Years ended June 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Investment income - interest	$ 607,103	611,328	612,462
Expenses:			
Trustee's fees	8,136	8,354	8,113
Evaluator's fees	3,354	3,199	2,835
Sponsor's advisory fee	1,991	1,998	1,998
Total expensesenses	13,481	13,551	12,946
Investment income, nete, net	593,622	597,777	599,516
Realized and unrealized gain (loss) on investments:			
Net realized loss on bonds sold or called	(2,577)	(779)	(185)
Unrealized appreciation of investments for the year	(225,149)	205,219	317,606
Net gain on investments	(227,726)	204,440	317,421

Net increase in net assets resulting from operations	$ 365,896	802,217	916,937

See accompanying notes to financial statements.
</TABLE>

<TABLE>
MUNICIPAL SECURITIES TRUST, SERIES 46

Statements of Changes in Net Assets
<CAPTION>

	Years ended June 30, 1994	1993	1992
<S>	<C>	<C>	<C>
Operations:			
Investment income, net	$ 593,622	597,777	599,516
Net realized loss on bonds sold or called	(2,577)	(779)	(185)
Unrealized appreciation (depreciation) for the year	(225,149)	205,219	317,606
Net increase in net assets resulting from operations	365,896	802,217	916,937
Distributions:			
To certificateholders of:			
Investment income	590,694	595,702	597,236
Principal	0	14,951	10,074
Redemptions:			
Interest	5,223	142	-
Principal	249,777	10,552	-
Total distributions and redemptions	845,694	621,347	607,310
Total increase (decrease)	(479,798)	180,870	309,627
Net assets at beginning of year	8,582,416	8,401,546	8,091,919
Net assets at end of year (including undistributed net investment income of $128,968, $132,658 and $130,725 respectively)	$ 8,102,618	8,582,416	8,401,546

See accompanying notes to financial statements.
</TABLE>

MUNICIPAL SECURITIES TRUST, SERIES 46

Notes to Financial Statements

June 30, 1994, 1993 and 1992

(1)
Organization and Financial and Statistical Information

Municipal Securities Trust, Series 46 (Trust) was organized on November 17, 1989 (date of deposit) by Bear Stearns and Co. Inc. (Sponsor) under the laws of the State of New York by a Trust Indenture and Agreement, and is registered under the Investment Company Act of 1940.

(2)

Summary of Significant Accounting Policies

United States Trust Company of New York (Trustee) has custody of and responsibility for the accounting records and financial statements of the Trust and is responsible for establishing and maintaining a system of internal control related thereto.

The Trustee is also responsible for all estimates of expenses and accruals reflected in the Trust's financial statements. The accompanying financial statements have been adjusted to record the unrealized appreciation (depreciation) of investments and to record interest income and expenses on the accrual basis.

The discount on the zero-coupon bonds is accreted by the interest method over the respective lives of the bonds. The accretion of such discount is included in interest income; however, it is not distributed until realized in cash upon maturity or sale of the respective bonds.

Investments are carried at market value which is determined by either Standard and Poor's Corporation, or Moody's Investors Service, Inc. (Evaluator), as discussed in the footnotes to the portfolio. The market value of the portfolio is based upon the bid prices for the bonds at the end of the period, except that the market value on the date of deposit represents the cost to the Trust based on the offering prices for investments at that date. The difference between cost (including accumulated accretion of original issue discount on zero-coupon bonds) and market value is reflected as unrealized appreciation (depreciation) of investments. Securities transactions are recorded on the trade date. Realized gains (losses) from securities transactions are determined on the basis of average cost of the securities sold or redeemed.

(3)
Income Taxes

The Trust is not subject to Federal income taxes as provided for by the Internal Revenue Code.

(4)
Trust Administration

The fees and expenses of the Trust are incurred and paid on the basis set forth under "Trust Expenses and Charges" in Part B of this Prospectus.

The Trust Indenture and Agreement provides for interest distributions as often as monthly (depending upon the distribution plan elected by the Certificateholders).

The Trust Indenture and Agreement further requires that principal received from the disposition of bonds, other than those bonds sold in connection with the redemption of units, be distributed to Certificateholders.

The Trust Indenture and Agreement also requires the Trust to redeem units tendered. 241 units were redeemed during the year ended June 30, 1994. 10 units were redeemed during the year ended June 30, 1993. No units were redeemed for the year ended June 30, 1992.

See "Financial and Statistical Information" in Part A of this Prospectus for the amounts of per unit distributions during the years ended June 30, 1994, 1993 and 1992.

(5)
Net Assets

At June 30, 1994, the net assets of the Trust represented the interest of Certificateholders as follows:
<TABLE>

<S>	<C>
Original cost to Certificateholders	$ 8,299,253
Less initial gross underwriting commission	(406,628)
	7,892,625
Cost of bonds sold or called	(235,720)

Net unrealized appreciation	373,885
Undistributed net investment income	128,968
Distribution in excess of proceeds from bonds sold or called	(57,140)
Total	$ 8,102,618

</TABLE>

The original cost to Certificateholders, less the initial gross underwriting commission, represents the aggregate initial public offering price net of the applicable sales charge on 8,000 units of fractional undivided interest of the Trust as of the date of deposit.

Undistributed net investment income includes accumulated accretion of original issue discount of $4,964.

<TABLE>
MUNICIPAL SECURITIES TRUST, SERIES 46
Portfolio
June 30, 1994
<CAPTION>

Portfolio No.	Aggregate Principal Amount	Name of Issuer and Title of Bonds	Ratings (1)	Coupon Rate/ Date(s) of Maturity(2)	Redemption Feature S.F.--Sinking Fund Ref.--Refunding(2)(7)	Market Value(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	$ 760,000	Broward Cnt. Fla. Res. Recvry. Rev. Bonds (SES Broward Co., L.P. So. Prjt.) Series 1984	A	7.950% 12/01/2008	Currently @ 100 S.F. 12/01/99 @ 103 Ref.	$ 819,181
2	500,000	Ga. Resdntl. Finc. Auth. Sngle. Fam. Mtg. Bonds (FHA Insrd. or VA Guarntd. Mtg. Loans) Series 1988B	AA+	8.000 12/01/2016	12/01/08 @ 100 S.F. 12/01/98 @ 103 Ref.	509,440
3	800,000	Ill. Hlth. Facs. Auth. Rev. Bonds (Ill. Masonic Med. Cntr.) Series 1989B(5)	AAA*	7.700 10/01/2019	10/01/10 @ 100 S.F. 10/01/99 @ 102 Ref.	907,768
4	800,000	Ill. State Univ. Auxiliary Facs. Sys. Rev. Bonds Bd. of Regents Series 1989(5)	AAA*	7.400 4/01/2014	No Sinking Fund 10/01/99 @ 102 Ref.	898,408
5	580,000	City of Chicago Cook Cnty. Ill. Gen. Oblig. Bonds Prjt. and Rfndg. Series 1987B (5)	A*	9.250 1/01/2013	1/01/06 @ 100 S.F. 7/01/97 @ 102 Ref.	662,140
6	750,000	Montgomery Cnty. Md. Hsg. Opportunities Cmmsn. of Montgomery Cnty. Sngle. Fam. Mtg. Rev. Bonds Series 1989A	AA*	7.375 7/01/2017	No Sinking Fund 7/01/99 @ 102 Ref.	766,605
6a	50,000	Montgomery Cnty. Md. Hsg. Opportunities Cmmsn. of Montgomery Cnty. Sngle. Fam. Mtg. Rev. Bonds Series 1989A	AA*	7.375 7/01/2017	No Sinking Fund 7/01/94 @ 100 Ref.	50,000
7	70,000	N.Y. Med. Care Hosp. & Nrsg. Rev. Bonds (Albany Med. Cntr.)	AAA	8.000 2/15/2028	2/15/09 @ 100 S.F. 8/15/98 @ 102 Ref.	76,973

		Series 1988A				
8	800,000	N.Y. State Med. Care Facs. Finc. Agncy. Secured Hosp. Rev. Bonds Series 1987A	BBB	7.100 2/15/2027	8/15/02 @ 100 S.F. 2/15/97 @ 102 Ref.	830,920
9	780,000	Mercer Cnty. N.D. Basin Elec. Pwr. Co-op. Series 1984B	A	8.125 1/01/2019	Currently @ 100 S.F. 1/01/96 @ 103 Ref.	830,583
10	800,000	Ohio Cap. Corp. for Hsg. Multifam. Hsg. Rfndg. Rev. Bonds (Fannie Mae Colltzd.) Series 1989C	AAA	7.375 7/01/2023	1/01/11 @ 100 S.F. 1/01/98 @ 103 Ref.	818,800
11	500,000	Tulsa Ok. Muni. Arpt. Trust Rev. Indus. Dev. Rev. Bonds American Airlines, Series 1985	BAA2*	9.375 6/01/2004	6/01/03 @ 100 S.F. 12/01/95 @ 102 Ref.	534,185
12	$ 300,000	Grapevine Tx. Indus. Dev. Corp. Arpt. Fac. Rev. Bonds Series 1985 (American Airlines Inc. Prjt.)	BAA1*	9.250% 12/01/2012	No Sinking Fund 12/01/95 @ 102 Ref.	$ 319,923
13	231,808	Ill. Hsg. Dev. Auth. Multi-Fam. Hsg. Rev. Bonds, Series1983A	A+	0.000 7/01/2025	7/01/06 @ 13.676 S.F. None	10,828
	$ 7,721,808 ========					$ 8,035,754 ==========

See accompanying footnotes to financial statements and portfolio.
</TABLE>

MUNICIPAL SECURITIES TRUST, SERIES 46

Footnotes to Portfolio

June 30, 1994

(1)
All ratings are by Standard & Poor's Corporation, except for those identified by an asterisk (*) which are by Moody's Investor Service, Inc. A brief description of the ratings symbols and their meanings is set forth under "Description of Bond Ratings" in Part B of this Prospectus.

(2)
See "The Trust - Portfolio" in Part B of this Prospectus for an explanation of redemption features. See "Tax Status" in Part B of this Prospectus for a statement of the Federal tax consequences to a Certificateholder upon the sale, redemption or maturity of a bond.

(3)
At June 30, 1994, the net unrealized appreciation of all the bonds was comprised of the following:,

Gross unrealized appreciation	$ 388,320
Gross unrealized depreciation	(14,435)
Net unrealized appreciation	$ 373,885

(4)
The annual interest income, based upon bonds held at June 30, 1994 (excluding accretion of original issue discount on zero-coupon bonds), to the Trust is $593,270.

(5)
The bonds have been prerefunded and will be redeemed at the next refunding call date.

(6)
Bonds sold or called after June 30, 1994 are noted in a footnote "Changes in Trust Portfolio" under "Description of Portfolio" in Part A of this Prospectus.

(7) The bonds may also be subject to other calls, which may be permitted or required by events which can not be predicted (such as destruction, condemnation, termination of a contract, or receipt of excess or unanticipated revenues).

Note: Part A of this Prospectus May Not Be Distributed Unless Accompanied by Part B.

MUNICIPAL SECURITIES TRUST

74TH DISCOUNT SERIES
(MULTIPLIER PORTFOLIO)

The Trust is a unit investment trust designated 74th Discount Series ("Municipal Discount Trust") with an underlying portfolio of long-term tax-exempt bonds and was formed to preserve capital and to provide interest income (including, where applicable, earned original issue discount) which, in the opinions of bond counsel to the respective issuers, is, with certain exceptions, currently exempt from regular federal income tax under existing law but may be subject to state and local taxes. (See "Tax Status" and "The Trust--Portfolio" in Part B of this Prospectus.) The Sponsors are Bear, Stearns & Co. Inc. and Gruntal & Co., Incorporated (sometimes referred to as the "Sponsor" or the "Sponsors"). The value of the Units of the Trust will fluctuate with the value of the bonds. Minimum purchase: 1 Unit.

This Prospectus consists of two parts. Part A contains the Summary of Essential Information as of June 30, 1994 (the "Evaluation Date"), a summary of certain specific information regarding the Trust and audited financial statements of the Trust, including the related portfolio, as of the Evaluation Date. Part B of this Prospectus contains a general summary of the Trust.

Investors should retain both parts of this Prospectus for future reference.

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

Prospectus Part A Dated October 28, 1994

THE TRUST. The Trust is a unit investment trust formed to preserve capital and to provide interest income (including, where applicable, earned original issue discount) which, in the opinions of bond counsel to the respective issuers, is, with certain exceptions, currently exempt from regular federal income tax under existing law through investment in a fixed, diversified portfolio of long-term bonds issued by or on behalf of states, municipalities and public authorities (the "Bonds"). Although the Supreme Court has determined that Congress has the authority to subject interest on bonds such as the Bonds in the Trust to regular federal income taxation, existing law excludes such interest from regular federal income tax. Such interest income may, however, be subject to the federal corporate alternative minimum tax and to state and local taxes. (See "Description of Portfolio" in this Part A for a description of those Bonds which pay interest income subject to the federal individual alternative minimum tax. See also "Tax Status" in Part B of this Prospectus.) The Bonds were acquired at prices which resulted in the portfolio as a whole being purchased at a deep discount from par value. The portfolio may also include bonds issued at a substantial original issue discount some of which may be "Zero Coupon Bonds", which are original issue discount bonds that provide for payment at maturity at par value, but do not provide for the payment of current interest. Some of the Bonds in the portfolio may have been purchased at an aggregate premium over par. Some of the Bonds in the Trust have been issued with optional refunding or refinancing provisions ("Refunded Bonds") whereby the issuer of the Bond has the right to call such Bond prior to its stated maturity date (and other than pursuant to sinking fund provisions) and to issue new bonds ("Refunding Bonds") in order to finance the redemption. Issuers typically utilize refunding calls in order to take advantage of lower interest rates in the marketplace. Some of these Refunded Bonds may be called for redemption pursuant to pre-refunding provisions ("Pre-Refunded Bonds") whereby the proceeds from the issue of the Refunding Bonds are typically invested in government securities in escrow for the benefit of the holders of the Pre-Refunded Bonds until the refunding call date. Usually, Pre-Refunded Bonds will bear a triple-A rating because of this escrow. The issuers of Pre-Refunded Bonds must call such Bonds on their refunding call date. Therefore, as of such date, the Trust will receive the call price for such bonds but will cease receiving interest income with respect to them. For a list of those Bonds which are Pre-Refunded Bonds as of the Evaluation Date, if any, see "Notes to Financial Statements" in this Part A. All of the Bonds in the Trust were rated "A" or better by Standard & Poor's Corporation or Moody's Investors Service, Inc. at the time originally deposited in the Trust. For a discussion of the significance of such ratings see "Description of Bond Ratings" in Part B of this Prospectus and for a list of ratings on the Evaluation Date see the "Portfolio". The payment of interest and preservation of capital are, of course, dependent upon the continuing ability of the issuers of the Bonds to meet their obligations. There can be no assurance that the Trust's objectives will be achieved. Investment in the Trust should be made with an understanding of the risks which an investment in long-term fixed rate obligations may entail, including the risk that the value of the underlying portfolio will decline with increases in interest rates, and that the value of Zero Coupon Bonds is subject to greater fluctuations than coupon bonds in response to changes in interest rates. Each Unit in the Trust represents a 1/4000th undivided interest in the principal and net income of the Trust. The principal amount of Bonds deposited in the Trust per Unit is reflected in the Summary of Essential Information. (See "The Trust--Organization" in Part B of this Prospectus.) The Units being offered hereby are issued and outstanding Units which have been purchased by the Sponsor in the secondary market.

PUBLIC OFFERING PRICE. The secondary market Public Offering Price of each Unit is equal to the aggregate bid price of the Bonds in the Trust divided by the number of Units outstanding, plus a sales charge of 5.5% of the Public Offering Price, which is the same as 5.820% of the net amount invested in Bonds per Unit. In addition, accrued interest to expected date of settlement including earned original issue discount is added to the Public Offering Price. If Units had been purchased on the Evaluation Date, the Public Offering Price per Unit would have been $850.15 plus accrued interest of $10.58 under the monthly distribution plan, $15.29 under the semi-annual distribution plan and $44.66 under the annual distribution plan, for a total of $860.73, $865.44 and $894.81, respectively. The Public Offering Price per Unit can vary on a daily basis in accordance with fluctuations in the aggregate bid price of the Bonds. (See the "Summary of Essential Information" and "Public Offering--Offering Price" in Part B of this Prospectus.)

ESTIMATED LONG TERM RETURN AND ESTIMATED CURRENT RETURN. Units of each Trust are offered to investors on a "dollar price" basis (using the computation method previously described under "Public Offering Price") as distinguished from a "yield price" basis often used in offerings of tax exempt bonds (involving the lesser of the yield as computed to maturity of bonds or to an earlier redemption date). Since they are offered on a dollar price basis, the rate of return on an investment in Units of each Trust is measured in terms of "Estimated Current Return" and "Estimated Long Term Return".

Estimated Long Term Return is calculated by: (1) computing the yield to maturity or to an earlier call date (whichever results in a lower yield) for each Bond in the Trust's portfolio in accordance with accepted bond practices, which practices take into account not only the interest payable on the Bond but also the amortization of premiums or accretion of discounts, if any; (2) calculating the average of the yields for the Bonds in the Trust's portfolio by weighing each Bond's yield by the market value of the Bond and by the amount of time remaining to the date to which the

Bond is priced (thus creating an average yield for the portfolio of the Trust); and (3) reducing the average yield for the portfolio of the Trust in order to reflect estimated fees and expenses of the Trust and the maximum sales charge paid by investors. The resulting Estimated Long Term Return represents a measure of the return to investors earned over the estimated life of the Trust. (For the Estimated Long Term Return to Certificateholders under the monthly, semi-annual and annual distribution plans, see "Summary of Essential Information".)

Estimated Current Return is a measure of the Trust's cash flow. Estimated Current Return is computed by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price per Unit. In contrast to the Estimated Long Term Return, the Estimated Current Return does not take into account the amortization of premium or accretion of discount, if any, on the Bonds in the portfolio of the Trust. Moreover, because interest rates on Bonds purchased at a premium are generally higher than current interest rates on newly issued bonds of a similar type with comparable rating, the Estimated Current Return per Unit may be affected adversely if such Bonds are redeemed prior to their maturity.

The Estimated Net Annual Interest Income per Unit of the Trust will vary with changes in the fees and expenses of the Trustee and the Evaluator applicable to the Trust and with the redemption, maturity, sale or other disposition of the Bonds in the Trust. The Public Offering Price will vary with changes in the bid prices of the Bonds. Therefore, there is no assurance that the present Estimated Current Return or Estimated Long Term Return will be realized in the future. (For the Estimated Current Return to Certificateholders under the monthly, semi-annual and annual distribution plans, see "Summary of Essential Information". See "Estimated Long Term Return and Estimated Current Return" in Part B of this Prospectus.)

A schedule of cash flow projections is available from the Sponsor upon request.

DISTRIBUTIONS. Distributions of interest income, less expenses, will be made by the Trust either monthly, semi-annually or annually depending upon the plan of distribution applicable to the Unit purchased. A purchaser of a Unit in the secondary market will initially receive distributions in accordance with the plan selected by the prior owner of such Unit and may thereafter change the plan as provided under "Interest and Principal Distributions" in Part B of the Prospectus. Distributions of principal, if any, will be made semi-annually on June 15 and December 15 of each year. (See "Rights of Certificateholders--Interest and Principal Distributions" in Part B of this Prospectus. For estimated monthly, semi-annual and annual interest distributions, see "Summary of Essential Information.")

MARKET FOR UNITS. The Sponsors, although not obligated to do so, intend to maintain a market for the Units at prices based upon the aggregate bid price of the Bonds in the portfolio of the Trust. The secondary market repurchase price is based on the aggregate bid price of the Bonds in the Trust portfolio, and the reoffer price is based on the aggregate bid price of the Bonds plus a sales charge of 5.5% (5.820% of the net amount invested) plus net accrued interest. If such a market is not maintained, a Certificateholder will be able to redeem his Units with the Trustee at a price also based upon the aggregate bid price of the Bonds. (See "Sponsor Repurchase" and "Public Offering--Offering Price" in Part B of this Prospectus.)

TOTAL REINVESTMENT PLAN. Certificateholders under the semi-annual and annual plans of distribution have the opportunity to have their interest distributions and principal distributions, if any, reinvested in available series of "Municipal Securities Trust." (See "Total Reinvestment Plan" and for residents of Texas, see "Total Reinvestment Plan for Texas Residents" in Part B of this Prospectus.) The Plan is not designed to be a complete investment program.

MUNICIPAL SECURITIES TRUST
74TH DISCOUNT SERIES

SUMMARY OF ESSENTIAL INFORMATION AS OF JUNE 30, 1994

Date of Deposit: November 17, 1989	Weighted Average Life
Principal Amount of Bonds ...$3,641,667	to Maturity: 21.1 Years.
Number of Units 4,000	Minimum Value of Trust:
Fractional Undivided Inter-	Trust may be terminated if

est in Trust per Unit 1/4000
Principal Amount of
Bonds per Unit $910.42
Secondary Market Public
Offering Price**
Aggregate Bid Price
of Bonds in Trust ....$3,213,570+++
Divided by 4,000 Units $803.39
Plus Sales Charge of 5.5%
of Public Offering Price $46.76
Public Offering Price
per Unit ....$850.15+
Redemption and Sponsors'
Repurchase Price
per Unit ....$803.39+
+++
++++
Excess of Secondary Market
Public Offering Price
over Redemption and
Sponsors' Repurchase
Price per Unit ....$46.76++++
Difference between Public
Offering Price per Unit
and Principal Amount per
Unit Premium/(Discount) ...$(60.27)
Evaluation Time: 4:00 p.m.
New York Time.
Minimum Principal Distribution:
$1.00 per Unit.

value of Trust is less than
$1,600,000 in principal amount
of Bonds.
Mandatory Termination Date:
The earlier of December 31,
2039 or the disposition of the
last Bond in the Trust.
Trustee***: United States Trust
Company of New York.
Trustee's Annual Fee: Monthly
plan $1.05 per $1,000; semi-
annual plan $.60 per $1,000;
and annual plan is $.35 per
$1,000.
Evaluator: Kenny S&P Evaluation
Services.
Evaluator's Fee for Each
Evaluation: Minimum of $15
plus $.25 per each issue of
Bonds in excess of 50 issues
(treating separate maturities
as separate issues).
Sponsors: Bear, Stearns & Co.
Inc., and Gruntal & Co.,
Incorporated
Sponsors' Annual Fee: Maximum of
$.25 per $1,000 principal
amount of Bonds (see "Trust
Expenses and Charges" in Part B
of this Prospectus).

PER UNIT INFORMATION BASED UPON INTEREST DISTRIBUTION PLAN ELECTED

	Monthly Option	Semi-Annual Option	Annual Option
Gross annual interest income#	$59.87	$59.87	$59.87
Less estimated annual fees and expenses	1.88	1.41	1.16
Estimated net annual interest income (cash)#	$57.99	$58.46	$58.71
Estimated interest distribution#	4.83	29.23	58.71
Estimated daily interest accrual#	.1610	.1623	.1630
Estimated current return#++	6.82%	6.88%	6.91%
Estimated long term return++	5.78%	5.84%	5.87%
Record dates	1st of each month	Dec. 1 and June 1	Dec. 1
Interest distribution dates	15th of each month	Dec. 15 and June 15	Dec. 15

* The Date of Deposit is the date on which the Trust Agreement was signed and the deposit of the Bonds with the Trustee made.

** For information regarding offering price per unit and applicable sales charge under the Total Reinvestment Plan, see "Total Reinvestment Plan" in Part B of this Prospectus.

*** The Trustee maintains its corporate trust office at 770 Broadway, New York, New York 10003 (tel. no.: 1-800-428-8890). For information regarding redemption by the Trustee, see "Trustee Redemption" in Part B of this Prospectus.

+ Plus accrued interest to expected date of settlement (approximately five business days after purchase) of $10.58 monthly, $15.29 semi-annually and $44.66 annually.

++ The estimated current return and estimated long term return are increased for transactions entitled to a discount (see "Employee Discounts" in Part B of this Prospectus), and are higher under the semi-annual and annual options due to lower Trustee's fees and expenses.

+++ Based solely upon the bid side evaluation of the underlying Bonds (including, where applicable, undistributed cash in the principal account). Upon tender for redemption, the price to be paid will be calculated as described under "Trustee Redemption" in Part B of this Prospectus.

++++ See "Comparison of Public Offering Price, Sponsor's Repurchase Price and Redemption Price" in Part B of this Prospectus.

Does not include income accrual from original issue discount bonds, if any.

INFORMATION REGARDING THE TRUST
AS OF JUNE 30, 1994

DESCRIPTION OF PORTFOLIO*

The portfolio of the Trust consists of 10 issues representing obligations of issuers located in 7 states. The Sponsor has not participated as a sole underwriter or manager, co-manager or member of an underwriting syndicate from which any of the initial aggregate principal amount of the Bonds were acquired. Approximately 18.3% of the Bonds are obligations of state and local housing authorities; approximately 21.9% are hospital revenue bonds; approximately 6.3% are issued in connection with the financing of nuclear generating facilities; and approximately 10.9% are "mortgage subsidy" bonds. All of the Bonds in the Trust are subject to redemption prior to their stated maturity dates pursuant to sinking fund or call provisions. The Bonds may also be subject to other calls, which may be permitted or required by events which cannot be predicted (such as destruction, condemnation, termination of a contract, or receipt of excess or unanticipated revenues). One issue representing $270,000 of the aggregate principal amount of the Bonds is a general obligation bond. All 9 of the remaining issues representing $3,371,667 of the principal amount of the Bonds are payable from the income of a specific project or authority and are not supported by the issuer's power to levy taxes. The portfolio is divided for purpose of issue as follows: Airport Facility 1, Coal Power 1, Electric 1, Federally Assisted Housing 1, Hospital 2, Mortgage Revenue 1, Nuclear Power 1 and Resource Recovery 1. For an explanation of the significance of these factors see "The Trust--Portfolio" in Part B of this Prospectus.

* Changes in the Trust Portfolio: From July 1, 1994 to September 23, 1994, $25,000 of the principal amount of the Bonds in portfolio no. 5a has been called and is no longer contained in the Trust.

As of June 30, 1994, $966,667 (approximately 26.5% of the aggregate principal amount of the Bonds) were original issue discount bonds. Of these original issue discount bonds, $666,667 (approximately 18.3% of the aggregate principal amount of the Bonds) were Zero Coupon Bonds. Zero Coupon Bonds do not provide for the payment of any current interest and provide for payment at maturity at par value unless sooner sold or redeemed. The market value of Zero Coupon Bonds is subject to greater fluctuations than coupon bonds in response to changes in interest rates. Approximately 32.9% of the aggregate principal amount of the Bonds in the Trust were purchased at a "market" discount from par value at maturity, approximately 40.6% were purchased at a premium and none were purchased at par. For an explanation of the significance of these factors see "Discount and Zero Coupon Bonds" in Part B of this Prospectus.

None of the Bonds in the Trust are subject to the federal individual alternative minimum tax under the Tax Reform Act of 1986. See "Tax Status" in Part B of this Prospectus.

FINANCIAL AND STATISTICAL INFORMATION

Selected data for each Unit outstanding for the periods listed below:

Period Ended	Units Outstanding	Net Asset* Value Per Unit	Distributions of Interest During the Period (per Unit) Monthly Option	Semi-Annual Option	Annual Option	Distributions of Principal During the Period (Per Unit)
June 30, 1992	4,000	$829.68	$58.27	$58.90	$59.22	$1.25
June 30, 1993	4,000	846.37	58.04	58.68	59.08	2.50

June 30, 1994	4,000	816.64	57.90	58.51	58.86	5.53

* Net Asset Value per Unit is calculated by dividing net assets as disclosed in the "Statement of Net Assets" by the number of Units outstanding as of the date of the Statement of Net Assets. See Note 5 of Notes to Financial Statements for a description of the components of Net Assets.

Independent Auditors' Report

The Sponsor, Trustee and Certificateholders
Municipal Securities Trust, 74th Discount Series:

We have audited the accompanying statement of net assets, including the portfolio, of Municipal Securities Trust, 74th Discount Series as of June 30, 1994, and the related statements of operations, and changes in net assets for each of the years in the three year period then ended. These financial statements are the responsibility of the Trustee (see note 2). Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of June 30, 1994, by correspondence with the Trustee. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Securities Trust, 74th Discount Series as of June 30, 1994, and the results of its operations and the changes in its net assets for each of the years in the three year period then ended, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

New York, New York
September 15, 1994

<TABLE>

MUNICIPAL SECURITIES TRUST, 74TH DISCOUNT SERIES

Statement of Net Assets

June 30, 1994

<S>	<C>
Investments in marketable securities, at market value (cost $3,080,119)	$ 3,213,532
Excess of other assets over total liabilities	53,011

Net assets 4,000 units of fractional undivided interest outstanding, $816.64 per unit)	$ 3,266,543
	===========

See accompanying notes to financial statements.

</TABLE>

<TABLE>

MUNICIPAL SECURITIES TRUST, 74TH DISCOUNT SERIES

Statements of Operations

<CAPTION>

Years ended June 30,

	1994	1993	1992
<S>	<C>	<C>	<C>
Investment income - interest	$ 244,129	245,582	245,829
Expenses:			
Trustee's fees	5,102	5,375	5,151
Evaluator's fees	1,120	1,066	945
Sponsor's advisory fee	996	999	1,000
Total expenses	7,218	7,440	7,096
Investment income, net	236,911	238,142	238,733
Realized and unrealized gain (loss) on investments:			
Net realized loss on bonds sold or called	(8,226)	(370)	(225)
Unrealized appreciation (depreciation) for the year	(93,270)	71,922	135,039
Net gain (loss) on investments	(101,496)	71,552	134,814
Net increase in net assets resulting from operations	$ 135,415	309,694	373,547

See accompanying notes to financial statements.
</TABLE>

<TABLE>
MUNICIPAL SECURITIES TRUST, 74TH DISCOUNT SERIES

Statements of Changes in Net Assets
<CAPTION>

	Years ended June 30,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Operations:			
Investment income, net	$ 236,911	238,142	238,733
Realized loss on bonds sold or called	(8,226)	(370)	(225)
Unrealized appreciation (depreciation) for the year	(93,270)	71,922	135,039
Net increase in net assets resulting from operations	135,415	309,694	373,547
Distributions to certificateholders:			
Investment income	232,234	232,925	233,782
Principal	22,120	10,000	5,000
Total distributions	254,354	242,925	238,782
Total increase (decrease)	(118,939)	66,769	134,765
Net assets at beginning of year	3,385,482	3,318,713	3,183,948
Net assets at end of year (including undistributed net investment income o$67,248, $68,588 and $63,371, respectively)	$ 3,266,543	3,385,482	3,318,713

See accompanying notes to financial statements.
</TABLE>

MUNICIPAL SECURITIES TRUST, 74TH DISCOUNT SERIES

Notes to Financial Statements

June 30, 1994, 1993 and 1992

(1) Organization and Financial and Statistical Information

Municipal Securities Trust, 74th Discount Series (Trust) was organized on November 17, 1989 (date of deposit) by Bear, Stearns and Co. Inc. (Sponsor) under the laws of the State of New York by a Trust Indenture and Agreement, and is registered under the Investment Company Act of 1940.

(2) Summary of Significant Accounting Policies

United States Trust Company of New York (Trustee) has custody of and responsibility for the accounting records and financial statements of the Trust and is responsible for establishing and maintaining a system of internal control related thereto.

The Trustee is also responsible for all estimates of expenses and accruals reflected in the Trust's financial statements. The accompanying financial statements have been adjusted to record the unrealized appreciation (depreciation) of investments and to record interest income and expenses on the accrual basis.

The discount on the zero-coupon bonds is accreted by the interest method over the respective lives of the bonds. The accretion of such discount is included in interest income; however, it is not distributed until realized in cash upon maturity or sale of the respective bonds.

Investments are carried at market value which is determined by either Standard and Poor's Corporation, or Moody's Investors Service, Inc. (Evaluator), as discussed in Footnotes to Portfolio. The market value of the portfolio is based upon the bid prices for the bonds at the end of the period, except that the market value on the date of deposit represents the cost to the Trust based on the offering prices for investments at that date. The difference between cost (including accumulated accretion of original issue discount on zero-coupon bonds) and market value is reflected as unrealized appreciation (depreciation) of investments. Securities transactions are recorded on the trade date. Realized gains (losses) from securities transactions are determined on the basis of average cost of the securities sold or redeemed.

(3) Income Taxes

The Trust is not subject to Federal income taxes as provided for by the Internal Revenue Code.

(4) Trust Administration

The fees and expenses of the Trust are incurred and paid on the basis set forth under "Trust Expenses and Charges" in Part B of this Prospectus.

The Trust Indenture and Agreement provides for interest distributions as often as monthly (depending upon the distribution plan elected by the Certificateholders).

The Trust Indenture and Agreement further requires that principal received from the disposition of bonds, other than those bonds sold in connection with the redemption of units, be distributed to Certificateholders.

See "Financial and Statistical Information" in Part A of this Prospectus for the amounts of per unit distributions during the years ended June 30, 1994, 1993 and 1992.

The Trust Indenture and Agreement also requires the Trust to redeem units tendered. No units have been redeemed since the inception of the Trust.

(5)
Net Assets

At June 30, 1994, the net assets of the Trust represented the interest of Certificateholders as follows:

Original cost to Certificateholders	$ 3,286,563
Less initial gross underwriting commission	(180,757)
	3,105,806
Accumulated cost of bonds sold or called	(39,961)
Net unrealized appreciation	133,413
Undistributed net investment income	67,248
Undistributed proceeds from bonds sold or called	37
Total	$ 3,266,543

The original cost to Certificateholders, less the initial gross underwriting commission, represents the aggregate initial public offering price net of the applicable sales charge on 4,000 units of fractional undivided interest of the Trust as of the date of deposit.

Undistributed net investment income includes accumulated accretion of original issue discount of $14,274.

<TABLE>
MUNICIPAL SECURITIES TRUST, 74TH DISCOUNT SERIES
Portfolio
June 30, 1994
<CAPTION>

Port-folio No.	Aggregate Principal Amount	Name of Issuer and Title of Bonds	Ratings (1)	Coupon Rate/	Date(s) of Maturity(2)	Redemption Feature S.F.--Sinking Fund Ref.--Refunding(2)(7)	Market Value(3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1	$ 380,000	Broward Cnty. Fla. Res. Recvry. Rev. Bonds (SES Broward Co., L.P. So. Prjt.) Series 1984	A	7.950%	12/01/2008	12/01/92 @ 100 S.F. 12/01/99 @ 103 Ref.	$ 409,591
2	300,000	Muni. Elec. Auth. of Ga. Pwr. Rev. Bonds Series 1989 T	A+	6.500	1/01/2025	1/01/10 @ 100 S.F. 1/01/99 @ 100 Ref.	300,228
3	400,000	Ill. Hlth. Facs. Auth. Rev. Bonds (Ill. Masonic Med. Cntr.) Series 1989B(5)	AAA*	7.700	10/01/2019	10/01/10 @ 100 S.F. 10/01/99 @ 102 Ref.	453,884
4	270,000	City of Chicago Cook Cnty. Ill. Gen. Oblig. Bonds Prjt. and Rfndg. Series 1987B (5)	A*	9.250	1/01/2013	1/01/06 @ 100 S.F. 7/01/97 @ 102 Ref.	308,237
5	375,000	Montgomery Cnty. Md. Hsg. Opportunities Cmmsn. of Montgomery Cnty. Sngle. Fam. Mtg. Rev. Bonds Series 1989A	AA*	7.375	7/01/2017	7/01/10 @ 100 S.F. 7/01/99 @ 102 Ref.	383,303
5a	25,000	Montgomery Cnty. Md. Hsg. Opportunities Cmmsn. of Montgomery Cnty. Sngle. Fam.	AA*	7.375	7/01/2017	7/01/10 @ 100 S.F. 7/01/94 @ 100 Ref.	25,000

		Mtg. Rev. Bonds Series 1989A					
6	400,000	N.Y. State Med. Care Facs. Finc. Agncy. Secured Hosp. Rev. Bonds Series 1987A	BBB	7.100	2/15/2027	8/15/02 @ 100 S.F. 2/15/97 @102 Ref.	415,460
7	195,000	Mercer Cnty. N.D. Basin Elec. Pwr. Co-op. Series 1984B	A	8.125	1/01/2019	Currently @ 100 S.F. 1/01/96 @ 103 Ref.	207,646
8	400,000	Grapevine Tx. Indus. Dev. Corp. Arpt. Fac. Rev. Bonds Series 1985 (American Airlines Inc. Prjt.)	BAA1*	9.250	12/01/2012	No Sinking Fund 12/01/95 @ 102 Ref.	426,564
9	230,000	Matagorda Cnty. Nav District No. 1 (Texas) (Central Pwr. & Lt. Co. Prjt.) Series 1984	A-	10.125	10/15/2014	No Sinking Fund 10/15/95 @ 103 Ref.	252,480
10	666,667	Ill. Hsg. Dev. Auth. Multi-Fam. Hsg. Rev. Bonds 1983 Series A	A+	0.000	7/01/2025	7/01/06 @ 13.676 S.F. None	31,139
	$ 3,641,667						$ 3,213,532
	=========						==========

See accompanying footnotes to portfolio and notes to financial statements.
</TABLE>

MUNICIPAL SECURITIES TRUST, 74TH DISCOUNT SERIES

Footnotes to Portfolio

June 30, 1994

(1)
All ratings are by Standard & Poor's Corporation, except for those identified by an asterisk (*) which are by Moody's Investor Service, Inc. A brief description of the ratings symbols and their meanings is set forth under "Description of Bond Ratings" in Part B of this Prospectus.

(2)
See "The Trust - Portfolio" in Part B of this Prospectus for an explanation of redemption features. See "Tax Status" in Part B of this Prospectus for a statement of the Federal tax consequences to a Certificateholder upon the sale, redemption or maturity of a bond.

(3)
At June 30, 1994, the net unrealized appreciation of all the bonds was comprised of the following:

Gross unrealized appreciation	156,104
Gross unrealized depreciation	(22,691)
Net unrealized appreciation	133,413

(4)
The annual interest income, based upon bonds held at June 30, 1994, (excluding accretion of original issue discount on zero-coupon bonds), to the Trust is $239,516.

(5)
The bonds have been prerefunded and will be redeemed at the next refunding call date.

(6)
Bonds sold or called after June 30, 1994 are noted in a footnote "Changes in Trust Portfolio" under "Description of Portfolio" in Part A of this Prospectus.

(7)
The Bonds may also be subject to other calls, which may be

permitted or required by events which cannot be predicted (such as destruction, condemnation, termination of a contract, or receipt of excess or unanticipated revenues).

Note: Part B of This Prospectus May Not Be Distributed Unless Accompanied by Part A.

Please Read and Retain Both Parts of the Prospectus for Future Reference.

MUNICIPAL SECURITIES TRUST

Prospectus Part B
Dated: October 28, 1994

THE TRUST

Organization

"Municipal Securities Trust" (the "Trust") consists of several separate "unit investment trusts," designated as set forth in Part A.* The Trust was created under the laws of the State of New York pursuant to a Trust Indenture and Agreement** (collectively, the "Trust Agreement"), dated the Date of Deposit, among Bear, Stearns & Co. Inc. and Gruntal & Co., Incorporated (sometimes referred to as the "Sponsor" or the "Sponsors"), as Sponsors, Kenny S&P Evaluation Services, as Evaluator, and United States Trust Company of New York, as Trustee. The Trust, including each State Trust, will be administered as a distinct entity with separate certificates, expenses, books and records.

* This Part B relates to the outstanding series of Municipal Securities Trust, Municipal Securities Trust Discount Series or Multi-State Series which may include California Trust, New York Trust, Pennsylvania Trust and/or Virginia Trust (collectively, the "State Trusts") as reflected in Part A attached hereto.

** References in this Prospectus to the Trust Agreement are qualified in their entirety by the respective Trust Indentures and Agreements which are incorporated herein by reference.

On the Date of Deposit the Sponsors deposited with the Trustee long-term bonds, including delivery statements relating to contracts for the purchase of certain such bonds (the "Bonds"), and cash or irrevocable letters of credit issued by a major commercial bank in the amount required for such purchases. Thereafter, the Trustee, in exchange for the Bonds so deposited, delivered to the Sponsors the Certificates evidencing the ownership of all Units of the Trust. The Trust consists of the interest-bearing bonds described under "The Trust" in Part A of this Prospectus, the interest on which is, in the opinions of bond counsel to the respective issuers given at the time of original delivery of the Bonds, currently exempt from regular federal income tax under existing law.

Each "Unit" outstanding on the Evaluation Date represented an undivided interest or pro rata share in the principal and interest of each Trust in the ratio of one Unit to the principal amount of Bonds in such Trust on such date as specified in Part A of this Prospectus. To the extent that any Units are redeemed by the Trustee, the fractional undivided interest or pro rata share in each Trust represented by each unredeemed Unit of each Trust will increase, although the actual interest in each Trust represented by such fraction will remain unchanged. Units will remain outstanding until redeemed upon tender to the Trustee by Certificateholders, which may include the Sponsors, or until the termination of the Trust Agreement.

Objectives

Each Trust, each one of a series of similar but separate unit investment trusts formed by the Sponsors, offers investors the opportunity to participate in a portfolio of long-term tax-exempt bonds, which may consist of deep "market" discount and original issue discount bonds, with a greater diversification than they might be able to acquire themselves. The objectives of each Trust are to preserve capital and to provide interest income which, in the opinions of bond counsel to the respective issuers given at the time of original delivery of the Bonds, is, with certain exceptions, exempt from regular federal income tax and with respect to the State Trust from present income taxes of the State for which each State Trust is named for residents thereof. Such interest income may, however, be subject to the federal corporate alternative minimum tax and to state and local taxes in other jurisdictions. Investors should be aware that there is no assurance each Trust's objectives will be achieved because these objectives are dependent on the continuing ability of the issuers of the Bonds to meet their interest and principal payment requirements, on the continuing satisfaction of the Bonds of the conditions required for the exemptions of interest thereon from regular federal income tax and on the market value of the Bonds, which can be affected by fluctuations in interest rates and other factors.

Since disposition of Units prior to final liquidation of the Trust may result in an investor receiving less than the amount paid for such Units (see "Comparison of Public Offering Price, Sponsors' Repurchase Price and Redemption Price"), the purchase of a Unit should be looked upon as a long-term investment. Neither the Trust nor the Total Reinvestment Plan is designed to be a complete investment program.

The Portfolios--General

All of the Bonds in each Trust were rated "A" or better by Standard & Poor's Corporation or Moody's Investors Service, Inc. at the time originally deposited in the Trust. For a list of the ratings of each Bond on the Evaluation Date, see "Description of Portfolio" in Part A of this Prospectus.

For information regarding (i) the number of issues in each Trust, (ii) the range of fixed maturity of the Bonds, (iii) the number of issues payable from the income of a specific project or authority and (iv) the number of issues constituting general obligations of a government entity, see "The Trust" and "Description of Portfolio" in Part A of this Prospectus.

When selecting Bonds for each Trust, the following factors, among others, were considered by the Sponsors on the Date of Deposit: (a) the quality of the Bonds and whether such Bonds were rated "A" or better by Standard & Poor's Corporation or Moody's Investors Service, Inc., (b) the yield and price of the Bonds relative to other tax-exempt securities of comparable quality and maturity, (c) income to the Certificateholders of each Trust, (d) the diversification of each Trust's portfolio, as to purpose of issue and location of issuer, taking into account the availability in the market of issues which meet each Trust's quality, rating, yield and price criteria and (e) the existence of "market" discount and original issue discount. Subsequent to the Evaluation Date, a Bond may cease to be rated or its rating may be reduced below that specified above. Neither event requires an elimination of such Bond from a Trust but may be considered in the Sponsors' determination to direct the Trustee to dispose of the Bond. See "Portfolio Supervision." For an interpretation of the bond ratings, see "Description of Bond Ratings."

Housing Bonds. Some of the aggregate principal amount of the Bonds may consist of obligations of state and local housing authorities whose revenues are primarily derived from mortgage loans to rental housing projects for low to moderate income families. Since such obligations are usually not general obligations of a particular state or municipality and are generally payable primarily or solely from rents and other fees, adverse economic developments including failure or inability to increase rentals, fluctuations of interest rates and increasing construction and operating costs may reduce revenues available to pay existing obligations. See "Description of Portfolio" in Part A for the amount of rental housing bonds contained therein.

Hospital Revenue Bonds. Some of the aggregate principal amount of the Bonds may consist of hospital revenue bonds. Ratings of hospital bonds are often initially based on feasibility studies which contain projections of occupancy levels, revenues and expenses. Actual experience may vary considerably from such projections. A hospital's gross receipts and net income will be affected by future events and conditions including, among other things, demand for hospital services and the ability of the hospital to provide them, physicians' confidence in hospital management capability, economic developments in the service area, competition, actions by insurers and governmental agencies and the increased cost and possible unavailability of malpractice insurance. Additionally, a major portion of hospital revenue typically is derived from federal or state programs such as Medicare and Medicaid which have been revised substantially in recent years and which are undergoing further review at the state and federal level.

The health care delivery system is undergoing considerable alteration and consolidation. Consistent with that trend, the ownership or management of a hospital or health care facility may change, which could result in (i) an early redemption of bonds, (ii) alteration of the facilities financed by the Bonds or which secure the Bonds, (iii) a change in the tax exempt status of the Bonds or (iv) an inability to produce revenues sufficient to make timely payment of debt service on the Bonds.

Proposals for significant changes in the health care system and the present programs for third party payment of health care costs are under consideration in Congress and many States. Future legislation or changes in the areas noted above, among other things, would affect all hospitals to varying degrees and, accordingly, any adverse change in these areas may affect the ability of such issuers to make payment of principal and interest on such bonds. See "Description of Portfolio" in Part A for the amount of hospital revenue bonds contained therein.

Nuclear Power Facility Bonds. Certain Bonds may have been issued in connection with the financing of nuclear generating facilities. In view of recent developments in connection with such facilities, legislative and administrative actions have been taken and proposed relating to the development and operation of nuclear generating facilities. The Sponsors are unable to predict whether any such actions or whether any such proposals or litigation, if enacted or instituted, will have an adverse impact on the revenues available to pay the debt service on the Bonds in the portfolio issued to finance such nuclear projects. See "Description of Portfolio" in Part A for the amount of bonds issued to finance nuclear generating facilities contained therein.

Mortgage Subsidy Bonds. Certain Bonds may be "mortgage subsidy bonds" which are obligations of which all or a significant portion of the proceeds are to be used directly or indirectly for mortgages on owner-occupied residences. Section 103A of the Internal Revenue Code of 1954, as amended, provided as a general rule that interest on "mortgage subsidy bonds" will not be exempt from Federal income tax. An exception is provided for certain "qualified mortgage bonds." Qualified mortgage bonds are bonds that are used to finance owner-occupied residences and that meet numerous statutory requirements. These requirements include certain residency, ownership, purchase price and target area requirements, ceiling amounts for state and local issuers, arbitrage restrictions and (for bonds issued after December 31, 1984) certain information reporting, certification, public hearing and policy statement requirements. In the opinions of bond counsel to the issuing governmental authorities, interest on all the Bonds in a Trust that might be deemed "mortgage subsidy bonds" will be exempt from Federal income tax when issued. See "Description of Portfolio" in Part A for the amount of mortgage subsidy Bonds contained therein.

Mortgage Revenue Bonds. Certain Bonds may be "mortgage revenue bonds." Under the Internal Revenue Code of 1986, as amended (the "Code") (and under similar provisions of the prior tax law) "mortgage revenue bonds" are obligations the proceeds of which are used to finance owner-occupied residences under programs which meet numerous statutory requirements relating to residency, ownership, purchase price and target area requirements, ceiling amounts for state and local issuers, arbitrage restrictions, and certain information reporting certification, and public hearing requirements. There can be no assurance that additional federal legislation will not be introduced or that existing legislation will not be further amended, revised, or enacted after delivery of these Bonds or that certain required future actions will be taken by the issuing governmental authorities, which action or failure to act could cause interest on the Bonds to be subject to federal income tax. If any portion of the Bonds proceeds are not committed for the purpose of the issue, Bonds in such amount could be subject to earlier mandatory redemption at par, including issues of Zero Coupon Bonds (see "Discount and Zero Coupon Bonds"). See "Description of Portfolio" in Part A for the amount of mortgage revenue bonds contained therein.

Private Activity Bonds. The portfolio of the Trust may contain other Bonds which are "private activity bonds" (often called Industrial Revenue Bonds ("IRBs") if issued prior to 1987) which would be primarily of two types: (1) Bonds for a publicly owned facility which a private entity may have a right to use or manage to some degree, such as an airport, seaport facility or water system and (2) facilities deemed owned or beneficially owned by a private entity but which were financed with tax-exempt bonds of a public issuer, such as a manufacturing facility or a pollution control facility. In the case of the first type, bonds are generally payable from a designated source of revenues derived from the facility and may further receive the benefit of the legal or moral obligation of one or more political subdivisions or taxing jurisdictions. In most cases of project financing of the first type, receipts or revenues of the Issuer are derived from the project or the operator or from the unexpended proceeds of the bonds. Such revenues include user fees, service charges, rental and lease payments, and mortgage and other loan payments.

The second type of issue will generally finance projects which are owned by or for the benefit of, and are operated by, corporate entities. Ordinarily, such private activity bonds are not general obligations of governmental entities and are not backed by the taxing power of such entities, and are solely dependent upon the creditworthiness of the corporate user of the project or corporate guarantor.

The private activity bonds in the Trust have generally been issued under bond resolutions, agreements or trust indentures pursuant to which the revenues and receipts payable under the issuer's arrangements with the users or the corporate operator of a particular project have been assigned and pledged to the holders of the private activity bonds. In certain cases a mortgage on the underlying project has been assigned to the holders of the private activity bonds or a trustee as additional security. In addition, private activity bonds are frequently directly guaranteed by the corporate operator of the project or by another affiliated company. See "Description of Portfolio" in Part A for the amount of private activity bonds contained therein.

Litigation. Litigation challenging the validity under state constitutions of present systems of financing public education has been initiated in a number of states. Decisions in some states have been reached holding such school financing in violation of state constitutions. In addition, legislation to effect changes in public school financing has been introduced in a number of states. The Sponsors are unable to predict the outcome of the pending litigation and legislation in this area and what effect, if any, resulting change in the sources of funds, including proceeds from property taxes applied to the support of public schools, may have on the school bonds in each Trust.

As of the date of this Prospectus, the Sponsors have not been notified or made aware of any litigation pending with respect to any Bonds which might reasonably be expected to have a material effect on a Trust other than that which is discussed under "The Trust" or "The State Trusts." Such litigation as, for example, suits challenging the issuance of pollution control revenue bonds under recently enacted environmental protection statutes may affect the validity of such Bonds or the tax-free nature of the interest thereon. At any time after the date of this Prospectus, litigation may be instituted on a variety of grounds with respect to the Bonds in the Trust. The Sponsors are unable to predict whether any such litigation may be instituted or, if instituted, whether it will have a material adverse effect on a Trust.

Other Factors. The Bonds in the Trust, despite their optional redemption provisions which generally do not take effect until 10 years after the original issuance dates of such bonds (often referred to as "ten year call protection"), do contain provisions which require the issuer to redeem such obligations at par from unused proceeds of the issue within a stated period. In recent periods of declining interest rates there have been increased redemptions of bonds, particularly housing bonds, pursuant to such redemption provisions. In addition, the Bonds in the Trusts are also subject to mandatory redemption in whole or in part at par at any time that voluntary or involuntary prepayments of principal on the underlying collateral are made to the trustee for such bonds or that the collateral is sold by the bond issuer. Prepayments of principal tend to be greater in periods of declining interest rates; it is possible that such prepayments could be sufficient to cause a bond to be redeemed substantially prior to its stated maturity date, earliest call date or sinking fund redemption date.

The Bonds may also be subject to other calls, which may be permitted or required by events which cannot be predicted (such as destruction, condemnation, or termination of a contract).

In 1976 the federal bankruptcy laws were amended so that an authorized municipal debtor could more easily seek federal court protection to assist in reorganizing its debts so long as certain requirements were met. Historically, very few financially troubled municipalities have sought court assistance for reorganizing their debts; notwithstanding, the Sponsors are unable to predict to what extent financially troubled municipalities may seek court assistance in reorganizing their debts in the future and, therefore, what effect, if any, the applicable federal bankruptcy law provisions will have on the Trusts.

The Trust may also include "moral obligation" bonds. Under statutes applicable to such bonds, if an issuer is unable to meet its obligations, the repayment of such bonds becomes a moral commitment but not a legal obligation of the state or municipality in question. See "Portfolio" and "The Trust" or "The State Trust" in Part A of this Prospectus for the amount of moral obligation bonds contained in each Trust's portfolio.

Certain of the Bonds in each Trust are subject to redemption prior to their stated maturity dates pursuant to sinking fund or call provisions. A sinking fund is a reserve fund appropriated specifically toward the retirement of a debt. A callable bond is one which is subject to redemption or refunding prior to maturity at the option of the issuer. A refunding is a method by which a bond is redeemed at or before maturity from the proceeds of a new issue of bonds. In general, call provisions are more likely to be exercised when the offering side evaluation of a bond is at a premium over par than when it is at a discount from par. A listing of the sinking fund and call provisions, if any, with respect to each of the Bonds in each Trust is contained under the "Portfolio" for such Trust in Part A of this Prospectus. Certificateholders will realize a gain or loss on the early redemption of such Bonds, depending upon whether the price of such Bonds is at a discount from or at a premium over par at the time the Certificateholders Purchase their Units.

Neither the Sponsors nor the Trustee shall be liable in any way for any default, failure or defect in any of the Bonds. Because certain of the Bonds from time to time may be redeemed or will mature in accordance with their terms or may be sold under certain circumstances, no assurance can be given that each Trust will retain its present size and composition for any length of time. The proceeds from the sale of a Bond in a Trust or from the exercise of any redemption or call provision will be distributed to Certificateholders of such Trust, except to the extent such proceeds are applied to meet redemptions of Units. See "Trustee Redemption."

Puerto Rico Bonds. Certain of the Bonds in the portfolio may be general obligations and/or revenue bonds of issuers located in Puerto Rico which will be affected by general economic conditions in Puerto Rico. The economy of Puerto Rico is closely integrated with that of the mainland United States. During fiscal year 1993, approximately 86% of Puerto Rico's exports were to the United States mainland, which was also the source of 69% of Puerto Rico's imports. In fiscal 1993, Puerto Rico experienced a $2.5 billion positive adjusted trade balance. The economy of Puerto Rico is dominated by the manufacturing and service sectors. The manufacturing sector has experienced a basic change over the years as a result of increased emphasis on higher wage, high technology industries such as pharmaceuticals, electronics, computers, microprocessors, professional and scientific instruments, and certain high technology machinery and equipment. The service sector, including finance, insurance and real estate, also plays a major role in the economy. It ranks second only to manufacturing in contribution to the gross domestic product and leads all sectors in providing employment. In recent years, the service sector has experienced significant growth in response to and paralleling the expansion of the manufacturing sector. Since fiscal 1987, personal income has increased consistently in each fiscal year. In fiscal 1993, aggregate personal income was $24.1 billion ($20.6 billion in 1987 prices) and personal income per capita was $6,760 ($5,767 in 1987 prices). Personal income includes transfer payments to individuals in Puerto Rico under various social programs. Total federal payments to Puerto Rico, which include many types in addition to federal transfer payments, are lower on a per capita basis in Puerto Rico than in any state. Transfer payments to individuals in fiscal 1993 were $5.3 billion, of which $3.6 billion, or 67.6%, represent entitlement to individuals who had previously performed services or made contributions under programs such as Social Security, Veterans Benefits and Medicare. The number of persons employed in Puerto Rico during fiscal 1994 averaged 1,011,000. Unemployment, although at a low level compared to the late 1970s, remains above the average for the United States. In fiscal 1994, the unemployment rate in Puerto Rico was 15.9%. Puerto Rico's decade-long economic expansion continued throughout the five-year period from fiscal 1989 through fiscal 1993. Almost every sector of its economy was affected and record levels of employment were achieved. Factors behind this expansion include Commonwealth sponsored economic development programs, the relatively stable prices of oil imports, the continued growth of the United States economy, periodic declines in exchange value of the United States dollar and the relatively low cost borrowing during the period. Real gross product (adjusted to reflect 1987 prices) amounted to approximately $20.07 billion in fiscal 1993, or 3.1% above the fiscal 1992 level. The

Puerto Rico Planning Board's economic activity index, a composite index for thirteen economic indicators, increased 1.6% in fiscal 1994 compared to fiscal 1993, which period showed an increase of 1.4% over fiscal 1992. Growth in the Puerto Rico economy in fiscal 1994 and 1995 depends on several factors, including the state of the United States economy and the relative stability in the price of oil imports, the exchange value of the U.S. dollar and the cost of borrowing.

Discount and Zero Coupon Bonds

The Trust portfolios may contain original issue discount bonds. The original issue discount, which is the difference between the initial issue price of the Bonds and the face value, is deemed to accrue on a daily basis and the accrued portion will be treated as tax-exempt interest income for regular federal income tax purposes. Upon sale or redemption, any gain realized that is in excess of the earned portion of original issue discount will be taxable as capital gain. See "Tax Status." The current value of an original issue discount bond reflects the present value of its face amount at maturity. The market value tends to increase more slowly in early years and in greater increments as the Bonds approach maturity. Of these original issue discount bonds, a portion of the aggregate principal amount of the Bonds in each Trust may be Zero Coupon Bonds. Zero Coupon Bonds do not provide for the payment of any current interest and provide for payment at maturity at face value unless sooner sold or redeemed. The market value of Zero Coupon Bonds is subject to greater fluctuations than coupon bonds in response to changes in interest rates. Zero Coupon Bonds generally are subject to redemption at compound accredited value based on par value at maturity. Because the issuer is not obligated to make current interest payments, Zero Coupon Bonds may be less likely to be redeemed than coupon bonds issued at a similar interest rate. See "Description of Portfolios" in Part A for the aggregate principal amount of original issue discount bonds in each Trust's portfolio.

The Trust portfolios may also contain Bonds that were purchased at deep "market" discount from par value at maturity. This is because the coupon interest rates on the discount Bonds at the time they were purchased and deposited in the Trust were lower than the current market interest rates for newly issued bonds of comparable rating and type. At the time of issuance the discount Bonds were for the most part issued at then current coupon interest rates. The current returns (coupon interest income as a percentage of market price) of discount bonds will be lower than the current returns of comparably rated bonds of similar type newly issued at current interest rates because discount bonds tend to increase in market value as they approach maturity and the full principal amount becomes payable. A discount bond held to maturity will have a larger portion of its total return in the form of capital gain and less in the form of tax-exempt interest income than a comparable bond newly issued at current market rates. Gain on the disposition of a Bond purchased at a market discount generally will be treated as ordinary income, rather than capital gain, to the extent of accrued market discount. Discount bonds with a longer term to maturity tend to have a higher current yield and a lower current market value than otherwise comparable bonds with a shorter term to maturity. If interest rates rise, the value of the bonds will decrease; and if interest rates decline, the value of the bonds will increase. The discount does not necessarily indicate a lack of market confidence in the issuer.

THE STATE TRUSTS

The Sponsor believes the information summarized below describes some of the more significant events relating to the State Trusts. Sources of such information are the official statements of issuers located in the states of the State Trusts which have been issued in connection with debt offerings by such states, as well as other publicly available documents and information. While the Sponsor has not independently verified such information, it has no reason to believe it is not correct in all material respects.

California Trust

Because the California Trust invests in California issues, it is susceptible to political, economic, regulatory or other factors affecting issuers of California municipal securities. The following information constitutes only a brief summary of a number of the complex factors which may have an impact on issuers of California municipal securities and does not purport to be a complete or exhaustive description of all adverse conditions to which issuers of California municipal securities may be subject. Additionally, many factors, including national, economic, social and environmental policies and conditions, which are not within the control of such issuers, could have an adverse impact on the financial condition of such issuers. The California Trust cannot predict whether or to what extent such factors or other factors may affect the issuers of California municipal securities, the market value or marketability of such securities or the ability of the respective issuers of such securities acquired by the California Trust to pay interest on or principal of such securities. Further, the creditworthiness of obligations issued by local California issuers may be unrelated to the creditworthiness of obligations issued by the State of California.

Bonds in the California Trust include primarily debt obligations of the State of California and its subdivisions issued to obtain funds for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, housing, hospitals, mass transportation, schools, streets and water and sewer works. Other purposes for which said Bonds may be issued include the refunding of outstanding obligations, the obtaining of funds for general operating expenses, or the obtaining of funds to lend to public or private institutions for the construction of facilities such as educational, hospital and housing facilities. In addition, certain types of bonds may be issued by California public authorities to finance privately operated housing facilities and certain local facilities for water supply, gas, electricity or sewage or solid waste disposal.

California's economy is the largest among the 50 states and one of the largest in the world. The State's July 1, 1993 population of almost 32 million represents more than 12.0 percent of the total United States population. Total employment is about 14.0 million, the majority of which is in the service, trade and manufacturing sectors.

Recent California Economic Trends

Since the start of the 1990-91 Fiscal Year (July 1 - June 30), California has faced the worst economic, fiscal and budget conditions since the 1930s. Construction, manufacturing (especially aerospace), exports and financial services, among others, have all been severely affected.

Job losses have been the worst of any post-war recession and have continued through the end of 1993. The State Department of Finance (the "Department of Finance") projects that non-farm employment levels will be stable in 1994 and show modest growth in 1995, but pre-recession job levels are not expected to be reached for several more years. Unemployment is expected to remain well above the national average through 1994. The Department of Finance foresees slow recovery from the recession in California beginning in 1994. Both the California and national economic recoveries are much weaker than in previous business cycles, and could be harmed by several factors, including rising interest rates.

California has lost over 850,000 payroll jobs, making this by far the longest and deepest downturn of the post-World War II era. By contrast, in both the 1969-70 and 1981-82 recessions, the State had recovered its job losses by two years after the start of the recession.

Major cuts in federal defense spending are now recognized as the main source of the recession and the largest obstacle to recovery. This year and for the next several years to come, the principal question in the California outlook is when and whether other elements in the State's economy can muster sufficient strength to overcome the continuing drag of defense cuts.

The State's tax revenue experience clearly reflects sharp declines in employment, income and retail sales on a scale not seen in over 50 years. The May 1994 Revision to the 1994-95 Governor's Budget, released May 20, 1994 (the "May Revision"), assumes the State will start to recover from recessionary conditions in 1994, with a modest upturn beginning in 1994 and continuing in 1995, a year later than predicted in the May 1993 Department of Finance economic projection. Pre-recession job levels are not expected to be reached until 1997.

National Economic Trends

Economic recovery is apparently proceeding at a steady pace for the nation as a whole. The May Revision economic forecast for the United States is moderately higher, reflecting both improved prospects and upward revisions in several major data series.

The recovery gained momentum in the last quarter of 1993, with GDP expanding at a 7 percent rate. This was stronger than assumed for the Budget forecast in January, 1993. Strength in the recovery has been reflected in car sales, housing starts, job gains, industrial production and corporate profits. Business investment in equipment has strengthened beyond that expected for the Budget forecast. Inflation remains under control, and appears to be coming in lower than previously forecast.

On the downside, investment in nonresidential structures is coming in weaker than anticipated. Federal spending for both defense and nondefense programs has fallen more rapidly than forecast previously, and a surge in imports has contributed to a large foreign trade deficit. California's Northridge Earthquake was reflected in national data, although the effect was far smaller and more temporary for the United States than it will be for the State.

Gross domestic product (GDP) for the first quarter of 1994 grew at essentially the rate forecast late last year. For all of 1994, however, real GDP is now expected to grow by 3.6 percent. Growth for 1995 is expected to be reduced as concerns mount over the impact of higher interest rates.

Although assumptions underlying various forecasts included rising interest rates, policy moves by the Federal Reserve in recent months have pushed rates up faster than expected. The mortgage rate is of particular concern. There are reports that housing activity resales, refinancings, and new building is already slowing down. It will be difficult to keep the recovery going if rates edge higher in coming months.

Another downside risk is the as yet unresolved issue of health care coverage and costs. Both interest rates and the health care question are critical factors for job creation. Small businesses, in particular, could be adversely affected by rising health costs, and it is this sector which creates many of the new jobs during an economic upturn.

California Economy

There is growing evidence that California is showing signs of an economic turnaround, and the May Revision forecast is revised up from the January Budget forecast. Since the January Budget forecast, 1993 nonfarm employment has been revised upward by 31,000. Employment in the early months of 1994 has shown encouraging signs of growth, several months sooner than was contemplated in the January Budget forecast. Between December and April, payrolls were up by 50,000 jobs. The Northridge Earthquake may have dampened economic activity briefly during late January and February, but the rebuilding effects are now adding a small measure of stimulus.

Sectors which are contributing to California's recovery include construction and related manufacturing, wholesale and retail trade, transportation and several service industries such as amusements and recreation, business services and management consulting. Electronics is showing modest growth and the rate of decline in aerospace manufacturing is slowly diminishing. These trends are expected to continue, and by next year, much of the restructuring in the finance and utilities industries should be nearly completed. Thus, the State's recovery should gain momentum over the next two years.

As a result of these factors, average 1994 nonfarm employment is now forecast to maintain 1993 levels compared to a projected 0.6 percent decline in the January budget. 1995 employment is expected to be up 1.6 percent, compared to 0.7 percent in the January budget.

The Northridge Earthquake resulted in a downward revision of this year's personal income growth from 4.0 percent in the January Budget to 3.6 percent. However, this decline is more than explained by the $5.5 billion charge against rental and proprietor's incomes equal to 0.8 percent of total income reflecting uninsured damage from the quake. Next year, without the quake effects, incomes grow 6.1 percent, compared to 5 percent in the January Budget. Without these quake effects, income growth was little changed in the May Revision compared to the January forecast contained in the Governor's Proposed Budget.

The housing forecast remains essentially unchanged. Although existing home sales have strengthened and subdivision surveys indicated increased new home sales, building permits are up only slightly from recession lows. Gains are expected in the months ahead, but higher mortgage interest rates will dampen the upturn. Essentially, the earthquake adds a few thousand units to the forecast, but this effect is offset by higher interest rates.

Interest rates represent one of several downside risks to the forecast. The rise in interest rates has occurred more rapidly than contemplated in the January Budget forecast. In addition to affecting housing, higher rates may also dampen consumer spending, given the high proportion of California homeowners with adjustable-rate mortgages. The May Revision forecast includes a further rise in the Federal Funds rate to nearly 5 percent by the beginning of 1995. Should rates rise more steeply, housing and consumer spending would be adversely affected.

The employment upturn is still tenuous. The Employment Development Department revised down February's employment gain and March was revised to a small decline. Unemployment rates in California have historically been volatile since January ranging from a high of 10.1 percent to a low of 8.6 percent. The small sample size coupled with changes made to the survey instrument in January contribute to this volatility.

The State. The recession has seriously affected State tax revenues, which basically mirror economic conditions. It has also caused increased expenditures for health and welfare programs. The State has also been facing a structural imbalance in its budget with the largest programs supported by the General Fund K-12 schools and community colleges, health and welfare, and corrections growing at rates higher than the growth rates for the principal revenue sources of the General Fund. As a result, the State has experienced recurring budget deficits. The State Controller reports that expenditures exceeded revenues for four of the five fiscal years ending with 1991-92 and were essentially equal in 1992-93. By June 30, 1993, according to the Department of Finance, the State's Special Fund for Economic Uncertainties had a deficit, on a budget basis, of approximately $2.8 billion. The 1993-94 Budget Act incorporated a Deficit Retirement and Reduction Plan to repay this deficit over two fiscal years. The original budget for 1993-94 reflected revenues which exceeded expenditures by approximately $2.0 billion. As a result of the continuing recession, the excess of revenues over expenditures for the fiscal year is now expected to be only about $500 million. Thus the accumulated budget deficit at June 30, 1994 is now estimated by the Department of Finance to be approximately $2.0 billion, and the deficit will not be retired by June 30, 1995 as planned.

The accumulated budget deficits over the past several years, together with expenditures for school funding, which have not been reflected in the budget, and reduction of available internal borrowable funds, have combined to significantly deplete the State's cash resources to pay its ongoing expenses. In order to meet its cash needs, the State has had to rely for several years on a series of external borrowings, including borrowings past the end of a fiscal year. Such borrowings are expected to continue in the future, provided that the State may not issue any revenue anticipation notes, reimbursement warrants or other registered warrants which by their terms are due and payable on or prior to April 26, 1996, the maturity date of the 1994 Revenue Anticipation Warrants, other than the Notes and the 1994 Revenue Anticipation Warrants.

Administration reports during the course of the 1993-94 Fiscal Year have indicated that while economic recovery appears to have started in the second half of the fiscal year, recessionary conditions continued longer than had been anticipated when the 1993-94 Budget Act was adopted. Overall, revenues for the 1993-94 Fiscal Year were approximately $800 million lower than original projections, and expenditures were approximately $780 million higher, primarily because of higher health and welfare caseloads, lower property taxes which require greater State support for K-12 education to make up the shortfall, and lower than anticipated federal government payments for immigration-related costs. The most recent reports, however, in May and June, 1994, indicated that revenues in the second half of the 1993-94 Fiscal Year have been very close to the projections made in the Governor's Budget of January 10, 1994, which is consistent with a slow turnaround in the economy.

During the 1993-94 Fiscal Year, the State implemented the Deficit Retirement and Reduction Plan, which was part of the 1993-94 Budget Act, by issuing $1.2 billion of revenue anticipation warrants in February 1994 maturing December 21, 1994. This borrowing reduced the cash deficit at the end of the 1993-94 Fiscal Year. Nevertheless, because of the $1.5 billion variance from the original Budget Act assumptions, the General Fund ended the Fiscal Year at June 30, 1994, carrying forward an accumulated deficit of approximately $2 billion.

Because of the revenue shortfall and the State's reduced internal borrowable cash resources, in addition to the $1.2 billion of revenue anticipation warrants issued as part of the Deficit Retirement and Reduction Plan, the State issued an additional $2.0 billion of revenue anticipation warrants which were needed to fund the State's obligations and expenses through the end of the 1993-94 Fiscal Year.

Northridge Earthquake. On January 17, 1994, a major earthquake measuring an estimated 6.8 on the Richter Scale struck Los Angeles. Significant property damage to private and public facilities occurred in a four-county area including northern Los Angeles County, Ventura County, and parts of Orange and San Bernardino Counties. These areas were declared as State and federal disaster areas by January 18. Current estimates of total property damage (private and public) are in the range of $20 billion, but these estimates are subject to change.

Despite such damage, on the whole, the vast majority of structures in the areas, including large manufacturing and commercial buildings and all modern high-rise offices, survived the earthquake with minimal or no damage, validating the cumulative effect of strict building codes and thorough preparation for such an emergency by the State and local agencies.

Damage to State-owned facilities included transportation corridors and facilities such as Interstate Highways 5 and 10 and State Highways 14, 118 and 210. Most of the major highways (Interstates 5 and 10) have now been reopened. The campus at California State University Northridge (very near the epicenter) suffered an estimated $350 million damage, resulting in temporary closure of the campus. The campus has reopened on a reduced operating basis using borrowed facilities elsewhere in the area and many temporary structures. There was also some damage to University of California at Los Angeles. Overall, except for the temporary road and bridge closures, and CSU-Northridge, the earthquake did not and is not expected to significantly affect State government operations.

The President immediately allocated some available disaster funds, and Congress has approved additional funds for a total of at least $9.5 billion of federal funds for earthquake relief, including assistance to homeowners and small businesses, and costs for repair of damaged public facilities. The Governor has announced that the State's share for transportation projects would come from existing Department of Transportation funds (thereby delaying other, non-earthquake related projects), the State's share for certain other costs (including local school building repairs) would come from reallocating existing bond funds, and that a proposed program for homeowner and small business aid supplemental to federal aid would have to be abandoned. Some other costs will be borrowed from the federal government in a manner similar to that used by the State of Florida after Hurricane Andrew. Pursuant to Senate Bill 2383, repayment will have to be addressed in 1995-96 or beyond.

1994-95 Budget Act. The 1994-95 Fiscal Year represents the fourth consecutive year the Governor and Legislature were faced with a very difficult budget environment to produce a balanced budget. Many program cuts and budgetary adjustments have already been made in the last three years. The Governor's Budget Proposal, as updated in May and June, 1994, recognized that the accumulated deficit could not be repaid in one year, and proposed a two-year solution. The budget proposal sets forth revenue and expenditure forecasts and revenue and expenditure proposals which result in operating surpluses for the budget for 1994-95, and lead to the elimination of the accumulated budget deficit, estimated at about $2.0 billion at June 30, 1994, by June 30, 1996.

The 1994-95 Budget Act, signed by the Governor on July 8, 1994, projects revenues and transfers of $41.9 billion, $2.1 billion higher than revenues in 1993-94. This reflects the Administration's forecast of an improving economy. Also included in this figure is a projected receipt of about $360 million from the Federal Government to reimburse the State's cost of incarcerating undocumented immigrants. The State will not know how much the Federal Government will actually provide until the Federal Fiscal Year 1995 Budget is completed, which is expected to be by October, 1994. The Legislature took no action on a proposal in the January Governor's Budget to undertake an expansion of the transfer of certain programs to counties, which would also have transferred to counties 0.5% of the State's current sales tax.

The 1994-95 Budget Act contains no tax increases. Under legislation enacted for the 1993-94 Budget, the renters' tax credit was suspended for two years (1993 and 1994). A ballot proposition to permanently restore the renters' tax credit after this year failed at the June, 1994 election. The Legislature enacted a further one-year suspension of the renters' tax credit, for 1995, saving approximately $390 million in the 1995-96 Fiscal Year. Subsequent to the enactment of the 1994-95 Budget Act, the State of California's bond rating was lowered to A by Standard & Poor's Corporation and to A by Fitch Investors Service, Inc. Moody's Investors Service, Inc. also lowered the State of California's long-term rating to A1.

Certain issuers of California Municipal Bonds receive subventions from the State which are eligible to be used to make payments on said Bonds. No prediction can be made as to what effect continued decreases in subventions may have on the ability of some issuers to make such payments.

Constitutional and Statutory Limitations; Recent Initiatives; Pending Litigation

Article XIIIA of the California Constitution (which resulted from the voter-approved Proposition 13 in 1978) limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the property, and effectively prohibits the levying of any other ad valorem property tax for general purposes. However, on May 3, 1986, Proposition 46, an amendment to Article XIIIA, was approved by the voters of the State of California, creating a new exemption under Article XIIIA permitting an increase in ad valorem taxes on real property in excess of 1% for bonded indebtedness approved by two-thirds of the voters voting on the proposed indebtedness. "Full cash value" is defined as "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value" or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The "full cash value" is subject to annual adjustment to reflect increases (not to exceed 2%) or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIB of the California Constitution limits the amount of appropriations of the State and of local governments to the amount of appropriations of the entity for the prior year, adjusted for changes in the cost of living, population and the services that the local government has financial responsibility for providing. To the extent the revenues of the state and/or local government exceed its appropriations, the excess revenues must be rebated to the public either directly or through a tax decrease. Expenditures for voter-approved debt services are not included in the appropriations limit.

In 1986, California voters approved an initiative statute known as Proposition 62. This initiative (i) required that any tax for general governmental purposes imposed by local governments be approved by a majority of the electorate of the government entity, (ii) required that any special tax (defined as taxes levied for other than general government purposes) imposed by a local government entity be approved by a two-thirds vote of the voters within that jurisdiction, (iii) restricted the use of revenues from a special tax to the purposes or for the service for which the special tax is imposed, (iv) prohibited the imposition of ad valorem taxes on real property by local government entities except as permitted by Article XIIIA, (v) prohibited the imposition of transaction taxes and sales taxes on the sale of real property by local governments, (vi) required that any tax imposed by a local government on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988, (vii) required that, in the event a local government fails to comply with the provisions of this measure, a reduction in the amount of property tax revenues allocated to such local government occur in an amount equal to the revenues received by such entity attributable to the tax levied in violation of the initiative, and (viii) permitted those provisions to be amended exclusively by the voters of the State of California. While several recent decisions of the California Courts of Appeal have held that all or portions of Proposition 62 are unconstitutional, the California Supreme Court has yet to consider the matter.

At the November 9, 1988 general election, California voters approved an initiative known as Proposition 98. This initiative amends Article XIIIB to require that (i) the California Legislature establish a prudent state reserve fund in an amount as it shall deem reasonable and necessary and (ii) revenues in excess of amounts permitted to be spent and which would otherwise be returned pursuant to Article XIIIB by revision of tax rates or fee schedules, be transferred and allocated (up to a maximum of 40%) to the State School Fund and be expended solely for purposes of instructional improvement and accountability. Proposition 98 also amends Article XVI to require that the State of California provide a minimum level of funding for public schools and community colleges. Commencing with the 1988-89 fiscal year, money to be applied by the State for the support of school districts and community college districts shall not be less than the greater of: (i) the amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIIIB, equals the percentage of such State general fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986-87 or (ii) the amount required to ensure that the total allocations to school districts and community college districts from the State general fund proceeds of taxes appropriated pursuant to Article XIIIB and allocated local proceeds of taxes shall not be less than the total amount from these sources in the prior year, adjusted for increases in enrollment and adjusted for changes in the costs of living pursuant to the provisions of Article XIIIB. The initiative permits the enactment of legislation, by a two-thirds vote, to suspend the minimum funding requirement for one year. As a result of Proposition 98, funds that the State might otherwise make available to its political subdivisions may be allocated instead to satisfy such minimum funding level.

On November 3, 1992, voters approved an initiative statute, Proposition 163, which exempts certain food products, including candy and other snack foods, from California's sales tax. The sales tax had been broadened to include those items as part of the 1991-92 budget legislation.

Article XIIIA, Article XIIIB and a number of propositions were adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiatives may cause California issuers to receive reduced revenues, or to increase expenditures, or both.

Recent Initiatives. In July 1991, California increased taxes by adding two new marginal tax rates, at 10% and 11%, effective for tax years 1991 through 1995. After 1995, the maximum personal income tax rate is scheduled to return to 9.3%, and the alternative minimum tax rate is scheduled to drop from 8.5% to 7%. In addition, legislation in July 1991 raised the sales tax by 1.25%, of which 0.5% was a permanent addition. This tax increase will be cancelled if a court rules that such tax increase violates any constitutional requirements. Although 0.5% of the State tax rate was scheduled to expire on June 30, 1993, such amount was extended for six months for the benefit of counties and cities. On November 2, 1993, voters approved extension of this 0.5% levy as a permanent source of funding for local government.

The November 2, 1993 special election ballot also contained an initiative constitutional amendment providing parental choice regarding education. This initiative would have required the State to allocate every school-age child a scholarship in an amount equal to at least 50% of the prior year's per-pupil State and local government expenditure for kindergarten through twelfth grade education. Such scholarships would have been redeemable by public or private schools. If passed, the parental choice initiative could have threatened the fiscal stability of any school district in which a significant number of students withdraw and enroll elsewhere. Although the initiative failed, other parental choice initiatives have already been filed in an attempt to qualify them for future voter consideration.

Pending Litigation. On June 20, 1994, the United States Supreme Court, in two companion cases, upheld the validity of California's prior method of taxing multinational corporations under a "unitary" method of accounting for their worldwide earnings. Barclays Bank PLC v. Franchise Tax Board concerned foreign corporations, and Colgate-Palmolive v. Franchise Tax Board concerned domestic corporations.

In the spring of 1991, the Richmond Unified School District ("RUSD") Board of Directors attempted to end classes six weeks early because of a fiscal crisis. In response to lawsuits, a lower court judge, in a case called Butt v. State of California, ordered the State, over objections from the Governor, to provide funding to allow the school year to be completed, and an emergency loan was arranged by the State Controller. On appeal, the California Supreme Court in late December, 1992 upheld the lower court's action, ruling that the State Constitution's guarantee of public education required the State to ensure a full year's education in all school districts. The Court, however, overturned a portion of the original order relating to the source of funds for RUSD's emergency loan; the decision leaves unclear just where the State must find funds to make any future loans of this kind.

In Parr v. State of California, a complaint was filed in federal court claiming that payment of wages in registered warrants violated the Fair Labor Standards Act ("FLSA"). The federal court held that the issuance of registered warrants does violate the FLSA. The next phase of the trial will focus on the issue of damages. The maximum amount of damages is the amount of the salary originally owed or approximately $350 million.

The State is involved in a lawsuit seeking reimbursement for alleged State-mandated costs. In Thomas Hayes v. Commission on State Mandates, the state director of finance is appealing a 1984 decision by the State Board of Control. The Board of Control decided in favor of local school districts' claims for reimbursement for special education programs for handicapped students; however, funds have not been appropriated. The amount of potential liability to the State, if all potentially eligible school districts pursue timely claims, has been estimated by the Department of Finance at over $1 billion.

The State is involved in two lawsuits related to contamination at the Stringfellow toxic waste site. In one suit, the State is one of approximately 130 defendants in Penny Newman v. J.B. Stringfellow, et al. in which 3,800 plaintiffs are claiming damages of $850 million arising from contamination at the Stringfellow toxic waste site. A conservative estimate of the State's potential liability is $250 million to $550 million. A group of 17 of the plaintiffs has received a verdict of $159,000 against the State. In a separate lawsuit, United States, People of the State of California v. J.B. Stringfellow, Jr. et al. the State is seeking recovery for past costs of cleanup of the site, a declaration that the defendants are jointly and severally liable for future costs, and an injunction ordering completion of the cleanup. However, the defendants have filed a counterclaim against the State for alleged negligent acts. Because the State is the present owner of the site, the State may be found liable. Present estimates of the cleanup range from $200 million to $800 million.

In 1992 the State, as part of an experimental work incentive program, reduced welfare payments to approximately 2.7 million people who receive Aid to Families with Dependent Children. The State's reduction in welfare payments was challenged in federal court. In a recent United States Court of Appeals ruling, the Court held that the State welfare cuts were improper. To date, the decision has not been appealed. The Court's decision could cost the State approximately $202 million a year in increased welfare benefit costs. In such event, the State may shift some or all of the increased burden to local governments.

New York Trust

State Economic Trends.

Over the long term, the State of New York (the "State") and the City of New York (the "City") face serious potential economic problems. The City accounts for approximately 41% of the State's population and personal income, and the City's financial health affects the State in numerous ways. The State historically has been one of the wealthiest states in the nation. For decades, however, the State has grown more slowly than the nation as a whole, gradually eroding its relative economic affluence. Statewide, urban centers have experienced significant changes involving migration of the more affluent to the suburbs and an influx of generally less affluent residents. Regionally, the older Northeast cities have suffered because of the relative success that the South and the West have had in attracting people and business. The City has also had to face greater competition as other major cities have developed financial and business capabilities which make them less dependent on the specialized services traditionally available almost exclusively in the City. In recent years the State's economic position has improved in a manner consistent with that for the Northeast as a whole.

The State has for many years had a very high State and local tax burden relative to other states. The State and its localities have used these taxes to develop and maintain their transportation networks, public schools and colleges, public health systems, other social services and recreational facilities. Despite these benefits, the burden of State and local taxation, in combination with the many other causes of regional economic dislocation, has contributed to the decisions of some businesses and individuals to relocate outside, or not locate within, the State.

Notwithstanding the numerous initiatives that the State and its localities may take to encourage economic growth and achieve balanced budgets, reductions in Federal spending could materially and adversely affect the financial condition and budget projections of the State and its localities.

New York City.

General. The City, with a population of approximately 7.3 million, is an international center of business and culture. Its non-manufacturing economy is broadly based, with the banking and securities, life insurance, communications, publishing, fashion design, retailing and construction industries accounting for a significant portion of the City's total employment earnings. Additionally, the City is the nation's leading tourist destination. The City's manufacturing activity is conducted primarily in apparel and publishing.

The national economic downturn which began in July 1990 adversely affected the local economy, which had been declining since late 1989. As a result, the City experienced job losses in 1990 and 1991 and real Gross City Product (GCP) fell in those two years. In order to achieve a balanced budget as required by the laws of the State for the 1992 fiscal year, the City increased taxes and reduced services during the 1991 fiscal year to close a then projected gap of $3.3 billion in the 1992 fiscal year which resulted from, among other things, lower than projected tax revenue of approximately $1.4 billion, reduced State aid for the City and greater than projected increases in legally mandated expenditures, including public assistance and Medicaid expenditures. Beginning in calendar year 1992, the improvement in the national economy helped stabilize conditions in the City. Employment losses moderated toward year-end and real GCP increased, boosted by strong wage gains. The City now projects, and its current four-year financial plan assumes, that the City's economy will continue to improve and that a modest employment recovery will occur during calendar year 1994.

For each of the 1981 through 1993 fiscal years, the City achieved balanced operating results as reported in accordance with generally accepted accounting principles ("GAAP"), and the City's 1994 fiscal year results are projected to be balanced in accordance with GAAP. The City was required to close substantial budget gaps in recent years in order to maintain balanced operating results. For fiscal year 1995, the City has adopted a budget which has halted the trend in recent years of substantial increases in City spending from one year to the next. The City's ability to maintain balanced budgets in the future is subject to numerous contingencies; therefore, even though the City has managed to close substantial budget gaps in recent years in order to maintain balanced operating results, there can be no assurance that the City will continue to maintain a balanced budget as required by State law without additional tax or other revenue increases or reductions in City services, which could adversely affect the City's economic base.

Pursuant to the laws of the State, the City prepares an annual four-year financial plan, which is reviewed and revised on a quarterly basis and which includes the City's capital, revenue and expense projections. The City is required to submit its financial plans to review bodies, including the New York State Financial Control Board ("Control Board"). If the City were to experience certain adverse financial circumstances, including the occurrence or the substantial likelihood and imminence of the occurrence of an annual operating deficit of more than $100 million or the loss of access to the public credit markets to satisfy the City's capital and seasonal financing requirements, the Control Board would be required by State law to exercise powers, among others, of prior approval of City financial plans, proposed borrowings and certain contracts.

Fiscal Years 1993 and 1994. The City achieved balanced operating results for the 1993 fiscal year as reported in accordance with GAAP.

On July 8, 1994, the City submitted to the Control Board a fourth quarter modification to the City's Financial Plan for the 1994 fiscal year (the "1994 Modification") which projects a balanced budget in accordance with GAAP for the 1994 fiscal year, after taking into account a discretionary transfer of $171 million in resources to the 1995 fiscal year.

1995-1998 Financial Plan. On July 8, 1994, the City submitted to the Control Board the Financial Plan for the 1995-1998 fiscal years (the "1995-1998 Financial Plan" or "Financial Plan"), which relates to the City, the Board of Education ("BOE") and the City University of New York ("CUNY"). The Financial Plan is based on the City's expense and capital budgets for the City's 1995 fiscal year, which were adopted on June 23, 1994.

The 1995-1998 Financial Plan projects revenues and expenditures for the 1995 fiscal year balanced in accordance with GAAP. The projections for the 1995 fiscal year reflect proposed actions to close a previously projected gap of approximately $2.3 billion for the 1995 fiscal year, which include City actions aggregating $1.9 billion, a $288 million increase in State actions over the 1994 and 1995 fiscal years, and a $200 million increased in Federal assistance. The City actions include proposed agency actions aggregating $1.1 billion, including productivity savings; tax and fee enforcement initiatives; service reductions; and savings from the restructuring of City services. City actions also include savings of $45 million resulting from proposed tort reform, the projected transfer to the 1995 fiscal year of $171 million of the projected 1994 fiscal year surplus, savings of $200 million for employee health care costs, $51 million in reduced pension costs, savings of $225 million from refinancing City bonds and $65 million from the proposed sale of certain City assets. The proposed savings for employee health care costs are subject to collective bargaining negotiation with the City's unions; the proposed savings from tort reform will require the approval of the State Legislature; and the $200 million increase in Federal assistance is subject to approval by Congress and the President.

The Financial Plan also set forth projections for the 1996 through 1998 fiscal years and outlines a proposed gap-closing program to close projected gaps of $1.5 billion, $2.0 billion and $2.4 billion for the 1996 through 1998 fiscal years, respectively, after successful implementation of the $2.3 billion gap-closing program for the 1995 fiscal year.

The projections for the 1996 through 1998 fiscal years assume the extension by the State Legislature of the 14% personal income tax surcharge beyond calendar year 1995 and extension of the 12.5% personal income tax surcharge beyond calendar year 1996, resulting in combined revenues of $159 million, $633 million and $920 million in the 1996, 1997 and 1998 fiscal years, respectively. However, as part of the tax reduction program reflected in the Financial Plan, the City is proposing the elimination of the 12.5% personal income tax surcharge when it expires at a cost of $184 million in fiscal year 1997 and $455 million in fiscal year 1998. The proposed gap-closing actions include City actions aggregating $1.2 billion, $1.5 billion and $1.7 billion in the 1996 through 1998 fiscal years, respectively; $275 million, $375 million and $525 million in proposed additional State actions in the 1996 through 1998 fiscal years, respectively, primarily from the proposed State assumption of certain Medicaid costs; and $100 million and $200 million in proposed additional Federal assistance in the 1997 and 1998 fiscal years, respectively. The proposed additional City actions, a substantial number of which are unspecified, include additional spending reductions, the reduction of City personnel through attrition, government efficiency initiatives, procurement initiatives, labor productivity initiatives, and the proposed privatization of City sewage treatment plants. Certain of these initiatives may be subject to negotiation with the City's municipal unions. Various actions proposed in the Financial Plan for the 1996-1998 fiscal years, including the proposed state actions, are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal assistance is subject to approval by Congress and the President. The State Legislature has in previous legislative sessions failed to approve certain of the City's proposals for the State assumption of certain Medicaid costs and mandate relief, thereby increasing the uncertainty as to the receipt of the State assistance included in the Financial Plan. In addition, the Financial Plan assumes the continuation of the current assumption with respect to wages for City employees and the assumed 9% earnings on pension fund assets affecting the City's pension fund contributions. Actual earnings on pension fund assets for the 1994 fiscal year are expected to be substantially below the 9% assumed rate, which will increase the City's future pension contributions. In addition, a review of the pension fund earnings assumptions is currently being conducted which could further increase the City's future pension contributions by a substantial amount.

The City expects that tax revenue for the 1994 fiscal year will be approximately $65 million less than forecast in the 1994 Modification, primarily due to shortfalls in the personal income tax and sales tax, and that expenditures will be approximately $25 million greater than forecast. Accordingly, the $171 million of the projected surplus for the 1994 fiscal year, which is currently projected in the 1994 Modification and the Financial Plan to be transferred to the 1995 fiscal year, will decrease to $81 million. As a result, the City will reduce expenditures for the 1995 fiscal year to offset this decrease, which is expected to be reflected in the first quarter modification to the Financial Plan. In addition, the Financial Plan assumes that a special session of the State Legislature, which may take place in the near future, will enact, and the Governor will sign, State legislation relating to the proposed tort reform, which would save the City $45 million in payments for tort liability in fiscal year 1995, and certain anticipated improvements in fine and fee collections forecast to earn $25 million in City revenue in fiscal year 1995, and that the State Legislature will not enact proposed legislation mandating additional pension benefits for City retirees costing the City approximately $200 million annually. To address these and other possible contingencies, on July 11, 1994, the Mayor stated that he will reserve $100 million from authorized spending by City agencies in fiscal year 1995 in addition to the existing general reserves of $150 million. In addition, the City has identified a $360 million contingency program for the 1995 fiscal year, primarily consisting of layoffs and service reductions.

Collective Bargaining Agreements. In January 1993, the City announced a settlement with a coalition of municipal unions, including Local 237 of the International Brotherhood of Teamsters ("Local 237"), District Council 37 of the American Federation of State, County and Municipal Employees ("District Council 37") and other unions covering approximately 44% of the City's workforce. The settlement, which has been ratified by the unions, includes a total net expenditure increase of 8.25% over a 39-month period, ending March 31, 1995 for most of these employees. Between April 1993 and May 1994 the City announced agreements with the Uniformed Fire Officers Association (the "UFOA"), the United Federation of Teachers ("UFT"), the Housing Authority Police Benevolent Association ("HAPBA") and the Uniformed Firefighters Association ("UFA"), and recently announced tentative settlements with the Transit Police Benevolent Association ("TPBA") and the Patrolmen's Benevolent Association ("PBA"), all of which are generally consistent with the coalition agreement. The TPBA's delegate body has rejected the tentative settlement and the PBA's delegate body has ratified it. The Financial Plan reflects the costs for all City-funded employees associated with these settlements and provides for similar increases for all other City-funded employees.

The Financial Plan provides no additional wage increases for City employees after their contracts expire in the 1995 and 1996 fiscal years. Each 1% wage increase for all employees commencing in the 1995 and 1996 fiscal years would cost the City an additional $130 million for the 1995 fiscal year, $140 million for the 1996 fiscal year and $150 million each year thereafter above the amounts provided for in the Financial Plan.

Actions to Close the Gaps. The 1995-1998 Financial Plan reflects a program of proposed actions by the City, State and Federal governments to close the gaps between projected revenues and expenditures of $1.5 billion, $2.0 billion and $2.4 billion for the 1996, 1997 and 1998 fiscal years, respectively.

City gap-closing actions total $1.2 billion in the 1996 fiscal year, $1.5 billion in the 1997 fiscal year and $1.7 billion in the 1998 fiscal year. These actions, a substantial number of which are unspecified, include additional spending reductions, aggregate $501 million, $598 million and $532 million in the 1996 through 1998 fiscal years, respectively; the reduction of City personnel through attrition, resulting in savings of $39 million, $138 million and $253 million in the 1996 through 1998 fiscal years, respectively; government efficiency initiatives aggregating $150 million, $230 million and $310 million in the 1996 through 1998 fiscal years, respectively; procurement initiatives, aggregating $50 million, $100 million and $150 million in the 1996 through 1998 fiscal years, respectively; labor productivity initiatives, aggregating $250 million in each of the 1996 through 1998 fiscal years; and a proposed privatization of City sewage treatment plants which would result in revenues of $200 million in each of the 1996 through 1998 fiscal years. Certain of these initiatives may be subject to negotiation with the City's municipal unions.

State actions proposed in the gap-closing program total $275 million, $375 million and $525 million in each of the 1996, 1997 and 1998 fiscal years, respectively. These actions include savings primarily from the proposed State assumption of certain Medicaid costs.

The Federal actions proposed in the gap-closing program are $100 million and $200 million in increased Federal assistance in fiscal years 1997 and 1998, respectively.

Various actions proposed in the Financial Plan, including the proposed increase in State aid, are subject to approval by the Governor and the State Legislature, and the proposed increase in Federal aid is subject to approval by Congress and the President. State and Federal actions are uncertain and no assurance can be given that such actions will in fact be taken or that the savings that the City projects will result from these actions will be realized. The State Legislature failed to approve a substantial portion of the proposed State assumption of Medicaid costs in the last session. The Financial Plan assumes that these proposals will be approved by the State Legislature during the 1995 fiscal year and that the Federal government will increase its share of funding for the Medicaid program. If these measures cannot be implemented, the City will be required to take other actions to decrease expenditures or increase revenues to maintain a balanced financial plan.

Although the City has maintained balanced budgets in each of its last thirteen fiscal years, and is projected to achieve balanced operating results for the 1995 fiscal year, there can be no assurance that the gap-closing actions proposed in the Financial Plan can be successfully implemented or that the City will maintain a balanced budget in future years without additional State aid, revenue increases or expenditure reductions. Additional tax increases and reductions in essential City services could adversely affect the City's economic base.

Assumptions. The 1995-1998 Financial Plan is based on numerous assumptions, including the continuing improvement in the City's and the region's economy and a modest employment recovery during calendar year 1994 and the concomitant receipt of economically sensitive tax revenues in the amounts projected. The 1995-1998 Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors, the extent, if any, to which wage increases for City employees exceed the annual increases assumed for the 1995 through 1998 fiscal years; continuation of the 9% interest earnings assumptions for pension fund assets and current assumptions with respect to wages for City employees affecting the City's required pension fund contributions; the willingness and ability of the State, in the context of the State's current financial condition, to provide the aid contemplated by the Financial Plan and to take various other actions to assist the City, including the proposed State takeover of certain Medicaid costs and State mandate relief; the ability of HHC, BOE and other such agencies to maintain balanced budgets; the willingness of the Federal government to provide Federal aid; approval of the proposed continuation of the personal income tax surcharge; adoption of the City's budgets by the City Council in substantially the forms submitted by the Mayor; the ability of the City to implement proposed reductions in City personnel and other cost reduction initiatives, which may require in certain cases the cooperation of the City's municipal unions, and the success with which the City controls expenditures; savings for health care costs for City employees in the amounts projected in the Financial Plan; additional expenditures that may be incurred due to the requirements of certain legislation requiring minimum levels of funding for education; the impact on real estate tax revenues of the current weakness in the real estate market; the City's ability to market its securities successfully in the public credit markets; the level of funding required to comply with the Americans with Disabilities Act of 1990; and additional expenditures that may be incurred as a result of deterioration in the condition of the City's infrastructure.

The projections and assumptions contained in the 1995-1998 Financial Plan are subject to revision which may involve substantial change, and no assurance can be given that these estimates and projections, which include actions which the City expects will be taken but which are not within the City's control, will be realized.

Certain Reports. From time to time, the Control Board staff, the City Comptroller and others issue reports and make public statements regarding the City's financial condition, commenting on, among other matters, the City's financial plans, projected revenues and expenditures and actions by the City to eliminate projected operating deficits. Some of these reports and statements have warned that the City may have underestimated certain expenditures and overestimated certain revenues and have suggested that the City may not have adequately provided for future contingencies. Certain of these reports have analyzed the City's future economic and social conditions and have questioned whether the City has the capacity to generate sufficient revenues in the future to meet the costs of its expenditure increases and to provide necessary services.

On March 1, 1994, the City Comptroller issued a report on the state of the City's economy. The report concluded that, while the City's long recession is over, moderate growth is the best the City can expect, with the local economy being held back by continuing weakness in important international economies.

On July 11, 1994, the City Comptroller issued a report on the City's adopted budget for the 1995 fiscal year. The City Comptroller stated that if none of the uncertain proposals are implemented, the total risk could be as much as $763 million to $1.02 billion. Risks which were identified as substantial risks include a possible $208 million to $268 million increase in overtime costs; approval by the State Legislature of a tort reform program to limit damage claims against the City, which would result in savings of $45 million; the $65 million proceeds from a proposed asset sale; additional expenditures at Health and Hospitals Corporation totaling $60 million; and $60 million of increased pension contributions resulting from lower than assumed pension fund earnings. Additional possible risks include obtaining the agreement of municipal unions to the proposed reduction in City expenditures for health care costs by $200 million; uncertainties concerning the assumed improvement in the collection of taxes, fines and fees totaling $50 million; renegotiation of the terms of certain Port Authority leases totaling $75 million; and uncertainty concerning the receipt of the $200 million of increased Federal aid projected for the 1995 fiscal year. The City Comptroller noted that there are a number of additional issues, including possible larger than projected expenditures for foster care and public assistance and the receipt of $100 million from assumed FICA refunds. The City Comptroller has also stated in a report issued on June 8, 1994 that certain of the reductions in personnel and services proposed in the City's financial plan submitted to the Control Board on May 10, 1994 (the "May Financial Plan") will have long-term and, in some cases, severe consequences for City residents.

In addition, on July 11, 1994, the private members of the Control Board, Robert R. Kiley, Heather L. Ruth and Stanley S. Shuman, issued a statement which concluded that the 1995 fiscal year is not reasonably balanced and that further budget cuts are unavoidable in the next six months. In addition, the private members stated that the Financial Plan does not set forth a path to structural balance. The private members stated that, in order to achieve this goal, City managers must be given fiscal targets they can be expected to meet; solid new proposals must be developed that back up the savings the City has committed to achieve to balance future budgets; and the deferral of expenses to future years, through actions such as the sale of property tax receivables, stretching out pension contributions and delaying debt service payments through refundings, must stop. On July 11, 1994, the Control Board staff stated that the City faces risks of greater than $1 billion and $2 billion for the 1995 and 1996 fiscal years, respectively, and risks of approximately $3 billion for each of the 1997 and 1998 fiscal years.

New York City Indebtedness. Outstanding indebtedness having an initial maturity greater than one year from the date of issuance of the City as of March 31, 1994 was $21,290,000 compared to $19,624,000 as of March 31, 1993.

A substantial portion of the capital improvements in the City are financed by indebtedness issued by the Municipal Assistance Corporation for the City of New York ("MAC"). MAC was organized in 1975 to provide financing assistance for the City and also to exercise certain review functions with respect to the City's finances. MAC bonds are payable out of certain State sales and compensating use taxes imposed within the City, State stock transfer taxes and per capita State aid to the City. Any balance from these sources after meeting MAC debt service and reserve fund requirements and paying MAC's operating expenses is remitted to the City or, in the case of the stock transfer taxes, rebated to the taxpayers. The State is not, however, obligated to continue the imposition of such taxes or to continue appropriation of the revenues therefrom to MAC, nor is the State obligated to continue to appropriate the State per capita aid to the City which would be required to pay the debt service on certain MAC obligations. MAC has no taxing power and MAC bonds do not create an enforceable obligation of either the State or the City. As of March 31, 1994, MAC had outstanding indebtedness of approximately $4.377 billion compared to $4.470 billion as of March 31, 1993.

The City's general obligation bonds are rated Baa1 by Moody's Investors Service, Inc. ("Moody's"). Standard & Poor's Corporation ("Standard & Poor's") has rated the City's general obligation bonds A-. Fitch Investors Service, Inc. ("Fitch") has rated them A-. Such ratings reflect only the view of Moody's, Standard & Poor's and Fitch, from which an explanation of the significance of such ratings may be obtained. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of the City's general obligation bonds.

New York State and Its Authorities

The State's current fiscal year commenced on April 1, 1994, and ends on March 31, 1995, and is referred to herein as the State's 1994-95 fiscal year. The State's budget for the 1994-95 fiscal year was enacted by the Legislature on June 7, 1994, more than two months after the start of the fiscal year. Prior to adoption of the budget, the Legislature enacted appropriations for disbursements considered to be necessary for State operations and other purposes, including all necessary appropriations for debt service. The State Financial Plan for the 1994-95 fiscal year was formulated on June 16, 1994 and is based on the State's budget as enacted by the Legislature and signed into law by the Governor.

The economic and financial condition of the State may be affected by various financial, social, economic and political factors. Those factors can be very complex, may vary from fiscal year to fiscal year, and are frequently the result of actions taken not only by the State and its agencies and instrumentalities, but also by entities, such as the Federal government, that are not under the control of the State.

The State Financial Plan is based upon forecasts of national and State economic activity. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and the State economies. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, Federal financial and monetary policies, the availability of credit, and the condition of the world economy, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience results in the current fiscal year that are worse than predicted, with corresponding material and adverse effects on the State's projections of receipts and disbursements.

The State Division of the Budget ("DOB") believes that its projections of receipts and disbursements relating to the current State Financial Plan, and the assumptions on which they are based, are reasonable. Actual results, however, could differ materially and adversely from the projections set forth below, and those projections may be changed materially and adversely from time to time.

As noted above, the financial condition of the State is affected by several factors, including the strength of the State and regional economy and actions of the Federal government, as well as State actions affecting the level of receipts and disbursements. Owing to these and other factors, the State may, in future years, face substantial potential budget gaps resulting from a significant disparity between tax revenues projected from a lower recurring receipts base and the future costs of maintaining State programs at current levels. Any such recurring imbalance would be exacerbated if the State were to use a significant amount of nonrecurring resources to balance the budget in a particular fiscal year. To address a potential imbalance for a given fiscal year, the State would be required to take actions to increase receipts and/or reduce disbursements as it enacts the budget for that year, and under the State Constitution the Governor is required to propose a balanced budget each year. To correct recurring budgetary imbalances, the State would need to take significant actions to align recurring receipts and disbursements in future fiscal years. There can be no assurance, however, that the State's actions will be sufficient to preserve budgetary balance in a given fiscal year or to align recurring receipts and disbursements in future fiscal years.

The 1994-95 State Financial Plan contains actions that provide nonrecurring resources or savings, as well as actions that impose nonrecurring losses of receipts or costs. It is believed that the net positive effect of nonrecurring actions represents considerably less than one-half of one percent of the State's General Fund, an amount significantly lower than the amount included in the State Financial Plans in recent years; it is believed that those actions do not materially affect the financial condition of the State. In addition to those nonrecurring actions, the 1994-95 State Financial Plan reflects the use of $1.026 billion in the positive cash margin carried over from the prior fiscal year, resources that are not expected to be available in the State's 1995-96 fiscal year.

The General Fund is the general operating fund of the State and is used to account for all financial transactions, except those required to be accounted for in another fund. It is the State's largest fund and receives almost all State taxes and other resources not dedicated to particular purposes. In the State's 1994-95 fiscal year, the General Fund is expected to account for approximately 52 percent of total governmental-fund receipts and 51 percent of total governmental-fund disbursements. General Fund moneys are also transferred to other funds, primarily to support certain capital projects and debt service payments in other fund types.

New York State's financial operations have improved during recent fiscal years. During the period 1989-90 through 1991-92, the State incurred General Fund operating deficits that were closed with receipts from the issuance of tax and revenue anticipation notes ("TRANs"). First, the national recession, and then the lingering economic slowdown in the New York and regional economy, resulted in repeated shortfalls in receipts and three budget deficits. For its 1992-93 and 1993-94 fiscal years, the State recorded balanced budgets on a cash basis, with substantial fund balances in each year as described below.

The State ended its 1993-94 fiscal year with a balance of $1.140 billion in the tax refund reserve account, $265 million in its Contingency Reserve Fund ("CRF") and $134 million in its Tax Stabilization Reserve Fund. These fund balances were primarily the result of an improving national economy, State employment growth, tax collections that exceeded earlier projections and disbursements that were below expectations. Deposits to the personal income tax refund reserve have the effect of reducing reported personal income tax receipts in the fiscal year when made and withdrawals from such reserve increase receipts in the fiscal year when made. The balance in the tax refund reserve account will be used to pay taxpayer refunds, rather than drawing from 1994-95 receipts.

Of the $1.140 billion deposited in the tax refund reserve account, $1.026 billion was available for budgetary planning purposes in the 1994-95 fiscal year. The remaining $114 million will be redeposited in the tax refund reserve account at the end of the State's 1994-95 fiscal year to continue the process of restructuring the State's cash flow as part of the Local Government Assistance Corporation ("LGAC") program. The balance in the CRF will be used to meet the cost of litigation facing the State. The Tax Stabilization Reserve Fund may be used only in the event of an unanticipated General Fund cash-basis deficit during the 1994-95 fiscal year.

Before the deposit of $1.140 billion in the tax refund reserve account, General Fund receipts in 1993-94 exceeded those originally projected when the State Financial Plan for that year was formulated on April 16, 1993 by $1.002 billion. Greater-than-expected receipts in the personal income tax, the bank tax, the corporation franchise tax and the estate tax accounted for most of this variance, and more than offset weaker-than-projected collections from the sales and use tax and miscellaneous receipts. Collections from individual taxes were affected by various factors including changes in Federal business laws, sustained profitability of banks, strong performance of securities firms, and higher-than-expected consumption of tobacco products following price cuts.

Disbursements and transfers from the General Fund were $303 million below the level projected in April 1993, an amount that would have been $423 million had the State not accelerated the payment of Medicaid billings, which in the April 1993 State Financial Plan were planned to be deferred into the 1994-95 fiscal year. Compared to the estimates included in the State Financial Plan formulated in April 1993, lower disbursements resulted from lower spending for Medicaid, capital projects, and debt service (due to refundings) and $114 million used to restructure the State's cash flow as part of the LGAC program. Disbursements were higher-than-expected for general support for public schools, the State share of income maintenance, overtime for prison guards, and highway snow and ice removal.

In certain prior fiscal years, the State has failed to enact a budget prior to the beginning of the State's fiscal year. A delay in the adoption of the State's budget beyond the statutory April 1 deadline and the resultant delay in the State's Spring borrowing has in certain prior years delayed the projected receipt by the City of State aid, and there can be no assurance that State budgets in future fiscal years will be adopted by the April 1 statutory deadline.

On January 13, 1992, Standard & Poor's reduced its ratings on the State's general obligation bonds from A to A- and, in addition, reduced its ratings on the State's moral obligation, lease purchase, guaranteed and contractual obligation debt. Standard & Poor's also continued its negative rating outlook assessment on State general obligation debt. On April 26, 1993, Standard & Poor's revised the rating outlook assessment to stable. On February 14, 1994, Standard & Poor's raised its outlook to positive and, on June 27, 1994, confirmed its A- rating. On January 6, 1992, Moody's reduced its ratings on outstanding limited-liability State lease purchase and contractual obligations from A to Baa1. On June 27, 1994, Moody's reconfirmed its A rating on the State's general obligation long-term indebtedness. Such ratings reflect only the views of Standard & Poor's and Moody's from which an explanation of the significance of such ratings may be obtained. There is no assurance that either or both of such ratings will continue for any given period of time or that either or both will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market prices of the Bonds.

As of March 31, 1994, the State had approximately $5.370 billion in general obligation bonds excluding refunding bonds and $293 million in bond anticipation notes outstanding. On May 24, 1993 the State issued $850 million in tax and revenue anticipation notes all of which will mature on December 31, 1993. Principal and interest due on general obligation bonds and interest due on bond anticipation notes and on tax and revenue anticipation notes were $782.5 million and $786.3 million for the 1992-93 and 1993-94 fiscal years, respectively. These figures do not include interest on refunding bonds issued in July 1992, to the extent that such interest is to be paid from escrowed funds.

The fiscal stability of the State is related to the fiscal stability of its authorities, which generally have responsibility for financing, constructing and operating revenue-producing public benefit facilities. The authorities are not subject to the constitutional restrictions on the incurrence of debt which apply to the State itself and may issue bonds and notes within the amounts of, and as otherwise restricted by, their legislative authorization. As of September 30, 1992 there were 18 authorities that had outstanding debt of $100 million or more. The aggregate outstanding debt, including refunding bonds, of these 18 authorities was $63.5 billion as of September 30, 1993. As of March 31, 1994 aggregate public authority debt outstanding as State-supported debt was $21.1 billion and as State-related debt was $29.4 billion.

The authorities are generally supported by revenues generated by the projects financed or operated, such as fares, user fees on bridges, highway tolls and rentals for dormitory rooms and housing. In recent years, however, the State has provided financial assistance through appropriations, in some cases of a recurring nature, to certain of the 18 authorities for operating and other expenses and, in fulfillment of its commitments on moral obligation indebtedness or otherwise for debt service. This assistance is expected to continue to be required in future years.

The Metropolitan Transit Authority ("MTA"), a State agency, oversees the operation of the City's subway and bus system (the "Transit Authority" or "TA") and commuter rail lines serving the New York metropolitan area. Fare revenues from such operations have been insufficient to meet expenditures, and the MTA depends heavily upon a system of State, local, Triborough Bridge and Tunnel Authority ("TBTA") and, to the extent available, Federal support. Over the past several years, the State has enacted several taxes, including a surcharge on the profits of banks, insurance corporations and general business corporations doing business in the 12-county region served by the MTA (the "Metropolitan Transportation Region") and a special one-quarter of 1% regional sales and use tax, that provide additional revenues for mass transit purposes including assistance to the MTA. The surcharge, which expires in November 1995, yielded $507 million in calendar year 1992, of which the MTA was entitled to receive approximately 90 percent, or approximately $456 million. For the 1994-95 State fiscal year, total State assistance to the MTA is estimated at approximately $1.3 billion.

In 1993, State legislation authorized the funding of a five-year $9.56 billion MTA capital plan for the five-year period, 1992 through 1996 (the "1992-96 Capital Program"). The MTA has received approval of the 1992-96 Capital Program based on this legislation from the 1992-96 Capital Program Review Board, as State law requires. This is the third five-year plan since the Legislature authorized procedures for the adoption, approval and amendment of a five-year plan in 1981 for a capital program designed to upgrade the performance of the MTA's transportation systems and to supplement, replace and rehabilitate facilities and equipment. The MTA, the TBTA and the TA are collectively authorized to issue an aggregate of $3.1 billion of bonds (net of certain statutory exclusions) to finance a portion of the 1992-96 Capital Program. The 1992-96 Capital Program is expected to be financed in significant part through the dedication of the State petroleum business taxes.

There can be no assurance that all the necessary governmental actions for the Capital Program will be taken, that funding sources currently identified will not be decreased or eliminated, or that the 1992-96 Capital Program, or parts thereof, will not be delayed or reduced. Furthermore, the power of the MTA to issue certain bonds expected to be supported by the appropriation of State petroleum business taxes is currently the subject of a court challenge. If the Capital Program is delayed or reduced, ridership and fare revenues may decline, which could, among other things, impair the MTA's ability to meet its operating expenses without additional State assistance.

The State's experience has been that if an Authority suffers serious financial difficulties, both the ability of the State and the Authorities to obtain financing in the public credit markets and the market price of the State's outstanding bonds and notes may be adversely affected. The Housing Finance Agency ("HFA") and the Urban Development Corporation

("UDC") have in the past required substantial amounts of assistance from the State to meet debt service costs or to pay operating expenses. Further assistance, possibly in increasing amounts, may be required for these, or other, Authorities in the future. In addition, certain statutory arrangements provide for State local assistance payments otherwise payable to localities to be made under certain circumstances to certain Authorities. The State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to Authorities under these arrangements. However, in the event that such local assistance payments are so diverted, the affected localities could seek additional State funds.

Litigation. A number of court actions have been brought involving State finances. The court actions in which the State is a defendant generally involve state programs and miscellaneous tort, real property, employment discrimination and contract claims and the monetary damages sought are substantial. The outcome of these proceedings could affect the ability of the State to maintain a balanced State Financial Plan in the 1994-95 fiscal year or thereafter.

In addition to the proceedings noted below, the State is party to other claims and litigation which its legal counsel has advised are not probable of adverse court decisions. Although the amounts of potential losses, if any, are not presently determinable, it is the State's opinion that its ultimate liability in these cases is not expected to have a material adverse effect on the State's financial position in the 1994-95 fiscal year or thereafter.

On May 31, 1988 the United States Supreme Court took jurisdiction of a claim of the State of Delaware that certain unclaimed dividends, interest and other distributions made by issuers of securities and held by New York-based brokers incorporated in Delaware for beneficial owners who cannot be identified or located, had been, and were being, wrongfully taken by the State of New York pursuant to New York's Abandoned Property Law (State of Delaware v. State of New York, United States Supreme Court). All 50 states and the District of Columbia moved to intervene, claiming a portion of such distributions and similar property taken by the State of New York from New York-based banks and depositories incorporated in Delaware. In a decision dated March 30, 1993, the Court granted all pending motions of the states and the District of Columbia to intervene and remanded the case to a Special Master for further proceedings consistent with the Court's decision. The Court determined that the abandoned property should be remitted first to the state of the beneficial owner's last known address, if ascertainable and, if not, then to the state of incorporation of the intermediary bank, broker or depository. New York and Delaware have executed a settlement agreement which provides for payments by New York to Delaware of $35 million in the State's 1993-94 fiscal year and five annual payments thereafter of $33 million. New York and Massachusetts have executed a settlement agreement which provides for aggregate payments by New York of $23 million, payable over five consecutive years. The claims of the other states and the District of Columbia remain.

Among the more significant of these claims still pending against the State at various procedural stages, are those that challenge: (1) the validity of agreements and treaties by which various Indian tribes transferred title to the State of certain land in central New York; (2) certain aspects of the State's Medicaid rates and regulations, including reimbursements to providers of mandatory and optional Medicaid services; (3) contamination in the Love Canal area of Niagara Falls; (4) an action against State and New York City officials alleging that the present level of shelter allowance for public assistance recipients is inadequate under statutory standards to maintain proper housing; (5) challenges to the practice of reimbursing certain Office of Mental Health patient care expenses from the client's Social Security benefits; (6) a challenge to the methods by which the State reimburses localities for the administrative costs of food stamp programs; (7) alleged responsibility of State officials to assist in remedying racial segregation in the City of Yonkers; (8) an action in which the State is a third party defendant, for injunctive or other appropriate relief, concerning liability for the maintenance of stone groins constructed along certain areas of Long Island's shoreline; (9) an action challenging legislation enacted in 1990 which had the effect of deferring certain employer contributions to the State Teachers' Retirement System and reducing State aid to school districts by a like amount; (10) a challenge to the constitutionality of financing programs of the Thruway Authority authorized by Chapters 166 and 410 of the Laws of 19; (11) a challenge to the constitutionality of financing programs of the Metropolitan Transportation Authority and the Thruway Authority authorized by Chapter 56 of the Law of 1993; (12) challenges to the delay by the State Department of Social Services in making two one-week Medicaid payments to the service providers; (13) challenges to provisions of Section 2807-C of the Public Health Law, which impose a 13% surcharge on inpatient hospital bills paid by commercial insurers and employee welfare benefit plans and portions of Chapter 55 of The Laws of 1992 which require hospitals to impose and remit to the state an 11% surcharge on hospital bills paid by commercial insurers; (14) challenges to the promulgation of the State's proposed procedure to determine the eligibility for and nature of home care services for Medicaid recipients; (15) a challenge to State implementation of a program which reduces Medicaid benefits to certain home-relief recipients; and (16) challenges to the rationality and retroactive application of State regulations recalibrating nursing home Medicaid rates.

Pennsylvania Trust

The following information constitutes only a brief summary of a number of the complex factors which may impact issuers of Pennsylvania municipal securities and does not purport to be a complete or exhaustive description of all conditions to which issuers of Pennsylvania municipal securities may be subject. Additionally, many factors, including national, economic, social and environmental policies and conditions, which are not within the control of such issuers, could have an adverse impact on the financial condition of such issuers. The Pennsylvania Trust cannot predict whether or to what extent such factors or other factors may affect the issuers of Pennsylvania municipal securities, the market value or marketability of such securities or the ability of the respective issuers of such securities held by the Pennsylvania Trust to pay interest on or principal of such securities. The creditworthiness of obligations issued by local Pennsylvania issuers may be unrelated to the creditworthiness of obligations issued by the Commonwealth of Pennsylvania, and there is no obligation on the part of the Commonwealth of Pennsylvania to make payments on such local obligations. There may be specific factors that are applicable in connection with investment in the obligations of particular issuers located within Pennsylvania, and it is possible the Pennsylvania Trust has invested in obligations of particular issuers as to which such specific factors are applicable. However, the information set forth below is intended only as a general summary and not as a discussion of any specific factors that may affect any particular issuer of Pennsylvania municipal securities.

State Finance

State Economy. The Commonwealth of Pennsylvania is one of the most populous states, ranking fifth behind California, New York, Texas and Florida. Pennsylvania is an established yet growing state with a diversified economy. It is the headquarters for 64 major corporations and the home for more than 268,600 businesses. Pennsylvania historically has been identified as a heavy industry state although that reputation has changed recently as the industrial composition of the Commonwealth diversified when the coal, steel and railroad industries began to decline. The major new sources of growth in Pennsylvania are in the service sector, including trade, medical and the health services, education and financial institutions. Pennsylvania's agricultural industries are also an important component of the Commonwealth's economic structure, accounting for more than $3.6 billion in crop and livestock products annually, while agribusiness and food related industries support $39 billion in economic activity annually.

Non-agricultural employment in the Commonwealth declined by 5.1 percent during the recessionary period from 1980 to 1983. In 1984, the declining trend was reversed as employment grew by 2.9 percent over 1983 levels. From 1984 to 1990, non-agricultural employment continued to grow each year, increasing an additional 14.3 percent during such period. For the last three years, employment in the Commonwealth has declined 1.2 percent. The growth in employment experienced in Pennsylvania is comparable to the growth in employment in the Middle Atlantic region which has occurred during this period. As a percentage of total non--agricultural employment within the Commonwealth, non-manufacturing employment has increased steadily since 1980 to its 1993 level of 81.6 percent of total employment. Consequently, manufacturing employment constitutes a diminished share of total employment within the Commonwealth. Manufacturing, contributing 18.4 percent of 1993 non-agricultural employment, has fallen behind both the services sector and the trade sector as the largest single source of employment within the Commonwealth. In 1993, the services sector accounted for 29.9 percent of all non-agricultural employment while the trade sector accounted for 22.4 percent.

From 1983 to 1989, Pennsylvania's annual average unemployment rate dropped from 11.8 percent to 4.5 percent, falling below the national rate in 1986 for the first time in over a decade. Slower economic growth caused the unemployment rate in the Commonwealth to rise to 6.9 percent in 1991 and 7.5 percent in 1992. As of July 1994, the seasonally adjusted unemployment rate for the Commonwealth was 6.5 percent compared to 6.1 percent for the United States as a whole.

The Commonwealth operates under an annual budget which is formulated and submitted for legislative approval by the Governor each February. The Pennsylvania Constitution requires that the Governor's budget proposal consist of three parts: (i) a balanced operating budget setting forth proposed expenditures and estimated revenues from all sources and, if estimated revenues and available surplus are less than proposed expenditures, recommending specific additional sources of revenue sufficient to pay the deficiency; (ii) a capital budget setting forth proposed expenditures to be financed from the proceeds of obligations of the Commonwealth or its agencies or from operating funds; and (iii) a financial plan for not less than the succeeding five fiscal years, which includes for each year projected operating expenditures and estimated revenues and projected expenditures for capital projects. The General Assembly may add, change or delete any items in the budget prepared by the Governor, but the Governor retains veto power over the individual appropriations passed by the legislature. The Commonwealth's fiscal year begins on July 1 and ends on June 30.

The Constitution and the laws of the Commonwealth require all payments from the treasury, with the exception of refunds of taxes, licenses, fees and other charges, to be made only by duly enacted appropriations. Amounts appropriated from a fund may not exceed its actual and estimated revenues for the fiscal year plus any surplus available. Appropriations from the principal operating funds of the Commonwealth (the General Fund, the Motor License Fund and the State Lottery Fund) are generally made for one fiscal year and are returned to the unappropriated surplus of the fund (a lapse) if not spent or encumbered by the end of the fiscal year.

Pennsylvania uses the "fund" method of accounting for receipts and disbursements. For purposes of government accounting, a "fund" is an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or other resources together with all related liabilities and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. In the Commonwealth, funds are established by legislative enactment or in certain cases by administrative action. Over 150 funds have been established for the purpose of recording the receipts and disbursements of monies received by the Commonwealth. Annual budgets are adopted each fiscal year for the principal operating funds of the Commonwealth and several other special revenue funds. Expenditures and encumbrances against these funds may only be made pursuant to appropriation measures enacted by the General Assembly and approved by the Governor. The General Fund, the Commonwealth's largest fund, receives all tax revenues, non-tax revenues and federal grants and entitlements that are not specified by law to be deposited elsewhere. The majority of the Commonwealth's operating and administrative expenses are payable from the General Fund. Debt service on all bond indebtedness of the Commonwealth, except that issued for highway purposes or for the benefit of other special revenue funds, is payable from the General Fund.

Financial information for the principal operating funds of the Commonwealth is maintained on a budgetary basis of accounting. Since 1984, the Commonwealth has also prepared annual financial statements in accordance with generally accepted accounting principles ("GAAP"). Financial statements prepared in accordance with GAAP have been audited jointly by the Auditor General of the Commonwealth and an independent public accounting firm each year since 1984. Budgetary basis financial reports are based on a modified cash basis of accounting as opposed to a modified accrual basis of accounting prescribed by GAAP. The budgetary basis financial information maintained by the Commonwealth to monitor and enforce budgetary control is adjusted at fiscal year-end to reflect appropriate accruals for financial reporting in conformity with GAAP.

Financial Results for Recent Fiscal Years (GAAP Basis). The five year period from fiscal 1989 through fiscal 1993 was marked by public health and welfare costs growing at a rate double the growth for all the state expenditures. Rising caseloads, increased utilization of services and rising prices joined to produce the rapid rise of public health and welfare costs at a time when a national recession caused tax revenues to stagnate and even decline. During the period from fiscal 1989 through fiscal 1993, public health and welfare costs rose by an average annual rate of 10.9 percent while tax revenues were growing at an average annual rate of 5.5 percent. Consequently, spending on other budget programs was restrained to a growth rate below 5.0 percent and sources of revenues other than taxes became larger components of fund revenues. Among those sources are transfers from other funds and hospital and nursing home pooling of contributions to use as federal matching funds.

Tax revenues declined in fiscal 1991 as a result of the recession in the economy. A $2.7 billion tax increase enacted for fiscal 1992 brought financial stability to the General Fund. That tax increase included several taxes with retroactive effective dates which generated some one-time revenues during fiscal 1992. The absence of those revenues in fiscal 1993 contributed to the decline in tax revenues shown for fiscal 1993.

Fiscal 1991 Financial Results -- GAAP Basis. The General Fund experienced an $861.2 million operating deficit resulting in a fund balance deficit of $980.9 million at June 30, 1991. The operating deficit was a consequence of the effect of a national recession that restrained budget revenues and pushed expenditures above budgeted levels. At June 30, 1991, a negative unreserved-undesignated balance of $1,146.2 million was reported. During fiscal 1991, the balance in the Tax Stabilization Reserve Fund was used to maintain vital state spending.

Budgetary Basis. A deficit of $453.6 million was recorded by the General Fund at June 30, 1991. The deficit was a consequence of higher than budgeted expenditures and lower than estimated revenues during the fiscal year brought about by the national economic recession that began during the fiscal year. The budgetary basis deficit at June 30, 1991 was carried into the 1992 fiscal year and funded in the fiscal 1992 budget.

A number of actions were taken throughout the fiscal year by the Commonwealth to mitigate the effects of the recession on budget revenues and expenditures. Actions taken, together with normal appropriation lapses, produced $871 million in expenditure reductions and revenue increases for the fiscal year. The most significant of these actions were a $214 million transfer from the Pennsylvania Industrial Development Authority ("PIDA"), a $134 million transfer from the Tax Stabilization Reserve Fund, and a pooled financing program to match federal Medicaid funds replacing $145 million of state funds.

Restrained by the recession, economic activity within the state declined and caused corporation tax receipts and sales and use tax receipts to be below year-earlier receipts. Sales and use tax collections for the fiscal year totaled $4,200.3 million, a 0.9 percent decrease from fiscal 1990 collections and $276.4 million below the budget estimate. Corporation, public utility, financial and insurance taxes in aggregate totaled $2,648.0 million, 7.3 percent below fiscal 1990 collections and $199.0 million below the budget estimate. Personal income tax receipts totaled $3,375.5 million, an increase of 2.0 percent over fiscal 1990 collections, but $136.6 million below the budget estimate.

Non-tax revenues were above the budget estimate largely as a result of the $214 million transfer of funds from the PIDA recapitalization. In addition to the transfer from PIDA, $230.1 million of other non-recurring revenues were received during the fiscal year to help reduce the budget deficit.

Rising program demands caused by the economic recession, particularly for the medical assistance and cash assistance programs, produced rapidly increasing costs during the fiscal year, causing expenditures to exceed their respective budget estimates. Costs of special education programs and for corrections facilities and programs also exceeded their budgeted amounts due to underestimates of their fiscal year costs. Meeting these higher budget needs required supplemental appropriation authority of $374 million to be enacted during the fiscal year.

One consequence of the lower revenues and higher expenditures than budgeted for fiscal 1991 was the need to delay making certain disbursements against state appropriations. Throughout the fiscal year the Commonwealth elected to defer certain disbursements of appropriated amounts in order to assure that sufficient cash was available to meet the highest priority payments such as debt service, cash assistance and payrolls. The deferred payments were accounted for as fiscal 1991 expenditures but were disbursed during fiscal 1992 from current cash flow or from the proceeds of the fiscal 1992 tax anticipation notes.

Fiscal 1992 Financial Results -- GAAP Basis. During fiscal 1992 the General Fund recorded a $1.1 billion operating surplus. This operating surplus was achieved through legislated tax rate increases and tax base broadening measures enacted in August 1991 and by controlling expenditures through numerous cost reduction measures implemented throughout the fiscal year. These actions are described more fully below under the heading "Budgetary Basis". As a result of the fiscal 1992 operating surplus, the fund balance has increased to $87.5 million and the unreserved/undesignated deficit has dropped to $138.6 million from its fiscal 1991 level of $1,146.2 million.

Budgetary Basis. Eliminating the budget deficit carried into fiscal 1992 from fiscal 1991 and providing revenues for fiscal 1992 budgeted expenditures required tax revisions that are estimated to have increased receipts for the 1992 fiscal year by over $2.7 billion. Total revenues for the fiscal year were $14,516.8 million, a $2,654.5 million increase over cash revenues during fiscal 1991. Originally based on forecasts for an economic recovery, the budget revenue estimates were revised downward during the fiscal year to reflect continued recessionary economic activity. Largely due to the tax revisions enacted for the budget, corporate tax receipts totaled $3,761.2 million, up from $2,656.3 million in fiscal 1991, sales tax receipts increased by $302.0 million to $4,499.7 million, and personal income tax receipts totaled $4,807.4 million, an increase of $1,443.8 million over receipts in fiscal 1991.

As a result of the lowered revenue estimate during the fiscal year, increased emphasis was placed on restraining expenditure growth and reducing expenditure levels. A number of cost reductions were implemented during the fiscal year that contributed to $296.8 million of appropriation lapses. These appropriation lapses were responsible for the $8.8 million surplus at fiscal year-end, after accounting for the required 10 percent transfer of the surplus to the Tax Stabilization Reserve Fund.

Spending increases in the fiscal 1992 budget were largely accounted for by increases for education, social services and corrections programs. Commonwealth funds for the support of public schools were increased by 9.8 percent to provide a $438.0 million increase to $4.9 billion for fiscal 1992. The fiscal 1992 budget provided additional funds for basic and special education and included provisions designed to help restrain the annual increase of special education costs, an area of recent rapid cost increases. Child welfare appropriations supporting county-operated child welfare programs were increased $67.0 million, more than 31.5 percent over fiscal 1991. Other social service areas such as medical and cash assistance also received significant funding increases as costs have risen quickly as a result of the economic recession and high inflation rates of medical care costs. The costs of corrections programs, reflecting the marked increase in prisoner population, increased by 12.0 percent. Economic development efforts, largely funded from bond proceeds in fiscal 1991, were continued with General Fund appropriations for fiscal 1992.

The budget included the use of several Medicaid pooled financing transactions. These pooling transactions replaced $135.0 million of Commonwealth funds, allowing total spending under the budget to increase by an equal amount.

Fiscal 1993 Financial Results -- GAAP Basis. The fund balance of the General Fund increased by $611.4 million during the fiscal year, led by an increase in the unreserved balance of $576.8 million over the prior fiscal year balance. At June 30, 1993, the fund balance totaled $698.9 and the unreserved/undesignated balance totaled $64.4 million. A continuing recovery of the Commonwealth's financial condition from the effects of the national economic recession of 1990 and 1991 is demonstrated by this increase in the balance and a return to a positive unreserved/undesignated balance. The previous positive unreserved/undesignated balance was recorded in fiscal 1987. For the second consecutive fiscal year the increase in the unreserved/undesignated balance exceeded the increase recorded in the budgetary basis unappropriated surplus during the fiscal year.

Budgetary Basis. The 1993 fiscal year closed with revenues higher than anticipated and expenditures about as projected, resulting in an ending unappropriated balance surplus (prior to the ten percent transfer to the Tax Stabilization Reserve Fund) of $242.3 million, slightly higher than estimated in May 1993. Cash revenues were $41.5 million above the budget estimate and totaled $14.633 billion representing less than a one percent increase over revenues for the 1992 fiscal year. A reduction in the personal income tax rate in July 1992 and revenues from retroactive corporate tax increases received in fiscal 1992 were responsible, in part, for the low revenue growth in fiscal 1993.

Appropriations less lapses totaled an estimated $13.870 billion representing a 1.1 percent increase over those during fiscal 1992. The low growth in spending is a consequence of a low rate of revenue growth, significant one-time expenses during fiscal 1992, increased tax refund reserves to cushion against adverse decisions on pending litigations, and the receipt of federal funds for expenditures previously paid out of Commonwealth funds.

By state statute, ten percent of the budgetary basis unappropriated surplus at the end of a fiscal year is to be transferred to the Tax Stabilization Reserve Fund. The transfer for the fiscal 1993 balance is $24.2 million. The remaining unappropriated surplus of $218.0 million was carried forward into the 1994 fiscal year.

Fiscal 1994 Budget (Budgetary Basis). Commonwealth revenues during the fiscal year totaled $15,210.7 million, $38.6 million above the fiscal year estimate, and 3.9 percent over Commonwealth revenues during the previous fiscal year. The sales tax was an important contributor to the higher than estimated revenues. Collections from the sales tax were $5.124 billion, a 6.1 percent increase from the prior fiscal year and $81.3 million above estimate. The strength of collections from the sales tax offset the lower than budgeted performance of the personal income tax which ended the fiscal year $74.4 million below estimate. The shortfall in the personal income tax was largely due to shortfalls in income not subject to withholding such as interest, dividends and other income. Tax refunds in fiscal 1994 were reduced substantially below the $530 million amount provided in fiscal 1993. The higher fiscal 1993 amount and the reduced fiscal 1994 amount occurred because reserves of approximately $160 million were added to fiscal 1993 tax refunds to cover potential payments if the Commonwealth lost litigation known as Philadelphia Suburban Corp. v. Commonwealth. Those reserves were carried into fiscal 1994 until the litigation was decided in the Commonwealth's favor in December 1993 and $147.3 million of reserves for tax refunds were released.

Expenditures, excluding pooled financing expenditures and net of all fiscal 1994 appropriation lapses, totaled $14,934.4 million representing a 7.2 percent increase over fiscal 1993 expenditures. Medical assistance and corrections spending contributed to the rate of spending growth for the fiscal year.

The Commonwealth maintained an operating balance on a budgetary basis for fiscal 1994 producing a fiscal year ending unappropriated surplus of $335.8 million. By state statute, ten percent ($33.6 million) of that surplus will be transferred to the Tax Stabilization Reserve Fund and the remaining balance will be carried over into the 1995 fiscal year.

Fiscal 1995 Budget. The fiscal 1995 budget was approved by the Governor on June 16, 1994 and provided for $15,652.9 million of appropriations from Commonwealth funds, an increase of 3.9 percent over appropriations, including supplemental appropriations, for fiscal 1994. Medical assistance expenditures represent the largest single increase in the budget ($221 million) representing a nine percent increase over the prior fiscal year. The budget includes a reform of the state-funded public assistance program that added certain categories of eligibility to the program but also limited the availability of such assistance to other eligible persons. Education subsidies to local school districts were increased by $132.2 million to continue the increased funding for the poorest school districts in the state.

The budget also includes tax reductions totaling an estimated $166.4 million. Low income working families will benefit from an increase of the dependent exemption to $3,000 from $1,500 for the first dependent and from $1,000 for all additional dependents. A reduction to the corporate net income tax rate from 12.25 percent to 9.99 percent to be phased in over a period of four years was enacted. A net operating loss provision has been added to the corporate net income tax and will be phased in over three years with a $500,000 per firm annual cap on losses used to offset profits. Several other tax changes to the sales tax, the inheritance tax and the capital stock and franchise tax were also enacted.

The fiscal 1995 budget projects a $4 million fiscal year-end unappropriated surplus. No assumption as to appropriation lapses in fiscal 1995 has been made.

Tax Structure. The Commonwealth, through its principal operating funds -- the General Fund, the Motor License Fund and the State Lottery Fund -- receives over 57 percent of its revenues from taxes levied by the Commonwealth. Interest earnings, licenses and fees, lottery ticket sales, liquor store profits, miscellaneous revenues, augmentations and federal government grants supply the balance of receipts to these funds.

Tax and fee proceeds relating to motor fuels and vehicles are constitutionally dedicated for highway purposes and are deposited into the

Motor License Fund. Lottery ticket sale revenues are deposited into the State Lottery Fund and are reserved by statute for programs to benefit senior citizens. Revenues, other than those specified to be deposited in a particular fund, are deposited into the General Fund.

The major tax sources for the General Fund of the Commonwealth are the sales tax enacted in 1953, the personal income tax enacted in 1971, and the corporate net income tax which in its present form dates back to 1935. The last restructuring of the Commonwealth's tax system occurred with the enactment of the Tax Reform Code of 1971 that codified many of the taxes levied by the Commonwealth.

The major tax sources for the Motor License Fund are the liquid fuels taxes and the oil company franchise tax. The Motor License Fund also receives revenues from fees levied on heavy trucks and from taxes on fuels used for aviation purposes. Use of these revenues is restricted to the repair and construction of highway bridges and aviation programs respectively.

The Tax Stabilization Reserve Fund was established in 1986 to provide a source of funds that can be used to alleviate emergencies threatening the health, safety or welfare of the Commonwealth's citizens or to offset unanticipated revenue shortfalls due to economic downturns. Income to the fund is provided by specific appropriation from available balances by the General Assembly, from investment income and, after fiscal 1991, by the transfer to the Tax Stabilization Reserve Fund of 10 percent of the budgetary basis operating surplus in the General Fund at the close of any fiscal year. In addition, the proceeds received from the disposition of assets of the Commonwealth are also to be deposited into the Tax Stabilization Reserve Fund. The Commonwealth has not prepared estimates of such sales.

Assets of the Tax Stabilization Reserve Fund may be used only upon the recommendation by the Governor and approval by the vote of two-thirds of the members of each house of the General Assembly. In February 1991, in response to a projected fiscal 1991 General Fund budgetary deficit caused by lower revenues and higher expenditures than budgeted, the Governor recommended, and the General Assembly authorized, the available balance of $133.8 million in the Tax Stabilization Reserve Fund be used to pay medical assistance and special education costs not covered by budgeted funds. On June 30, 1994, the balance in the Tax Stabilization Fund was $29.9 million. A transfer of $33.6 million into the Fund will be made representing the 10 percent portion of the fiscal 1994 General Fund fiscal year-end balance.

Debt Limits and Outstanding Debt. The Pennsylvania Constitution permits the Commonwealth to issue the following types of debt: (i) debt to suppress insurrection or rehabilitate areas affected by disaster, (ii) electorate approved debt, (iii) debt for capital projects subject to an aggregate debt limit of 1.75 times the annual average tax revenues of the preceding five fiscal years, and (iv) tax anticipation notes payable in the fiscal year of issuance. All debt except tax anticipation notes must be amortized in substantial and regular amounts.

Outstanding general obligation debt totalled $5,075.8 million on June 30, 1994, an increase of $37 million from June 30, 1993. Over the 10-year period ending June 30, 1994, total outstanding general obligation debt increased at an annual rate of 1.3 percent. Within the most recent 5-year period, outstanding general obligation debt has grown at an annual rate of 1.5 percent.

General obligation debt for non-highway purposes of $3,791.9 million was outstanding on June 30, 1994. Outstanding debt for these purposes increased $148.3 million since June 30, 1993, in large part due to the recent emphasis the Commonwealth has placed on infrastructure investment as a means to spur economic growth and to provide a higher quality of life for Commonwealth residents. For the period ending June 30, 1994, the 10-year and 5-year average annual compounded growth rate for total outstanding debt for non-highway purposes has been 3.6 percent and 4.9 percent, respectively. In its current debt financing plan, Commonwealth infrastructure investment projects include improvement and rehabilitation of existing capital facilities, such as water supply systems and construction of new facilities, such as roads, prisons and public buildings.

Outstanding general obligation debt for highway purposes was $1,283.8 million on June 30, 1994, a decrease of $111.4 million from June 30, 1993. Highway outstanding debt has declined over the most recent 10-year and 5-year periods ending June 30, 1994 by the annual average rates of 3.4 percent and 5.6 percent, respectively.

During the period from 1980 through 1986, all of the Commonwealth's highway investment was funded from current year revenues. Beginning in 1987, a limited return to the issuance of long-term bonds was required to finance immediately needed repairs to highway bridges. The highway bridge bonding program is funded from the Highway Bridge Improvement Restricted Account within the Motor License Fund. Revenues in this restricted account are derived from six cent per gallon surtax on motor fuel used on Commonwealth highways by motor carriers and increased registration fees for trucks and truck tractors weighing above 26,000 pounds. The two funding sources for the Highway Bridge Improvement Restricted Account were enacted on July 13, 1987 to replace revenues from an axle tax on heavy trucks which was declared unconstitutional by the United States Supreme Court.

The Commonwealth has also issued obligations for its advance construction interstate program (the "ACI Program") to fund the completion of the interstate highway network in anticipation of the receipt of reimbursements for the federally financed portion of these projects. As of June 30, 1994, $48 million of ACI Program debt was outstanding.

The Commonwealth may incur debt to fund capital projects for community colleges, highways, public improvements, transportation assistance, flood control, redevelopment assistance, site development and the Pennsylvania Industrial Development Authority. Before a project may be funded, it must be itemized in a capital budget bill adopted by the General Assembly. An annual capital budget bill states the maximum amount of debt for capital projects that may be incurred during the current fiscal year for projects authorized in the current or previous years' capital budget bills. Capital projects debt is subject to a constitutional limit on debt. As of June 30, 1994, $3,965.6 million of capital projects debt was outstanding.

The issuance of electorate approved debt is subject to the enactment of legislation which places on the ballot the question of whether debt shall be incurred. Such legislation must state the purposes for which the debt is to be authorized and, as a matter of practice, includes a maximum amount of funds to be borrowed. Upon electorate approval and enactment of legislation implementing the proposed debt-funded program, bonds may be issued. As of June 30, 1994, the Commonwealth had $848.7 million of electorate approved debt outstanding.

Debt issued to rehabilitate areas affected by disasters is authorized by specific legislation. The Commonwealth had $51.2 million of disaster relief debt outstanding as of June 30, 1994.

Due to the timing of major tax payment dates, the Commonwealth's cash receipts are generally concentrated in the last four months of the fiscal year, from March through June. Disbursements are distributed more evenly throughout the fiscal year. As a result, operating cash shortages can occur during certain months of the fiscal year. The Commonwealth engages in short-term borrowing to fund expenses within the fiscal year through the sale of tax anticipation notes. The Commonwealth may issue tax anticipation notes only for the account of the General Fund or the Motor License Fund or both such funds. The principal amount issued, when added to that outstanding, may not exceed in the aggregate 20 percent of the revenues estimated to accrue to the appropriate fund or both funds in the fiscal year. Tax anticipation notes must mature within the fiscal year in which they are issued. The Commonwealth is not permitted to fund deficits between fiscal years with any form of debt. All year-end deficit balances must be funded within the succeeding fiscal year's budget. The Commonwealth issued $400.0 million of tax anticipation notes for the account of the General Fund for fiscal 1994. All such notes matured on June 30, 1994 and were paid from fiscal 1994 General Fund receipts.

Pending the issuance of bonds, the Commonwealth may issue bond anticipation notes subject to the applicable statutory and constitutional limitations generally imposed on bonds. The term of such borrowings may not exceed three years. Currently, there are no bond anticipation notes outstanding.

Certain state-created agencies have statutory authority to incur debt for which state appropriations to pay debt service thereon is not required. The debt of these agencies is supported by assets of, or revenues derived from, the various projects financed and is not an obligation of the Commonwealth. Some of these agencies, however, are indirectly dependent on Commonwealth appropriations. These entities include: Delaware River Joint Toll Bridge Commission, Delaware River Port Authority, Pennsylvania Energy Development Authority, Pennsylvania Higher Education Assistance Agency, Pennsylvania Higher Educational Facilities

Authority, Pennsylvania Industrial Development Authority, Pennsylvania Infrastructure Investment Authority, Pennsylvania State Public School Building Authority, Pennsylvania Turnpike Commission, the Philadelphia Regional Port Authority and the Pennsylvania Economic Development Financing Authority. As of December 31, 1993, the aggregate outstanding indebtedness of these entities was $5,767.7 million.

The Pennsylvania Housing Finance Agency ("PHFA"), as of December 31, 1993, had $2,052.5 million of revenue bonds and $13.0 million of notes outstanding. The statute creating PHFA provides that 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, upon notification from the PHFA, shall place in the budget of the Commonwealth for the next succeeding year an amount sufficient to make up any such deficiency or to avoid any such default. The budget as finally adopted by the General Assembly may or may not include the amount so placed therein by the Governor. PHFA is not permitted to borrow additional funds so long as any deficiency exists in the capital reserve fund.

The Hospitals and Higher Education Facilities Authority of Philadelphia, as of June 30, 1993, had $21.1 million of bonds outstanding which benefit from a moral obligation of the Commonwealth's Department of Public Welfare to request a budget appropriation to make up any deficiency in the debt service reserve fund for said bonds. The budget as finally adopted may or may not include the amount requested.

The Commonwealth, through several of its departments and agencies, has entered into various agreements to lease, as lessee, certain real property and equipment and to make lease rental payments. Some of those lease payments are pledged as security for various outstanding debt obligations issued by certain public authorities or other entities within the state. All lease payments due from Commonwealth departments and agencies are subject to and dependent upon an annual spending authorization approved through the Commonwealth's annual budget process. The Commonwealth is not required by law to appropriate or otherwise provide moneys from which the lease payments are to be paid. The obligations to be paid from such lease payments are not bonded debt of the Commonwealth.

The Commonwealth maintains contributory benefit pension plans covering all state employees, public school employees and employees of certain other state-related organizations. Unfunded actuarial accrued liabilities for the Public School Employees' Retirement Fund as of June 30, 1993 were $3,303 million, and for the State Employees' Retirement Fund were $847 million as of December 31, 1993.

Municipal Finance

Local Finance. The Local Government Unit Debt Act (Act 52 of 1978) (the "Debt Act") establishes debt limits for local government units. Local government units include municipalities (except a first class city or county), school districts and intermediate units. The Act establishes three classes of debt for a local government unit: (i) electoral debt (debt incurred with the approval of the electors of the municipality for which there is no limitation on the amount that may be incurred); (ii) nonelectoral debt (debt of a local government unit not being electoral or lease rental debt); (iii) lease rental debt (the principal amount of debt of an authority organized by a municipality or debt of another local government unit, which debt is to be repaid by the local government unit through a lease, subsidy contract, guarantee or other form of agreement evidencing acquisition of a capital asset, payable or which may be payable out of tax revenues and other general revenues. Each local government unit is subject to a limitation as to the amount of class "ii" and class "iii" debt which may be issued which is based upon such local government unit's Borrowing Base.

Borrowing Base is defined in the Debt Act as the annual arithmetic average of the total revenues for the three full fiscal years ended next preceding the date of the incurring of nonelectoral debt or lease rental debt. Total revenues for the purposes of the Debt Act excludes, inter alia, certain state and federal subsidies and reimbursements, certain pledged revenues, interest on pledged funds and nonrecurring items.

The debt limitations applicable to the various local government units are set forth below:

	Nonelectoral	Nonelectoral plus Lease Rental
First Class		

School District	100% of Borrowing Base	200% of Borrowing Base
County	300% of Borrowing Base	400% of Borrowing Base
Other	250% of Borrowing Base	350% of Borrowing Base

A county may utilize an additional debt limit of 100% of its Borrowing Base for additional nonelectoral or additional lease rental debt, or both, if such county has assumed countywide responsibility for hospitals and other public health services, air and water pollution control, flood control, environmental protection, water distribution and supply systems, sewage and refuse collection and disposal systems, education at any level, highways, public transportation, or port operations, but such additional debt limit may be so utilized only to provide funds for and towards the costs of capital facilities for any or any combination of the foregoing purposes.

City of Philadelphia. The City of Philadelphia ("Philadelphia") is the largest city in the Commonwealth, with an estimated population of 1,585,577 according to the 1990 Census. Philadelphia functions both as a city of the first class and a county for the purpose of administering various governmental programs.

For the fiscal year ending June 30, 1991, Philadelphia experienced a cumulative General Fund balance deficit of $153.5 million. The audit findings for the fiscal year ending June 30, 1992, place the Cumulative General Fund balance deficit at $224.9.

Legislation providing for the establishment of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") to assist first class cities 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 the assisted city concerning its budgetary and fiscal affairs. An intergovernmental cooperation agreement between Philadelphia and PICA was approved by City Council 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, three months after the expiration of the old labor contracts. The terms of the new labor contracts are estimated to cost approximately $144.0 million more than what was budgeted in the original five year plan. An amended five year plan was approved by PICA in May 1993. The audit findings show a surplus of approximately $3 million for the fiscal year ending June 30, 1993. The fiscal 1994 budget projects no deficit and a balanced budget for the year ended June 30, 1994. The Mayor's latest update of the five year financial plan was approved by PICA on May 2, 1994.

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. PICA issued $643,430,000 in July 1993 and $178,675,000 in August 1993 of Special Tax Revenue Bonds to refund certain general obligation bonds of the city and to fund additional capital projects.

Litigation. According to the Official Statement dated August 24, 1994 describing Certificates of Participation in Lease Payments by the Commonwealth of Pennsylvania, the Office of Attorney General and the Office of General Counsel have reviewed the status of pending litigation against the Commonwealth, its officers and employees, and have identified the following cases as ones where an adverse decision could materially affect the Commonwealth's governmental operations. Listed below are all litigation items so identified that may have a material effect on government operations of the Commonwealth and consequently, the Commonwealth's ability to pay debt service on its obligations.

Under Act No. 1978-152 approved September 28, 1978, as amended, the General Assembly approved a limited waiver of sovereign immunity. Damages for any loss are limited to $250,000 for each person and $1,000,000 for each accident. The Supreme Court of Pennsylvania has held that this limitation is constitutional. Approximately 3,500 suits against the Commonwealth remain open. Tort claim payments for the departments and agencies, other than the Department of Transportation, are paid from departmental and agency operating and program appropriations. Tort claim payments for the Department of Transportation are paid from an appropriation from the Motor License Fund. The Motor License Fund tort claim appropriation for fiscal 1994 has been increased by 83 percent to $32.0 million to fund possibly higher and more numerous payments resulting from recent decisions by the Pennsylvania Supreme Court, including Woods v. PaDOT, that will affect the Department of Transportation's liability. The Woods v. PaDOT ruling changes the computation for delay damages by using the jury award as the base rather than the damage limits specified in Act No. 1978-152.

Baby Neal v. Commonwealth

In April of 1990, the American Civil Liberties Union ("ACLU") and various named plaintiffs filed a lawsuit against the Commonwealth in federal court seeking an order requiring the Commonwealth to provide additional funding for child welfare services. No figures for the amount of funding sought are available. A similar lawsuit filed in the Commonwealth Court, captioned as The City of Philadelphia, Hon. Wilson Goode v. Commonwealth of Pennsylvania, Hon. Robert P. Casey et al., was resolved through a court approved settlement providing, inter alia, for more Commonwealth funding for these services for fiscal year 1991 as well as a commitment to pay to counties $30.0 million over five years. The Commonwealth then sought dismissal of the federal action based on, among other things, the settlement of the Commonwealth Court case.

In January of 1992, the U.S. District Court, per Judge Kelly, denied the ACLU's motion for class certification and held that the "next friends" seeking to represent the interests of the 16 minor plaintiffs in the case were inadequate representatives. The Commonwealth filed a motion for summary judgment on most of the counts in the ACLU's complaint on the basis of, among other things, Suter v. Artist M.. After the motion for summary judgment was filed, the ACLU filed a renewed motion to certify sub-classes. The court stayed decision on that motion pending decision on the motion for summary judgment.

The district court has since denied the ACLU's motion for class certification. The parties have stipulated to a judgment against the plaintiffs in order for plaintiffs to appeal the denial of class certification to the Third Circuit.

County of Allegheny v. Commonwealth of Pennsylvania

On December 7, 1987, the Supreme Court of Pennsylvania held in County of Allegheny v. Commonwealth of Pennsylvania, that the statutory scheme for county funding of the judicial system is in conflict with the Pennsylvania Constitution. However, the Supreme Court of Pennsylvania stayed its judgment to afford the General Assembly an opportunity to enact appropriate funding legislation consistent with its opinion and ordered that the prior system of county funding shall remain in place until this is done. Allegheny County, on February 12, 1991, filed a motion in the Supreme Court of Pennsylvania to lift the stay and enforce the judgment. The Supreme Court subsequently denied the motion.

On March 3, 1989, the City of Philadelphia, Allegheny County, and the state County Commissioner's Association filed suit in the Supreme Court of Pennsylvania to require the General Assembly to appropriate the funds required by the Supreme Court of Pennsylvania. That suit was summarily dismissed on March 31, 1989. On February 14, 1991, the Pennsylvania State Association of County Commissioners and the Counties of Blair, Bucks, Erie, Huntington and Perry filed in the Commonwealth Court of Pennsylvania an action for declaratory judgment requesting an order that the Commonwealth be required to provide funds for the operation of the courts of common pleas in accordance with the County of Allegheny decision. These parties also requested the Supreme Court of Pennsylvania to assume plenary jurisdiction over their case. The Supreme Court of Pennsylvania refused to do so, and these parties have withdrawn the Commonwealth Court action.

On October 5, 1992, the Pennsylvania State Association of County Commissioners, along with Allegheny, Beaver, Clarion, Forest, Tioga and Washington counties, filed in the Supreme Court of Pennsylvania a motion to enforce judgment seeking an order that would direct the Commonwealth to restore funding for local courts and district justices to levels existing in 1987. The Commonwealth has filed a response opposing the motion. By order dated May 26, 1993, the motion to enforce judgment was denied.

On December 7, 1992, the State Association of County Commissioners filed a new action in mandamus seeking to compel the Commonwealth to comply with the decision in County of Allegheny. The Commonwealth has filed a response in opposition to the new action.

The General Assembly has yet to consider legislation implementing the Supreme Court of Pennsylvania's judgment.

Fidelity Bank v. Commonwealth

In Dale National Bank v. Commonwealth the Pennsylvania Supreme Court held that it was unconstitutional for the Commonwealth, in calculating the bank shares tax, to include in the taxable base the value represented by federal obligations. In response, in 1983, the Legislature enacted the single excise tax which was levied on banking firms to recover refunds owed to each bank as a result of Dale. First National Bank of Fredericksburg challenged the constitutionality of the single excise tax. On February 3, 1989, the Supreme Court in First National Bank of Fredericksburg v. Commonwealth held that the single excise tax, as applied to the First National Bank of Fredericksburg and its affiliated banks, violated the banks' due process rights and separation of powers doctrine.

On July 1, 1989, the Governor signed into law Act 1989-21, the Amended Bank Shares Tax. This law, which revised the bank shares tax by adjusting the tax base and increasing the tax rate, provided additional revenues to the Commonwealth during fiscal year 1989-90 sufficient to meet the Fredericksburg refund liabilities and to maintain a projected positive budget balance for the General Fund. Single excise tax refunds were given in the form of credits against the 1989 Amended Bank Shares Tax. After the first installment of the Amended Bank Shares Tax became due in October 30, 1989, First National Bank of Fredericksburg, Fidelity Bank, and Equibank filed actions against the Commonwealth contesting the constitutionality of the tax. First National Bank of Fredericksburg and Equibank have since withdrawn their cases.

On July 7, 1994, the Commonwealth Court en banc ruled that the 1989 Amended Bank Shares Tax is constitutional. The Court also ruled that the New Bank Shares Credit Law, passed by the General Assembly in 1989 to provide a credit against the 1989 Amended Bank Shares Tax for banks chartered after January 1, 1979, violates the Uniformity Clause of the Pennsylvania Constitution. The ruling striking down the New Bank Shares Credit Law results in an expected revenue gain of $11.6 million dollars for the Commonwealth.

Pennsylvania Association of Rural and Small Schools (PARSS) v. Casey

This action was filed in January, 1991 by an association of rural and small schools, several individual school districts, and a group of parents and students, against Governor Robert P. Casey and Secretary of Education Donald M. Carroll, Jr. The action challenges the constitutionality of the Commonwealth's system for funding local school districts. The action consists of two parallel cases, one in the Commonwealth Court of Pennsylvania, and one in the United States District Court for the Middle District of Pennsylvania. The federal court case has been indefinitely stayed, pending resolution of the state court case. The state court case is in the pretrial discovery stage. The trial has not yet been scheduled.

Philadelphia Suburban Corp. v. Commonwealth

On December 10, 1993, the Pennsylvania Supreme Court overturned a decision of the Commonwealth Court ruling that dividends received by a corporate taxpayer which are accounted for under the equity method of accounting are not includible in average net income for purposes of determining capital stock value under the fixed formula. The Commonwealth Court held that the Revenue Department regulation which requires that book income be adjusted to include dividends accounted for under the equity method is contrary to the capital stock tax law which requires that net income be computed on an unconsolidated basis exclusive of the net income or loss of corporations in which the taxpayer has an investment. The Pennsylvania Supreme Court's decision permits the Commonwealth to release $147 million held in reserve for potential tax refund.

Austin v. Department of Corrections, et al.

In November 1990, the American Civil Liberties Union ("ACLU") brought a class action lawsuit on behalf of the inmate populations in thirteen Commonwealth correctional institutions.

The lawsuit challenges the conditions of confinement at each institution and includes specified allegations of overcrowding, deficiencies in medical and mental health services, inadequate environmental conditions, disparate treatment of HIV positive prisoners and other assorted claims.

No damages are sought. The ACLU is seeking injunctive relief which would modify conditions, change practices and procedures and increase the number of staff deployment. The Department of Corrections has been ordered to implement a new policy regarding detection and prevention of tuberculosis. If injunctive relief is granted, the cost to the Commonwealth may be substantial. The Commonwealth may incur significant capital and personnel costs after this fiscal year ranging in the millions of dollars.

Trial of this matter will take place in four distinct phases: Corrections, Environmental, Medical and Mental Health. Trial of the first phase (Corrections) began on December 6, 1993. The court recessed on January 3, 1994, prompted by settlement negotiations between the parties, and trial will resume if a settlement is not reached.

Scott v. Snider

In 1991, a consortium of public interest law firms filed a class action suit, Scott v. Snider, against various Commonwealth officers, alleging that the Commonwealth of Pennsylvania had failed to comply with a 1989 federal mandate to provide and pay for early and periodic screening, diagnostic, and treatment services for all Medicaid-eligible children under the age of 21. If the federal court were to grant all of the relief that plaintiffs are seeking, the Commonwealth would be obligated, among other things, (1) to substantially revise the methods by which it presently identifies children in need of treatment and (2) to expand the scope of services and treatment presently provided to such children. It is estimated that such relief, if granted in toto, would cost the Commonwealth approximately $98 million. On July 7, 1993, an Intervening Complaint was filed by the City and County of Philadelphia, Allegheny County, Pennsylvania State Association of County Commissioners, et al., but intervention was denied by the Court.

Defendants have moved for summary judgment, and plaintiffs are seeking partial summary judgment. The court has not yet ruled on these motions.

Pennsylvania Medical Society v. Karen F. Snider

The Pennsylvania Medical Society sued the Commonwealth for payment of the full co-pay and deductible for outpatient services provided to medical assistance clients who are also eligible for Medicare. The federal Medicare program has an established fee schedule for services under Part B of which Medicare pays 80 percent and the patient is responsible for the 20 percent co-pay. For medical assistance eligible clients the medical assistance program pays the 20 percent patient co-pay amount up to the maximum fee for service set under the Commonwealth's medical assistance program. Consequently, when the 80 percent portion paid by Medicare equals or exceeds the state established medical assistance fee for that service, the Commonwealth has not paid the remaining 20 percent portion of the fee. It is the position of the Commonwealth that the medical assistance fee has precedence and the service provider should not be paid more than the Commonwealth's fee schedule. The Commonwealth received a favorable decision in the United States District Court but the Pennsylvania Medical Society appealed that decision and won a reversal in the United States Third Circuit Court. No detailed cost estimates have been completed, but estimates made earlier have estimated the cost to the Commonwealth of approximately $50 million per year. An appeal is under consideration.

Virginia Trust

Investors should be aware of certain factors that might affect the financial condition of issuers of Virginia municipal securities.

Bonds in the Virginia Trust may include primarily debt obligations of the subdivisions of the Commonwealth of Virginia issued to obtain funds for various public purposes, including the construction of a wide range of public facilities such as airports, bridges, highways, schools, streets and water and sewer works. Other purposes for which bonds may be issued include the obtaining of funds to lend to public or private institutions for the construction of facilities such as educational, hospital, housing, and solid waste disposal facilities. The latter are generally payable from private sources which, in varying degrees, may depend on local economic conditions, but are not necessarily affected by the ability of the Commonwealth of Virginia and its political subdivisions to pay their debts. Therefore, the general risk factors as to the credit of the State or its political subdivision discussed herein may not be relevant to the Virginia Trust.

The Constitution of Virginia limits the ability of the Commonwealth to create debt. The Constitution requires a balanced budget.

The Commonwealth has maintained a high level of fiscal stability for many years due in large part to conservative financial operations and diverse sources of revenue. The economy of the Commonwealth of Virginia is based primarily on manufacturing, the government sector (including defense), agriculture, mining and tourism. The Federal Base Closing Commission has ordered that a number of military facilities in Virginia be closed or reduced. As a result of recessionary conditions, the Commonwealth has experienced for the past several years severe revenue shortfalls, which have necessitated cutbacks of expenditures in the budgets for the 1992-1994 biennia. In the 1994 General Assembly session, the 1992-1994 budget was amended to reflect $96,000,000 in additional revenues.

In Davis v. Michigan (decided March 28, 1989), the United States Supreme Court ruled unconstitutional Michigan's statute exempting from state income tax the retirement benefits paid by the state or local governments and not exempting retirement benefits paid by the federal government. In Harper v. Virginia Department of Taxation (decided June 18, 1993), the United States Supreme Court held, in a suit involving claims for refunds by Federal retirees living in Virginia that Virginia State income tax Statutes violated the principles of Davis v. Michigan, but remanded for further relief so long as the relief was consistent with Federal due process. If the courts ultimately rule that the Commonwealth must make full refunds of taxes imposed prior to Davis v. Michigan, the State has estimated that the potential financial impact on the Commonwealth based on its review of claims for refunds by federal pensioners (including interest payable calculated as of December 31, 1993) is approximately $700.0 million. The Governor and the General Assembly of Virginia have authorized a settlement of $340 million, plus interest, payable into a special trust fund in amounts of $60 million in 1994 and $70 million in each of the years 1995 through 1998. Acceptance of the settlement, which has been recommended by the plaintiffs' attorneys in the Harper case, is subject to approval by individual retirees, which is currently being solicited by the Virginia Department of Taxation. If the total principal amount of claims of retirees deciding to opt out of the settlement exceeds $20 million by March 1, 1995, the settlement agreement becomes null and void, unless reauthorized by the General Assembly.

The Governor has proposed a plan to the General Assembly to eliminate or reduce parole for persons convicted of violent crime. In that connection he has proposed the issuance of bonds to finance part of the cost of additional prisons that would result from the program. Some of the bonds would be required to be approved at an election of the voters in November 1995. The General Assembly is currently considering the proposals in a session which is expected to conclude by November 1994.

The Commonwealth currently has a Standard & Poor's rating of AAA and a Moody's rating of Aaa on its general obligation bonds. There can be no assurance that the economic conditions on which these ratings are based will continue or that particular bond issues may not be adversely affected by changes in economic or political conditions. Further, the credit of the Commonwealth is not material to the ability of political subdivisions and private entities to make payments on the obligations described below.

General obligations of cities, towns or counties in Virginia are payable from the general revenues of the entity, including ad valorem tax revenues on property within the jurisdiction. The obligation to levy taxes could be enforced by mandamus, but such a remedy may be impracticable and difficult to enforce. Under section 15.1-227.61 of the Code of Virginia of 1950, as amended, a holder of any general obligation bond in default may file an affidavit setting forth such default with the Governor. If, after investigating, the Governor determines that such default exists, he is directed to order the State Comptroller to withhold State funds appropriated and payable to the entity and apply the amount so withheld to unpaid principal and interest. The Commonwealth, however, has no obligation to provide any additional funds necessary to pay such principal and interest.

Revenue bonds issued by Virginia political subdivisions include (1) revenue bonds payable exclusively from revenue producing governmental enterprises and (2) industrial revenue bonds, college and hospital revenue bonds and other "private activity bonds" which are essentially non-governmental debt issues and which are payable exclusively by private entities such as non-profit organizations and business concerns of all sizes. State and local governments have no obligation to provide for payment of such private activity bonds and in many cases would be legally prohibited from doing so. The value of such private activity bonds may be affected by a wide variety of factors relevant to particular localities or industries, including economic developments outside of Virginia.

Virginia municipal securities that are lease obligations are customarily subject to "non-appropriation" clauses which allow the municipality to terminate its lease obligations if moneys to make the lease payments are not appropriated for that purpose. See "Objectives". Legal principles may restrict the enforcement of provisions in lease financing limiting the municipal issuer's ability to utilize property similar to that leased in the event that debt service is not appropriated.

No Virginia law expressly authorizes Virginia political subdivisions to file under Chapter 9 of the United States Bankruptcy Code, but recent case law suggests that the granting of general owers to such subdivisions may be sufficient to permit them to file voluntary petitions under Chapter 9. Bonds payable exclusively by private entities may be subject to the provisions of the United States Bankruptcy Code other than Chapter 9.

Virginia municipal issues are generally not required to provide ongoing information about their finances and operations to holders of their debt obligations, although a number of cities, counties and other issuers prepare annual reports.

Although revenue obligations of the Commonwealth or its political subdivisions may be payable from a specific project or source, including lease rentals, there can be no assurance that future economic difficulties and the resulting impact on Commonwealth and local government finances will not adversely affect the market value of the portfolio of the Fund or the ability of the respective obligors to make timely payments of principal and interest on such obligations.

PUBLIC OFFERING

Offering Price

The secondary market Public Offering Price per Unit of each Trust is computed by adding to the aggregate bid price of the Bonds in such Trust divided by the number of Units thereof outstanding, an amount equal to 5.820% of such aggregate offering price of the Bonds per Unit. This amount is equal to a sales charge of 5-1/2% of the Public Offering Price. A proportionate share of accrued interest on the Bonds to the expected date of settlement for the Units is added to the Public Offering Price. Accrued interest is the accumulated and unpaid interest on Bonds from the last day on which interest was paid and is initially accounted for daily by each Trust at the daily rate set forth under "Summary of Essential Information" for each Trust in Part A of this Prospectus. This daily rate is net of estimated fees and expenses. The secondary market Public Offering Price can vary on a daily basis from the amount stated on the cover of Part A of this Prospectus in accordance with fluctuations in the prices of the Bonds. The price to be paid by each investor will be computed on the basis of an evaluation made as of the day the Units are purchased. The aggregate bid price evaluation of the Bonds is determined in the manner set forth under "Trustee Redemption."

The Evaluator may obtain current prices for the Bonds from investment dealers or brokers (including the Sponsors) that customarily deal in tax-exempt obligations or from any other reporting service or source of information which the Evaluator deems appropriate.

Accrued Interest

An amount of accrued interest which represents accumulated unpaid or uncollected interest on a bond from the last day on which interest was paid thereon will be added to the Public Offering Price and paid by the Certificateholder at the time Units are purchased. Since each Trust normally receives the interest on the Bonds twice a year and the interest on the Bonds is accrued on a daily basis (this daily rate is net of estimated fees and expenses), each Trust will always have an amount of interest earned but uncollected by, or unpaid to, the Trustee. A Certificateholder will not recover his proportionate share of accrued interest until the Units of a Trust are sold or redeemed, or such Trust is terminated. At that time, the Certificateholder will receive his proportionate share of the accrued interest computed to the settlement date in the case of sale or termination and to the date of tender in the case of redemption.

Employee Discounts

Employees (and their families) of Bear, Stearns & Co. Inc., Gruntal and Co., Incorporated and of any underwriter of any Trust, pursuant to employee benefit arrangements, may purchase Units of a Trust at a price equal to the bid side evaluation of the underlying securities in such Trust divided by the number of Units outstanding plus a reduced sales charge of $10.00 per Unit. Such arrangements result in less selling effort and selling expenses than sales to employee groups of other companies. Resales or transfers of Units purchased under the employee benefit arrangements may only be made through the Sponsors' secondary market, so long as it is being maintained.

Distribution of Units

Certain banks and thrifts will make Units of the Trust available to their customers on an agency basis. A portion of the sales charge paid by their customers is retained by or remitted to the banks. Under the Glass-Steagall Act, banks are prohibited from underwriting Units; however, the Glass-Steagall Act does permit certain agency transactions and the banking regulators have indicated that these particular agency transactions are permitted under such Act. In addition, state securities laws on this issue may differ from the interpretations of federal law expressed herein and banks and financial institutions may be required to register as dealers pursuant to state law.

The Sponsors intend to qualify the Units of each State Trust for sale in only the State for which such Trust is named and certain other states and in the case of the Municipal Securities Trust and the Municipal Securities Discount Trust to qualify the Units for sale in substantially all States through dealers who are members of the National Association of Securities Dealers, Inc. Units may be sold to dealers at prices which represent a concession of up to $33.00 per Unit, subject to the Sponsors' right to change the dealers' concession from time to time. In addition, for transactions of 1,000,000 Units or more, the Sponsor intends to negotiate the applicable sales charge and such charge will be disclosed to any such purchaser. Such Units may then be distributed to the public by the dealers at the Public Offering Price then in effect. The Sponsors reserve the right to reject, in whole or in part, any order for the purchase of Units.

Sponsors' Profits

The Sponsors will receive a gross commission on all Units sold in the secondary market equal to the applicable sales charge in each transaction (see "Offering Price"). In addition, in maintaining a market for the Units (see "Sponsors' Repurchase"), the Sponsors will realize profits or sustain losses in the amount of any difference between the price at which they buy Units and the price at which they resell such Units.

Participants in the "Total Reinvestment Plan" can designate a broker as the recipient of a dealer concession (see "Total Reinvestment Plan").

Comparison of Public Offering Price, Sponsors' Repurchase Price and Redemption Price

The secondary market Public Offering Price of Units of each Trust will be determined on the basis of the current bid prices of the Bonds in each Trust plus the applicable sales charge. Value at which Units may be resold in the secondary market or redeemed will be determined on the basis of the current bid prices of such Bonds without any sales charge. On the Evaluation Date, the Public Offering Price per Unit of each Trust (based on the bid price of the Bonds in such Trust plus the sales charge) each exceeded the Repurchase and Redemption Price per Unit (based upon the bid price of the Bonds in each Trust without the sales charge) by the amounts shown under "Summary of Essential Information" for each Trust in Part A of this Prospectus. For this reason, among others (including fluctuations in the market prices of such Bonds and the fact that the Public Offering Price includes the 5-1/2% sales charge), the amount realized by a Certificateholder upon any redemption of Units may be less than the price paid for such Units.

ESTIMATED LONG TERM RETURN AND ESTIMATED CURRENT RETURN

The rate of return on an investment in Units of each Trust is measured in terms of "Estimated Current Return" and "Estimated Long Term Return".

Estimated Long Term Return is calculated by: (1) computing the yield to maturity or to an earlier call date (whichever results in a lower yield) for each Bond in a Trust's portfolio in accordance with accepted bond practices, which practices take into account not only the interest payable on the Bond but also the amortization of premiums or accretion of discounts, if any; (2) calculating the average of the yields for the Bonds in each Trust's portfolio by weighing each Bond's yield by the market value of the Bond and by the amount of time remaining to the date to which the Bond is priced (thus creating an average yield for the portfolio of each Trust); and (3) reducing the average yield for the portfolio of each Trust in order to reflect estimated fees and expenses of that Trust and the maximum sales charge paid by Unitholders. The resulting Estimated Long Term Return represents a measure of the return to Unitholders earned over the estimated life of each Trust. The Estimated Long Term Return as of the day prior to the Evaluation Date is stated for each Trust under "Summary of Essential Information" in Part A.

Estimated Current Return is computed by dividing the Estimated Net Annual Interest Income per Unit by the Public Offering Price per Unit. In contrast to the Estimated Long Term Return, the Estimated Current Return does not take into account the amortization of premium or accretion of discount, if any, on the Bonds in the portfolios of each Trust. Moreover, because interest rates on Bonds purchased at a premium are generally higher than current interest rates on newly issued bonds of a similar type with comparable rating, the Estimated Current Return per Unit may be affected adversely if such Bonds are redeemed prior to their maturity. On the day prior to the Evaluation Date, the Estimated Net Annual Interest Income per Unit divided by the Public Offering Price resulted in the Estimated Current Return stated for each Trust under "Summary of Essential Information" in Part A.

The Estimated Net Annual Interest Income per Unit of each Trust will vary with changes in the fees and expenses of the Trustee and the Evaluator applicable to each Trust and with the redemption, maturity, sale or other disposition of the Bonds in each Trust. The Public Offering Price will vary with changes in the bid prices of the Bonds. Therefore, there is no assurance that the present Estimated Current Return or Estimated Long Term Return will be realized in the future.

A schedule of cash flow projections is available from the Sponsors upon request.

RIGHTS OF CERTIFICATEHOLDERS

Certificates

Ownership of Units of each Trust is evidenced by registered Certificates executed by the Trustee and the Sponsors. Certificates may be issued in denominations of one or more Units and will bear appropriate notations on their faces indicating which plan of distribution has been selected by the Certificateholder. Certificates are transferable by presentation and surrender to the Trustee properly endorsed and/or accompanied by a written instrument or instrument of transfer. Although no such charge is presently made or contemplated, the Trustee may require a Certificateholder to pay $2.00 for each Certificate reissued or transferred and any governmental charge that may be imposed in connection with each such transfer or interchange. Mutilated, destroyed, stolen or lost Certificates will be replaced upon delivery of satisfactory indemnity and payment of expenses incurred.

Interest and Principal Distributions

Interest received by each Trust is credited by the Trustee to the Interest Account of such Trust and a deduction is made to reimburse the Trustee without interest for any amounts previously advanced. Proceeds representing principal received by each Trust from the maturity, redemption, sale or other disposition of Bonds are credited to the Principal Account of such Trust.

Distributions to each Certificateholder of each Trust from the Interest Account of such Trust are computed as of the close of business on each Record Date for the following Payment Date and consist of an amount substantially equal to one-twelfth, one-half or all of such Certificate-holder's pro rata share of the Estimated Net Annual Interest Income in such Interest Account, depending upon the applicable plan of distribution. Distributions from the Principal Account of each Trust will be computed as of each semi-annual Record Date, and will be made to the Certificate-holders of such Trust on or shortly after the next semi-annual Payment Date. Proceeds representing principal received from the disposition of any of the Bonds between a Record Date and a Payment Date which are not used for redemptions of Units will be held in the appropriate Principal Account and not distributed until the second succeeding semi-annual Payment Date. No distributions will be made to Certificateholders electing to participate in the Total Reinvestment Plan, except as provided thereunder. Persons who purchase Units between a Record Date and a Payment Date will receive their first distribution on the second Payment Date after such purchase.

Because interest payments are not received by each Trust at a constant rate throughout the year, interest distributions may be more or less than the amount credited to the Interest Account as of a given Record Date. For the purpose of minimizing fluctuations in the distributions from the Interest Account, the Trustee will advance sufficient funds as may be necessary to provide interest distributions of approximately equal amounts. The Trustee shall be reimbursed, without interest, for these advances to the Interest Account. Funds which are available for future distributions, investment in the Total Reinvestment Plan, payments of expenses and redemptions are in accounts which are non-interest bearing to Certificateholders and are available for use by the Trustee pursuant to normal banking procedures.

As of the first day of each month, the Trustee will deduct from the Interest Account and, to the extent funds are not sufficient therein, from the Principal Account, amounts necessary to pay the expenses of the Trust (as determined on the basis set forth under "Trust Expenses and Charges"). The Trustee also may withdraw from said accounts such amounts, if any, as it deems necessary to establish a reserve for any applicable taxes or other governmental charges that may be payable out of the Trust. Amounts so withdrawn shall not be considered a part of the Trust's assets until such time as the Trustee shall return all or any part of such amounts to the appropriate accounts. In addition, the Trustee may withdraw from the Interest and Principal Accounts such amounts as may be necessary to cover redemptions of Units by the Trustee.

The estimated monthly, semi-annual or annual interest distribution per Unit of each Trust initially will be in the amounts shown under "Summary of Essential Information" in Part A and will change and be reduced as Bonds mature or are redeemed, exchanged or sold, or as expenses of each Trust fluctuate. No distribution need be made from a Principal Account until the balance therein is an amount sufficient to distribute $1.00 per Unit.

Distribution Elections

Interest is distributed monthly, semi-annually or annually, depending upon the distribution applicable to the Unit Purchased. Record Dates for interest distributions will be the first day of each month for monthly distributions, the first day of each June and December for semi-annual distributions and the first day of each December for annual distributions. Payment Dates will be the fifteenth day of each month following the respective Record Dates. Certificateholders purchasing Units in the secondary market will initially receive distributions in accordance with the election of the prior owner. Every October each Certificateholder may change his distribution election by notifying the Trustee in writing of such change between October 1 and November 1 of each year. (Certificateholders deciding to change their election should contact the Trustee by calling the number listed on the back cover hereof for information regarding the procedures that must be followed in connection with this written notification of the change of election.) Failure to notify the Trustee on or before November 1 of each year will result in a continuation of the plan for the following 12 months.

Records

The Trustee shall furnish Certificateholders in connection with each distribution a statement of the amount of interest, if any, and the amount of other receipts, if any, which are being distributed, expressed in each case as a dollar amount per Unit. Within a reasonable time after the end of each calendar year, the Trustee will furnish to each person who at any time during the calendar year was a Certificateholder of record of a Trust, a statement showing (a) as to the Interest Account of such Trust: interest received (including any earned original issue discount and amounts representing interest received upon any disposition of Bonds and earned original discount, if any), amounts paid for redemption of Units, if any, deductions for applicable taxes and fees and expenses of such Trust, and the balance remaining after such distributions and deductions, expressed both as a total dollar amount and as a dollar amount representing the pro rata share of each Unit outstanding on the last business day of such calendar year; (b) as to such Trust's Principal Account: the dates of disposition of any Bonds and the net proceeds received therefrom (including any unearned original issue discount but excluding any portion representing accrued interest), deductions for payments of applicable taxes and fees and expenses of such Trust, amounts paid for redemption of Units, if any, and the balance remaining after such distributions and deductions, expressed both as a total dollar amount and as a dollar amount representing the pro rata share of each Unit outstanding on the last business day of such calendar year; (c) a list of the Bonds held in such Trust and the number of Units thereof outstanding on the last business day of such calendar year; (d) the Redemption Price per Unit of such Trust based upon the last computation thereof made during such calendar year; and (e) amounts actually distributed to Certificate-holders of such Trust during such calendar year from the Interest and Principal Accounts, separately stated, expressed both as total dollar amounts and as dollar amounts representing the pro rata share of each Unit outstanding on the last business day of such calendar year.

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

TAX STATUS

All Bonds acquired by each Trust were accompanied by copies of opinions of bond counsel to the issuing governmental authorities given at the time of original delivery of the Bonds to the effect that the interest thereon is exempt from regular federal income tax and with respect to the State Trusts from the respective State income taxes. Such interest may, however, be subject to the federal corporate alternative minimum tax and to state and local taxes in other jurisdictions. Neither the Sponsors nor the Trustee nor their respective counsel have made any review of the proceedings relating to the issuance of the Bonds or the bases for such opinions and express no opinion as to these matters, and neither the Trustee nor the Sponsors nor their respective counsel have made an independent examination or verification that the federal income tax status of the Bonds has not been altered since the time of the original delivery of those opinions.

The Revenue Reconciliation Act of 1993 ("P.L. 103-66") was recently enacted. P.L. 103-66 increases maximum marginal income tax rates for individuals and corporations (generally effective for taxable years beginning after December 31, 1992), extends the authority to issue certain categories of tax-exempt bonds (qualified small issue bonds and qualified mortgage bonds), limits the availability of capital gain treatment for tax-exempt bonds purchased at a market discount, increases the amount of Social Security benefits subject to tax (effective for taxable years beginning after December 31, 1993) and makes a variety of other changes. Prospective investors are urged to consult their own tax advisors as to the effect of P.L. 103-66 on an investment in Units.

In rendering the opinion set forth below, counsel has examined the Agreement, the final form of Prospectus dated the date hereof (the "Prospectus") and the documents referred to therein, among others, and has relied on the validity of said documents and the accuracy and completeness of the facts set forth therein.

In the opinion of Battle Fowler, counsel for the Sponsors, under existing law:

> The Trust is not an association taxable as a corporation for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"), and income received by each Trust that consists of interest excludable from federal gross income under the Code will be excludable from the federal gross income of the Certificateholders of such Trust.
>
> Each Certificateholder of a Trust will be considered the owner of a pro rata portion of that Trust under Section 676(a) of the Code. Thus, each Certificateholder of a Trust will be considered to have received his pro rata share of Bond interest when it is received by the Trust, and the entire amount of net income distributable to Certificateholders of a Trust that is exempt from federal income tax when received by that Trust will constitute tax-exempt income when received by the Certificateholders.
>
> Gain (other than any earned original issue discount) realized on sale or redemption of the Bonds or on sale of a Unit is, however, includable in gross income for federal income tax purposes, generally as capital gain, although gain on the disposition of a Bond or a Unit purchased at a market discount generally will be treated as ordinary

income, rather than capital gain, to the extent of accrued market discount. (It should be noted in this connection that such gain does not include any amounts received in respect of accrued interest.) Such gain may be long or short-term gain depending on the facts and circumstances. Capital losses are deductible to the extent of capital gains; in addition, up to $3,000 of capital losses of non-corporate Certificateholders may be deducted against ordinary income. Capital assets acquired on or after January 1, 1988 must be held for more than one year to qualify for long-term capital gain treatment. Individuals who realize long-term capital gains will be subject to a maximum tax rate of 28% on such gain.

Each Certificateholder of a Trust will realize taxable gain or loss when that Trust disposes of a Bond (whether by sale, exchange, redemption or payment at maturity), as if the Certificateholder had directly disposed of his pro rata share of such Bond. The gain or loss is measured by the difference between (i) the tax cost of such pro rata share and (ii) the amount received therefor. The Certificateholder's tax cost for each Bond is determined by allocating the total tax cost of each Unit among all the Bonds held in each Trust (in accordance with the portion of each Trust comprised by each Bond). In order to determine the amount of taxable gain or loss, the Certificateholder's amount received is similarly allocated at that time. The Certificateholder may exclude from the amount received any amounts that represent accrued interest or the earned portion of any original issue discount but may not exclude amounts attributable to market discount. Thus, when a Bond is disposed of by a Trust at a gain, taxable gain will equal the difference between (i) the amount received and (ii) the amount paid plus any original issue discount (limited, in the case of Bonds issued after June 8, 1980, to the portion earned from the date of acquisition to the date of disposition). Gain on the disposition of a Bond purchased at a market discount generally will be treated as ordinary income, rather than capital gain, to the extent of accrued market discount. No deduction is allowed for the amortization of bond premium on tax-exempt bonds such as the Bonds in computing regular federal income tax.

Discount generally accrues based on the principle of compounding of accrued interest, not on a straight-line or ratable method, with the result that the amount of earned original issue discount is less in the earlier years and more in the later years of a bond term. The tax basis of a discount bond is increased by the amount of accrued, tax-exempt original issue discount thus determined. This method of calculation will produce higher capital gains (or lower losses) to a Certificateholder, as compared to the results produced by the straight-line method of accounting for original issue discount, upon an early disposition of a Bond by a Trust or of a Unit by a Certificateholder.

A Certificateholder may also realize taxable income or loss when a Unit of a Trust is sold or redeemed. The amount received is allocated among all the Bonds in that Trust in the same manner as when the Trust disposes of Bonds and the Certificateholder may exclude accrued interest and the earned portion of any original issue discount (but not amounts attributable to market discount). The return of a Certificateholder's tax cost is otherwise a tax-free return of capital.

A portion of Social Security benefits is includable in gross income for taxpayers whose "modified adjusted gross income" combined with a portion of their benefits exceeds a base amount. The base amount is $25,000 for an individual, $32,000 for a married couple filing a joint return and zero for married persons filing separate returns. Interest on tax-exempt bonds is to be added to adjusted gross income for purposes of computing the amount of Social Security benefits that are includible in gross income and determining whether an individual's income exceeds the base amount above which a portion of the benefits would be subject to tax. For taxable years beginning after December 31, 1993, the amount of Social Security benefits subject to tax will be increased.

Corporate Certificateholders are required to include in corporate alternative minimum taxable income 75 percent of the amount by which the adjusted current earnings (which will include tax-exempt interest) of the corporation exceeds alternative minimum taxable income (determined without regard to this item). Further, interest on the Bonds is includible in a 0.12% additional corporate minimum tax imposed by the Superfund Amendments and Reauthorization Act of 1986 for taxable years beginning after December 31, 1986. In addition, in certain cases, Subchapter S corporations with accumulated earnings and profits from Subchapter C years will be subject to a minimum tax on excess "passive investment income" which includes tax-exempt interest.

Under federal law, interest on Bonds in each State Trust issued by authority of the Government of Puerto Rico is exempt from regular federal income tax and state and local income taxes in the United States and Puerto Rico.

The Trust is not subject to the New York State Franchise Tax on Business Corporations or the New York City General Corporation Tax.

Messrs. Battle Fowler are also of the opinion that under the personal income tax laws of the State and City of New York, the income of each State Trust will be treated as the income of the Certificateholders. Interest on the Bonds that is exempt from tax under the laws of the State and City of New York when received by the New York Trust will retain its status as tax-exempt interest of the Certificateholders. In addition, non-residents of New York City will not be subject to the City personal income tax on gains derived with respect to their Units. Non-residents of New York State will not be subject to New York State personal income tax on such gains unless the Units are employed in a business, trade or occupation carried on in New York State. A New York State or New York City resident should determine his basis and holding period for his Units in the same manner for New York State and New York City tax purposes as for federal tax purposes. For corporations doing business in New York State and New York City, interest earned on state and municipal obligations that are exempt from federal income tax, including obligations of New York State, its political subdivisions and instrumentalities, must be included in calculating New York State and New York City entire net income for purposes of computing New York State franchise and New York City (income) tax.

The exemption of interest on municipal obligations for federal income tax purposes does not necessarily result in exemption under the income tax laws of any state or local government. The laws of such states and local governments vary with respect to the taxation of such obligations. See "Rights of Certificateholders" in this Part B.

In the opinion of Brown & Wood, special counsel to the Sponsors for California tax matters, under existing California law applicable to individuals who are California residents:

The California Trust will not be treated as an association taxable as a corporation, and the income of the California Trust will be treated as the income of the Certificateholders. Accordingly, interest on Bonds received by the California Trust that is exempt from personal income taxes imposed by or under the authority of the State of California will be treated for California income tax purposes in the same manner as if received directly by the Certificateholders.

Each Certificateholder of the California Trust will recognize gain or loss when the California Trust disposes of a Bond (whether by sale, exchange, redemption or payment at maturity) or upon the Certificateholder's sale or other disposition of a Unit. The amount of gain or loss for California income tax purposes will generally be calculated pursuant to the Internal Revenue Code of 1986, as amended, certain provisions of which are incorporated by reference under California law.

In the opinion of Saul, Ewing, Remick & Saul, special counsel to the Sponsors on Pennsylvania tax matters, under existing law:

(1) Units evidencing fractional undivided interests in the Trust, to the extent represented by obligations issued by the Commonwealth of Pennsylvania, any public authority, commission, board or other agency created by the Commonwealth of Pennsylvania, any political subdivision of the Commonwealth of Pennsylvania or any public authority created by any such political subdivision, or by the Government of Puerto Rico or its public authorities, are not taxable under any of the personal property taxes presently in effect in Pennsylvania;

(2) Distributions of interest income to Certificateholders that would not be taxable if received directly by a Pennsylvania resident are not subject to personal income tax under the Pennsylvania Tax Reform Code of 1971; nor will such interest be taxable under Philadelphia School District Investment Income Tax imposed on

Philadelphia resident individuals;

(3) A Certificateholder which is an individual, estate or trust will have a taxable event under the Pennsylvania state and local income tax referred to in the preceding paragraph upon the redemption or sale of Units;

(4) A Certificateholder which is a corporation will have a taxable event under the Pennsylvania Corporate Net Income Tax or, if applicable, the Mutual Thrift Institutions Tax, upon the redemption or sale of its Units. Interest income distributed to Certificateholders which are corporations is not subject to Pennsylvania Corporate Net Income Tax or Mutual Thrift Institutions Tax. However, banks, title insurance companies and trust companies may be required to take the value of Units into account in determining the taxable value of their shares subject to Shares Tax;

(5) Under Act No. 68 of December 3, 1993, gains derived by the Trust from the sale, exchange or other disposition of Pennsylvania Bonds may be subject to Pennsylvania personal or corporate income taxes. Those gains which are distributed by the Trust to Certificateholders who are individuals will be subject to Pennsylvania Personal Income Tax and, for residents of Philadelphia, to Philadelphia School District Investment Income Tax. For Certificateholders which are corporations, the distributed gains will be subject to Corporate Net Income Tax or Mutual Thrift Institutions Tax;

(6) For Pennsylvania Bonds, gains which are not distributed by the Trust will nevertheless be taxable to Certificateholders if derived by the Trust from the sale, exchange or other disposition of these Bonds issued on or after February 1, 1994. Such gains which are not distributed by the Trust will remain nontaxable to Certificateholders if derived by the Trust from the sale, exchange or other disposition of Bonds issued prior to February 1, 1994. However, for gains from the sale, exchange or other disposition of these Bonds to be taxable under the Philadelphia School District Investment Income Tax, the Bonds must be held for six months or less;

(7) Gains from the sale, exchange or other disposition of Puerto Rico Bonds will be taxable to Certificateholders if distributed or retained by the Trust. However, for gains from the sale, exchange or other disposition of these Bonds to be taxable under the Philadelphia School District Investment Income Tax, the Bonds must be held for six months or less;

(8) Units are subject to Pennsylvania inheritance and estate taxes;

(9) Any proceeds paid under insurance policies issued to the Trustee or obtained by issuers or the underwriters of the Bonds, the Sponsor or others which represent interest on defaulted obligations held by the Trustee will be excludable from Pennsylvania gross income if, and to the same extent as, such interest would have been so excludable if paid in the normal course by the issuer of the defaulted obligations; and

(10) The Trust is not taxable as a corporation under Pennsylvania tax laws applicable to corporations.

In the opinion of Hunton & Williams, special counsel to the Sponsors for Virginia tax matters, under existing Virginia law applicable to individuals who are Virginia residents and assuming that the Virginia Trust is a grantor trust under the grantor trust rules of Sections 671-679 of the Code:

The Virginia Trust will be taxable as a grantor trust for Virginia income tax purposes with the result that income of the Virginia Trust will be treated as income of the Certificateholders of the Virginia Trust. Consequently, the Virginia Trust will not be subject to any income or corporate franchise tax imposed by the Commonwealth of Virginia, or its subdivisions, agencies or instrumentalities.

Interest on the Bonds in the Virginia Trust that is exempt from Virginia income tax when received by the Virginia Trust will retain its tax exempt status in the hands of the Certificateholders of the Virginia Trust.

A Certificateholder of the Virginia Trust will realize a taxable event when the Virginia Trust disposes of a Bond (whether by sale, exchange, redemption or payment at maturity) or when the Certificateholder redeems or sells his Units, and taxable gain for Federal income tax purposes may result in taxable gain for Virginia income tax purposes. Certain Bonds, however, may have been issued under Acts of the Virginia General Assembly which provide that all income from such Bond, including any profit from the sale thereof, shall be free from all taxation by the Commonwealth of Virginia. To the extent that any such profit is exempt from Virginia income tax, any such profit received by the Virginia Trust will retain its tax exempt status in the hands of the Certificateholders of the Virginia Trust.

In the case of Bonds that are industrial revenue bonds ("IRBs") or certain types of private activity bonds, the opinions of bond counsel to the respective issuing authorities indicate that interest on such Bonds is exempt from regular federal income tax. However, interest on such Bonds will not be exempt from regular federal income tax for any period during which such Bonds are held by a "substantial user" of the facilities financed by the proceeds of such Bonds or by a "related person" thereof within the meaning of the Code. Therefore, interest on any such Bonds allocable to a Certificateholder who is such a "substantial user" or "related person" thereof will not be tax-exempt. Furthermore, in the case of IRBs that qualify for the "small issue" exemption, the "small issue" exemption will not be available or will be lost if, at any time during the three-year period beginning on the later of the date the facilities are placed in service or the date of issue, all outstanding tax-exempt IRBs, together with a proportionate share of any present issue, of an owner or principal user (or related person) of the facilities exceeds $40,000,000. In the case of IRBs issued under the $10,000,000 "small issue" exemption, interest on such IRBs will become taxable if the face amount of such IRBs plus certain capital expenditures exceeds $10,000,000.

In addition, a Bond can lose its tax-exempt status as a result of other subsequent but unforeseeable events such as prohibited "arbitrage" activities by the issuer of the Bond or the failure of the Bond to continue to satisfy the conditions required for the exemption of interest thereon from regular federal income tax. No investigation has been made as to the current or future owners or users of the facilities financed by the Bonds, the amount of such persons' outstanding tax-exempt IRBs, or the facilities themselves, and no assurance can be given that future events will not affect the tax-exempt status of the Bonds. Investors should consult their tax advisors for advice with respect to the effect of these provisions on their particular tax situation.

Interest on indebtedness incurred or continued to purchase or carry the Units is not deductible for regular federal income tax purposes. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of Units may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of Units. Also, in the case of certain financial institutions that acquire Units, in general no deduction is allowed for interest expense allocable to the Units.

From time to time proposals have been introduced before Congress to restrict or eliminate the federal income tax exemption for interest on debt obligations similar to the Bonds in the Trusts, and it can be expected that similar proposals may be introduced in the future.

In a 1988 decision (South Carolina v. Baker), the U.S. Supreme Court held that the federal government may constitutionally require states to register bonds they issue and subject the interest on such bonds to federal income tax if not registered, and that there is no constitutional prohibition against the federal government's taxing the interest earned on state or other municipal bonds. The Supreme Court decision affirms the authority of the federal government to regulate and control bonds such as the Bonds in the Trust and to tax interest on such bonds in the future. The decision does not, however, affect the current exemption from taxation of the interest earned on the Bonds in the Trust in accordance with Section 103 of the Code.

The opinions of bond counsel to the issuing governmental authorities to the effect that interest on the Bonds is exempt from regular federal income tax may be limited to law existing at the time the Bonds were issued, and may not apply to the extent that future changes in law, regulations or interpretations affect such Bonds. Investors are advised to consult their own tax advisors for advice with respect to the effect of any legislative changes.

LIQUIDITY

Sponsors' Repurchase

The Sponsors, although not obligated to do so, intend to maintain a secondary market for the Units of each Trust and continuously to offer to repurchase the Units of the Trusts. The Sponsors' secondary market repurchase price will be based on the aggregate bid price of the Bonds in each Trust portfolio, determined by the Evaluator on a daily basis, and will be the same as the redemption price. (See "Trustee Redemption.") Certificateholders who wish to dispose of their Units should inquire of the Sponsors as to current market prices prior to making a tender for redemption. The Sponsors may discontinue repurchases of Units of a Trust if the supply of Units exceeds demand, or for other business reasons. The date of repurchase is deemed to be the date on which Certificates representing Units of a Trust are physically received in proper form by Bear, Stearns & Co. Inc., on behalf of the Sponsors, 245 Park Avenue, New York, N.Y. 10167. Units received after 4:00 p.m., New York Time, will be deemed to have been repurchased on the next business day. In the event a market is not maintained for the Units of a Trust, a Certificateholder may be able to dispose of Units only by tendering them to the Trustee for redemption.

Prospectuses relating to certain other bond trusts indicate an intention by the respective Sponsors, subject to change, to repurchase units of those funds on the basis of a price higher than the bid prices of the Bonds in the Trusts. Consequently, depending upon the prices actually paid, the secondary market repurchase price of other trusts may be computed on a somewhat more favorable basis than the repurchase price offered by the Sponsors for Units of these Trusts, although in all bond trusts, the purchase price per unit depends primarily on the value of the bonds in the trust portfolio.

Units purchased by the Sponsors in the secondary market may be re-offered for sale by the Sponsors at a price based on the aggregate bid price of the Bonds in a Trust plus the applicable sales charge (see "Public Offering Price" in Part A) plus net accrued interest. Any Units that are purchased by the Sponsors in the secondary market also may be redeemed by the Sponsors if they determine such redemption to be in their best interest.

The Sponsors may, under certain circumstances, as a service to Certificateholders, elect to purchase any Units tendered to the Trustee for redemption (see "Trustee Redemption"). For example, if in order to meet redemptions of Units the Trustee must dispose of Bonds, and if such disposition cannot be made by the redemption date (seven calendar days after tender), the Sponsors may elect to purchase such Units. Such purchase shall be made by payment to the Certificateholder not later than the close of business on the redemption date of an amount equal to the Redemption Price on the date of tender.

Trustee Redemption

Units may also be tendered to the Trustee for redemption at its corporate trust office as set forth in Part A of this Prospectus, upon proper delivery of Certificates representing such Units and payment of any relevant tax. At the present time there are no specific taxes related to the redemption of Units. No redemption fee will be charged by the Sponsors or the Trustee. Units redeemed by the Trustee will be cancelled.

Certificates representing Units to be redeemed must be delivered to the Trustee and must be properly endorsed or accompanied by proper instruments of transfer with signature guaranteed (or by providing satisfactory indemnity, as in the case of lost, stolen or mutilated Certificates). Thus, redemptions of Units cannot be effected until Certificates representing such Units have been delivered by the person seeking redemption. (See "Certificates.") Certificateholders must sign exactly as their names appear on the faces of their Certificates. In certain instances the Trustee may require additional documents such as, but not limited to, trust instruments, certificates of death, appointments as executor or administrator or certificates of corporate authority.

Within seven calendar days following a tender for redemption, or, if such seventh day is not a business day, on the first business day prior thereto, the Certificateholder will be entitled to receive in cash an amount for each Unit tendered equal to the Redemption Price per Unit computed as of the Evaluation Time on the date of tender. The "date of tender" is deemed to be the date on which Units are received by the

Trustee, except that, with respect to Units received after the close of trading on the New York Stock Exchange, the date of tender is the next day on which such Exchange is open for trading, and such Units will be deemed to have been tendered to the Trustee on such day for redemption at the Redemption Price computed on that day.

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

The Redemption Price per Unit of a Trust is the pro rata share of each Unit in such Trust determined by the Trustee on the basis of (i) the cash on hand in such Trust or monies in the process of being collected, (ii) the value of the Bonds in such Trust based on the bid prices of such Bonds and (iii) interest accrued thereon, less (a) amounts representing taxes or other governmental charges payable out of such Trust, (b) the accrued expenses of such Trust and (c) cash allocated for distribution to Certificateholders of record of such Trust as of the business day prior to the evaluation being made. The Evaluator may determine the value of the Bonds in such Trust for purposes of redemption (1) on the basis of current bid prices of the Bonds obtained from dealers or brokers who customarily deal in bonds comparable to those held by such Trust, (2) on the basis of bid prices for bonds comparable to any Bonds for which bid prices are not available, (3) by determining the value of the Bonds by appraisal, or (4) by any combination of the above.

The Trustee is irrevocably authorized in its discretion, if the Sponsors do not elect to purchase a Unit tendered for redemption or if the Sponsors tender a Unit for redemption, in lieu of redeeming such Unit, to sell such Unit in the over-the-counter market for the account of the tendering Certificateholder at prices which will return to the Certificateholder an amount in cash, net after deducting brokerage commissions, transfer taxes and other charges, equal to or in excess of the Redemption Price for such Unit. The Trustee will pay the net proceeds of any such sale to the Certificateholder on the day he would otherwise be entitled to receive payment of the Redemption Price.

The Trustee reserves the right to suspend the right of redemption and to postpone the date of payment of the Redemption Price per Unit for any period during which the New York Stock Exchange is closed, other than customary weekend and holiday closings, or trading on that Exchange is restricted or during which (as determined by the Securities and Exchange Commission) an emergency exists as a result of which disposal or evaluation of the Bonds is not reasonably practicable, or for such other periods as the Securities and Exchange Commission may by order permit. The Trustee and the Sponsors are not liable to any person or in any way for any loss or damage which may result from any such suspension or postponement.

A Certificateholder who wishes to dispose of his Units should inquire of his bank or broker in order to determine if there is a current secondary market price in excess of the Redemption Price.

TOTAL REINVESTMENT PLAN

Under the Total Reinvestment Plan (the "Plan"), semi-annual and annual Certificateholders may elect to have all interest and principal distributions, if any, with respect to their Units reinvested either in units of various series of "Municipal Securities Trust"* which will have been created shortly before each semi-annual or annual Payment Date (a "Primary Series") or, if units of a Primary Series are not available, in units of a previously formed series of the Trust which have been repurchased by the Sponsors in the secondary market, including the Units being offered hereby (a "Secondary Series") (Primary Series and Secondary Series are hereafter collectively referred to as "Available Series"). June 15 and December 15 of each year in the case of semi-annual Certificateholders and December 15 of each year in the case of annual Certificateholders are "Plan Reinvestment Dates."

* Certificateholders of a particular State Trust of the Multi-State Trust who participate in the Plan will have reinvestments made in Units from the same State Trust of a similar Multi-State Trust if

such Units are available. If no such Units are available for reinvestment, distributions to Certificateholders will be reinvested in Units of regular series of Municipal Securities Trust, the income earned on which may not be exempt from state and local income taxes.

Under the Plan (subject to compliance with applicable blue sky laws), fractional units ("Plan Units") will be purchased from the Sponsors at a price equal to the aggregate offering price per Unit of the bonds in the Available Series portfolio during the initial offering of the Available Series or at the aggregate bid price per Unit of the Available Series if its initial offering has been completed, plus a sales charge equal to 3.627% of the net amount invested in such bonds or 3-1/2% of the Reinvestment Price per Plan Unit, plus accrued interest, divided by one hundred (the "Reinvestment Price per Plan Unit"). All Plan Units will be sold at this reduced sales charge of 3-1/2% in comparison to the regular sales charge levied on primary and secondary market sales of Units in any series of "Municipal Securities Trust." Participants in the Plan will have the opportunity to designate, in the Authorization Form for the Plan, the name of a broker to whom the Sponsors will allocate a sales commission of 1-1/2% of the Reinvestment Price per Plan Unit, payable out of the 3-1/2% sales charge. If no such designation is made, the Sponsors will retain the sales commission.

Under the Plan, the entire amount of a participant's income and principal distributions will be reinvested. For example, a Certificate-holder who is entitled to receive $130.50 interest income from the Trust would acquire 13.05 Plan Units assuming that the Reinvestment Price per Plan Unit, plus accrued interest, approximated $10 (Ten Dollars).

A semi-annual or annual Certificateholder may join the Plan at the time he invests in Units of the Trust or any time thereafter by delivering to the Trustee an Authorization Form which is available from brokers or the Sponsors. In order that distributions may be reinvested on a particular Plan Reinvestment Date, the Authorization Form must be received by the Trustee not later than the 15th day of the month preceding such date. Authorization Forms not received in time for a particular Plan Reinvestment Date will be valid only for the second succeeding Plan Reinvestment Date. Similarly, a participant may withdraw from the program at any time by notifying the Trustee (see below). However, if written confirmation of withdrawal is not given to the Trustee prior to a particular distribution, the participant will be deemed to have elected to participate in the Plan with respect to that particular distribution and his withdrawal would become effective for the next succeeding distribution.

Once delivered to the Trustee, an Authorization Form will constitute a valid election to participate in the Plan with respect to Units purchased in the Trust (and with respect to Plan Units purchased with the distributions from the Units purchased in the Trust) for each subsequent distribution as long as the Certificateholder continues to participate in the Plan. However, if an Available Series should materially differ from the Trust in the opinion of the Sponsors, the authorization will be voided and participants will be provided with both a notice of the material change and a new Authorization Form which would have to be returned to the Trustee before the Certificateholder would again be able to participate in the Plan. The Sponsors anticipate that a material difference which would result in a voided authorization would include such facts as the inclusion of bonds in the Available Series portfolio, the interest income on which was not exempt from all Federal income tax, or the inclusion of bonds which were not rated "A" or better by either Standard & Poor's Corporation or Moody's Investors Service, Inc. on the date such bonds were initially deposited in the Available Series portfolio.

The Sponsors have the option at any time to use units of a Secondary Series to fulfill the requirements of the Plan in the event units of a Primary Series are not available either because a Primary Series is not then in existence or because the registration statement relating thereto is not declared effective in sufficient time to distribute final prospectuses to Plan participants (see below). It should be noted that there is no assurance that the quality and diversification of the Bonds in any Available Series or the estimated current return thereon will be similar to that of this Trust.

It is the Sponsors' intention that Plan Units will be offered on or about each semi-annual and annual Record Date for determining who is eligible to receive distributions on the related Payment Date. Such Record Dates are June 1 and December 1 of each year for semi-annual Certificateholders, and December 1 of each year for annual Certificate-holders. On each Record Date the Sponsors will send a current Prospectus relating to the Available Series being offered for the next Plan

Reinvestment Date along with a letter which reminds each participant that Plan Units are being purchased for him as part of the Plan unless he notifies the Trustee in writing by that Plan Reinvestment Date that he no longer wishes to participate in the Plan. In the event a Primary Series has not been declared effective in sufficient time to distribute a final Prospectus relating thereto and there is no Secondary Series as to which a registration statement is currently effective, it is the Sponsors' intention to suspend the Plan and distribute to each participant his regular semi-annual or annual distribution. If the Plan is so suspended, it will resume in effect with the next Plan Reinvestment Date, assuming units of an Available Series are then being offered.

To aid a participant who might desire to withdraw either from the Plan or from a particular distribution, the Trustee has established a toll free number (see below) for participants to use for notification of withdrawal, which must be confirmed in writing prior to the Plan Reinvestment Date. Should the Trustee be so notified, it will make the appropriate cash disbursement. Unless the withdrawing participant specifically indicates in his written confirmation that (a) he wishes to withdraw from the Plan for that particular distribution only, or (b) he wishes to withdraw from the Plan for less than all units of each series of "Municipal Securities Trust" which he might then own (and specifically identifies which series are to continue in the Plan), he will be deemed to have withdrawn completely from the Plan in all respects. Once a participant withdraws completely, he will only be allowed to again participate in the Plan by submitting a new Authorization Form. A sale or redemption of a portion of a participant's Plan Units will not constitute a withdrawal from the Plan with respect to the remaining Plan Units owned by such participant.

Unless a Certificateholder notifies the Trustee in writing to the contrary, each semi-annual and annual Certificateholder who has acquired Plan Units will be deemed to have elected the semi-annual and annual plan of distribution, respectively, and to participate in the Plan with respect to distributions made in connection with such Plan Units. (Should the Available Series from which Plan Units are purchased for the account of an annual Certificateholder fail to have an annual distribution plan, such Certificateholder will be deemed to have elected the semi-annual plan of distribution, and to participate in the Plan with respect to distributions made, in connection with such Plan Units.) A participant who subsequently desires to have distributions made with respect to Plan Units delivered to him in cash may withdraw from the Plan with respect to such Plan Units and remain in the Plan with respect to units acquired other than through the Plan. Assuming a participant has his distributions made with respect to Plan Units reinvested, all such distributions will be accumulated with distributions generated from the Units of the Trust used to purchase such additional Plan Units. However, distributions related to units in other series of "Municipal Securities Trust" will not be accumulated with the foregoing distributions for Plan purchases. Thus, if a person owns units in more than one series of "Municipal Securities Trust" (which are not the result of purchases under the Plan), distributions with respect thereto will not be aggregated for purchases under the Plan.

Although not obligated to do so, the Sponsors intend to maintain a market for the Plan Units and continuously to offer to purchase Plan Units at prices based upon the aggregate offering price of the Bonds in the Available Series portfolio during the initial offering of the Available Series, or at the aggregate bid price of the Bonds of the Available Series of its initial offering has been completed. The Sponsors may discontinue such purchases at any time. The aggregate bid price of the underlying bonds may be expected to be less than the aggregate offering price. In the event that a market is not maintained for Plan Units, a participant desiring to dispose of his Plan Units may be able to do so only by tendering such Plan Units to the Trustee for redemption at the Redemption Price of the full units in the Available Series corresponding to such Plan Units, which is based upon the aggregate bid price of the underlying bonds as described in the "Municipal Securities Trust" Prospectus for the Available Series in question. If a participant wishes to dispose of his Plan Units, he should inquire of the Sponsors as to current market prices prior to making a tender for redemption to the Trustee.

Any participant may tender his Plan Units for redemption to the Available Series Trust. Participants may redeem Plan Units by making a written request to the Trustee at the address set forth in Part A, on the Redemption Form supplied by the Trustee. The redemption price per Plan Unit will be determined as set forth in the "Municipal Securities Trust" Prospectus of the Available Series from which such Plan Unit was purchased following receipt of the request and adjusted to reflect the fact that it relates to a Plan Unit. There is no charge for the redemption of Plan Units.

The Trust Agreement requires that the Trustee notify the Sponsors of any tender of Plan Units for redemption. So long as the Sponsors are maintaining a bid in the secondary market, the Sponsors will purchase any Plan Units tendered to the Trustee for redemption by making payment therefor to the Certificateholder in an amount not less than the redemption price for such Plan Units on the date of tender not later than the day on which such Plan Units otherwise would have been redeemed by the Trustee.

Participants in the Plan will not receive individual certificates for their Plan Units unless the amount of Plan Units accumulated represents the principal amount of bonds per Unit for the Available Series and, in such case, a written request for certificates is made to the Trustee. All Plan Units will be accounted for by the Trustee on a book entry system. Each time Plan Units are purchased under the Plan, a participant will receive a confirmation stating his cost, number of Units purchased and estimated current return. Questions regarding a participant's statements should be directed to the Trustee by calling the Trustee at the number set forth under "Summary of Essential Information" in Part A of this Prospectus.

All expenses relating to the operation of the Plan are borne by the Sponsors. Both the Sponsors and the Trustee reserve the right to suspend, modify or terminate the Plan at any time for any reason, including the right to suspend the Plan if the Sponsors are unable or unwilling to establish a Primary Series or is unable to provide Secondary Series Units. All participants will receive notice of any such suspension, modification or termination.

TRUST ADMINISTRATION

Portfolio Supervision

The Sponsors may direct the Trustee to dispose of Bonds in a Trust upon (i) default in payment of principal or interest on such Bonds, (ii) institution of certain legal proceedings with respect to the issuers of such Bonds, (iii) default under other documents adversely affecting debt service on such Bonds, (iv) default in payment of principal or interest on other obligations of the same issuer or guarantor, (v) with respect to revenue Bonds, decline in revenues and income of any facility or project below the estimated levels calculated by proper officials charged with the construction or operation of such facility or project, or (vi) decline in price or the occurrence of other market or credit factors that in the opinion of the Sponsors would make the retention of such Bonds in such Trust detrimental to the interests of the Certificateholders. If a default in the payment of principal or interest on any of the Bonds occurs and if the Sponsors fail to instruct the Trustee to sell or hold such Bonds, the Trust Agreement provides that the Trustee may sell such Bonds.

The Sponsors are authorized by the Trust Agreement to direct the Trustee to accept or reject certain plans for the refunding or refinancing of any of the Bonds. Any bonds received in exchange or substitution will be held by the Trustee subject to the terms and conditions of the Trust Agreement to the same extent as the Bonds originally deposited. Within five days after such deposit in a Trust, notice of such exchange and deposit shall be given by the Trustee to each Certificateholder of such Trust registered on the books of the Trustee, including an identification of the Bonds eliminated and the Bonds substituted therefor. Except as previously stated in the discussion regarding Failed Bonds, the acquisition by a Trust of any securities other than the Bonds initially deposited is prohibited.

Trust Agreement, Amendment and Termination

The Trust Agreement may be amended by the Trustee, the Sponsors and the Evaluator without the consent of any of the Certificateholders: (1) to cure any ambiguity or to correct or supplement any provision which may be defective or inconsistent; (2) to change any provision thereof as may be required by the Securities and Exchange Commission or any successor governmental agency; or (3) to make such other provisions in regard to matters arising thereunder as shall not adversely affect the interests of the Certificateholders.

The Trust Agreement may also be amended in any respect, or performance of any of the provisions thereof may be waived, with the consent of the holders of Certificates evidencing 66-2/3% of the Units then outstanding of each Trust affected by such amendment for the purpose of modifying the rights of Certificateholders; provided that no such amendment or waiver shall reduce any Certificateholder's interest in a Trust without his consent or reduce the percentage of Units required to consent to any such amendment or waiver without the consent of the holders of all Certificates. The Trust Agreement may not be amended, without the consent of the holders of all Certificates in a Trust then outstanding, to increase the number of Units issuable by such Trust or to permit the acquisition of any bonds in addition to or in substitution for those initially deposited in such Trust, except in accordance with the provisions of the Trust Agreement. The Trustee shall promptly notify Certificateholders, in writing, of the substance of any such amendment.

The Trust Agreement provides that each Trust shall terminate upon the maturity, redemption or other disposition, as the case may be, of the last of the Bonds held in such Trust, but in no event is it to continue beyond the end of the calendar year preceding the fiftieth anniversary of the execution of the Trust Agreement. If the value of a Trust shall be less than the minimum amount set forth under "Summary of Essential Information in Part A" for such Trust, the Trustee may, in its discretion, and shall when so directed by the Sponsors, terminate such Trust. Each Trust may also be terminated at any time with the consent of the holders of Certificates representing 100% of the Units of such Trust then outstanding. In the event of termination of a Trust, written notice thereof will be sent by the Trustee to all Certificateholders of such Trust. Within a reasonable period after termination, the Trustee must sell any Bonds remaining in the terminated Trust, and, after paying all expenses and charges incurred by such Trust, distribute to each Certificateholder thereof, upon surrender for cancellation of his Certificate for Units, his pro rata share of the Interest and Principal Accounts of such Trust.

The Sponsors

The Sponsors, Bear, Stearns & Co. Inc. and Gruntal & Co., Incorporated have entered into an Agreement Among Co-Sponsors pursuant to which both parties have agreed to act as Co-Sponsors for the Trust. Bear, Stearns & Co. Inc. has been appointed by Gruntal & Co., Incorporated as agent for purposes of taking any action required or permitted to be taken by the Sponsors under the Trust Agreement. If the Sponsors are unable to agree with respect to action to be taken jointly by them under the Trust Agreement and they cannot agree as to which Sponsors shall act as sole Sponsors, then Bear, Stearns & Co. Inc. shall act as sole Sponsors. If one of the Sponsors fails to perform its duties under the Trust Agreement or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, that Sponsors may be discharged under the Trust Agreement and a new Sponsors may be appointed or the remaining Sponsors may continue to act as Sponsors. Bear, Stearns & Co. Inc., a Delaware corporation, is engaged in the underwriting, investment banking and brokerage business and is a member of the National Association of Securities Dealers, Inc. and all principal securities and commodities exchanges, including the New York Stock Exchange, the American Stock Exchange, the Midwest Stock Exchange and the Pacific Stock Exchange. Bear Stearns maintains its principal business offices at 245 Park Avenue, New York, New York 10167 and, since its reorganization from a partnership to a corporation in October, 1985 has been a wholly-owned subsidiary of The Bear Stearns Companies Inc. Bear Stearns, through its predecessor entities, has been engaged in the investment banking and brokerage business since 1923. Bear Stearns is the sponsors for numerous series of unit investment trusts, including: A Corporate Trust, Series 1 (and Subsequent Series); New York Municipal Trust, Series 1 (and Subsequent Series); Discount and Zero Coupon Fund, 1st Series (and Subsequent Series); Municipal Securities Trust, Series 1 (and Subsequent Series); 1st Discount Series (and Subsequent Series); High Income Series 1 (and Subsequent Series); Multi-State Series 1 (and Subsequent Series); Short-Intermediate Term Series 1 (and Subsequent Series); Insured Municipal Securities Trust, Series 1-4 (Multiplier Portfolio); Series 1 (and Subsequent Series); 5th Discount Series (and Subsequent Series); Navigator Series (and Subsequent Series); Mortgage Securities Trust, CMO Series 1 (and Subsequent Series) and Equity Securities Trust, Series 1, Signature Series, Gabelli Communications Income Trust (and Subsequent Series). The information included herein is only for the purpose of informing investors as to the financial responsibility of the Sponsors and their ability to carry out their contractual obligations.

Gruntal & Co., Incorporated, a Delaware corporation, operates a regional securities broker/dealer from its main office in New York City and branch offices in nine states and the District of Columbia. The firm is very active in the marketing of investment companies and has signed dealer agreements with every mutual fund group, as well as being the managing distributor for The Home Group Money Market and Mutual Funds. Further, through its Syndicate Department, Gruntal & Co. Incorporated has underwritten a large number of Closed-End Funds and has been Co-Manager on the following offerings: Cigna High Income Shares; Dreyfus New York Municipal Income, Inc.; Franklin Principal Maturity Trust and Van Kampen Merritt Limited Term High Income Trust. The Sponsors are liable for the performance of its obligations arising from its responsibilities under the Trust Agreement, but will be under no liability to Certificateholders for taking any action, or refraining from taking any action, in good faith pursuant to the Trust Agreement, or for errors in judgment except in cases of its own willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties.

The Sponsors may resign at any time by delivering to the Trustee an instrument of resignation executed by the Sponsors.

If at any time the Sponsors shall resign or fail to perform any of its duties under the Trust Agreement or becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, then the Trustee may either (a) appoint a successor Sponsors; (b) terminate the Trust Agreement and liquidate the Trust; or (c) continue to act as Trustee without terminating the Trust Agreement. Any successor Sponsors appointed by the Trustee shall be satisfactory to the Trustee and, at the time of appointment, shall have a net worth of at least $1,000,000.

The Trustee

The Trustee is United States Trust Company of New York, with its principal place of business at 770 Broadway, New York, New York 10003. United States Trust Company of New York has, since its establishment in 1853, engaged primarily in the management of trust and agency accounts for individuals and corporations. The Trustee is a member of the New York Clearing House Association and is subject to supervision and examination by the Superintendent of Banks of the State of New York, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System.

The Trustee shall not be liable or responsible in any way for taking any action, or for refraining from taking any action, in good faith pursuant to the Trust Agreement, or for errors in judgment; or for any disposition of any moneys, Bonds or Certificates in accordance with the Trust Agreement, except in cases of its own willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties; provided, however, that the Trustee shall not in any event be liable or responsible for any evaluation made by the Evaluator. In addition, the Trustee shall not be liable for any taxes or other governmental charges imposed upon or in respect of the Bonds or the Trusts which it may be required to pay under current or future law of the United States or any other taxing authority having jurisdiction. The Trustee shall not be liable for depreciation or loss incurred by reason of the sale by the Trustee of any of the Bonds pursuant to the Trust Agreement.

For further information relating to the responsibilities of the Trustee under the Trust Agreement, reference is made to the material set forth under "Rights of Certificateholders."

The Trustee may resign by executing an instrument in writing and filing the same with the Sponsors, and mailing a copy of a notice of resignation to all Certificateholders. In such an event the Sponsors are obligated to appoint a successor Trustee as soon as possible. In addition, if the Trustee becomes incapable of acting or becomes bankrupt or its affairs are taken over by public authorities, the Sponsors may remove the Trustee and appoint a successor as provided in the Trust Agreement. Notice of such removal and appointment shall be mailed to each Certificateholder by the Sponsors. If upon resignation of the Trustee no successor has been appointed and has accepted the appointment within thirty days after notification, the retiring Trustee may apply to a court of competent jurisdiction for the appointment of a successor. The resignation or removal of the Trustee becomes effective only when the successor Trustee accepts its appointment as such or when a court of competent jurisdiction appoints a successor Trustee. Upon execution of a written acceptance of such appointment by such successor Trustee, all the rights, powers, duties and obligations of the original Trustee shall vest in the successor.

Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, shall be the successor Trustee. The Trustee must always be a banking corporation organized under the laws of the United States or any state and have at all times an aggregate capital, surplus and undivided profits of not less than $2,500,000.

The Evaluator

The Evaluator is Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. with main offices located at 65 Broadway, New York, New York 10006. The Evaluator is a wholly-owned subsidiary of McGraw-Hill, Inc. The Evaluator is a registered investment advisor and also provides financial information services.

The Trustee, the Sponsors and Certificateholders may rely on any evaluation furnished by the Evaluator and shall have no responsibility for the accuracy thereof. Determinations by the Evaluator under the Trust Agreement shall be made in good faith upon the basis of the best information available to it, provided, however, that the Evaluator shall be under no liability to the Trustee, the Sponsors, or Certificateholders for errors in judgment, except in cases of its own willful misfeasance, bad faith, gross negligence or reckless disregard of its obligations and duties.

The Evaluator may resign or may be removed by the Sponsors and Trustee, and the Sponsors and the Trustee are to use their best efforts to appoint a satisfactory successor. Such resignation or removal shall become effective upon the acceptance of appointment by the successor Evaluator. If upon resignation of the Evaluator no successor has accepted appointment within thirty days after notice of resignation, the retiring Evaluator may apply to a court of competent jurisdiction for the appointment of a successor.

TRUST EXPENSES AND CHARGES

At no cost to the Trust, the Sponsors have borne all the expenses of creating and establishing the Trust, including the cost of initial preparation and execution of the Trust Agreement, registration of the Trusts and the Units under the Investment Company Act of 1940 and the Securities Act of 1933, preparation and printing of the Certificates, the fees of the Evaluator during the initial public offering, legal and auditing expenses, advertising and selling expenses, initial fees and expenses of the Trustee and other out-of-pocket expenses.

The Sponsors will not charge the Trust a fee for its services as such. See "Sponsors' Profits."

The Trustee will receive for its ordinary recurring services to each Trust an annual fee in the amount set forth under "Summary of Essential Information" in Part A. For a discussion of the services performed by the Trustee pursuant to its obligations under the Trust Agreement, see "Trust Administration" and "Rights of Certificateholders."

The Evaluator will receive for each daily evaluation of the Bonds in the Trust a fee in the amount set forth under "Summary of Essential Information" in Part A, which fee shall be allocated pro rata among each Trust.

The Trustee's and Evaluator's fees applicable to a Trust are payable monthly as of the Record Date from such Trust's Interest Account to the extent funds are available and then from such Trust's Principal Account. Both fees may be increased without approval of the Certificate-holders by amounts not exceeding proportionate increases in consumer prices for services as measured by the United States Department of Labor's Consumer Price Index entitled "All Services Less Rent."

The following additional charges are or may be incurred by any or all of the Trusts: all expenses (including counsel and auditing fees) of the Trustee incurred in connection with its activities under the Trust Agreement, including the expenses and costs of any action undertaken by the Trustee to protect a Trust and the rights and interests of the Certificateholders; fees of the Trustee for any extraordinary services performed under the Trust Agreement; indemnification of the Trustee for any loss or liability accruing to it without gross negligence, bad faith or willful misconduct on its part, arising out of or in connection with its acceptance or administration of a Trust; indemnification of the Sponsors for any loss, liabilities and expenses incurred in acting as Sponsors of a Trust without gross negligence, bad faith or willful misconduct on its part; and all taxes and other governmental charges imposed upon the Bonds or any part of a Trust (no such taxes or charges are being levied, made or, to the knowledge of the Sponsors, contemplated). The above expenses, including the Trustee's fees, when paid by or owing to the Trustee are secured by a first lien on the Trust to which such expenses are allocable. In addition, the Trustee is empowered to sell Bonds of a Trust in order to make funds available to pay all expenses of such Trust.

EXCHANGE PRIVILEGE AND CONVERSION OFFER

Exchange Privilege

Certificateholders may elect to exchange any or all of their Units of these Trusts for Units of one or more of any available series of Insured Municipal Securities Trust, Municipal Securities Trust, New York Municipal Trust, Mortgage Securities Trust, A Corporate Trust or Equity Securities Trust (upon receipt by Equity Securities Trust of an appropriate exemptive order from the Securities and Exchange Commission) (the "Exchange Trusts") at a reduced sales charge as set forth below. Under the Exchange Privilege, the Sponsors' repurchase price after the initial offering period has been completed, will be based on the aggregate bid price of the Bonds in the particular Trust portfolio. Units in an Exchange Trust then will be sold to the Certificateholder at a price based on the aggregate offer price of the Bond in the Exchange Trust portfolio (or for Units of Equity Securities Trust, based on the market value of the underlying securities in the Equity Trust portfolio) during the initial public offering period of the Exchange Trust; or based on the aggregate bid price of the Bonds in the Exchange Trust portfolio if its initial public offering has been completed, plus accrued interest (or for Units of Equity Securities Trust, based on the market value of the underlying securities in the Equity Trust portfolio) and a reduced sales charge as set forth below.

Except for Certificateholders who wish to exercise the Exchange Privilege within the first five months of their purchase of Units of Trust, the sales charge applicable to the purchase of units of an Exchange Trust shall be $15 per unit (or per 1,000 Units for the Mortgage Securities Trust or per 100 Units for the Equity Securities Trust) (approximately 1.5% of the price of each Exchange Trust unit (or 1,000 Units for the Mortgage Securities Trust or per 100 Units for the Equity Securities Trust)). For Certificateholders who wish to exercise the Exchange Privilege within the first five months of their purchase of Units of Trust, the sales charge applicable to the purchase of units of an Exchange Trust shall be the greater of (i) $15 per unit (or per 1,000 Units for the Mortgage Securities Trust or per 100 Units for the Equity Securities Trust), or (ii) an amount which when coupled with the sales charge paid by the Certificateholder upon his original purchase of Units of the Trust at least equals the sales charge applicable in the direct purchase of units of an Exchange Trust. The Exchange Privilege is subject to the following conditions:

(1) The Sponsors must be maintaining a secondary market in both the Units of the Trust held by the Certificateholder and the Units of the available Exchange Trust. While the Sponsors have indicated its intention to maintain a market in the Units of all Trusts sponsored by it, the Sponsors are under no obligation to continue to maintain a secondary market and therefore there is no assurance that the Exchange Privilege will be available to a Certificateholder at any specific time in the future. At the time of the Certificateholder's election to participate in the Exchange Privilege, there also must be Units of the Exchange Trust available for sale, either under the initial primary distribution or in the Sponsors' secondary market.

(2) Exchanges will be effected in whole units only. Any excess proceeds from the Units surrendered for exchange will be remitted and the selling Certificateholder will not be permitted to advance any new funds in order to complete an exchange. Units of the Mortgage Securities Trust may only be acquired in blocks of 1,000 Units. Units of the Equity Securities Trust may only be acquired in blocks of 100 units.

(3) The Sponsors reserve the right to suspend, modify or terminate the Exchange Privilege. The Sponsors will provide Certificateholders of the Trust with 60 days' prior written notice of any termination or material amendment to the Exchange Privilege, provided that, no notice need be given if (i) the only material effect of an amendment is to reduce or eliminate the sales charge payable at the time of the exchange, to add one or more series of the Trust eligible for the Exchange Privilege or to delete a series which has been terminated from eligibility for the Exchange Privilege,

(ii) there is a suspension of the redemption of units of an Exchange Trust under Section 22(e) of the Investment Company Act of 1940, or (iii) an Exchange Trust temporarily delays or ceases the sale of its units because it is unable to invest amounts effectively in accordance with its investment objectives, policies and restrictions. During the 60 day notice period prior to the termination or material amendment of the Exchange Privilege described above, the Sponsors will continue to maintain a secondary market in the units of all Exchange Trusts that could be acquired by the affected Certificateholders. Certificateholders may, during this 60 day period, exercise the Exchange Privilege in accordance with its terms then in effect. In the event the Exchange Privilege is not available to a Certificateholder at the time he wishes to exercise it, the Certificateholder will immediately be notified and no action will be taken with respect to his Units without further instructions from the Certificateholder.

To exercise the Exchange Privilege, a Certificateholder should notify the Sponsors of his desire to exercise his Exchange Privilege. If Units of a designated, outstanding series of an Exchange Trust are at the time available for sale and such Units may lawfully be sold in the state in which the Certificateholder is a resident, the Certificateholder will be provided with a current prospectus or prospectuses relating to each Exchange Trust in which he indicates an interest. He may then select the Trust or Trusts into which he desires to invest the proceeds from his sale of Units. The exchange transaction will operate in a manner essentially identical to a secondary market transaction except that units may be purchased at a reduced sales charge.

Example: Assume that after the initial public offering has been completed, a Certificateholder has five units of a Trust with a current value of $700 per unit which he has held for more than 5 months and the Certificateholder wishes to exchange the proceeds for units of a secondary market Exchange Trust with a current price of $725 per unit. The proceeds from the Certificateholder's original units will aggregate $3,500. Since only whole units of an Exchange Trust may be purchased under the Exchange Privilege, the Certificateholder would be able to acquire four units (or 4,000 Units of the Mortgage Securities Trust or per 400 Units of the Equity Securities Trust) for a total cost of $2,960 ($2,900 for unit and $60 for the sales charge). The remaining $540 would be remitted to the Certificateholder in cash. If the Certificateholder acquired the same number of units at the same time in a regular secondary market transaction, the price would have been $3,068.80 ($2,900 for units and $168.80 for the sales charge, assuming a 5-1/2% sales charge times the public offering price).

The Conversion Offer

Certificateholders of any registered unit investment trust for which there is no active secondary market in the units of such trust (a "Redemption Trust") may elect to redeem such units and apply the proceeds of the redemption to the purchase of available Units of one or more series of A Corporate Trust, Municipal Securities Trust, Insured Municipal Securities Trust, Mortgage Securities Trust, New York Municipal Trust or Equity Securities Trust (upon receipt by Equity Securities Trust of an appropriate exemptive order from the Securities and Exchange Commission) sponsored by Bear, Stearns & Co. Inc. or the Sponsors (the "Conversion Trusts") at the Public Offering Price for units of the Conversion Trust based on a reduced sales charge as set forth below. Under the Conversion Offer, units of the Redemption Trust must be tendered to the trustee of such trust for redemption at the redemption price, which is based upon the aggregate bid side evaluation of the underlying bonds in such trust and is generally about 1-1.2% to 2% lower than the offering price for such bonds (or for Units of Equity Securities Trust, based on the market value of the underlying securities in the Equity Trust portfolio). The purchase price of the units will be based on the aggregate offer price of the underlying bonds in the Conversion Trust portfolio (or for Units of Equity Securities Trust, based on the market value of the underlying securities in the Equity Trust portfolio) during its initial offering period; or, at a price based on the aggregate bid price of the underlying bonds if the initial public offering of the Conversion Trust has been completed, plus accrued interest (or for Units of Equity Securities Trust, based on the market value of the underlying securities in the Equity Trust portfolio) and a sales charge as set forth below.

Except for Certificateholders who wish to exercise the Conversion Offer within the first five months of their purchase of units of a Redemption Trust, the sales charge applicable to the purchase of Units of the Conversion Trust shall be $15 per Unit (or per 1,000 Units for the Mortgage Securities Trust or per 100 units for the Equity

Securities Trust). For Certificateholders who wish to exercise the Conversion Offer within the first five months of their purchase of units of a Redemption Trust, the sales charge applicable to the purchase of Units of a Conversion Trust shall be the greater of (i) $15 per Unit (or per 1,000 Units for the Mortgage Securities Trust or per 100 units for the Equity Securities Trust) or (ii) an amount which when coupled with the sales charge paid by the Certificateholder upon his original purchase of units of the Redemption Trust at least equals the sales charge applicable in the direct purchase of Units of a Conversion Trust. The Conversion Offer is subject to the following limitations:

(1) The Conversion Offer is limited only to Certificateholders of any Redemption Trust, defined as a unit investment trust for which there is no active secondary market at the time the Certificateholder elects to participate in the Conversion Offer. At the time of the Certificateholder's election to participate in the Conversion Offer, there also must be available units of a Conversion Trust, either under a primary distribution or in the Sponsors' secondary market.

(2) Exchanges under the Conversion Offer will be effected in whole units only. Certificateholders will not be permitted to advance any new funds in order to complete an exchange under the Conversion Offer. Any excess proceeds from units being redeemed will be returned to the Certificateholder. Units of the Mortgage Securities Trust may only be acquired in blocks of 1,000 units. Units of the Equity Securities Trust may only be acquired in blocks of 100 units.

(3) The Sponsors reserve the right to modify, suspend or terminate the Conversion Offer at any time without notice to Certificateholders of Redemption Trusts. In the event the Conversion Offer is not available to a Certificateholder at the time he wishes to exercise it, the Certificateholder will be notified immediately and no action will be taken with respect to his units without further instruction from the Certificateholder. The Sponsors also reserve the right to raise the sales charge based on actual increases in the Sponsors' costs and expenses in connection with administering the program, up to a maximum sales charge of $20 per unit (or per 1,000 units for the Mortgage Securities Trust or per 100 units for the Equity Securities Trust).

To exercise the Conversion Offer, a Certificateholder of a Redemption Trust should notify his retail broker of his desire to redeem his Redemption Trust Units and use the proceeds from the redemption to purchase Units of one or more of the Conversion Trusts. If Units of a designated, outstanding series of a Conversion Trust are at that time available for sale and if such Units may lawfully be sold in the state in which the Certificateholder is a resident, the Certificateholder will be provided with a current prospectus or prospectuses relating to each Conversion Trust in which he indicates an interest. He then may select the Trust or Trusts into which he decides to invest the proceeds from the sale of his Units. The transaction will be handled entirely through the Certificateholder's retail broker. The retail broker must tender the units to the trustee of the Redemption Trust for redemption and then apply the proceeds to the redemption toward the purchase of units of a Conversion Trust at a price based on the aggregate offer or bid side evaluation per Unit of the Conversion Trust, depending on which price is applicable, plus accrued interest and the applicable sales charge. The certificates must be surrendered to the broker at the time the redemption order is placed and the broker must specify to the Sponsors that the purchase of Conversion Trust Units is being made pursuant to the Conversion Offer. The Certificateholder's broker will be entitled to retain $5 of the applicable sales charge.

Example: Assume a Certificateholder has five units of a Redemption Trust which he has held for more than 5 months with a current redemption price of $675 per unit based on the aggregate bid price of the underlying bonds and the Certificateholder wishes to participate in the Conversion Offer and exchange the proceeds for units of a secondary market Conversion Trust with a current price of $750 per Unit. The proceeds from the Certificateholder's redemption of units will aggregate $3,375. Since only whole units of a Redemption Trust may be purchased under the Conversion Offer, the Certificateholder will be able to acquire four units of the Conversion Trust (or 4,000 units of the Mortgage Securities Trust or per 400 units of the Equity Securities Trust) for a total cost of $2,860 ($2,800 for units and $60 for the sales charge). The remaining $515 would be remitted to the Certificateholder in cash. If the Certificateholder acquired same number of Conversion Trust units at the same time in a regular secondary market transaction, the price would have been $2,962.96 ($2,800 for units and $162.96 sales charge, assuming a

5 1/2% sales charge times the public offering price).

Description of the Exchange Trusts and the Conversion Trusts

A Corporate Trust may be an appropriate investment vehicle for an investor who is more interested in a higher current return on his investment (although taxable) than a tax-exempt return (resulting from the fact that the current return from taxable fixed income securities is normally higher than that available from tax-exempt fixed income securities). Municipal Securities Trust and New York Municipal Trust may be appropriate investment vehicles for an investor who is more interested in tax-exempt income. The interest income from New York Municipal Trust is, in general, also exempt from New York State and local New York income taxes, while the interest income from Municipal Securities Trust is subject to applicable New York State and local New York taxes, except for that portion of the income which is attributable to New York and Puerto Rico obligations in the Trust portfolio, if any. The interest income from each State Trust of the Municipal Securities Trust, Multi-State Series is, in general, exempt from state and local taxes when held by residents of the state where the issuers of bonds in such State Trusts are located. The Insured Municipal Securities Trust combines the advantages of providing interest income free from regular federal income tax under existing law with the added safety of irrevocable insurance. Insured Navigator Series further combines the advantages of providing interest income free from regular federal income tax and state and local taxes when held by residents of the state where issuers of bonds in such State Trusts are located with the added safety of irrevocable insurance. Mortgage Securities Trust offers an investment vehicle for investors who are interested in obtaining safety of capital and a high level of current distribution of interest income through investment in a fixed portfolio of collateralized mortgage obligations. Equity Securities Trust offers investors an opportunity to achieve capital appreciation together with a high level of current income.

Tax Consequences of the Exchange Privilege and the Conversion Offer

A surrender of Units pursuant to the Exchange Privilege or the Conversion Offer will constitute a "taxable event" to the Certificate-holder under the Code. The Certificateholder will recognize a tax gain or loss that will be of a long or short-term capital or ordinary income nature depending on the length of time the Units have been held and other factors. A Certificateholder's tax basis in the Units acquired pursuant to the Exchange Privilege or Conversion Offer will be equal to the purchase price of such Units. Investors should consult their own tax advisors as to the tax consequences to them of exchanging or redeeming units and participating in the Exchange Privilege or Conversion Offer.

OTHER MATTERS

Legal Opinions

The legality of the Units originally offered and certain matters relating to federal and New York tax law have been passed upon by Battle Fowler, 75 East 55th Street, New York, New York 10022, or Berger Steingut Tarnoff & Stern, 600 Madison Avenue, New York, New York 10022, as counsel for the Sponsors. Certain matters relating to California tax law have been passed upon by Brown & Wood, as special California counsel to the Sponsors. Certain matters relating to Pennsylvania tax law have been passed upon by Saul, Ewing, Remick & Saul, as special Pennsylvania counsel to the Sponsors. Certain matters relating to Virginia tax law have been passed upon by Hunton & Williams, as special Virginia counsel to the Sponsors. Carter, Ledyard & Milburn, Two Wall Street, New York, New York 10005 have acted as counsel for United States Trust Company of New York.

Independent Auditors

The financial statements of the Trust included in Part A of this Prospectus as of the dates set forth in Part A have been examined by KPMG Peat Marwick, independent certified public accountants for the periods indicated in its reports appearing herein. The financial statements of KPMG Peat Marwick have been so included in reliance on its reports given upon the authority of said firm as experts in accounting and auditing.

DESCRIPTION OF BOND RATINGS*

Standard & Poor's Corporation

A brief description of the applicable Standard & Poor's Corporation rating symbols and their meanings is as follows:

* As described by the rating agencies.

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

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

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

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

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

II. Nature of and provisions of the obligation.

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

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

AA -- Bonds rated AA also qualify as high-quality debt obligations. Capacity to pay principal and interest is very strong, and they differ from AAA issues only in small degrees.

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

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

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

Moody's Investors Service

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

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

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

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

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

Those bonds in the A and Baa group which Moody's believes possess the strongest investment attributes are designated by the symbol A 1 and Baa 1. Other A bonds comprise the balance of the group. These rankings (1) designate the bonds which offer the maximum in security within their quality group, (2) designate bonds which can be bought for possible upgrading in quality and (3) additionally afford the investor an opportunity to gauge more precisely the relative attractiveness of offerings in the market place.

Moody's applies numerical modifiers, 1, 2, and 3 in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Con-Bonds for which the security depends upon the completion of some act or the fulfillment of some condition are rated conditionally. These are debt obligations secured by (a) earnings of projects under construction, (b) earnings of projects unseasoned in operating experience, (c) rentals which begin when facilities are completed, or (d) payments to which some other limiting condition attaches. Rating denotes probable credit stature upon completion of construction or elimination of basis of condition.

*   *   *

FOR USE WITH MUNICIPAL SECURITIES TRUST

73rd-79th DISCOUNT SERIES, SERIES 45-54

MULTISTATE SERIES 37-44

==

AUTHORIZATION FOR INVESTMENT IN MUNICIPAL SECURITIES TRUST,
____ DISCOUNT SERIES/SERIES ___
MULTI-STATE SERIES ____

TRP PLAN - TOTAL REINVESTMENT PLAN

I hereby elect to participate in the TRP Plan and am the owner of ____ units of Municipal Securities Trust, Multistate Series _____/____ Discount Series/Series ___.

I hereby authorize the United States Trust Company New York, Trustee, to pay all semi-annual or annual distributions of interest and principal (if any) with respect to such units to the United States Trust Company, as TRP Plan Agent, who shall immediately invest the distributions in units of the available series of the Trust above or, if unavailable, of other available series of regular Municipal Securities Trust.

The foregoing authorization is subject in all respects to the terms and conditions of participation set forth in the pros pectus relating to such available series.

Date ____________, 19__

_________________________ Registered Holder (print)

_________________________________ Registered Holder (print)

_________________________ _________________________________

Registered Holder Signature   Registered Holder Signature
(Two signatures if joint tenancy)

My Brokerage Firm's Name

Street Address

City, State & Zip Code

Salesman's Name ___________________ Salesman's No.

==

UNIT HOLDERS NEED ONLY DATE AND SIGN THIS FORM.

MAIL TO YOUR BROKER
OR
UNITED STATES TRUST COMPANY OF NEW YORK
ATTN: THE UNIT REINVESTMENT UNIT A
770 BROADWAY
NEW YORK, NEW YORK 10003

INDEX

MUNICIPAL SECURITIES TRUST

(A Unit Investment Trust)

Prospectus

Dated: October 28, 1994

Sponsors:

Bear, Stearns & Co. Inc.
245 Park Avenue
New York, N.Y. 10167
212-272-2500

Gruntal & Co.,
Incorporated
14 Wall Street
New York, N.Y. 10005
212-267-8800

Trustee:

United States Trust Company
of New York
770 Broadway
New York, N.Y. 10003
1-800-428-8890

Evaluator:

Kenny S&P Evaluation Services
65 Broadway
New York, N.Y. 10006

Parts A and B of this Prospectus do not contain all of the information set forth in the registration statement and exhibits relating thereto, filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1933, and to which reference is made.

*   *   *

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in any state to any person to whom it is not lawful to make such offer in such state.

*   *   *

No person is authorized to give any information or to make any representations not contained in Parts A and B of this Prospectus; and any information or representation not contained herein must not be relied upon as having been authorized by the Trust, the Trustee, the Evaluator, or the Sponsors. The Trust is registered as a unit investment trust under the Investment Company Act of 1940. Such registration does not imply that the Trust or any of its Units have been guaranteed, sponsored, recommended or approved by the United States or any state or any agency or officer thereof.

PART II

ADDITIONAL INFORMATION NOT REQUIRED IN PROSPECTUS

CONTENTS OF REGISTRATION STATEMENT

This Post-Effective Amendment to the Registration Statements on Form S-6 comprises the following papers and documents:

The facing sheet on Form S-6.
The Cross-Reference Sheet.
The Prospectus consisting of   pages.
Signatures.
Consent of Independent Auditors.
Consent of Counsel (included in Exhibits 99.3.1 and 99.3.1.1).
Consents of the Evaluator including Confirmation of Ratings (included in Exhibit 99.5.1).

The following exhibits:

99.1.1 -- Form of Reference Trust Agreement including certain Amendments to the Trust Indenture and Agreement referred to under Exhibit 1.1.1 below (filed as Exhibit 1.1 to Amendment No. 1 to Form S-6 Registration Statements Nos. 33-29313 and 33-30144 of Municipal Securities Trust, Series 45 & 73rd Discount Series and Series 46 & 74th Discount Series, respectively, on July 20, 1989 and November 17, 1989, respectively, and incorporated herein by reference).

99.1.1.1 -- Trust Indenture and Agreement for Municipal Securities Trust, Series 45 and 73rd Discount Series and Subsequent Series (filed as Exhibit 1.1.1 to Amendment No. 1 to Form S-6 Registration Statement No. 33-29313 of Municipal Securities Trust, Series 45 and 73rd Discount Series on July 20, 1989 and incorporated herein by reference).

99.1.3.4 -- Certificate of Incorporation of Bear, Stearns & Co. Inc., as amended (filed as Exhibit 99.1.3.4 to Form S-6 Registration Statement Nos. 33-50891 and 33-50901 of Insured Municipal Securities Trust, New York Navigator Insured Series 15 and New Jersey Navigator Insured Series 11; and Municipal Securities Trust, Multi-State Series 44, respectively, on December 9, 1993 and incorporated herein by reference).

99.1.3.5 -- By-Laws of Bear, Stearns & Co. Inc., as amended (filed as Exhibit 99.1.3.5 to Form S-6 Registration Statement Nos. 33-50891 and 33-50901 of Insured Municipal Securities Trust, New York Navigator Insured Series 15 and New Jersey Navigator Insured Series 11; and Municipal Securities Trust, Multi-State Series 44, respectively, on December 9, 1993 and incorporated herein by reference).

99.1.3.6 -- Certificate of Incorporation of Gruntal & Co., Incorporated, as amended (filed as Exhibit 1.3.6 to Amendment No. 1 to Form S-6 Registration Statement No. 33-28384 of Insured Municipal Securities Trust, 47th Discount Series and Series 20 on June 16, 1989 and incorporated herein by reference).

99.1.3.7 -- By-laws of Gruntal & Co., Incorporated, as amended (filed as Exhibit 1.3.7 to Amendment No. 1 to Form S-6 Registration Statement No. 33-28384 of Insured Municipal Securities Trust, 47th Discount Series and Series 20 on June 16, 1989 and incorporated herein by reference).

99.1.4 -- Form of Agreement Among Underwriters (filed as Exhibit 1.4

to Amendment No. 1 to Registration Statement No. 33-28384 of Insured Municipal Securities Trust, 47th Discount Series and Series 20 on June 16, 1989 and incorporated herein by reference).

99.2.1	--	Form of Certificate (filed as Exhibit 2.1 to Amendment No. 1 to Registration Statement No. 33-28384 of Insured Municipal Securities Trust, 47th Discount Series and Series 20 on June 16, 1989 and incorporated herein by reference).
99.3.1	--	Opinion of Berger Steingut Tarnoff & Stern (formerly Berger & Steingut) as to the legality of the securities being registered, including their consent to the filing thereof and to the use of their name under the heading "Legal Opinions" in the Prospectus (filed as Exhibit 3.1 to Amendment No. 1 to Form S-6 Registration Statements Nos. 33-29313 and 33-30144 of Municipal Securities Trust, Series 45 and 73rd Discount Series and Series 46 & 74th Discount Series, respectively, on July 20, 1989 and November 17, 1989, respectively, and incorporated herein by reference).
99.3.1.1	--	Opinion of Battle Fowler as to tax status of securities being registered, including their consent to the filing thereof and to the use of their name under the heading "Tax Status" in the Prospectus (filed as Exhibit 3.1.1 to Post-Effective Amendment No. 1 to Form S-6 Registration Statements Nos. 33-29313 and 33-30144 of Municipal Securities Trust, Series 45 & 73rd Discount Series and Series 46 & 74th Discount Series, respectively, on October 31, 1990 and incorporated herein by reference).
*99.5.1	--	Consents of the Evaluator including Confirmation of Ratings.
99.6.0	--	Power of Attorney of Bear, Stearns & Co. Inc., the Depositor, by its Officers and a majority of its Directors (filed as Exhibit 6.0 to Post-Effective Amendment No. 8 to Form S-6 Registration Statements Nos. 2-92113, 2-92660, 2-93073, 2-93884 and 2-94545 of Municipal Securities Trust, Multi-State Series 4, 5, 6, 7 and 8, respectively on October 30, 1992 and incorporated herein by reference).
99.6.1	--	Power of Attorney of Gruntal & Co., Incorporated, by its officers and a majority of its Directors (filed as Exhibit 6.1 to Form S-6 Registration Statement No. 33-36316 on August 10, 1990 and incorporated herein by reference).
99.7.0	--	Form of Agreement Among Co-Sponsors (filed as Exhibit 7 to Amendment No. 1 to Form S-6 Registration Statement No. 33-28384 of Insured Municipal Securities Trust, 47th Discount Series and Series 20 on June 16, 1989 and incorporated herein by reference).
*27	--	Financial Data Schedule(s) (for EDGAR filing only).

*Being filed by this Amendment.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrants, Municipal Securities Trust, Series 45 & 73rd Discount Series and Series 46 & 74th Discount Series certify that they have met all of the requirements for effectiveness of this Post-Effective Amendment to the Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933. The registrants have duly caused this Post-Effective Amendment to the Registration Statement to be signed on their behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York on the 28th day of October, 1994.

MUNICIPAL SECURITIES TRUST,
SERIES 45 & 73RD DISCOUNT SERIES AND
SERIES 46 & 74TH DISCOUNT SERIES
(Registrants)

GRUNTAL & CO., INCORPORATED
(Depositor)

By: /s/ROBERT SABLOWSKY
Robert Sablowsky
(Authorized Signatory)

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment to the Registration Statement has been signed below by the following persons, who constitute the principal officers and a majority of the directors of Gruntal & Co., Incorporated, the Depositor, in the capacities and on the dates indicated.

Name	Title		Date
HOWARD SILVERMAN	Chief Executive Officer and Director	)	October 28, 1994
EDWARD E. BAO	Executive Vice President and Director	)	
BARRY RICHTER	Executive Vice President and Director	)	
ROBERT SABLOWSKY	Executive Vice President and Director	)	By: ROBERT SABLOWSKY
LIONEL G. HEST	Senior Executive and Director	)	Attorney-in-Fact

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* An executed copy of the power of attorney was filed as Exhibit 6.1 to Registration Statement No. 33-36316 on August 10, 1990.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrants, Municipal Securities Trust, Series 45 & 73rd Discount Series and Series 46 & 74th Discount Series certify that they have met all of the requirements for effectiveness of this Post-Effective Amendment to the Registration Statements pursuant to Rule 485(b) under the Securities Act of 1933. The registrants have duly caused this Post-Effective Amendment to the Registration Statements to be signed on their behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York on the 28th day of October, 1994.

MUNICIPAL SECURITIES TRUST,
SERIES 45 & 73RD DISCOUNT SERIES AND
SERIES 46 & 74TH DISCOUNT SERIES
(Registrants)

BEAR, STEARNS & CO. INC.
(Depositor)

By: /s/ PETER J. DeMARCO
Peter J. DeMarco
(Authorized Signatory)

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment to the Registration Statements has been signed below by the following persons who constitute the principal officers and a majority of the directors of Bear, Stearns & Co. Inc., the Depositor, in the capacities and on the dates indicated.

Name	Title		Date
ALAN C. GREENBERG	Chairman of the Board, Director and Senior Managing Director	)	
JAMES E. CAYNE	President, Chief Executive Officer, Director and Senior Managing Director	)	October 28, 1994

JOHN C. SITES, JR.	Executive Vice President, Director and Senior Managing Director)	
MICHAEL L. TARNOPOL	Executive Vice President, Director and Senior Managing Director)	By:PETER J. DeMARCO Attorney-in-Fact
VINCENT J. MATTONE	Executive Vice President, Director and Senior Managing Director)	
ALAN D. SCHWARTZ	Executive Vice President, Director and Senior Managing Director)	
DOUGLAS P.C. NATION	Director and Senior Managing Director)	
WILLIAM J. MONTGORIS	Chief Operating Officer, Chief Financial Officer, Senior Vice President-Finance and Senior Managing Director)	
KENNETH L. EDLOW	Secretary and Senior Managing Director)	
MICHAEL MINIKES	Treasurer and Senior Managing Director)	
MICHAEL J. ABATEMARCO	Controller, Assistant Secretary and Senior Managing Director)	
MARK E. LEHMAN	Senior Vice President - General Counsel and Senior Managing Director)	
FREDERICK B. CASEY	Assistant Treasurer and Senior Managing Director)	

</TABLE>

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* An executed power of attorney was filed as Exhibit 6.0 to Post-Effective Amendment No. 8 to registration Statements Nos. 2-92113, 2-92660, 2-93073, 2-93884 and 2-94545 on October 30, 1992.

CONSENT OF INDEPENDENT AUDITORS

We consent to the use in these Post-Effective Amendments to the Registration Statements of our reports on the financial statements of Municipal Securities Trust, Series 45; Municipal Securities Trust, Series 46; Municipal Securities Trust, 73rd Discount Series; and Municipal Securities Trust, 74th Discount Series included herein and to the reference to our firm under the heading "Independent Auditors" in the Prospectus which is part of this Registration Statement.

KPMG Peat Marwick LLP

New York, New York
October 25, 1994

EXHIBIT INDEX

Exhibit	Description	Page No.
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27	Financial Data Schedule(s) (for EDGAR filing only)......................................

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KENNY S&P EVALUATION SERVICES
A Division of Kenny Information Systems, Inc.

65 Broadway
New York, New York 10006-2511
Telephone 212/770-4440
Fax: 212/797-8681

John R. Fitzgerald
Vice President

October 28, 1994

Bear, Stearns & Co., Inc.
245 Park Avenue
New York, NY 10167

Gruntal & Co., Inc.
14 Wall Street
New York, NY 10005

RE: Municipal Securities Trust
Series 45 and 73rd Discount Series

Gentlemen:

We have examined the post-effective Amendment to the Registration Statement File No. 33-29313 for the above-captioned trust. We hereby acknowledge that Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. is currently acting as the evaluator for the trust. We hereby consent to the use in the Amendment of the reference to Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. as evaluator.

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

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

Sincerely,

John R. Fitzgerald

JRF/cns

October 28, 1994

Bear, Stearns & Co., Inc.
245 Park Avenue
New York, NY 10167

Gruntal & Co., Inc.
14 Wall Street
New York, NY 10005

RE: Municipal Securities Trust
Series 46 and 74th Discount Series

Gentlemen:

We have examined the post-effective Amendment to the Registration Statement File No. 33-30144 for the above-captioned trust. We hereby acknowledge that Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. is currently acting as the evaluator for the trust. We hereby consent to the use in the Amendment of the reference to Kenny S&P Evaluation Services, a division of Kenny Information Systems, Inc. as evaluator.

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

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

Sincerely,

John R. Fitzgerald

JRF/cns