

STANDARD & POOR'S CORPORATION
345 HUDSON STREET, NEW YORK, N.Y. 10014

May 27, 1975

Shearson, Hayden, Stone Inc.
767 Fifth Avenue
New York, N.Y. 10022

Attention: Mr. Conrad Sterrett, Vice President

Gentlemen:

It has been requested by Securities Exchange Commission to explain the evaluation of a Municipal Bond that has become default during the existence of an insured Municipal Bond Fund.

The value of a default bond would automatically be reduced. Range of reduction would be determined according to conditions prevailing at the time of default, whether temporary or permanent.

The unit price of these funds are established by the Sponsors and Trustees after we submit a daily or weekly total evaluation of the complete fund.

Our evaluations are not based on the AA rating of an insured fund but by the original rating assigned to each separate issue.

In closing we wish to state that no PBB or better rated Municipal Bonds have ever defaulted.

Sincerely,

Richard H. Brandes, Manager

Municipal Fund Pricing Service