

PRELIMINARY AND SUBJECT TO COMPLETION AND AMENDMENT  
ISSUE DATE: FEBRUARY 17, 1994

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED FEBRUARY 17, 1994)

LOGO  
\$25,000,000

MERRILL LYNCH & CO., INC.  
AMEX OIL INDEX SM  
STOCK MARKET ANNUAL RESET TERM SM NOTES  
DUE DECEMBER 31, 2000 "SMART NOTES SM"

AMEX Oil Index SM Stock Market Annual Reset Term SM Notes due December 31, 2000 (the "Notes" or "SMART Notes") are being offered hereby. The Notes are being issued in denominations of \$1,000 and integral multiples thereof and will mature and be repayable at 100% of the principal amount thereof on December 31, 2000. The Notes are not subject to redemption prior to maturity.

Merrill Lynch & Co., Inc. (the "Company") will make interest payments on the Notes for each calendar year at a rate per annum equal to % (the "Participation Rate") of the average percentage increase, if any, in the AMEX Oil Index (as defined herein) as determined in each calendar year from the Starting Annual Value to the Ending Average Value as further described herein (the "Average Percent Change"). Annual payments will in no event be less than the Minimum Annual Payment of \$20 per \$1,000 principal amount of Notes on a per annum basis (2% per annum).

The "Starting Annual Value" applicable to the determination of the amount payable in a calendar year will equal the closing value of the AMEX Oil Index on the last AMEX Business Day in the immediately preceding calendar year; provided, however, the "Starting Annual Value" applicable to the December 31, 1994 payment date will equal (the closing value of the AMEX Oil Index on the date the Notes are priced for initial offering to the public). The "Ending Average Value" applicable to the determination of the amount payable in a calendar year will equal the arithmetic average (mean) of the Quarterly Values of the AMEX Oil Index for each calendar quarter during such year; provided, however, the Ending Average Value for 1994 will equal the arithmetic average (mean) of the Quarterly Values of the AMEX Oil Index for the calendar quarters ending in June, September and December of 1994. Interest payments will be payable on June 30 and December 31 of each year, commencing June 30, 1994 as described below.

For information as to the calculation of the amount payable in any calendar year, the calculation of the AMEX Oil Index and certain tax consequences to beneficial owners of the Notes (including the characterization of the interest payments for Federal tax purposes), see "Description of Notes", "The AMEX Oil Index", and "Certain United States Federal Income Tax Considerations" in this Prospectus Supplement. FOR OTHER INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "SPECIAL CONSIDERATIONS" IN THIS PROSPECTUS SUPPLEMENT.

Ownership of the Notes will be maintained only in book-entry form by or through the Securities Depository. Beneficial owners of the Notes will not have the right to receive physical certificates evidencing their ownership except under the limited circumstances described herein.

Application will be made to list the Notes on the American Stock Exchange.

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

<TABLE>  
<CAPTION>

PRICE TO UNDERWRITING PROCEEDS TO  
PUBLIC (1) (2) DISCOUNT (1) COMPANY (2) (3)

<S> <C> <C> <C>  
Per Note..... 100% 2% 98%

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Total..... \$ \$ \$  
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- (1) The "Price to Public" and "Underwriting Discount" for any single transaction to purchase \$3,000,000 aggregate principal amount of Notes or more will be 98.6% and .6%, respectively.
- (2) Plus accrued interest, if any, at a rate equal to the Minimum Annual Payment rate, from the date of original issuance.
- (3) Before deduction of expenses payable by the Company.

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The Notes are offered by the Underwriter, subject to prior sale, when, as and if issued by the Company and accepted by the Underwriter and subject to certain other conditions. The Underwriter reserves the right to reject orders in whole or in part. It is expected that delivery of the Notes will be made in New York, New York on or about March , 1994.

This Prospectus Supplement and the accompanying Prospectus may be used by Merrill Lynch, Pierce, Fenner & Smith Incorporated in connection with offers and sales related to market-making transactions in the Notes. Merrill Lynch, Pierce, Fenner & Smith Incorporated may act as principal or agent in such transactions. Such sales will be made at prices related to prevailing market prices at the time of sale.

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MERRILL LYNCH & CO.  
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THE DATE OF THIS PROSPECTUS SUPPLEMENT IS MARCH , 1994

SM"SMART Notes" and "Stock Market Annual Reset Term" are service marks of Merrill Lynch & Co., Inc.  
"Oil IndexSM" is a registered service mark of the American Stock Exchange, Inc.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE AMERICAN STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Commissioner of Insurance of The State of North Carolina has not approved or disapproved the offering of the Notes made hereby nor has the Commissioner passed upon the accuracy or adequacy of this Prospectus Supplement or Prospectus.

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#### SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus Supplement and the accompanying Prospectus.

Issuer..... Merrill Lynch & Co., Inc.

Securities Offered.... \$25,000,000 aggregate principal amount of AMEX Oil Index Stock Market Annual Reset Term Notes due December 31, 2000. The Notes are to be issued as a series of Senior Debt Securities under the Senior Indenture described herein.

Listing..... Application will be made to list the Notes on the American Stock Exchange.

Denominations..... \$1,000 and integral multiples thereof.

Price to Public..... 100% for purchases of Notes in any single transaction of less than \$3,000,000, and 98.6% for purchases of Notes in any single transaction of \$3,000,000 aggregate principal amount of Notes or more.

Maturity..... December 31, 2000.

Interest Payments..... For each full calendar year, the Company will pay an amount equal to the following for each \$1,000 principal amount of Notes:

\$1,000 X Average Percent Change X Participation Rate

provided, however, that the per annum amount payable as a result of the foregoing for the Notes will not be

less than the Minimum Annual Payment of \$20 per \$1,000 principal amount of Notes on a per annum basis (2% per annum). The Participation Rate equals %.

The "Average Percent Change" applicable to the determination of the amount payable in a year will equal:

$$\frac{\text{Ending Average Value} - \text{Starting Annual Value}}{\text{Starting Annual Value}}$$

The "Starting Annual Value" applicable to the determination of the amount payable in a calendar year will equal the closing value of the AMEX Oil Index on the last AMEX Business Day in the immediately preceding calendar year as determined by State Street Bank and Trust Company (the "Calculation Agent"); provided, however, the "Starting Annual Value" applicable to the December 31, 1994 payment date will equal (the closing value of the AMEX Oil Index on the date the Notes are priced for initial offering to the public). The "Ending Average Value" applicable to the determination of the amount payable in a calendar

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year will equal the arithmetic average (mean) of the Quarterly Values of the AMEX Oil Index for each calendar quarter during such year as determined by the Calculation Agent; provided, however, the Ending Average Value for 1994 will equal the arithmetic average (mean) of the Quarterly Values of the AMEX Oil Index for the calendar quarters ending in June, September and December of 1994. The "Quarterly Value" for any of the first three calendar quarters in a calendar year will be the closing value of the AMEX Oil Index on the last scheduled AMEX Business Day in any such calendar quarter; provided, however, that if a Market Disruption Event has occurred on such last scheduled AMEX Business Day in such calendar quarter, the Quarterly Value for such calendar quarter will be the closing value of the AMEX Oil Index on the next succeeding scheduled AMEX Business Day regardless of whether a Market Disruption Event occurs on such day. The "Quarterly Value" for the fourth calendar quarter in a calendar year will be the closing value of the AMEX Oil Index on the seventh scheduled AMEX Business Day preceding the end of such calendar quarter; provided, however, that if a Market Disruption Event has occurred on such seventh scheduled AMEX Business Day, the Quarterly Value for such calendar quarter will be the closing value of the AMEX Oil Index on the sixth scheduled AMEX Business Day preceding the end of such calendar quarter regardless of whether a Market Disruption Event occurs on such day. The Calculation Agent will determine scheduled AMEX Business Days. See "Description of Notes--Interest Payments".

Interest Payment Dates..... Payments on the Notes will be made semiannually on June 30 and December 31 of each year as described below ("June Payment Dates" and "December Payment Dates", respectively), commencing June 30, 1994. For each \$1,000 principal amount of the Notes, the Company will pay half of the Minimum Annual Payment for each calendar year on the June Payment Date, and will pay the balance of the annual amount payable on the Notes for such year on the December Payment Date.

The amount payable on the June Payment Date in 1994 will be prorated as described herein. The amount payable on the December Payment Date in 1994 that is in excess of the Minimum Annual Payment applicable to 1994 for the Notes, if any, will be prorated as provided herein. See "Description of Notes--Interest Payment Dates" in this Prospectus Supplement.

AMEX Oil Index..... The "Oil Index" is a price weighted stock index calculated, published and disseminated by the American Stock Exchange (the "AMEX") that measures the composite price performance of selected common stocks of widely-held corporations engaged in various segments of the oil industry (the "AMEX Oil Index"). The Oil Index was originally published by the AMEX as the Oil and Gas Index. In September, 1984 the AMEX changed the Oil and Gas Index from a market-weighted index to a price-

weighted index and deleted all companies engaged exclusively in gas exploration and production activities. The Oil and Gas Index was then renamed the Oil Index. The calculation of the value of the AMEX Oil Index is currently

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based on the relative value of the aggregate market price of the common stocks of sixteen companies engaged in various segments of the oil industry. The AMEX may from time to time, with approval of the Securities and Exchange Commission, add companies to, or delete companies from, the AMEX Oil Index to fulfill the above-stated intention of providing an indication of price movements of common stock of corporations engaged in various segments of the oil industry. See "The AMEX Oil Index" in this Prospectus Supplement.

Special  
Considerations.....

The Notes are subject to certain special considerations. If the Ending Average Value applicable to a December Payment Date does not exceed the Starting Annual Value applicable to such December Payment Date by more than approximately %, beneficial owners of the Notes will receive only the Minimum Annual Payment for that year, even if the value of the AMEX Oil Index at some point between the determination of the applicable Starting Annual Value and the determination of the applicable Ending Average Value exceeded such Starting Annual Value by more than approximately %.

The annual amount payable on the Notes in each calendar year based on the AMEX Oil Index is limited to the Participation Rate multiplied by the percentage increase, if any, between the Starting Annual Value and the Ending Average Value for such year. There will be less time for the AMEX Oil Index to vary during the time between the determination of the Starting Annual Value and the Ending Average Value applicable to calculating the amounts payable on the December 31, 1994 payment date than the times separating the determination of such values for purposes of calculating amounts payable on subsequent December Payment Dates.

A beneficial owner of the Notes may receive interest payments only equal to the Minimum Annual Payment for each calendar year, and such interest payments are below what the Company would pay as interest as of the date hereof if the Company issued non-callable senior debt securities with a similar maturity as that of the Notes. The return of principal of the Notes at maturity and the payment of the Minimum Annual Payment are not expected to reflect the full opportunity costs implied by inflation or other factors relating to the time value of money.

The amount payable on the Notes based on the AMEX Oil Index will not produce the same return as if stocks underlying the AMEX Oil Index were purchased and held for a similar period because of the following: (i) the AMEX Oil Index does not reflect the payment of dividends on the stocks underlying it, (ii) the annual amount payable is limited to the Participation Rate multiplied by the percentage increase in the AMEX Oil Index during any relevant period, subject to the Minimum Annual Payment, (iii) the Ending Average Value may not reflect the full percentage increase in the AMEX Oil Index during any relevant period because it is an average of the AMEX Oil Index at various points in time and (iv) the amounts payable on the Notes do not reflect changes in the AMEX Oil Index for the period between the determination of the Ending Average Value and the determination of the next succeeding Starting Annual Value.

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There can be no assurance as to how the Notes will trade in the secondary market or whether such market will be liquid. The price at which a beneficial owner will be able to sell Notes prior to maturity may be at a discount, which could be substantial, from the principal amount thereof, if, among other things, the

AMEX Oil Index at such time (or, if subsequent to the end of the first calendar quarter in a year, the estimated Ending Average Value if calculated at such time) is not sufficiently above the Starting Annual Value applicable to the following December Payment Date. It is expected that the secondary market for the Notes will be affected by the creditworthiness of the Company and by a number of other factors, including the relative level of the AMEX Oil Index, changes in U.S. interest rates, the volatility of the AMEX Oil Index, the time remaining to the maturity of the Notes and to the next succeeding December Payment Date and changes in dividend rates in the United States generally. See "Special Considerations" in this Prospectus Supplement.

It is suggested that prospective investors who consider purchasing the Notes should reach an investment decision only after carefully considering the suitability of the Notes in the light of their particular circumstances.

Certain United States  
Federal Income Tax  
Considerations.....

There are no regulations (except the OID Regulations and the 1991 Proposed Regulations as described below), published rulings or judicial decisions involving the characterization, for United States Federal income tax purposes, of securities with terms substantially the same as the Notes. However, Brown & Wood, counsel to the Company, has advised the Company that, although the matter is not free from doubt, under current law, each Note should be treated as a debt instrument of the Company for United States Federal income tax purposes. Under general principles of current United States Federal income tax law, payments of interest on a Note generally would be taxable to a U.S. Holder (as defined in "Certain United States Federal Income Tax Considerations" herein) as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

Final Treasury regulations issued on January 27, 1994 (the "OID Regulations") would not by their terms apply to the Notes, because the OID Regulations are effective only for debt instruments issued on or after April 4, 1994. However, taxpayers may rely on the OID Regulations for debt instruments issued after December 21, 1992. Under the OID Regulations, each Note should qualify as a "variable rate debt instrument" and, under such circumstances, a U.S. Holder would include in income all interest payments on a Note as ordinary interest at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

Alternatively, if the Notes were treated as contingent payment debt obligations, then proposed Treasury regulations issued in 1991 (the "1991 Proposed Regulations"), which contain a proposed retroactive effective date of February 20, 1991, would apply to the Notes if such regulations

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were ultimately adopted in their current form. Such application of the 1991 Proposed Regulations would require a U.S. Holder to bifurcate a Note into several different instruments, one consisting of the fixed payments on the Note and the others consisting of the contingent payments on the Note based on the AMEX Oil Index. Such treatment would require a U.S. Holder to include in income, as ordinary interest, original issue discount with respect to the fixed payments and to recognize capital gain or loss with respect to the contingent payments. It should be noted, however, that proposed Treasury regulations are not binding upon either the Internal Revenue Service or taxpayers prior to becoming effective as temporary or final regulations. An investor should carefully consider the United States Federal income tax consequences of investing in the Notes and consult their tax advisor before making such an investment. See "Certain United States Federal Income Tax Considerations" in this

## SPECIAL CONSIDERATIONS

## INTEREST PAYMENTS

If the Ending Average Value applicable to a December Payment Date does not exceed the Starting Annual Value applicable to such December Payment Date by more than approximately %, beneficial owners of the Notes will receive only the Minimum Annual Payment on such December Payment Date, even if the value of the AMEX Oil Index at some point between the determination of the applicable Starting Annual Value and the determination of the applicable Ending Average Value exceeded such Starting Annual Value by more than approximately %. The annual amount payable on the Notes based on the AMEX Oil Index is limited to the Participation Rate multiplied by the percentage increase, if any, between the Starting Annual Value and the Ending Average Value for such year. There will be less time for the AMEX Oil Index to vary during the time between the determination of the Starting Annual Value and the Ending Average Value applicable to calculating the amounts payable on the December 31, 1994 payment date than the times separating the determination of such values for purposes of calculating amounts payable on other December Payment Dates. Although the payment on the December 31, 1994 payment date will be prorated as described under "Description of the Notes--Interest Payment Dates", the amount payable on the December 31, 1994 payment date if annualized will not be less than the Minimum Annual Payment.

Beneficial owners of the Notes will receive total annual payments equal to not less than the Minimum Annual Payment, and will be repaid 100% of the principal amount of the Notes at maturity. Beneficial owners of Notes may receive interest payments with respect to the Notes equal to only the Minimum Annual Payment for each year, and such interest payments are below what the Company would pay as interest as of the date hereof if the Company issued non-callable senior debt securities with a similar maturity as that of the Notes. The payment of additional amounts on the Notes is subject to the conditions described under "Description of Notes--Interest Payments". The return of principal of the Notes at maturity and the payment of the Minimum Annual Payment are not expected to reflect the full opportunity costs implied by inflation or other factors relating to the time value of money.

The amount payable on the Notes based on the AMEX Oil Index will not produce the same return as if the stocks underlying the AMEX Oil Index were purchased and held for a similar period because of the following: (i) the AMEX Oil Index does not reflect the payment of dividends on the stocks underlying it, (ii) the annual amount payable is limited to the Participation Rate multiplied by the percentage increase in the AMEX Oil Index during any relevant period, subject to the Minimum Annual Payment, (iii) the Ending Average Value may not reflect the full percentage increase in the AMEX Oil Index during any relevant period because it is an average of the AMEX Oil Index at various points in time and (iv) the amounts payable on the Notes do not reflect changes in the AMEX Oil Index for the period between the determination of an Ending Average Value and the determination of the next succeeding Starting Annual Value.

The Indenture provides that the Indenture and the Notes will be governed by and construed in accordance with the laws of the state of New York. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. This limit may not apply to Notes in which \$2,500,000 or more has been invested. While the company believes that New York law would be given effect by a state or federal court sitting outside of New York, state laws frequently regulate the amount of interest that may be charged to and paid by a borrower (including, in some cases, corporate borrowers). It is suggested that prospective investors consult their personal advisors with respect to the applicability of such laws. The Company has covenanted for the benefit of the beneficial owners of the Notes, to the extent permitted by law, not to claim voluntarily the benefits of any laws concerning usurious rates of interest against a beneficial owner of the Notes.

## TRADING

Application will be made to list the Notes on the American Stock Exchange. There can be no assurance as to how the Notes will trade in the secondary market or whether such market will be liquid. It is expected

that the secondary market for the Notes (including prices in such market) will likely be affected by the creditworthiness of the Company and by a number of other factors. It is possible to view the Notes as the economic equivalent of a debt obligation plus a series of cash settlement options; however, the Notes may trade in the secondary market at a discount from the aggregate value of such economic components, if such economic components were valued and capable of being traded separately.

The trading values of the Notes may be affected by a number of interrelated factors, including those listed below. The following is the expected theoretical effect on the trading value of the Notes of each of the factors listed below. The following discussion of each separate factor generally assumes that all other factors are held constant, although the actual interrelationship between certain of such factors is complex.

**Relative Level of the AMEX Oil Index.** The trading value of the Notes is expected to depend significantly on the extent of the excess of the expected Ending Average Value for a calendar year over the Starting Annual Value applicable to such calendar year. If, however, Notes are sold at a time when the AMEX Oil Index (or the estimated Ending Average Value if such value were calculated at such time) exceeds the Starting Annual Value, the sale price may nevertheless be at a discount from the amount expected to be payable to the beneficial owner if such excess were to prevail until the next December Payment Date. Furthermore, the price at which a beneficial owner will be able to sell Notes prior to a December Payment Date may be at a discount, which could be substantial, from the principal amount thereof, if, at such time, the AMEX Oil Index is below, equal to or not sufficiently above the Annual Starting Value applicable to such December Payment Date. The level of the AMEX Oil Index will depend on the prices of the stocks underlying such Index which, in turn, will be affected by factors affecting the oil industry, see "The AMEX Oil Index--Oil Industry Sector".

**Volatility of the AMEX Oil Index.** If the volatility of the AMEX Oil Index increases, the trading value of the Notes is expected to increase. If the volatility of the AMEX Oil Index decreases, the trading value of the Notes is expected to decrease.

**U.S. Interest Rates.** In general, if U.S. interest rates increase, the value of the Notes is expected to decrease. If U.S. interest rates decrease, the value of the Notes is generally expected to increase. Interest rates may also affect the U.S. economy, and, in turn, the level of the AMEX Oil Index. Rising interest rates may lower the level of the AMEX Oil Index and, thus, the value of the Notes. Falling interest rates may increase the level of the AMEX Oil Index and, thus, may increase the value of the Notes.

**Time Remaining to December Payment Dates.** The Notes may trade at a value above that which may be inferred from the level of U.S. interest rates and the AMEX Oil Index. This difference will reflect a "time premium" due to expectations concerning the level of the AMEX Oil Index during the period prior to each December Payment Date. As the time remaining to each December Payment Date decreases, however, this time premium may decrease, thus decreasing the trading value of the Notes.

**Time Remaining to Maturity.** As the number of remaining December Payment Dates decreases, the cumulative value of all the annual rights to receive an amount that reflects participation in the payments in excess of the Minimum Annual Payment will decrease, thus decreasing the value of the Notes.

**Dividend Rates.** A number of complex relationships between the relative values of the Notes and dividend rates are likely to exist. If dividend rates on the stocks comprising the AMEX Oil Index increase, the value of the annual right to receive an amount that reflects participation in the average appreciation of the AMEX Oil Index above the Starting Annual Value is expected to decrease. Consequently the value of the Notes is expected to decrease. Conversely, if dividend rates on the stocks comprising the AMEX Oil Index decrease, the value of the annual right to receive such an amount is expected to increase and, therefore, the value of the Notes is expected to increase. In general, however, because the majority of issuers of stocks underlying the AMEX Oil Index are organized in the United States, rising U.S. corporate dividend rates

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may increase the AMEX Oil Index and, in turn, increase the value of the Notes. Conversely, falling U.S. dividend rates may decrease the AMEX Oil Index and, in turn, decrease the value of the Notes.

#### OTHER CONSIDERATIONS

It is suggested that prospective investors who consider purchasing the Notes should reach an investment decision only after carefully considering the suitability of the Notes in light of their particular circumstances. Investors should also consider the tax consequences of investing in the Notes. See "Certain United States Federal Income Tax Considerations" in this Prospectus Supplement.

#### DESCRIPTION OF NOTES

##### GENERAL

The Notes are to be issued as a series of Senior Debt Securities under the Senior Indenture, dated as of April 1, 1983, as amended and restated, which is more fully described in the accompanying Prospectus. The Notes will mature, and the principal of the Notes will be repayable at par, on December 31, 2000.

The Notes are not subject to redemption prior to maturity by the Company or at the option of any beneficial owner. Upon the occurrence of an Event of Default with respect to the Notes, however, beneficial owners of the Notes or the Senior Debt Trustee may accelerate the maturity of the Notes, as described under "Description of Notes--Events of Default and Acceleration" in this Prospectus Supplement and "Description of Debt Securities--General--Events of Default" in the accompanying Prospectus.

The Notes are to be issued in denominations of \$1,000 and integral multiples thereof.

#### INTEREST PAYMENTS

For each full calendar year, the Company will pay interest in an amount equal to the following for each \$1,000 principal amount of Notes:

$$\$1,000 \times \text{Average Percent Change} \times \text{Participation Rate}$$

provided, however, that the per annum amount payable as a result of the foregoing on the Notes will not be less than the Minimum Annual Payment of \$20 per \$1,000 principal amount of Notes on a per annum basis (2% per annum). The Participation Rate equals %.

The "Average Percent Change" applicable to the determination of the amount payable in any calendar year will equal:

$$\frac{\text{Ending Average Value} - \text{Starting Annual Value}}{\text{Starting Annual Value}}$$

The "Starting Annual Value" applicable to the determination of the amount payable in a calendar year will equal the closing value of the AMEX Oil Index on the last AMEX Business Day in the immediately preceding calendar year as determined by State Street Bank and Trust Company (the "Calculation Agent"); provided, however, the "Starting Annual Value" applicable to the December 31, 1994 payment date will equal (the closing value of the AMEX Oil Index on the date the Notes are priced for initial offering to the public). The "Ending Average Value" applicable to the determination of the amount payable in a calendar year will equal the arithmetic average (mean) of the Quarterly Values of the AMEX Oil Index for each calendar quarter during such year as determined by the Calculation Agent; provided, however, the Ending Average Value for 1994 will equal the arithmetic average (mean) of the Quarterly Values for the AMEX Oil Index for the calendar quarters ending in June, September and December of 1994. The "Quarterly Value" for any of the first three calendar quarters in a calendar year will be the closing value of the AMEX Oil Index on the last scheduled AMEX Business Day in any such calendar quarter; provided, however, that if a Market Disruption Event has occurred on such last scheduled AMEX Business Day in such calendar quarter, the

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Quarterly Value for such calendar quarter will be the closing value of the AMEX Oil Index on the next succeeding scheduled AMEX Business Day regardless of whether a Market Disruption Event occurs on such day. The "Quarterly Value" for the fourth calendar quarter in a calendar year will be the closing value of the AMEX Oil Index on the seventh scheduled AMEX Business Day preceding the end of such calendar quarter; provided, however, that if a Market Disruption Event has occurred on such seventh scheduled AMEX Business Day, the Quarterly Value for such calendar quarter will be the closing value of the AMEX Oil Index on the sixth scheduled AMEX Business Day preceding the end of such calendar quarter regardless of whether a Market Disruption Event occurs on such day. The Calculation Agent will determine scheduled AMEX Business Days.

If the Ending Average Value applicable to such December Payment Date does not exceed the Annual Starting Value by more than approximately %, beneficial owners of the Notes will receive only the Minimum Annual Payment on such December Payment Date, even if the value of the AMEX Oil Index at some point between the determination of the applicable Starting Annual Value and the determination of the applicable Ending Average Value exceeded such Starting Annual Value by more than approximately %.

Any day on which a Starting Annual Value or a closing value of the AMEX Oil Index for a calendar quarter is required to be calculated is referred to herein as a "Calculation Day". An "AMEX Business Day" is a day on which the American Stock Exchange is open for trading. All determinations made by the Calculation Agent shall be at the sole discretion of the Calculation Agent and, in the absence of manifest error, shall be conclusive for all purposes and binding on the Company and beneficial owners of the Notes. All percentages resulting from any calculation on the Notes will be rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upwards).



#### ADJUSTMENTS TO THE INDEX; MARKET DISRUPTION EVENT

If at any time the method of calculating the AMEX Oil Index, or the value thereof, is changed in a material respect, or if the AMEX Oil Index is in any other way modified so that such index does not, in the opinion of the Calculation Agent, fairly represent the value of the AMEX Oil Index had such changes or modifications not been made, then, from and after such time, the Calculation Agent shall, at the close of business in New York, New York, on each Calculation Day, make such adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at a calculation of a value of a stock index comparable to the AMEX Oil Index as if such changes or modifications had not been made, and calculate such closing value with reference to the AMEX Oil Index, as adjusted. Accordingly, if the method of calculating the AMEX Oil Index is modified so that the value of such index is a fraction or a multiple of what it would have been if it had not been modified (e.g., due to a split in the Index), then the Calculation Agent shall adjust such index in order to arrive at a value of the AMEX Oil Index as if it had not been modified (e.g., as if such split had not occurred).

"Market Disruption Event" means either of the following events, as determined by the Calculation Agent:

(i) the suspension or material limitation (limitations pursuant to New York Stock Exchange Rule 80A (or any applicable rule or regulation enacted or promulgated by the New York Stock Exchange, the American Stock Exchange, or the Securities and Exchange Commission of similar scope as determined by the Calculation Agent) on trading during significant market fluctuations shall be considered "material" for purposes of this definition), in each case, during the last half hour of trading in any of the component stocks, or depository receipts representing such stocks, included in the AMEX Oil Index on any national securities exchange in the United States, or

(ii) the suspension or material limitation, in each case during the last half hour of trading (whether by reason of movements in price exceeding levels permitted by the relevant exchange or otherwise), in

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(A) futures contracts related to the AMEX Oil Index which are traded on any exchange or board of trade in the United States (B) option contracts related to the AMEX Oil Index which are traded on the American Stock Exchange.

For the purposes of this definition, a limitation on the hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange. As of the date of this Prospectus Supplement, futures contracts related to the AMEX Oil Index are not traded on any exchange or board of trade in the United States.

#### INTEREST PAYMENT DATES

The Company will make semiannual interest payments on the Notes on June 30 and December 31 of each year ("June Payment Dates" and "December Payment Dates", respectively), except as provided below, commencing June 30, 1994, to the persons in whose names the Notes are registered on the immediately preceding June 29 or December 30. For each Note, the Company will pay half of the Minimum Annual Payment for each calendar year on the June Payment Date, and will pay the balance of the annual amount payable on such Note for such year on the December Payment Date. The amount payable on the June Payment Date in 1994 will equal \$10 per \$1,000 principal amount of Notes prorated based on the ratio of the number of days from and including the original issuance date of the Notes to but excluding such June Payment Date, computed on the basis of a year consisting of 360 days of twelve 30-day months, divided by 180.

The amount payable, if any, on the December Payment Date in 1994 that is in excess of the Minimum Annual Payment for 1994 for the Notes will be prorated based on the ratio of the number of days from and including the date the Notes are issued to but excluding such December Payment Date, computed on the basis of a year consisting of 360 days of twelve 30-day months, divided by 360.

Notwithstanding the foregoing, if it is known at least three Business Days prior to December 31 that December 31 will not be a Business Day, the amount payable by the Company with respect to a December Payment Date for the Notes will be made on the Business Day immediately preceding such December 31 to the persons in whose names the Notes are registered on the second Business Day immediately preceding such December 31.

#### UNAVAILABILITY OF THE AMEX OIL INDEX

If the AMEX discontinues publication of the AMEX Oil Index and the AMEX or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the AMEX Oil Index (any such index being referred to hereinafter as a "Successor Index"),

then, upon the Calculation Agent's notification of such determination to the Trustee and the Company, the Calculation Agent will substitute the Successor Index as calculated by the AMEX or such other entity for the AMEX Oil Index and calculate the annual amount payable as described above under "Interest Payments". Upon any selection by the Calculation Agent of a Successor Index, the Company shall cause notice thereof to be given to Holders of the Notes.

If the AMEX discontinues publication of the AMEX Oil Index and a Successor Index is not selected by the Calculation Agent or is no longer published on any of the Calculation Days, the value to be substituted for the AMEX Oil Index for any such Calculation Day used to calculate the annual amount payable will be a value computed by the Calculation Agent for each Calculation Day in accordance with the procedures last used to calculate the AMEX Oil Index prior to any such discontinuance. If a Successor Index is selected or the Calculation Agent calculates a value as a substitute for the AMEX Oil Index such Successor Index or value shall be substituted for the AMEX Oil Index for all purposes, including for purposes of determining whether a Market Disruption Event exists.

If the AMEX discontinues publication of the AMEX Oil Index prior to the period during which the amount payable with respect to any year is to be determined and the Calculation Agent determines that no

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Successor Index is available at such time, then on each AMEX Business Day until the earlier to occur of (i) the determination of the amount payable with respect to such year or (ii) a determination by the Calculation Agent that a Successor Index is available, the Calculation Agent shall determine the value that would be used in computing the amount payable with respect to such year as described in the preceding paragraph as if such day were a Calculation Day. The Calculation Agent will cause notice of each such value to be published not less often than once each month in the Wall Street Journal (or another newspaper of general circulation), and arrange for information with respect to such values to be made available by telephone. Notwithstanding these alternative arrangements, discontinuance of the publication of the AMEX Oil Index may adversely affect trading in the Notes.

#### EVENTS OF DEFAULT AND ACCELERATION

In case an Event of Default with respect to any Notes shall have occurred and be continuing, the amount payable to a beneficial owner of a Note upon any acceleration permitted by the Notes, will equal: (i) the principal amount thereof, plus (ii) an additional amount, if any, of interest calculated as though the date of early repayment were a December Payment Date and prorated through such date of early repayment in the same manner as the amount payable on the December Payment Date in 1994 was prorated, see "Description of Notes--Interest Payment Dates". If Quarterly Values have been calculated prior to the early redemption date for the calendar year in which such early redemption date occurs, such Quarterly Values shall be averaged with the value of the AMEX Oil Index determined with respect to such date of early redemption. If no Quarterly Values have been calculated prior to the early redemption date for the calendar year in which the early redemption date occurs, the Ending Average Value for such calendar year will be the value of the AMEX Oil Index determined with respect to such date of early redemption. The Minimum Supplemental Redemption Amount with respect to any such early redemption date will be an amount equal to the interest which would have accrued on the Notes from and including January 1 in the calendar year in which such early redemption date occurs, or the date of issuance of the Notes if such early redemption date occurs in 1994, to but excluding the date of early redemption at an annualized rate of 2%, calculated on a semiannual bond equivalent basis. If a bankruptcy proceeding is commenced in respect of the Company, the claim of the beneficial owner of a Note may be limited, under Section 502(b)(2) of Title 11 of the United States Code, to the principal amount of the Note plus an additional amount, if any, of contingent interest calculated as though the date of the commencement of the proceeding were the maturity date of the Notes.

In case of default in payment at the maturity date of the Notes (whether at their stated maturity or upon acceleration), from and after the maturity date the Notes shall bear interest, payable upon demand of the Holders thereof, at the rate of % per annum (to the extent that payment of such interest shall be legally enforceable) on the unpaid amount due and payable on such date in accordance with the terms of the Notes to the date payment of such amount has been made or duly provided for.

#### NOTE DEPOSITORY

Upon issuance, all Notes will be represented by fully registered global securities (the "Global Securities"). Each such Global Security will be deposited with, or on behalf of, The Depository Trust Company, as Securities Depository, registered in the name of the Securities Depository or a nominee thereof. Unless and until it is exchanged in whole or in part for Securities in definitive form, no Global Security may be transferred except as a whole by the Securities Depository to a nominee of such Securities Depository or by a nominee of such Securities Depository to such Securities Depository or another nominee of such Securities Depository or by such Securities Depository or any

such nominee to a successor of such Securities Depository or a nominee of such successor.

The Securities Depository has advised the Company as follows: The Securities Depository is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act

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of 1934, as amended. The Securities Depository was created to hold securities of its participants ("Participants") and to facilitate the clearance and settlement of securities transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. The Securities Depository's Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. The Securities Depository is owned by a number of Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. The Underwriter (as hereinafter defined) is a Participant. Access to the Securities Depository book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants").

Purchases of Notes must be made by or through Participants, which will receive a credit on the records of the Securities Depository. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Participants' or Indirect Participants' records. Beneficial Owners will not receive written confirmation from the Securities Depository of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Ownership of beneficial interests in such Global Security will be shown on, and the transfer of such ownership interests will be effected only through, records maintained by the Securities Depository (with respect to interests of Participants) and on the records of Participants (with respect to interests of persons held through Participants). The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to own, transfer or pledge beneficial interests in Global Securities.

So long as the Securities Depository, or its nominee, is the registered owner of a Global Security, the Securities Depository or its nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by such Global Security for all purposes under the Senior Indenture. Except as provided below, Beneficial Owners in a Global Security will not be entitled to have the Notes represented by such Global Securities registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive registered form and will not be considered the owners or Holders thereof under the Senior Indenture. Accordingly, each Person owning a beneficial interest in a Global Security must rely on the procedures of the Securities Depository and, if such Person is not a Participant, on the procedures of the Participant through which such Person owns its interest, to exercise any rights of a Holder under the Senior Indenture. The Company understands that under existing industry practices, in the event that the Company requests any action of Holders or that an owner of a beneficial interest in such a Global Security desires to give or take any action which a Holder is entitled to give or take under the Senior Indenture, the Securities Depository would authorize the Participants holding the relevant beneficial interests to give or take such action, and such Participants would authorize Beneficial Owners owning through such Participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the Securities Depository to Participants, by Participants to Indirect Participants, and by Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of the principal of, and amounts payable on any June Payment Date or December Payment Date with respect to Notes registered in the name of the Securities Depository or its nominee, will be made to the Securities Depository or its nominee, as the case may be, as the Holder of the Global Securities representing such Notes. None of the Company, the Trustee or any other agent of the Company or agent of the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests or for supervising or reviewing any records relating to such beneficial ownership interests. The Company expects that the Securities Depository, upon receipt of any payment of principal or amounts payable on any June Payment Date or December Payment Date in respect of a Global Security, will credit the accounts of the Participants with payment in amounts proportionate to

their respective holdings in principal amount of beneficial interest in such Global Security as shown on the records of the Securities Depository. The Company also expects that payments by Participants to Beneficial Owners will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants.

If (x) the Securities Depository is at any time unwilling or unable to continue as Securities Depository and a successor depository is not appointed by the Company within 60 days, (y) the Company executes and delivers to the Trustee a Company Order to the effect that the Global Securities shall be exchangeable or (z) an Event of Default has occurred and is continuing with respect to the Notes, the Global Securities will be exchangeable for Notes in definitive form of like tenor and of an equal aggregate principal amount, in denominations of \$1,000 and integral multiples thereof. Such definitive Notes shall be registered in such name or names as the Securities Depository shall instruct the Trustee. It is expected that such instructions may be based upon directions received by the Securities Depository from Participants with respect to ownership of beneficial interests in such Global Securities.

#### THE AMEX OIL INDEX

##### GENERAL

The AMEX Oil Index is a price-weighted stock index (i.e., an Underlying Stock's weight in the index is based on its price per share rather than the total market capitalization of the issuer) calculated, published and disseminated by the AMEX that measures the composite price performance of selected common stocks of widely-held corporations involved in various segments of the oil industry. The AMEX Oil Index was originally published by the AMEX as the Oil and Gas Index. In September, 1984 the AMEX changed the Oil and Gas Index from a market-weighted index to a price-weighted index and deleted all companies engaged exclusively in gas exploration and production activities. The Oil and Gas Index was then renamed the Oil Index. The calculation of the value of the AMEX Oil Index is currently based on the relative value of the aggregate market price of the common stocks of sixteen companies engaged in various segments of the oil industry. The following table sets forth the component stocks (each an "Underlying Stock") which are currently included in the AMEX Oil Index and the weight of each component stock as of February 15, 1994. Each weight indicated below represents the per share price of the corresponding component stock expressed as a percentage of a constant divisor. The weights indicated below are dependent on the share prices of the component stocks and will vary as such share prices vary.

<TABLE>

<CAPTION>

COMPANY NAME -----	WEIGHT (1) -----
<S>	<C>
Amerada Hess Corporation.....	5.11%
Amoco Corporation.....	5.90%
Atlantic Richfield Company.....	11.77%
British Petroleum Company p.l.c.....	7.19%
Chevron Corporation.....	9.81%
E.I. du Pont de Nemours and Company.....	5.94%
Exxon Corporation.....	7.24%
Kerr-McGee Corporation.....	5.04%
Mobil Corporation.....	8.90%
Occidental Petroleum Corporation.....	2.03%
Oryx Energy Company.....	2.03%
Phillips Petroleum Corporation.....	3.17%
Royal Dutch Petroleum Co.....	11.93%
Sun Company, Inc.....	3.40%
Texaco Inc.....	7.30%
Unocal Corporation.....	3.15%
	-----
Total.....	100.00%

</TABLE>

- (1) Weights for the respective AMEX Oil Index companies are given as of February 15, 1994 and are subject to change by the AMEX based on market prices of the component stocks.

The AMEX may from time to time, with approval of the Securities and Exchange Commission (the "SEC"), add companies to, or delete companies from, the AMEX Oil Index to fulfill the above-stated intention of providing an indication of price movements of common stock of corporations engaged in various segments of the oil industry. The level of the AMEX Oil Index is calculated once per day using last sale prices only (i.e., not special "bid quotes" or special "ask

quotes" which are used in connection with other stock indices). The level of the AMEX Oil Index is disseminated via the Consolidated Tape Authority Network-B (commonly referred to as the "AMEX Tape"). The AMEX Tape Symbol for the AMEX Oil Index is "XOI".

#### COMPUTATION OF THE AMEX OIL INDEX

The AMEX currently computes the AMEX Oil Index as of a particular time as follows:

- (1) the market price of one share of each component stock is determined as of such time;
- (2) the market prices of all component stocks as of such time (as determined under clause (1) above) are aggregated;
- (3) the aggregate market price (as determined under clause (2) above) is divided by the number of component stocks comprising the AMEX Oil Index at such time (currently 16); and
- (4) the quotient (as determined under clause (3) above) is divided by 3.47873982 (the "Divisor").

While the AMEX currently employs the above methodology to calculate the AMEX Oil Index, no assurance can be given that the AMEX will not modify or change such methodology in a manner that may affect the amounts payable on any December Payment Date to beneficial owners of the Notes.

In order to maintain continuity in the level of the AMEX Oil Index in the event of certain changes due to non-market factors affecting the Underlying Stocks, such as the addition or deletion of stocks, substitution of stocks, stock dividends, stock splits or distributions of assets to stockholders, the Divisor used in calculating the AMEX Oil Index is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the AMEX Oil Index. Thereafter, the Divisor remains at the new value until a further adjustment is necessary as the result of another change. As a result of each such change affecting any component stock, the Divisor is adjusted in such a way that the level of the AMEX Oil Index immediately after such change will equal the level of the AMEX Oil Index immediately prior to the change.

Component stocks may be deleted or added by the AMEX with approval of the SEC. However, to maintain continuity in the AMEX Oil Index, the policy of the AMEX is generally not to alter the composition of the component stocks except when a component Stock is deleted due to (i) bankruptcy of the issuer, (ii) merger of the issuer with, or acquisition of the issuer by, another company, (iii) delisting of such stock, or (iv) failure of such stock to meet, upon periodic review by the AMEX, market value and trading volume criteria established by the AMEX (as such may change from time to time). Upon deletion of a stock from the component stocks, the AMEX may select a suitable replacement for such deleted component stock. The policy of the AMEX is to announce any such change in advance via distribution of an information circular.

The use of and reference to the AMEX Oil Index in connection with the Securities has been consented to by the AMEX, the publisher of the AMEX Oil Index and, in connection with such consent, the AMEX has requested that the following information appear in this Prospectus Supplement. The AMEX is under no obligation to continue the calculation and dissemination of the AMEX Oil Index. The Notes are not sponsored, endorsed, sold or promoted by the AMEX. No inference should be drawn from the information contained in this Prospectus Supplement that the AMEX makes any representation or warranty, implied or express, to the Company, beneficial owners of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes in particular or the ability of the AMEX Oil Index to track general stock market performance. The AMEX has no obligation to take the needs of the Company or beneficial owners of the Notes into consideration in determining, composing or calculating the AMEX Oil Index. The AMEX is not responsible for, and has not participated in the determination or

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calculation of the equation by which the Notes with respect to the annual payments will be determined. The AMEX has no obligation or liability in connection with the administration, marketing or trading of the Notes. The AMEX disclaims all responsibility for any errors or omissions in the calculation and dissemination of the AMEX Oil Index or the manner in which such index is applied in determining the annual payments with respect to the Notes.

None of the Company, the Calculation Agent, the Underwriter nor the Trustee accepts any responsibility for the calculation, maintenance or publication of the AMEX Oil Index or any Successor Index.

#### HISTORICAL DATA ON THE AMEX OIL INDEX

The following hypothetical table sets forth the AMEX Oil Index Starting

Annual Value for each year from 1985 through 1993 as reported by the AMEX and the AMEX Oil Index Ending Average Value for each such year. The table also sets forth (i) the average percent change between such values for each year, and (ii) the per annum interest that would have been paid on the Notes for each such year assuming the Notes were outstanding during such year and such values were deemed a Starting Annual Value and an Ending Average Value, respectively. THE HYPOTHETICAL TABLE ASSUMES A MINIMUM ANNUAL PAYMENT OF \$20 PER \$1,000 PRINCIPAL AMOUNT (2% PER ANNUM) AND A PARTICIPATION RATE OF 80% (THE ACTUAL PARTICIPATION RATE WILL BE DETERMINED ON THE DATE THAT THE NOTES ARE PRICED BY THE COMPANY FOR INITIAL OFFERING TO THE PUBLIC). The historical experience of the AMEX Oil Index should not be taken as an indication of future performance, and no assurance can be given that the AMEX Oil Index values, during any year in which the Notes are outstanding, will increase sufficiently to result in a payment in excess of the Minimum Annual Payment.

HYPOTHETICAL ANNUAL AMEX OIL INDEX SMART NOTES PAYMENTS

<TABLE>  
<CAPTION>

	AMEX OIL INDEX STARTING ANNUAL VALUE (1)	AMEX OIL INDEX ENDING AVERAGE VALUE (2)	AMEX OIL INDEX AVERAGE % CHANGE	HYPOTHETICAL ANNUAL SMART NOTE PAYMENTS (3)
--	---	--	--	---

YEAR

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<S>

1985.....	118.22	132.94	12.45%	\$ 99.61
1986.....	133.69	138.14	3.33%	\$ 26.63
1987.....	150.88	191.10	26.66%	\$213.26
1988.....	161.88	176.03	8.74%	\$ 69.93
1989.....	179.53	218.25	21.57%	\$172.54
1990.....	245.94	243.51	-0.99%	\$ 20.00
1991.....	249.56	231.37	-7.29%	\$ 20.00
1992.....	236.13	234.52	-0.68%	\$ 20.00
1993.....	229.13	256.38	11.89%	\$ 95.14
Average.....				\$ 81.90

</TABLE>

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- (1) Closing AMEX Oil Index value on the last business day of the preceding calendar year. Source: AMEX.
- (2) Arithmetic average of the closing values of the AMEX Oil Index value on the last AMEX Business Day of each calendar quarter during such calendar year; however, with respect to the fourth quarter of each year, the seventh AMEX Business Day prior to the end of such year was used for purposes of calculating the Ending Average Value.
- (3) The above hypothetical table assumes a Minimum Annual Payment of \$20 per \$1,000 principal amount (2% per annum) and a Participation Rate of 80% (the actual Participation Rate will be determined on the date that the Notes are priced by the Company for initial offering to the public). The table does not reflect gains or losses in the market value of SMART Notes which may occur in secondary market trading.

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The following table sets forth the highest and lowest daily closing value of the AMEX Oil Index for each quarter or partial quarter, as the case may be, in the period from December 1984 through February 15, 1994, as well as the closing level of the AMEX Oil Index as of the end of each such quarter or partial quarter, as the case may be. These historical data on the AMEX Oil Index are not any indication of the future performance of the AMEX Oil Index.

<TABLE>  
<CAPTION>

		DAILY CLOSING LEVELS		
		HIGHEST	LOWEST	CLOSING

<C> <S>

1984:		<C>	<C>	<C>
	4th Quarter.....	128.22	116.69	118.22
1985:				
	1st Quarter.....	132.19	113.00	131.88
	2nd Quarter.....	139.88	127.69	132.59
	3rd Quarter.....	135.97	126.63	133.41
	4th Quarter.....	143.53	125.63	133.69
1986:				
	1st Quarter.....	136.06	117.69	124.66
	2nd Quarter.....	137.31	122.81	130.75
	3rd Quarter.....	153.25	120.69	143.25
	4th Quarter.....	154.13	139.50	150.88
1987:				

	1st Quarter.....	195.56	150.88	190.19
	2nd Quarter.....	211.47	182.00	209.81
	3rd Quarter.....	221.72	194.16	204.97
	4th Quarter.....	209.72	139.16	161.88
1988:				
	1st Quarter.....	182.66	156.91	179.41
	2nd Quarter.....	191.63	173.06	174.06
	3rd Quarter.....	180.38	163.59	170.44
	4th Quarter.....	181.97	167.50	179.53
1989:				
	1st Quarter.....	204.03	178.03	199.25
	2nd Quarter.....	211.41	198.88	204.44
	3rd Quarter.....	231.78	204.44	225.47
	4th Quarter.....	249.22	213.69	245.94
1990:				
	1st Quarter.....	251.25	228.63	244.53
	2nd Quarter.....	252.34	232.19	239.59
	3rd Quarter.....	276.53	236.94	251.59
	4th Quarter.....	254.94	234.97	240.56
1991:				
	1st Quarter.....	257.16	227.50	246.69
	2nd Quarter.....	260.81	235.31	238.03
	3rd Quarter.....	255.53	234.28	249.72
	4th Quarter.....	259.94	218.03	236.13
1992:				
	1st Quarter.....	240.22	211.47	212.66
	2nd Quarter.....	248.81	209.25	227.44
	3rd Quarter.....	243.66	233.66	241.56
	4th Quarter.....	242.63	220.81	229.13
1993:				
	1st Quarter.....	255.25	220.28	252.72
	2nd Quarter.....	264.28	249.53	252.97
	3rd Quarter.....	270.09	244.53	268.06
	4th Quarter.....	272.72	245.25	252.78
1994:				
	1st Quarter (through February 15, 1994).....	270.03	252.34	261.59

</TABLE>

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The following graph sets forth the historical performance of the AMEX Oil Index at the end of each quarter or partial quarter, as the case may be, from December 1984 through February 15, 1994. PAST MOVEMENTS OF THE AMEX OIL INDEX ARE NOT NECESSARILY INDICATIVE OF THE FUTURE AMEX OIL INDEX VALUES. The closing value of the AMEX Oil Index on February 15, 1994 was 261.59.

QUARTERLY CLOSING VALUES OF AMEX OIL INDEX (JANUARY 1985 - FEBRUARY 15, 1994)

[Graphic #1 Appears Here]

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#### OIL INDUSTRY SECTOR

The oil industry is subject to varying degrees of regulatory, political and economic risk which may affect the price of the stocks of the companies engaged in the industry. Such risks depend on a number of factors including the countries in which a particular company conducts its activities, evolving levels of governmental regulation, and litigation with respect to environmental and other matters. All segments of the oil industry are competitive, including manufacturing, distribution and marketing of petroleum products and petrochemicals. In addition, the oil industry competes with other industries in supplying the energy needs of various types of consumers. Refining margins (the difference between the price of products and the price of crude oil) and marketing margins (the difference between the wholesale and retail price of petroleum products) also affect companies engaged in the oil industry.

The profitability of companies engaged in the oil industry is directly affected by the worldwide price of oil and related petroleum products which, in turn, depends upon the worldwide demand for oil and related petroleum products. Crude oil supplies are currently abundant relative to worldwide demand. Worldwide demand for crude oil has remained weak for the past several years due to slow growth and, in some cases, recessionary conditions in the world's principal industrialized economies. The worldwide supply of crude oil, however, is high due to, among other things, overproduction by The Organization of Petroleum Exporting Countries ("OPEC") and new North Sea output.

Environmental regulation is a significant factor affecting profitability of companies engaged in the oil industry. In the U.S., companies engaged in the oil industry are subject to substantial environmental regulations by federal, state, and local authorities. Federal regulations include the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (often referred to as CERCLA or Superfund), the Superfund Amendments and Reauthorizations Act of 1986, and the Resource Conservation Recovery Act of 1976.

In the United States and elsewhere, various laws and regulations are either now in force, in standby status or under consideration, with respect to such matters as price controls, crude oil and refined product allocations, refined product specifications, environmental, health and safety regulations, retroactive and prospective tax increases, cancellation of contract rights, expropriation of property, divestiture of certain operations, foreign exchange rate restrictions as to the convertibility of currencies, tariffs and other international trade restrictions. Other regulations such as the U.S. Federal Clean Air Act Amendments of 1990 may have a substantial impact on companies engaged in the oil industry despite the fact that they do not impose direct regulations. Finally, regional regulations like those proposed by California's South Coast Air Quality Management District may have substantial effects on the oil industry as well.

#### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Set forth in full below is the opinion of Brown & Wood, counsel to the Company, as to certain United States Federal income tax consequences of the purchase, ownership and disposition of the Notes. Such opinion is based upon laws, regulations, rulings and decisions now in effect (or, in the case of certain regulations, in proposed form), all of which are subject to change (including changes in effective dates) or possible differing interpretations. The discussion below deals only with Notes held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, persons holding Notes as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers (except where otherwise specifically noted). Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of United States Federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

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As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate or trust the income of which is subject to United States Federal income taxation regardless of its source or (iv) any other person whose income or gain in respect of a Note is effectively connected with the conduct of a United States trade or business. As used herein, the term "non-U.S. Holder" means a holder of a Note that is not a U.S. Holder.

#### GENERAL

There are no regulations (except the Treasury Regulations as described below), published rulings or judicial decisions involving the characterization, for United States Federal income tax purposes, of securities with terms substantially the same as the Notes. However, although the matter is not free from doubt, under current law, each Note should be treated as a debt instrument of the Company for United States Federal income tax purposes. The discussion below is based upon the assumption that each Note will be treated as a debt instrument of the Company for United States Federal income tax purposes. If the Notes are not in fact treated as debt instruments of the Company for United States Federal income tax purposes, then the United States Federal income tax treatment of the purchase, ownership and disposition of the Notes could differ from the treatment discussed below with the result that the timing and character of income, gain or loss recognized on a Note could differ from the timing and character of income, gain or loss recognized on a Note had the Notes in fact been treated as debt instruments of the Company for United States Federal income tax purposes.

#### U.S. HOLDERS

Under general principles of current United States Federal income tax law, payments of interest on a debt instrument generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Under these principles, the Minimum Annual Payments generally would be taxable to a U.S. Holder as ordinary interest income on the respective dates that the Minimum Annual Payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Any amounts payable with respect to a Note based upon the AMEX Oil Index in excess of the Minimum Annual Payments (the "Supplemental Interest Payments") would be treated as contingent interest and generally would be includible in income by a U.S. Holder as ordinary interest on the respective dates that the Supplemental Interest Payments are accrued (i.e., determined) or are received (in accordance with the U.S. Holder's regular method of tax accounting). Upon



the sale, exchange or retirement of a Note, a U.S. Holder generally would recognize taxable gain or loss in an amount equal to the difference between the amount realized on the sale, exchange or retirement and such U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note. Such gain or loss generally would be long-term capital gain or loss if the Note were held by the U.S. Holder for more than one year (subject to the market discount rules, as discussed below).

On January 27, 1994, the Internal Revenue Service ("IRS") issued final Treasury regulations (the "OID Regulations") under the original issue discount provisions of the Internal Revenue Code of 1986, as amended (the "Code"), which replaced certain proposed Treasury regulations that were issued on December 21, 1992 dealing with debt instruments issued with original issue discount. The OID Regulations would apply to debt instruments issued on or after April 4, 1994; therefore by their terms they would not apply to the Notes. Nevertheless, taxpayers may rely on the OID Regulations for debt instruments issued after December 21, 1992.

Under the OID Regulations, if a debt instrument qualifies as a "variable rate debt instrument," then a special set of rules would apply to the debt instrument whereby all "qualified stated interest" payments on the debt instrument generally would be taxable to a U.S. Holder as ordinary interest income in accordance with

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the U.S. Holder's regular method of tax accounting. In general, a debt instrument would qualify as a "variable rate debt instrument" under the OID Regulations (and would therefore not be treated as a contingent payment debt obligation) if (a) its issue price does not exceed the total noncontingent principal payments provided for under the terms of the debt instrument by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at current values of a single objective rate. In general, an "objective rate" is a rate which is determined using a single fixed formula and which is based upon either the yield or changes in the price of one or more items of actively traded personal property.

Although the matter is not free from doubt, each Note should qualify as a "variable rate debt instrument" under the OID Regulations since each Note provides for \$1,000 principal payable at maturity and each Note provides for stated interest at a single objective rate, payable at least annually. The stated interest on each Note would be an objective rate since such rate is determined using a single fixed formula (a per annum rate equal to % of the average percentage increase, if any, in the AMEX Oil Index as measured each year by the increase, if any, from the applicable Starting Annual Value to the applicable Ending Average Value) and is based upon changes in the price of more than one item of actively traded personal property (e.g., the stocks comprising the AMEX Oil Index). In addition, the stated interest on each Note should be a current value of such objective rate since the Starting Annual Value applicable to the determination of the amount payable in a particular year is generally equal to the closing value of the AMEX Oil Index on the last scheduled AMEX Business Day in the immediately preceding year and because the Ending Average Value applicable to the determination of the amount payable in a particular year generally will equal the arithmetic average (mean) of the Quarterly Values of the AMEX Oil Index for each calendar quarter during such year. Despite the foregoing, prospective investors in the Notes should be aware that because the Supplemental Interest Payments are determined by reference to the "average" percentage change in the AMEX Oil Index each year, it is possible that, under the OID Regulations, the Notes would not be treated as providing of stated interest at "current values" of a single objective rate and, therefore, may not qualify as "variable rate debt instruments" under the OID Regulations. As noted above, each Note provides for stated interest payable at a minimum rate of 2% per annum (i.e., the Minimum Annual Payments). Under the OID Regulations, the Minimum Annual Payments would not affect the qualification of the Notes as "variable rate debt instruments".

If a debt instrument qualifies as a "variable rate debt instrument" under the OID Regulations and if the debt instrument provides for stated interest at a single objective rate throughout the term thereof, then any stated interest on the debt instrument which is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually will constitute "qualified stated interest" and will be taxed accordingly. Since the stated interest on each Note is unconditionally payable semiannually, such stated interest on the Notes would constitute "qualified stated interest" under the OID Regulations. A debt instrument that qualifies as a "variable rate debt instrument" under the OID Regulations and that provides for stated interest, unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually, at a single objective rate throughout the term thereof would also generally not be treated as having been issued with original issue discount unless the debt instrument is issued at a "true" discount. A U.S. Holder would generally be required to include original issue discount on a "variable rate debt instrument" arising from "true discount" in income as ordinary interest as it accrues over the term of the debt instrument under a constant yield method, regardless of such U.S. Holder's regular method

of tax accounting. A debt instrument that qualifies as a "variable rate debt instrument" under the OID Regulations and that provides for stated interest, unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually, at a single objective rate throughout the term thereof would only be issued at a "true" discount to the extent that the debt instrument's stated principal amount exceeds its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the debt instrument's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date). The issue price of an issue of debt instruments, where a substantial amount of the debt instruments in the issue are issued for money, equals the first price at which a substantial amount of such debt instruments has

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been sold. The stated redemption price at maturity of a debt instrument is the sum of all payments provided by the debt instrument other than "qualified stated interest" payments. Thus, assuming that the Notes qualify as "variable rate debt instruments" under the OID Regulations, the Notes would not be treated as having been issued with original issue discount and all payments of interest on a Note would be taxable to a U.S. Holder as ordinary interest income in accordance with the U.S. Holder's regular method of tax accounting.

As previously noted, it is possible that the Notes may not qualify as "variable rate debt instruments" under the OID Regulations and could possibly be treated as contingent payment debt obligations. It is not entirely clear under current law how the Notes would be taxed if they were treated as contingent payment debt obligations. As noted above, under general principles of current United States Federal income tax law, the Minimum Annual Payments would be includible in income by a U.S. Holder as ordinary interest on the respective dates that the Minimum Annual Payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Under these same principles, the Supplemental Interest Payments would be treated as contingent interest and generally would be includible in income by a U.S. Holder as ordinary interest on the respective dates that the Supplemental Interest Payments are accrued (i.e., determined) or are received.

However, in 1991, the Treasury Department issued proposed regulations (the "1991 Proposed Regulations" and, together with the OID Regulations, the "Treasury Regulations") under the original issue discount provisions of the Code concerning contingent payment debt obligations which, if applicable to the Notes, would bifurcate a Note into a debt instrument and a series of rights to payments based upon the value of the AMEX Oil Index. The 1991 Proposed Regulations were not replaced by the OID Regulations and contain a retroactive effective date of February 20, 1991. Thus, if the Notes were treated as contingent payment debt obligations and if the 1991 Proposed Regulations are ultimately adopted in their current form, then the 1991 Proposed Regulations would apply to the Notes and such application of the 1991 Proposed Regulations would cause the timing and character of income, gain or loss reported on a Note to differ from the timing and character of income, gain or loss reported on a Note had the 1991 Proposed Regulations not applied.

The 1991 Proposed Regulations would treat a Note as consisting of two separate instruments: (i) the fixed payments (i.e., the debt instrument), consisting of the right to receive the Note principal amount and the Minimum Annual Payments (the "Fixed Payments"), and (ii) the contingent payments (i.e., the series of rights based upon the AMEX Oil Index), consisting of the annual right to receive an amount based upon the AMEX Oil Index in excess of the Minimum Annual Payments (the "Contingent Payments"). A Note's original issue price would be allocated between the Fixed Payments and the Contingent Payments in accordance with their relative fair market values.

Under the 1991 Proposed Regulations, the Fixed Payments would be treated, for United States Federal income tax purposes, as a separate debt obligation issued at an original issue discount. If the 1991 Proposed Regulations were applied to the Notes, the Minimum Annual Payments would be taxable to a U.S. Holder of a Note as ordinary interest income on the respective dates that the Minimum Annual Payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). A U.S. Holder (whether a cash or accrual method taxpayer) would also be required to include original issue discount on a Note in gross income (using a constant yield method) over the Note's term in advance of receipt of the cash payments attributable to such income. The original issue discount required to be included in income with respect to a Note would be equal to the difference between the Note's principal amount (i.e., \$1,000) and the amount of the Note's original issue price allocated to the Fixed Payments. If the Notes were treated as contingent payment debt obligations and if 1991 Proposed Regulations are ultimately adopted in their current form and, thus, are applied to the Notes, then the amount of original issue discount on a Note would be \$ per \$1,000 principal amount. Under the 1991 Proposed Regulations, a U.S. Holder that disposes of a Note prior to its maturity generally would recognize taxable gain or loss, with respect to the Fixed Payments, in an amount equal to the difference (if any) between the portion of the sales proceeds allocated to such Fixed Payments (in accordance with the relative fair market values of the Fixed Payments and the

Contingent Payments as determined on the date of disposition) and such U.S. Holder's adjusted tax basis in the Fixed Payments. A U.S. Holder's adjusted tax basis in the Fixed Payments would equal the portion of such U.S. Holder's initial investment in the Note that is allocated to the Fixed Payments (in accordance with the relative fair market values of the Fixed Payments and the Contingent Payments), increased by the amount of original issue discount previously included in income by such U.S. Holder with respect to the Fixed Payments.

Under the 1991 Proposed Regulations, the Contingent Payments would be treated separately from the Fixed Payments and taxed "in accordance with their economic substance". Although the matter is not free from doubt, if the 1991 Proposed Regulations were applied to the Notes, under an "economic substance" analysis, the Contingent Payments would most likely be treated as a series of separate sequential "unlisted" cash settlement options (each an "Index Right") on the AMEX Oil Index (as opposed to being treated as a single option) that are "equity" options for purposes of Code section 1256 (which includes the Code's mark-to-market rules). Accordingly, a U.S. Holder would recognize taxable gain or loss with respect to each Index Right only upon its sale, exchange, expiration or payment on the relevant December Payment Date. The amount of gain or loss recognized by a U.S. Holder with respect to each Index Right generally would be measured by the difference between the amount realized with respect to the Index Right and the U.S. Holder's tax basis in the Index Right. A U.S. Holder's aggregate tax basis in the Index Rights generally would be the portion of the U.S. Holder's initial investment in the Note that is allocated to the Contingent Payments (in accordance with the relative fair market values of the Fixed Payments and the Contingent Payments), and, although the matter is not free from doubt, it is likely that the U.S. Holder's aggregate tax basis in the Index Rights would be allocated among the individual Index Rights in accordance with their relative fair market values as determined on the Note's issue date. Such gain or loss on the Index Rights generally would be long-term capital gain or loss if the Note were held by the U.S. Holder for more than one year.

Although the Commodity Futures Trading Commission ("CFTC") has not designated a contract market for a contract based on the AMEX Oil Index and thus, if the 1991 Proposed Regulations were applied to the Notes, each Index Right would most likely be treated as an unlisted "equity" option for purposes of Code section 1256, it is possible that the IRS could conclude that the AMEX Oil Index meets the requirements of law for such a designation by the CFTC and may assert that the Index Rights should be treated as listed options that are nonequity options subject to Code section 1256 (i.e., "listed nonequity options"). Specifically, if the IRS were to conclude that the Index Rights should be treated as "nonequity" options, for purposes of Code section 1256, on the basis that the AMEX Oil Index meets the requirements of law for a designation by the CFTC of a contract market for a contract based on the AMEX Oil Index, the IRS could also take the position that the Index Rights should be treated as "listed" options based on the fact that the Index Rights are part of a Note which is "listed" or, alternatively, because there exist listed options based on the AMEX Oil Index. Although it is possible that if the 1991 Proposed Regulations were applied to the Notes and if the IRS were to conclude that the AMEX Oil Index meets the requirements of law for a designation by the CFTC of a contract market for a contract based on the AMEX Oil Index the Index Rights could be treated as "listed nonequity options", it is not clear that Code section 1256 and the 1991 Proposed Regulations contemplate such a result. Moreover, while the Notes are listed on the AMEX, each Index Right cannot be separately traded and is not separately listed. Additionally, there are differences between the Index Rights and options on the AMEX Oil Index that are actually traded which means that there is no public trading market from which to draw a market price for purposes of marking the Index Rights to market.

If the 1991 Proposed Regulations were applied to the Notes and if the Index Rights were treated as "listed nonequity options", each Index Right generally would be marked to market under Code section 1256, i.e., treated as if it were sold for its fair market value on the last business day of the U.S. Holder's taxable year. Any resulting gain or loss would be treated as 60 percent long-term and 40 percent short-term capital gain or loss. Additionally, gain or loss realized on the sale, exchange, expiration or payment at maturity of an Index Right would be treated as 60 percent long-term and 40 percent short-term capital gain or loss. Prospective investors in the Notes should consult their own tax advisors as to the proper treatment of the

Index Rights under the 1991 Proposed Regulations in the event that the 1991 Proposed Regulations are applied to the Notes.

There is no assurance that the 1991 Proposed Regulations will be adopted or, if adopted, adopted in their current form. In addition, on January 19, 1993, the Treasury Department issued proposed regulations (the "1993 Proposed Regulations"), concerning contingent payment debt obligations, which would have replaced the 1991 Proposed Regulations and which would have provided for a set of rules with respect to the timing and character of income recognition on contingent payment debt obligations that differ from the rules contained in the

1991 Proposed Regulations with respect to the timing and character of income recognition on contingent payment debt obligations. The 1993 Proposed Regulations, which would have applied to debt instruments issued 60 days or more after the date the 1993 Proposed Regulations became final, generally provided for several alternative timing methods which would have required annual interest accruals to reflect either a market yield for the debt instrument, determined as of the issue date, or a reasonable estimate of the performance of contingencies. The amount of interest deemed to accrue in a taxable year pursuant to such methods would have been currently includible in income by a U.S. Holder, with subsequent adjustments to the extent that the estimate of income was incorrect. In addition, under the 1993 Proposed Regulations, any gain recognized by a U.S. Holder on the sale, exchange or retirement of a contingent payment debt obligation would have been treated entirely as ordinary interest income and any loss recognized on the sale, exchange or retirement of a contingent payment debt obligation would have been treated entirely as a capital loss. However, on January 22, 1993, the United States Government's Office of Management and Budget announced that certain proposed regulations which had not yet been published in the Federal Register, including the 1993 Proposed Regulations, had been withdrawn. It is unclear whether the 1993 Proposed Regulations will be re-proposed or, if re-proposed, what effect, if any, such regulations would have on the Notes. Based upon the foregoing, the continued viability of the 1991 Proposed Regulations is uncertain. It should also be noted that proposed Treasury regulations are not binding upon either the IRS or taxpayers prior to becoming effective as temporary or final regulations. Prospective investors in the Notes are urged to consult their own tax advisors regarding the application of the Treasury Regulations to their investment in the Notes, if any, and the effect of possible changes to the Treasury Regulations.

#### MARKET DISCOUNT AND PREMIUM

If a U.S. Holder purchases a Note for an amount that is less than the Note's issue price, the amount of the difference will be treated as "market discount", unless such difference is less than a specified de minimis amount (generally 1/4 of 1% of the Note's stated principal amount multiplied by the number of complete years to its maturity from its issue date).

Under the market discount rules, a U.S. Holder will be required to treat any gain realized on the sale, exchange, retirement or other disposition of a Note as ordinary income to the extent of the lesser of (i) the amount of such realized gain or (ii) the market discount which has not previously been included in income and is treated as having accrued on such Note at the time of such disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the Note's maturity, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Note with market discount until the Note's maturity or its earlier disposition in a taxable transaction, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of the market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Note and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for United States Federal income tax purposes and a U.S. Holder would increase its tax basis in the Note by the amount of any such currently included market discount.

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If a U.S. Holder purchases a Note for an amount that is greater than its stated principal amount, such U.S. Holder will be considered to have purchased the Note with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Note and may offset interest otherwise required to be included in respect of the Note during any taxable year by the amortized amount of such excess for the taxable year. Such election, if made, would apply to all debt instruments held by the U.S. Holder at the beginning of the taxable year to which such election applies and to all debt instruments acquired by such U.S. Holder thereafter. Such election would also be irrevocable once made, unless the U.S. Holder making such an election obtains the express consent of the IRS to revoke such election.

Prospective investors in the Notes should be aware, however, that the application of the market discount and bond premium rules to the Notes may differ from the application discussed above in the event that the 1991 Proposed Regulations are applied to the Notes.

#### NON-U.S. HOLDERS

A non-U.S. Holder will not be subject to United States Federal income taxes on payments of principal or interest (including original issue discount, if any) on a Note, unless such non-U.S. Holder is a direct or indirect 10% or

greater shareholder of the Company, a controlled foreign corporation related to the Company or a bank receiving interest described in section 881(c)(3)(A) of the Code. However, income allocable to non-U.S. Holders generally will be subject to annual tax reporting on IRS Form 1042S. For a non-U.S. Holder to qualify for the exemption from taxation, the last United States payor in the chain of payment prior to payment to a non-U.S. Holder (the "Withholding Agent") must have received in the year in which a payment of interest or principal occurs, or in either of the two preceding calendar years, a statement that (i) is signed by the beneficial owner of the Note under penalties of perjury, (ii) certifies that such owner is not a U.S. Holder and (iii) provides the name and address of the beneficial owner. The statement may be made on an IRS Form W-8 or a substantially similar form, and the beneficial owner must inform the Withholding Agent of any change in the information on the statement within 30 days of such change. If a Note is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent. However, in such case, the signed statement must be accompanied by a copy of the IRS Form W-8 or the substitute form provided by the beneficial owner to the organization or institution. The Treasury Department is considering implementation of further certification requirements aimed at determining whether the issuer of a debt obligation is related to holders thereof.

Generally, a non-U.S. Holder will not be subject to Federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Note, provided the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. Holder. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its own tax advisor in this regard.

Under current law, a Note will not be includible in the estate of a non-U.S. Holder unless the individual is a direct or indirect 10% or greater shareholder of the Company or, at the time of such individual's death, payments in respect of such Note would have been effectively connected with the conduct by such individual of a trade or business in the United States. Under the 1991 Proposed Regulations, however, a portion of a Note equal to the fair market value of the Contingent Payments may be includible in the gross estate of a nonresident alien individual for United States Federal estate tax purposes.

#### BACKUP WITHHOLDING

Backup withholding of United States Federal income tax at a rate of 31% may apply to payments made in respect of the Notes to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Notes to a U.S. Holder must be reported to

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the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Note to (or through) a broker, the broker must withhold 31% of the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. Holder, certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Such a sale must also be reported by the broker to the IRS, unless either (i) the broker determines that the seller is an exempt recipient or (ii) the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8 under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the IRS.

#### USE OF PROCEEDS

The net proceeds from the sale of the Notes will be used as described under "Use of Proceeds" in the attached Prospectus and to hedge market risks affecting the Company's obligations to make payments under the Notes. The Company does not intend to confine its hedging activities to any particular domestic or foreign exchanges.

#### UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") has agreed, subject to the terms and conditions of the Underwriting Agreement and a

Terms Agreement, to purchase from the Company \$25,000,000 aggregate principal amount of Notes. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Notes if any are purchased.

The Underwriter has advised the Company that it proposes initially to offer the Notes to the public at the offering price set forth on the cover page of this Prospectus Supplement. The Underwriter may sell Notes to any dealer at a discount and such discount allowed to any dealer will not be in excess of 75% of the discount to be received by the Underwriter. After the initial public offering, the public offering price and discount may be changed.

The underwriting of the Notes will conform to the requirements set forth in the applicable sections of Schedule E to the By-Laws of the National Association of Securities Dealers, Inc.

#### VALIDITY OF NOTES

The validity of the Notes will be passed upon for the Company and for the Underwriter by Brown & Wood, New York, New York.

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#### PROSPECTUS

LOGO  
MERRILL LYNCH & CO., INC.  
DEBT SECURITIES AND WARRANTS

Merrill Lynch & Co., Inc. (the "Company") intends to sell from time to time up to \$728,015,546 aggregate principal amount (or net proceeds in the case of warrants and in the case of securities issued at an original issue discount), or its equivalent in such foreign currencies or units of two or more currencies, based on the applicable exchange rate at the time of offering, as shall be designated by the Company at the time of offering, of its senior debt securities ("Senior Debt Securities"), subordinated debt securities ("Subordinated Debt Securities" and, together with the Senior Debt Securities, the "Debt Securities"), warrants to purchase Debt Securities ("Debt Warrants"); warrants entitling the holders thereof to receive from the Company an amount in cash determined by reference to decreases or increases in the level of a specified stock or security index or the value of a portfolio of specified stocks or other securities which may be based on U.S. or foreign stocks or securities or a combination thereof (the "Index Warrants") and warrants to receive from the Company the cash value in U.S. dollars of the right to purchase ("Currency Call Warrants") or to sell ("Currency Put Warrants" and, together with the Currency Call Warrants, the "Currency Warrants") such foreign currencies or units of two or more currencies as shall be designated by the Company at the time of offering. The Debt Securities, Debt Warrants, Index Warrants and Currency Warrants, which are collectively called the "Securities", may be offered either jointly or separately and will be offered to the public on terms determined by market conditions at the time of sale and set forth in a prospectus supplement.

The Securities will be unsecured and, except in the case of Subordinated Debt Securities, will rank equally with all other unsecured and unsubordinated indebtedness of the Company. The Subordinated Debt Securities will be subordinated to all existing and future Senior Indebtedness of the Company.

Each issue of Securities may vary, where applicable, as to aggregate principal amount, maturity date, public offering or purchase price, interest rate or rates, if any, and timing of payments thereof, provision for redemption, sinking fund requirements, if any, exercise provisions, currencies of denomination or currencies otherwise applicable thereto and any other variable terms and method of distribution. The accompanying Prospectus Supplement (the "Prospectus Supplement") sets forth the specific terms with regard to the Securities in respect of which this Prospectus is being delivered.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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The Securities may be sold directly or through Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") as agent or may be offered and reoffered through, or through underwriting syndicates managed or co-managed by, one or more of the following: MLPF&S; Bear, Stearns & Co. Inc.; Donaldson, Lufkin & Jenrette Securities Corporation; The First Boston Corporation; Goldman, Sachs & Co.; Kidder, Peabody & Co. Incorporated; Lehman Brothers Inc.; Morgan Stanley & Co. Incorporated; Nomura Securities

International, Inc.; PaineWebber Incorporated; and Salomon Brothers Inc, or directly to purchasers by the Company. The Company has entered into agreements with such firms with respect to the Securities providing for agency sales of the Securities through MLPF&S or the purchase and offering from time to time by one or more of such firms, either alone or with the several members of any syndicate formed by them. Additional agreements respecting the distribution of the Securities may be entered into from time to time by the Company. Securities may not be sold without delivery of a Prospectus Supplement describing such issue of Securities and the method and terms of offering thereof.

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The date of this Prospectus is February 17, 1994.

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy and information statements and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: Chicago Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and New York Regional Office, Seven World Trade Center, New York, New York 10048. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Reports, proxy and information statements and other information concerning the Company may also be inspected at the offices of the New York Stock Exchange, the American Stock Exchange, the Midwest Stock Exchange and the Pacific Stock Exchange.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the year ended December 25, 1992, Quarterly Reports on Form 10-Q for the quarters ending March 26, 1993, June 25, 1993 and September 24, 1993, and Current Reports on Form 8-K dated January 25, 1993, January 26, 1993, January 28, 1993, February 1, 1993, February 22, 1993, March 1, 1993, March 19, 1993, April 13, 1993, April 15, 1993, April 22, 1993, April 27, 1993, April 29, 1993, June 24, 1993, June 28, 1993, July 7, 1993, July 13, 1993, July 27, 1993, September 8, 1993, September 13, 1993, September 23, 1993, October 7, 1993, October 11, 1993, October 15, 1993, October 27, 1993, December 17, 1993, December 22, 1993, December 27, 1993, December 30, 1993, January 20, 1994, January 24, 1994, January 27, 1994 and February 3, 1994, filed pursuant to Section 13 of the Exchange Act, are hereby incorporated by reference into this Prospectus.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date hereof and prior to the termination of the offering of the Securities shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON TO WHOM THIS PROSPECTUS IS DELIVERED, ON WRITTEN OR ORAL REQUEST OF SUCH PERSON, A COPY (WITHOUT EXHIBITS OTHER THAN EXHIBITS SPECIFICALLY INCORPORATED BY REFERENCE) OF ANY OR ALL DOCUMENTS INCORPORATED BY REFERENCE INTO THIS PROSPECTUS. REQUESTS FOR SUCH COPIES SHOULD BE DIRECTED TO MR. GREGORY T. RUSSO, SECRETARY, MERRILL LYNCH & CO., INC., 100 CHURCH STREET, 12TH FLOOR, NEW YORK, NEW YORK 10080-6512; TELEPHONE NUMBER (212) 602-8435.

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MERRILL LYNCH & CO., INC.

Merrill Lynch & Co., Inc. is a holding company that, through its subsidiaries and affiliates, provides investment, financing, insurance and related services. Its principal subsidiary, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), is one of the largest securities firms in the world. MLPF&S is a broker in securities, options contracts, commodity and financial futures contracts and selected insurance products, a dealer in options and in corporate and municipal securities and an investment banking firm. Merrill Lynch Asset Management manages mutual funds and provides investment advisory services. Merrill Lynch Government Securities Inc. is a primary dealer in obligations issued by the U.S. Government or agencies thereof or guaranteed or insured by Federal agencies. Other subsidiaries provide financial services outside the United States similar to those of MLPF&S and are engaged in such other activities as international banking, lending and providing other investment and

financing services. The Company's insurance underwriting and marketing operations consist of the underwriting of life insurance and annuity products through subsidiaries of Merrill Lynch Insurance Group, Inc., and the sale of life insurance and annuities through Merrill Lynch Life Agency Inc. and other life insurance agencies associated with MLPF&S.

The principal executive office of the Company is located at World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281; its telephone number is (212) 449-1000.

#### USE OF PROCEEDS

The Company intends to use the net proceeds from the sale of the Securities for general corporate purposes. Such uses may include the funding of investments in, or extensions of credit to, its subsidiaries, the funding of assets held by the Company or its subsidiaries, including securities inventories, customer receivables and loans (including business loans, home equity loans and loans in connection with investment banking-related merger and acquisition activities) and the lengthening of the average maturity of the Company's borrowings (including the refunding of maturing indebtedness). The precise amount and timing of investments in, and extensions of credit to, its subsidiaries will depend upon their funding requirements and the availability of other funds to the Company and its subsidiaries. A substantial portion of the proceeds from the sale of any Currency Warrants or Index Warrants may be used to hedge market risks with respect to such Warrants. Pending such applications, the net proceeds will be temporarily invested or applied to the reduction of short-term indebtedness. Management of the Company expects that it will, on a recurrent basis, engage in additional financings as the need arises to finance the growth of the Company or to lengthen the average maturity of its borrowings. To the extent that Securities being purchased for resale by MLPF&S are not resold, the aggregate proceeds to the Company and its subsidiaries would be reduced.

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#### SUMMARY FINANCIAL INFORMATION

The following summary consolidated financial information was derived from, and is qualified in its entirety by reference to, the financial statements and other information and data contained in the Company's Annual Report on Form 10-K for the year ended December 25, 1992 and Current Report on Form 8-K dated January 24, 1994. See "Incorporation of Certain Documents by Reference". The Current Report on Form 8-K, dated January 24, 1994 (which includes unaudited preliminary financial information for the year ended December 31, 1993) and the other documents incorporated herein by reference will be superseded by the Company's Annual Report on Form 10-K for the year ended December 31, 1993. In the opinion of management of the Company, all adjustments (consisting only of normal recurring accruals, a non-recurring pretax charge of \$103 million and a change in accounting principles described below) necessary for a fair statement of the 1993 results of operations have been included. The year-end results include 52 weeks for 1989, 1990, 1991 and 1992 and 53 weeks for 1993.

The Company conducts its business in highly volatile markets. Consequently, the Company's results can be affected by many factors, including general market conditions, the liquidity of secondary markets, the level and volatility of interest rates and currency values, the valuation of securities positions, competitive conditions, and the size, number and timing of transactions. In periods of unfavorable market activity, profitability can be adversely affected because certain expenses remain relatively fixed. As a result, net earnings and revenues can vary significantly from period to period.

<TABLE>  
<CAPTION>

#### YEAR ENDED LAST FRIDAY IN DECEMBER

	1989	1990	1991	1992	1993
	(IN THOUSANDS, EXCEPT RATIOS)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$11,273,223	\$11,147,229	\$12,352,812	\$13,412,668	\$16,588,177
Net Revenues.....	\$5,902,195	\$5,783,329	\$7,246,468	\$8,577,401	\$10,558,230
Earnings (loss) before income taxes, discontinued operations and cumulative effect of changes in accounting principles (1).....	\$ (158,386)	\$ 282,328	\$ 1,017,418	\$ 1,621,389	\$ 2,424,808
Discontinued operations (net of income taxes) (1).....	\$ 3,981	--	--	--	--
Cumulative effect of changes in accounting principles (net of					



applicable income taxes (1).....	--	--	--	\$ (58,580)	\$ (35,420)
Net earnings (loss) (1) ..	\$ (213,385)	\$ 191,856	\$ 696,117	\$ 893,825	\$ 1,358,939
Ratio of earnings to fixed charges (2).....	--	1.1	1.2	1.3	--
Total assets (3).....	\$63,942,263	\$68,129,527	\$86,259,343	\$107,024,173	--
Long-term borrowings (3) (4).....	\$ 6,897,109	\$ 6,341,559	\$ 7,964,424	\$ 10,871,100	--
Stockholders' equity (3) ..	\$ 3,151,343	\$ 3,225,430	\$ 3,818,088	\$ 4,569,104	--

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- (1) Net loss for 1989 includes an after-tax reduction of \$395,000,000 (\$470,000,000 before income taxes) resulting from a provision for the costs of divesting certain nonstrategic product lines and business activities, consolidating and relocating selected retail and support facilities and downsizing certain other operations. Results for 1989 have been restated to reflect the effects of discontinued operations related to the sale of the Company's real estate brokerage, relocation and related services subsidiary, Fine Homes International, L.P. ("FHI"), in the third quarter of 1989. Discontinued operations include the results of FHI's operations through September 15, 1989 (the date of final disposition) and the loss on disposal in 1989. Net earnings for 1992 have been reduced by \$58,580,000 to reflect the effects of the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" and SFAS No. 109, "Accounting for Income Taxes." Net earnings for 1993 have been reduced by \$35,420,000 to reflect the effects of the adoption of SFAS No. 112, "Employers' Accounting for Postemployment Benefits."
- (2) For the purpose of calculating the ratio of earnings to fixed charges, "earnings" consists of earnings from continuing operations before income taxes and fixed charges. "Fixed charges" consists of interest costs and that portion of rentals estimated to be representative of the interest factor. The ratio of earnings to fixed charges for 1988 was 1.2. In 1989, fixed charges exceeded pretax earnings before fixed charges by \$187,564,000.
- (3) Balance sheet information as of December 31, 1993 is not available as of the date of this Prospectus. At September 24, 1993, total assets, long-term borrowings and stockholders' equity were \$147,611,339,000, \$13,027,015,000 and \$5,573,236,000, respectively.
- (4) To finance its diverse activities, the Company and certain of its subsidiaries borrow substantial amounts of short-term funds on a regular basis. Although the amount of short-term borrowings significantly varies with the level of general business activity, on September 24, 1993, \$336,151,000 of bank loans and \$12,916,972,000 of commercial paper were outstanding. In addition, certain of the Company's subsidiaries lend securities and enter into repurchase agreements to obtain financing. At September 24, 1993, cash deposits for securities loaned and securities sold under agreements to repurchase amounted to \$3,267,169,000 and \$52,771,145,000, respectively. From September 25, 1993 to February 11, 1994, long-term borrowings, net of repayments and repurchases, increased in the amount of approximately \$1,344,228,000.

FISCAL YEAR 1993

Net earnings for 1993 were a record \$1,358.9 million, an increase of \$465.1 million (52%) above the \$893.8 million reported for 1992. Results for 1993 include a non-recurring pretax lease charge in the first quarter totaling \$103.0 million (\$59.7 million after income taxes) related to the Company's decision not to occupy certain space at its World Financial Center Headquarters facility. The 1993 results also reflect the early adoption of Statement of Financial Accounting Standards ("SFAS") No. 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of this change in accounting principle reduced 1993 net earnings by \$35.4 million. Revenues after interest expense ("net revenues") reached a record \$10,558 million, up 23% over the \$8,577 million reported in 1992. Total 1993 revenues advanced 24% to \$16,588 million versus \$13,413 million for the prior year.

Commission revenues increased 19% in 1993 to \$2,894 million due primarily to the continued growth of listed securities transactions, increases in sales of mutual funds and higher revenues from other commission categories. Commissions on listed securities benefited from higher trading volume and increases in average market prices. Mutual fund commissions benefited from increased sales of front-end funds. Strong 1992 sales led to an increase in 1993 distribution fees for deferred-charge funds, however, redemption fees declined from 1992 due to lower levels of redemptions. Interest and dividend revenues in 1993 were \$7,099 million, up 22% from 1992. Interest expense (including dividend expense) rose 25% in 1993 to \$6,030 million. As a result, in 1993 net interest and dividend profit advanced 10% to \$1,069 million, compared to the \$971 million reported in 1992. This increase in net interest and dividend profit resulted from the expansion of collateralized borrowing and lending activities, the increased use of interest-free funds due to a larger equity base, and reduced funding costs due to lower interest rates and improved credit ratings.

Principal transactions revenues rose to record levels in 1993, up 35% to \$2,920 million from the \$2,166 million reported in 1992. Fixed-income and foreign exchange revenues, in the aggregate, increased on higher revenues from swaps and derivatives, corporate bonds and preferred stocks, and non-U.S. governments and agencies. These advances were somewhat offset by lower revenues from foreign exchange. In addition, 1993 mortgage-backed securities principal transactions revenues were essentially break-even; however, net revenues, including related hedges and net interest, were positive, although significantly below 1992 levels. Equity trading revenues increased primarily due to higher volume and prices in over-the-counter and foreign equity markets. Investment banking revenues increased 23% to a record \$1,831 million from the \$1,484 million reported a year ago. Underwriting revenues benefited from the low interest rate environment, as corporations refinanced higher interest-bearing debt with lower rate issuances, or raised capital through equity offerings. Investor demand remained strong for equity and high-yield bond underwritings which offer the potential for higher returns compared with other investment alternatives. Asset management and portfolio service fees were also a record, advancing 24% to \$1,558 million from the \$1,253 million reported last year. Increased fees earned from asset management activities, the Merrill Lynch Consults (Registered Trademark) portfolio management service and other fee-based portfolio services businesses contributed to these favorable results. Asset management fees increased from 1992 due primarily to asset growth in stock and bond funds. Merrill Lynch Consults revenue increased due to the growth in the number of accounts and higher asset levels. Other revenues rose 1% to \$285 million due to higher equity access fees generated from increased home equity loan activity, partially offset by net investment losses related primarily to provisions for merchant banking activities.

Non-interest expenses totaled \$8,133 million, up 17% from the \$6,956 million in 1992. Excluding the 1993 first quarter non-recurring lease charge totaling \$103.0 million, non-interest expenses were up 15%. Compensation and benefits expense, which represented approximately 65% of total non-interest expenses, increased 20% from 1992 due to higher production-related compensation and increases in incentive compensation linked to the Company's improved profitability and return on common equity. Nevertheless, compensation and benefits expense, as a percentage of net revenues, declined to 49.8% from 50.9% in 1992. Facilities-related costs, including occupancy, communications and equipment rental, and depreciation and amortization, increased 13% from 1992 (3% excluding the non-recurring lease charge). Advertising and market development expenses increased 25% reflecting higher sales promotion and recognition program costs for Financial Consultants that are tied to increased business activity. In addition, travel costs were up as the

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increase in business volume required additional domestic and international travel, while favorable markets contributed to the expansion of certain discretionary national and local advertising campaigns. Professional fees increased 13% due to technology upgrades which required the use of system and management consultants, as well as higher employment agency fees. Brokerage, clearing and exchange fees were up 1% as a result of increased trading volume, while other expenses increased 5% principally as a result of additions to loss provisions related to litigation and claims.

Income tax expense was \$1,030 million versus \$669 million in the prior year as the effective rate in 1993 rose to 42.5%, compared with 41.3% a year ago. The higher effective tax rate in 1993 related to the increase in the Federal statutory rate from 34% in 1992 to 35% in 1993 due to legislation raising corporate income tax rates retroactive to January 1, 1993.

The Company's Board of Directors declared a two-for-one common stock split effected in the form of a 100% stock dividend paid November 24, 1993 to stockholders of record on October 22, 1993.

The Company believes that its equity base is adequate relative to the level and composition of its assets and the mix of its businesses.

In the normal course of its investment banking, trading and insurance activities, the Company underwrites, purchases, sells and makes markets in high-yield securities and other non-investment grade securities. Additionally, the Company provides financing and advisory services to corporations entering into leveraged transactions. These activities are subject to risks related to the creditworthiness of the issuers and the liquidity of the market for such securities, in addition to the usual risks associated with investing, extending credit, underwriting and trading in investment grade instruments.

Information concerning the Company's positions in high-yield securities and investments in highly leveraged transactions as of December 31, 1993 is not available as of the date of this Prospectus. At September 24, 1993, the carrying value of extensions of credit provided to corporations entering into leveraged transactions aggregated \$496 million (excluding unutilized revolving lines of credit and other lending commitments of \$72 million), consisting primarily of senior term and subordinated financings to 44 medium-sized corporations. At September 24, 1993, the Company had one bridge loan

outstanding, totaling \$70 million, which has since been repaid. Loans to highly leveraged corporations are carried at unpaid principal balance less a reserve for estimated losses. The allowance for loan losses is estimated based on a review of each loan, and considerations of economic, market and credit conditions. Direct equity investments made in conjunction with the Company's investment and merchant banking activities, which are generally recorded at the lower of cost or estimated net realizable value, aggregated \$306 million at September 24, 1993, representing investments in 85 enterprises. At September 24, 1993, the Company held interests in partnerships, totaling \$85 million (recorded on the cost basis), that invest in highly leveraged transactions and non-investment grade securities. The Company has a co-investment arrangement to enter into direct equity investments. At September 24, 1993, the additional co-investment commitments were \$81 million. The Company also has committed to invest an additional \$14 million in partnerships that invest in leveraged transactions.

As a market-maker, the Company holds trading positions in non-investment grade securities. At September 24, 1993, the fair value of long and short non-investment grade trading positions amounted to \$2,065 million and \$236 million, respectively, and in aggregate (i.e., the sum of long and short trading positions), represented 3.6% of aggregate consolidated trading positions.

Investments of the Company's insurance subsidiaries, which are carried at amortized cost, include non-investment grade securities. At September 24, 1993, \$492 million or 6.0% of the aggregate carrying value of such investments were non-investment grade.

As of September 24, 1993, the largest non-investment grade holdings related to a single issuer totaled \$158 million. No one industry sector represented more than 16% of total non-investment grade positions. At September 24, 1993, the Company held an aggregate carrying value of \$294 million in securities of issuers who were in various stages of bankruptcy proceedings or in default. Approximately 46% of this amount resulted from the Company's market-making activities in such securities.

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#### DESCRIPTION OF DEBT SECURITIES

Unless otherwise specified in a Prospectus Supplement, the Senior Debt Securities are to be issued under an indenture (the "Senior Indenture"), dated as of April 1, 1983, as amended and restated, between the Company and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company), as trustee (the "Senior Debt Trustee"). The Subordinated Debt Securities are to be issued under an indenture (the "Subordinated Indenture"), dated as of August 1, 1991, between the Company and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company), as trustee (the "Subordinated Debt Trustee"). The Senior Debt Securities and Subordinated Debt Securities may also be issued under one or more other indentures (each, a "Subsequent Indenture") and have one or more other trustees (each, a "Subsequent Trustee"). Any Subsequent Indenture relating to Senior Debt Securities will have terms and conditions identical in all material respects to the above-referenced Senior Indenture and any Subsequent Indenture relating to Subordinated Debt Securities will have terms and conditions identical in all material respects to the above-referenced Subordinated Indenture, including, but not limited to, the applicable terms and conditions described below. Any Subsequent Indenture relating to a series of Debt Securities, and the trustee with respect thereto, will be identified in the applicable Prospectus Supplement. The Senior Indenture, the Subordinated Indenture and any Subsequent Indentures (whether senior or subordinated) are referred to herein as the "Indentures"; and the Senior Debt Trustee, the Subordinated Debt Trustee and any Subsequent Trustees are referred to herein as the "Trustees". A copy of each Indenture is filed (or, in the case of a Subsequent Indenture, will be filed) as an exhibit to the registration statements relating to the Securities (collectively, the "Registration Statement"). The following summaries of certain provisions of the Indentures do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the respective Indentures, including the definitions therein of certain terms.

#### GENERAL

Each Indenture provides that Debt Securities (Senior Debt Securities in the case of the Senior Indenture or a Subsequent Indenture for Senior Debt Securities, and Subordinated Debt Securities in the case of the Subordinated Indenture or a Subsequent Indenture for Subordinated Debt Securities) may be issued thereunder, without limitation as to aggregate principal amount, in one or more series, by the Company from time to time upon satisfaction of certain conditions precedent, including the delivery by the Company to the applicable Trustee of a resolution of the Board of Directors, or the Executive Committee thereof, of the Company which fixes or provides for the establishment of terms of such Debt Securities, including: (1) the aggregate principal amount of such Debt Securities and whether there is any limit upon the aggregate principal amount of such Debt Securities that may be subsequently issued; (2) the date on which such Debt Securities will mature; (3) the principal amount payable with respect to such Debt Securities whether at maturity or upon earlier

acceleration, and whether such principal amount will be determined with reference to an index, formula or other method; (4) the rate or rates per annum (which may be fixed or variable) at which such Debt Securities will bear interest, if any; (5) the dates on which such interest, if any, will be payable; (6) the provisions for redemption of such Debt Securities, if any, the redemption price and any remarketing arrangements relating thereto; (7) the sinking fund requirements, if any, with respect to such Debt Securities; (8) whether such Debt Securities are denominated or provide for payment in United States dollars or a foreign currency or units of two or more of such foreign currencies; (9) the form (registered or bearer or both) in which such Debt Securities may be issued and any restrictions applicable to the exchange of one form for another and to the offer, sale and delivery of such Debt Securities in either form; (10) whether and under what circumstances the Company will pay additional amounts ("Additional Amounts") in respect of such Debt Securities held by a person who is not a U.S. person (as defined in the Prospectus Supplement, as applicable) in respect of specified taxes, assessments or other governmental charges and whether the Company has the option to redeem the affected Debt Securities rather than pay such Additional Amounts; (11) whether such Debt Securities are to be issued in global form; (12) the title of the Debt Securities and the series of which such Debt Securities shall be a part; and (13) the denominations of such Debt Securities. Reference is made to the Prospectus Supplement for the terms of the Debt Securities being offered thereby, including whether such Debt Securities are Senior Debt Securities or Subordinated Debt Securities. Debt Securities may also be issued

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under the Indenture upon the exercise of Debt Warrants. See "Description of Debt Warrants". Nothing in the Indentures or in the terms of the Debt Securities will prohibit the issuance of securities representing subordinated indebtedness that is senior or junior to the Subordinated Debt Securities.

The Debt Securities will be issued, to the extent provided in the Prospectus Supplement, in fully registered form without coupons, and/or in bearer form with or without coupons, and in denominations set forth in the Prospectus Supplement. No service charge will be made for any registration of transfer of registered Debt Securities or exchange of Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charges that may be imposed in connection therewith. Each Indenture provides that Debt Securities issued thereunder may be issued in global form. If any series of Debt Securities is issuable in global form, the applicable Prospectus Supplement will describe the circumstances, if any, under which beneficial owners of interest in any such global Debt Securities may exchange such interests for Debt Securities of such series and of like tenor and principal amount in any authorized form and denomination. Principal of, and any premium, Additional Amounts and interest on, a global Debt Security will be payable in the manner described in the applicable Prospectus Supplement.

The provisions of the Indentures described above provide the Company with the ability, in addition to the ability to issue Debt Securities with terms different from those of Debt Securities previously issued, to "reopen" a previous issue of a series of Debt Securities and issue additional Debt Securities of such series.

The Senior Debt Securities will be unsecured and will rank pari passu with all other unsecured and unsubordinated indebtedness of the Company. The Subordinated Debt Securities will be unsecured and will be subordinated to all existing and future Senior Indebtedness (as defined below) of the Company. Since the Company is a holding company, the right of the Company, and hence the right of creditors of the Company (including the Holders of the Debt Securities), to participate in any distribution of the assets of any subsidiary upon its liquidation or reorganization or otherwise is necessarily subject to the prior claims of creditors of the subsidiary, except to the extent that claims of the Company itself as a creditor of the subsidiary may be recognized. In addition, dividends, loans and advances from certain subsidiaries, including MLPF&S, to the Company are restricted by net capital requirements under the Securities Exchange Act of 1934 and under rules of certain exchanges and other regulatory bodies.

Principal and interest, premium and Additional Amounts, if any, will be payable in the manner, at the places and subject to the restrictions set forth in the applicable Indenture, the Debt Securities and the Prospectus Supplement relating thereto, provided that payment of any interest and any Additional Amounts may be made at the option of the Company by check mailed to the holders of registered Debt Securities at their registered addresses.

Debt Securities may be presented for exchange, and registered Debt Securities may be presented for transfer, in the manner, at the places and subject to the restrictions set forth in the applicable Indenture, the Debt Securities and the Prospectus Supplement relating thereto. Debt Securities in bearer form and the coupons, if any, pertaining thereto will be transferable by delivery. No service charge will be made for any transfer or exchange of Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

## MERGER AND CONSOLIDATION

The Company may consolidate or merge with or into any other corporation, and the Company may sell, lease or convey all or substantially all of its assets to any corporation, provided that (i) the corporation (if other than the Company) formed by or resulting from any such consolidation or merger or which shall have received such assets shall be a corporation organized and existing under the laws of the United States of America or a state thereof and shall assume payment of the principal of, and any premium, Additional Amounts or interest on, the Debt Securities and the performance and observance of all of the covenants and conditions of the Indentures to be performed or observed by the Company, and (ii) the Company or such successor corporation, as the case may be, shall not immediately thereafter be in default under the Indentures.

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## MODIFICATION AND WAIVER

Modification and amendment of each Indenture may be effected by the Company and the applicable Trustee with the consent of the Holders of 66 2/3% in principal amount of the Outstanding Debt Securities of each series issued pursuant to such Indenture and affected thereby, provided that no such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security affected thereby, (a) change the Stated Maturity of, or any installment of interest or Additional Amounts on, any Debt Security or any premium payable on the redemption thereof, or change the Redemption Price; (b) reduce the principal amount of, or the interest or Additional Amounts payable on, any Debt Security or reduce the amount of principal which could be declared due and payable prior to the Stated Maturity; (c) change the place or currency of any payment of principal of, or any premium, interest or Additional Amounts on, any Debt Security; (d) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security; (e) reduce the percentage in principal amount of the Outstanding Debt Securities of any series, the consent of whose Holders is required to modify or amend such Indenture; or (f) modify the foregoing requirements or reduce the percentage of Outstanding Debt Securities necessary to waive any past default to less than a majority. No modification or amendment of the Subordinated Indenture or any Subsequent Indenture for Subordinated Debt Securities may adversely affect the rights of any Holder of Senior Indebtedness without the consent of such Holder. Except with respect to certain fundamental provisions, the Holders of at least a majority in principal amount of Outstanding Debt Securities of any series may, with respect to such series, waive past defaults under the applicable Indenture and waive compliance by the Company with certain provisions of such Indenture.

## EVENTS OF DEFAULT

Under each Indenture, the following will be Events of Default with respect to Debt Securities of any series issued thereunder: (a) default in the payment of any interest or Additional Amounts upon any Debt Security of that series when due, continued for 30 days; (b) default in the payment of any principal of or premium, if any, on any Debt Security of that series when due; (c) default in the deposit of any sinking fund payment, when due, in respect of any Debt Security of that series; (d) default in the performance of any other covenant of the Company contained in such Indenture for the benefit of such series or in the Debt Securities of such series, continued for 60 days after written notice as provided in such Indenture; (e) certain events in bankruptcy, insolvency or reorganization; and (f) any other Event of Default provided with respect to Debt Securities of that series. The applicable Trustee or the Holders of 25% in principal amount of the Outstanding Debt Securities of that series may declare the principal amount (or such lesser amount as may be provided for in the Debt Securities of that series) of all Outstanding Debt Securities of that series and the interest accrued thereon and Additional Amounts payable in respect thereof, if any, to be due and payable immediately if an Event of Default with respect to Debt Securities of such series shall occur and be continuing at the time of declaration. At any time after a declaration of acceleration has been made with respect to Debt Securities of any series but before a judgment or decree for payment of money due has been obtained by the applicable Trustee, the Holders of a majority in principal amount of the Outstanding Debt Securities of that series may rescind any declaration of acceleration and its consequences, if all payments due (other than those due as a result of acceleration) have been made and all Events of Default have been remedied or waived. Any Event of Default with respect to Debt Securities of any series may be waived by the Holders of a majority in principal amount of all Outstanding Debt Securities of that series, except in a case of failure to pay principal of or premium, if any, or interest or Additional Amounts, if any, on any Debt Security of that series for which payment had not been subsequently made or in respect of a covenant or provision which cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security of such series affected.

The Holders of a majority in principal amount of the Outstanding Debt Securities of a series may direct the time, method and place of conducting any proceeding for any remedy available to the applicable Trustee or exercising any

trust or power conferred on such Trustee with respect to Debt Securities of such series, provided that such direction shall not be in conflict with any rule of law or the applicable Indenture. Before

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proceeding to exercise any right or power under an Indenture at the direction of such Holders, the applicable Trustee shall be entitled to receive from such Holders reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in complying with any such direction.

The Company will be required to furnish to each Trustee annually a statement as to the fulfillment by the Company of all of its obligations under the applicable Indenture.

#### SPECIAL TERMS RELATING TO THE SENIOR DEBT SECURITIES

##### LIMITATIONS UPON LIENS

The Senior Indenture provides that the Company may not, and may not permit any Subsidiary to, create, assume, incur or permit to exist any indebtedness for borrowed money secured by a pledge, lien or other encumbrance (except for certain liens specifically permitted by the Senior Indenture) on the Voting Stock owned directly or indirectly by the Company of any Subsidiary (other than a Subsidiary which, at the time of incurrence of such secured indebtedness, has a net worth of less than \$3,000,000) without making effective provision whereby the Outstanding Senior Debt Securities will be secured equally and ratably with such secured indebtedness.

##### LIMITATION ON DISPOSITION OF VOTING STOCK OF, AND MERGER AND SALE OF ASSETS BY, MLPF&S

The Senior Indenture provides that the Company may not sell, transfer or otherwise dispose of any Voting Stock of MLPF&S or permit MLPF&S to issue, sell or otherwise dispose of any of its Voting Stock, unless, after giving effect to any such transaction, MLPF&S remains a Controlled Subsidiary (defined in the Senior Indenture to mean a corporation more than 80% of the outstanding shares of Voting Stock of which are owned directly or indirectly by the Company). In addition, the Senior Indenture provides that the Company may not permit MLPF&S to (i) merge or consolidate, unless the surviving company is a Controlled Subsidiary, or (ii) convey or transfer its properties and assets substantially as an entirety, except to one or more Controlled Subsidiaries.

#### SPECIAL TERMS RELATING TO THE SUBORDINATED DEBT SECURITIES

Upon any distribution of assets of the Company resulting from any dissolution, winding up, liquidation or reorganization, payments on Subordinated Debt Securities are to be subordinated to the extent provided in the Subordinated Indenture in right of payment to the prior payment in full of all Senior Indebtedness, but the obligation of the Company to make payments on the Subordinated Debt Securities will not otherwise be affected. No payment on Subordinated Debt Securities may be made at any time when there is a default in the payment of any principal, premium, interest, Additional Amounts or sinking fund of or on any Senior Indebtedness. Holders of Subordinated Debt Securities will be subrogated to the rights of holders of Senior Indebtedness to the extent of payments made on Senior Indebtedness upon any distribution of assets in any such proceedings out of the distributive shares of Subordinated Debt Securities. By reason of such subordination, in the event of a distribution of assets upon insolvency, certain creditors of the Company may recover more, ratably, than Holders of Subordinated Debt Securities.

Senior Indebtedness is defined in the Subordinated Indenture as the principal of, premium, if any, and unpaid interest on (a) indebtedness of the Company (including indebtedness of others guaranteed by the Company), other than the Subordinated Debt Securities, whether outstanding on the date of execution of the Subordinated Indenture or thereafter created, incurred, assumed or guaranteed, (i) for money owing to banks, (ii) for money borrowed from sources other than banks or (iii) in connection with the acquisition by the Company or a subsidiary of assets of any kind except in the ordinary course of business, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such indebtedness is not superior in right of payment to the Subordinated Debt Securities, and (b) renewals, extensions, modifications and refundings of any such indebtedness. As of September 24, 1993, a total of approximately \$27.0 billion of the Company's indebtedness would have been Senior Indebtedness as so defined.

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#### DESCRIPTION OF DEBT WARRANTS

The Company may issue, together with Debt Securities, Currency Warrants or Index Warrants or separately, Debt Warrants for the purchase of Debt Securities. The Debt Warrants are to be issued under Debt Warrant Agreements (each a "Debt Warrant Agreement") to be entered into between the Company and a bank or trust company, as Debt Warrant Agent (the "Debt Warrant Agent"), all as

shall be set forth in the Prospectus Supplement relating to Debt Warrants being offered thereby. A copy of the form of Debt Warrant Agreement, including the form of Warrant Certificates representing the Debt Warrants (the "Debt Warrant Certificates"), reflecting the alternative provisions to be included in the Debt Warrant Agreements that will be entered into with respect to particular offerings of Debt Warrants, is filed as an exhibit to the Registration Statement. The following summaries of certain provisions of the Debt Warrant Agreement and the Debt Warrant Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Debt Warrant Agreement and the Debt Warrant Certificates, respectively, including the definitions therein of certain terms.

#### GENERAL

The applicable Prospectus Supplement will describe the terms of Debt Warrants offered thereby, the Debt Warrant Agreement relating to such Debt Warrants and the Debt Warrant Certificates representing such Debt Warrants, including the following: (1) the designation, aggregate principal amount, price at which such principal amount may be purchased upon exercise and terms of the Debt Securities purchasable upon exercise of such Debt Warrants, including whether such Debt Securities are Senior Debt Securities or Subordinated Debt Securities, and the procedures and conditions relating to the exercise of such Debt Warrants; (2) the designation and terms of any related Debt Securities with which such Debt Warrants are issued, including whether such Debt Securities are Senior Debt Securities or Subordinated Debt Securities, and the number of such Debt Warrants issued with each such Debt Security; (3) the date, if any, on and after which such Debt Warrants and the related Debt Securities will be separately transferable; (4) the date on which the right to exercise such Debt Warrants shall commence and the date on which such right shall expire (the "Expiration Date"); (5) if the Debt Securities purchasable upon exercise of such Debt Warrants are original issue discount Debt Securities, a discussion of Federal income tax considerations applicable thereto; and (6) whether the Debt Warrants represented by the Debt Warrant Certificates will be issued in registered or bearer form, and, if registered, where they may be transferred and registered.

Debt Warrant Certificates will be exchangeable for new Debt Warrant Certificates of different denominations and Debt Warrants may be exercised at the corporate trust office of the Debt Warrant Agent or any other office indicated in the Prospectus Supplement. Prior to the exercise of their Debt Warrants, holders of Debt Warrants will not have any of the rights of Holders of the Debt Securities purchasable upon such exercise and will not be entitled to payments of principal of, and any premium, Additional Amounts or interest on, the Debt Securities purchasable upon such exercise.

#### EXERCISE OF DEBT WARRANTS

Each Debt Warrant will entitle the Holder to purchase for cash such principal amount of Debt Securities at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the Prospectus Supplement relating to the Debt Warrants offered thereby. Debt Warrants may be exercised at any time up to the close of business on the Expiration Date set forth in the Prospectus Supplement relating to the Debt Warrants offered thereby. After the close of business on the Expiration Date, unexercised Debt Warrants will become void.

Debt Warrants may be exercised as set forth in the Prospectus Supplement relating to the Debt Warrants offered thereby. Upon receipt of payment and the Debt Warrant Certificate properly completed and duly executed at the corporate trust office of the Debt Warrant Agent or any other office indicated in the Prospectus Supplement, the Company will, as soon as practicable, forward the Debt Securities purchasable

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upon such exercise. If less than all of the Debt Warrants represented by such Debt Warrant Certificate are exercised, a new Debt Warrant Certificate will be issued for the remaining amount of Debt Warrants.

#### DESCRIPTION OF CURRENCY WARRANTS

The Company may issue, together with Debt Securities, Debt Warrants or Index Warrants or separately, Currency Warrants either in the form of Currency Put Warrants entitling the Holders thereof to receive from the Company the cash settlement value in U.S. dollars of the right to sell a specified amount of a specified foreign currency or currency units for a specified amount of U.S. dollars, or in the form of Currency Call Warrants entitling the Holders thereof to receive from the Company the cash settlement value in U.S. dollars of the right to purchase a specified amount of a specified foreign currency or units of two or more currencies for a specified amount of U.S. dollars. The Currency Warrants are to be issued under a Currency Put Warrant Agreement or a Currency Call Warrant Agreement, as applicable (each a "Currency Warrant Agreement"), to be entered into between the Company and a bank or trust company, as Currency Warrant Agent (the "Currency Warrant Agent"), all as shall be set forth in the applicable Prospectus Supplement. Copies of the forms of Currency Put Warrant

Agreement and Currency Call Warrant Agreement, including the forms of global Warrant Certificates representing the Currency Put Warrants and Currency Call Warrants (the "Currency Warrant Certificates"), reflecting the provisions to be included in the Currency Warrant Agreements that will be entered into with respect to particular offerings of Currency Warrants, are filed as exhibits to the Registration Statement. The following summaries of certain provisions of the Currency Warrant Agreements and the Currency Warrant Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Currency Warrant Agreements and the Currency Warrant Certificates, respectively, including the definitions therein of certain terms.

#### GENERAL

The applicable Prospectus Supplement will describe the terms of Currency Warrants offered thereby, the Currency Warrant Agreement relating to such Currency Warrants and the Currency Warrant Certificates representing such Currency Warrants, including the following: (1) whether such Currency Warrants shall be Currency Put Warrants, Currency Call Warrants, or both; (2) the formula for determining the cash settlement value of each Currency Warrant; (3) the procedures and conditions relating to the exercise of such Currency Warrants; (4) the circumstances which will cause the Currency Warrants to be deemed to be automatically exercised; (5) any minimum number of Currency Warrants which must be exercised at any one time, other than upon automatic exercise; and (6) the date on which the right to exercise such Currency Warrants shall commence and the date on which such right shall expire (the "Expiration Date"), provided that the commencement date and the Expiration Date may be the same date.

#### BOOK-ENTRY PROCEDURES AND SETTLEMENT

Except as may otherwise be provided in an applicable Prospectus Supplement, the Currency Warrants will be issued in the form of global Currency Warrant Certificates, registered in the name of a depository or its nominee. Beneficial owners will not be entitled to receive definitive certificates representing Currency Warrants. Ownership of a Currency Warrant will be recorded on or through the records of the brokerage firm or other entity that maintains a beneficial owner's account. In turn, the total number of Currency Warrants held by an individual brokerage firm for its clients will be maintained on the records of the depository in the name of such brokerage firm or its agent. Transfer of ownership of any Currency Warrant will be effected only through the selling beneficial owner's brokerage firm.

#### EXERCISE OF CURRENCY WARRANTS

Each Currency Warrant will entitle the Holder to the cash settlement value of such Currency Warrant on the applicable Exercise Date, in each case as such terms will be defined in the applicable Prospectus Supplement. If a Currency Warrant has more than one exercise date and is not exercised prior to 1:30 P.M., New York City time, on the fifth New York Business Day preceding the Expiration Date, Currency Warrants will be deemed automatically exercised.

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#### LISTING

Each issue of Currency Warrants will be listed on a national securities exchange, subject only to official notice of issuance, as a condition of sale of any such Currency Warrants. In the event that the Currency Warrants are delisted from, or permanently suspended from trading on, such exchange, the Expiration Date for such Currency Warrants will be the date such delisting or trading suspension becomes effective and Currency Warrants not previously exercised will be deemed automatically exercised on such Expiration Date. The applicable Currency Warrant Agreement will contain a covenant of the Company not to seek delisting of the Currency Warrants, or suspension of their trading, on such exchange.

#### DESCRIPTION OF INDEX WARRANTS

The Company may issue from time to time Index Warrants consisting of put warrants (the "Index Put Warrants") and call warrants (the "Index Call Warrants"). The Index Warrants will entitle the holders to receive from the Company an amount in cash determined by reference to decreases (in the case of Index Put Warrants) or to increases (in the case of Index Call Warrants) in the level of a specified stock or security index or the value of a portfolio of specified stocks or other securities (the "Index"). The Index may be composed of U.S. or foreign stocks or securities or a combination thereof (the "Underlying Securities"). Unless otherwise specified in the accompanying Prospectus Supplement, payments, if any, on the Index Warrants will be made in U.S. dollars. An Index Warrant will not require or entitle the holder thereof (the "Index Warrantholder") to purchase or take delivery of or sell or make delivery of any securities (including Underlying Securities); nor will the Company be under any obligation to, nor will it, purchase or take delivery of or sell or make delivery of any securities (including Underlying Securities) from or to Index Warrantholders pursuant to the Index Warrants. The Index



Warrants will be offered on terms to be determined at the time of sale.

#### GENERAL

The applicable Prospectus Supplement will describe the Index Warrant Agreement or Index Warrant Trust Indenture (each as defined below), as the case may be, relating to the Index Warrants being offered thereby and the terms of such Index Warrants, including, without limitation: (i) whether the Index Warrants to be issued will be Index Put Warrants, Index Call Warrants or both; (ii) the aggregate number and initial public offering price or purchase price; (iii) the Index for such Index Warrants, which may be based on U.S. or foreign stocks or securities or a combination thereof and may be a preexisting U.S. or foreign stock or security index compiled and published by a third party or a portfolio of Underlying Securities selected by the Company in connection with the issuance of such Index Warrants, and certain information regarding such Index and the Underlying Securities; (iv) the date on which the right to exercise such Index Warrants commences and the date on which such right expires; (v) the manner in which such Index Warrants may be exercised and any restrictions on, or other special provisions relating to, the exercise of such Index Warrants; (vi) the minimum number, if any, of such Index Warrants exercisable at any one time; (vii) the maximum number, if any, of such Index Warrants that may, subject to the Company's election, be exercised by all Index Warrantholders (or by any person or entity) on any day; (viii) any provisions permitting an Index Warrantholder to condition an exercise notice on the absence of certain specified changes in the level of the applicable Index after the exercise date, any provisions permitting the Company to suspend exercise of such Index Warrants based on market conditions or other circumstances and any other special provision relating to the exercise of such Index Warrants; (ix) any provisions for the automatic exercise of such Index Warrants other than at expiration; (x) any provisions permitting the Company to cancel such Index Warrants upon the occurrence of certain events; (xi) any additional circumstances which would constitute an Event of Default with respect to such Index Warrants; (xii) the method of determining (a) the amount (the "Cash Settlement Value") payable in connection with the exercise or deemed exercise of such Index Warrants, (b) the minimum value, if any, payable upon expiration of such Index Warrants (the "Minimum Expiration Value"), (c) the

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amount payable upon the exercise of any right which the Company may have to cancel such Index Warrants and (d) the value of the Index; (xiii) in the case of Index Warrants relating to an Index for which the trading prices of Underlying Securities are expressed in a foreign currency, the method of converting amounts in the relevant foreign currency or currencies into U.S. dollars (or such other currency or composite currency in which the Index Warrants are payable); (xiv) the method of providing for a substitute index or otherwise determining the amount payable in connection with the exercise of such Index Warrants if the Index changes or ceases to be made available by its publisher; (xv) the time or times at which amounts will be payable in respect of such Index Warrants following exercise or deemed exercise; (xvi) the national securities exchange on which such Index Warrants will be listed, if any; (xvii) any provisions for issuing such Index Warrants in other than global form; (xviii) if such Index Warrants are not issued in book-entry form, the place or places at which payment of the Cash Settlement Value, amount payable on cancellation, if any, and the Minimum Expiration Value, if any, of such Index Warrants is to be made by the Company; (xix) certain U.S. federal income tax consequences relating to such Index Warrants; and (xx) other specific provisions.

Except as otherwise provided in the applicable Prospectus Supplement, each issue of Index Warrants will contain the terms set forth below.

The Index Warrants which are issued without a Minimum Expiration Value will be issued under one or more index warrant agreements (each, an "Index Warrant Agreement") to be entered into between the Company and a bank or trust company, as warrant agent (the "Index Warrant Agent"), all as described in the Prospectus Supplement relating to such Index Warrants. The Index Warrant Agent will act solely as the agent of the Company under the applicable Index Warrant Agreement and will not assume any obligation or relationship of agency or trust for or with any Index Warrantholders. A single bank or trust company may act as Index Warrant Agent for more than one issue of Index Warrants.

The Index Warrants which are issued with a Minimum Expiration Value will be issued under one or more index warrant trust indentures (each an "Index Warrant Trust Indenture") to be entered into between the Company and a corporation (or other person permitted to so act by the Trust Indenture Act of 1939, as amended from time to time (the "Trust Indenture Act")), to act as trustee (the "Index Warrant Trustee"), all as described in the Prospectus Supplement relative to such Index Warrants. Any Index Warrant Trust Indenture will be qualified under the Trust Indenture Act. To the extent allowed by the Trust Indenture Act, a single qualified corporation may act as Index Warrant Trustee for more than one issue of Index Warrants.

Forms of Index Warrant Agreement and Index Warrant Trust Indenture and the respective global Index Warrant Certificates related thereto are filed as

exhibits to the Registration Statement. The summaries herein of certain provisions of the Index Warrant Agreement, the Index Warrant Trust Indenture and global Index Warrant Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Index Warrant Agreement, the Index Warrant Trust Indenture and global Index Warrant Certificates, respectively.

The Company will have the right to "reopen" a previous issue of Index Warrants and to issue additional Index Warrants of such issue without the consent of any Index Warrantholder.

The Index Warrants involve a high degree of risk, including the risk that the Index Warrants will expire worthless except for the Minimum Expiration Value, if any, of such Index Warrants. Investors should therefore be prepared to sustain a total loss of the purchase price of the Index Warrants (except for the Minimum Expiration Value, if applicable). Investors who consider purchasing Index Warrants should be experienced with respect to options and option transactions and reach an investment decision only after carefully considering, with their advisers, the suitability of the Index Warrants in light of their particular circumstances and the information set forth below and under "Description of Index Warrants" as well as additional information contained in the Prospectus Supplement relating to such Index Warrants.

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Unless otherwise provided in the Prospectus Supplement, each Index Warrant will entitle Index Warrantholders to receive from the Company upon exercise the Cash Settlement Value of such Index Warrant. Certain Index Warrants issued pursuant to an Index Warrant Trust Indenture will, if specified in the Prospectus Supplement, entitle the Index Warrantholder to receive from the Company, under certain circumstances specified in the Prospectus Supplement, an amount equal to the greater of the applicable Cash Settlement Value and a Minimum Expiration Value of such Index Warrants. In addition, certain Index Warrants will, if specified in the Prospectus Supplement, entitle Index Warrantholders to receive from the Company a certain amount upon cancellation of the Index Warrants by the Company, upon the occurrence of specified events. In addition, if so specified in the Prospectus Supplement, following the occurrence of an extraordinary event, the Cash Settlement Value of an Index Warrant may, at the option of the Company, be determined on a different basis, including in connection with automatic exercise at expiration.

Unless otherwise specified in the Prospectus Supplement, the Index will be an established, broadly-based index related to a major domestic or foreign equity or security trading market or based upon a portfolio of specified stocks or other securities, and the Cash Settlement Value (and, if applicable, the Minimum Expiration Value or amount payable on cancellation) of the Index Warrants will be payable in U.S. dollars.

An Index Warrant will be settled only in cash, and accordingly, will not require or entitle an Index Warrantholder to sell, make delivery, purchase or take delivery of any shares of any Underlying Securities or any other securities, nor will the Company be under any obligation to, nor will it, purchase or take delivery of or sell or make delivery of any securities (including Underlying Securities) from or to Index Warrantholders pursuant to the Index Warrants. The Index Warrantholders will not receive any interest on any Cash Settlement Value, Minimum Expiration Value or amount payable on cancellation of the Index Warrants and the Index Warrants will not entitle the Index Warrantholders to any of the rights of holders of any Underlying Securities.

Unless otherwise specified in the related Prospectus Supplement, the Index Warrants will be deemed to be automatically exercised upon expiration. Upon such automatic exercise, Index Warrantholders will be entitled to receive the Cash Settlement Value of the Index Warrants, except that holders of Index Warrants having a Minimum Expiration Value will be entitled to receive an amount equal to the greater of such Cash Settlement Value and the applicable Minimum Expiration Value. The Minimum Expiration Value may be either a fixed amount or an amount that varies during the term of the Index Warrants in accordance with a schedule or formula. Any Minimum Expiration Value applicable to an issue of Index Warrants, as well as any additional circumstances resulting in the automatic exercise of such Index Warrants, will be specified in the related Prospectus Supplement.

If so specified in the Prospectus Supplement, the Index Warrants may be canceled by the Company, or the exercise or valuation of, or payment for, such Index Warrants may be delayed or postponed upon the occurrence of an extraordinary event. Any extraordinary events relating to an issue of Index Warrants will be set forth in the related Prospectus Supplement. Upon cancellation, the related Index Warrantholders will be entitled to receive only the applicable amount payable on cancellation specified in such Prospectus Supplement. The amount payable on cancellation may be either a fixed amount or an amount that varies during the term of the Index Warrants in accordance with a schedule or formula.

If the Company defaults with respect to any of its obligations under Index

Warrants which are issued with a Minimum Expiration Value pursuant to an Index Warrant Trust Indenture, such default may be waived by the Index Warrantholders of a majority in interest of all outstanding Index Warrants, except a default in the payment of the Cash Settlement Value, Minimum Expiration Value or cancellation amount (if applicable) on such Index Warrants or in respect of a covenant or provision of the applicable Index Warrant Trust Indenture which cannot be modified or amended without the consent of the Index Warrantholder of each outstanding Index Warrant affected.

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The Index Warrants are unsecured contractual obligations of the Company and will rank pari passu with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt.

Certain special United States federal income tax considerations may be applicable to instruments such as the Index Warrants. The related Prospectus Supplement will describe such tax considerations. The summary of United States federal income tax considerations contained in the Prospectus Supplement will be presented for informational purposes only, however, and will not be intended as legal or tax advice to prospective purchasers. Prospective purchasers of Index Warrants are urged to consult their own tax advisors prior to any acquisition of Index Warrants.

#### BOOK-ENTRY PROCEDURES AND SETTLEMENT

Except as may otherwise be provided in an applicable Prospectus Supplement, Index Warrants will be issued in book-entry form and represented by global Index Warrants, registered in the name of a depository or its nominee. Except as may otherwise be provided in an applicable Prospectus Supplement, Index Warrantholders will not be entitled to receive definitive certificates representing Index Warrants, unless the depository is unwilling or unable to continue as depository or the Company decides to have the Index Warrants represented by definitive certificates. A beneficial owner's interest in an Index Warrant represented by a global Index Warrant will be recorded on or through the records of the brokerage firm or other entity that maintains such beneficial owner's account. In turn, the total number of Index Warrants held by an individual brokerage firm or other entity for its clients will be maintained on the records of the depository in the name of such brokerage firm or other entity or its agent.

#### LISTING

Unless otherwise indicated in the Prospectus Supplement, the Index Warrants will be listed on a national securities exchange as specified in the Prospectus Supplement. It is expected that such exchange will cease trading an issue of Index Warrants at the close of business on the related expiration date of such Index Warrants.

#### MODIFICATION

Any Index Warrant Agreement or Index Warrant Trust Indenture and the terms of the related Index Warrants may be amended by the Company and the Index Warrant Agent or Index Warrant Trustee, as the case may be (which amendment shall take the form of a supplemental index warrant agreement or supplemental index warrant trust indenture (collectively referred to as "Supplemental Agreements")), without the consent of the holders of any Index Warrants, for the purpose of (i) curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or of making any other provisions with respect to matters or questions arising under the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, which shall not be inconsistent with the provisions thereof or of the Index Warrants, (ii) evidencing the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company contained in the Index Warrant Agreement or the Index Warrant Trust Indenture, as the case may be, and the Index Warrants, (iii) appointing a successor depository, (iv) evidencing and providing for the acceptance of appointment by a successor Index Warrant Agent or Index Warrant Trustee with respect to the Index Warrants, as the case may be, (v) adding to the covenants of the Company, for the benefit of the Index Warrantholders or surrendering any right or power conferred upon the Company under the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, (vi) issuing Index Warrants in definitive form, or (vii) amending

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the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, in any manner which the Company may deem to be necessary or desirable and which will not materially and adversely affect the interests of the Index Warrantholders.

The Company and the Index Warrant Agent may also amend any Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, and the terms of the related Index Warrants (which amendment shall take the form of a Supplemental Agreement) with the consent of the Index Warrantholders holding

not less than 66 2/3 in number of the then outstanding unexercised Index Warrants affected by such amendment, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, or of modifying in any manner the rights of the Index Warrantholders; provided that no such amendment that (i) changes the determination of the Cash Settlement Value or amount payable on cancellation, if any, or Minimum Expiration Value, if any, of the Index Warrants (or any aspects of such determination) so as to reduce the amount receivable upon exercise or deemed exercise, (ii) shortens the period of time during which the Index Warrants may be exercised, or otherwise materially and adversely affects the exercise rights of the Index Warrantholders or (iii) reduces the number of outstanding Index Warrants, the consent of whose holders is required for amendment of the Index Warrant Agreement, the Index Warrant Trust Indenture or the terms of the related Index Warrants, may be made without the consent of each Index Warrantholder affected thereby.

#### EVENT OF DEFAULT

Certain events in bankruptcy, insolvency or reorganization of the Company will constitute an Event of Default with respect to Index Warrants having a Minimum Expiration Value which are issued under an Index Warrant Trust Indenture. Upon the occurrence of an Event of Default, the holders of 25% of unexercised Index Warrants may elect to receive a settlement payment for such unexercised Index Warrants, which will immediately become due to the Index Warrantholders upon such election in an amount equal to the market value of such Index Warrants (assuming the Company's ability to satisfy its obligations under such Index Warrants as they would become due) as of the date the Company is notified of the intended liquidation, as determined by a nationally recognized securities broker-dealer unaffiliated with the Company and mutually selected by the Company and the Index Warrant Trustee.

#### MERGER, CONSOLIDATION, SALE, LEASE OR OTHER DISPOSITIONS

The Company may consolidate or merge with or into any other corporation and the Company may sell, lease or convey all or substantially all of its assets to any corporation, provided that (i) the corporation (if other than the Company) formed by or resulting from any such consolidation or merger or which shall have received such assets shall be a corporation organized and existing under the laws of the United States of America or a State thereof and shall assume payment of the Cash Settlement Value (or any Minimum Expiration Value or cancellation amount, if applicable) with respect to all the unexercised Index Warrants and the performance and observance of all of the covenants and conditions of the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, to be performed or observed by the Company, and (ii) the Company or such successor corporation, as the case may be, shall not immediately be in default under the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be.

#### ENFORCEABILITY OF RIGHTS BY INDEX WARRANTHOLDERS

Any Index Warrantholder may, without the consent of the related Index Warrant Agent, enforce by appropriate legal action, in and for its own behalf, its right to exercise, and receive payment for, its Index Warrants.

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#### PLAN OF DISTRIBUTION

The Company may sell Securities (i) through MLPF&S as agent, (ii) to the public through, or through underwriting syndicates managed by, one or more of the firms named on the cover page of this Prospectus or (iii) directly to purchasers. The Prospectus Supplement with respect to the Securities of a particular series describes the terms of the offering of such Securities, including the name of the agent or the name or names of any underwriters, the public offering or purchase price, any discounts and commissions to be allowed or paid to the agent or underwriters, all other items constituting underwriting compensation, the discounts and commissions to be allowed or paid to dealers, if any, and the exchanges, if any, on which the Securities will be listed. Only the agents or underwriters so named in the Prospectus Supplement are agents or underwriters in connection with the Securities offered thereby. Under certain circumstances, the Company may repurchase Securities and reoffer them to the public as set forth above. The Company may also arrange for repurchases and resales of such Securities by dealers.

If so indicated in the Prospectus Supplement, the Company will authorize underwriters to solicit offers by certain institutions to purchase Debt Securities from the Company pursuant to Delayed Delivery Contracts providing for payment and delivery on the date stated in the Prospectus Supplement. Each such contract will be for an amount not less than, and, unless the Company otherwise agrees, the aggregate principal amount of Debt Securities sold pursuant to such contracts shall not be more than, the respective amounts stated in the Prospectus Supplement. Institutions with whom such contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable

institutions, and other institutions, but shall in all cases be subject to the approval of the Company. Delayed Delivery Contracts will not be subject to any conditions except that the purchase by an institution of the Debt Securities covered thereby shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject.

The Company has agreed to indemnify the agent and the several underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933 (the "Act"), or contribute to payments the agent or the underwriters may be required to make in respect thereof.

The distribution of Securities will conform to the requirements set forth in the applicable sections of Schedule E to the By-Laws of the National Association of Securities Dealers, Inc.

EXPERTS

The consolidated financial statements and related financial statement schedules of the Company and its subsidiaries included or incorporated by reference in the Company's 1992 Annual Report on Form 10-K and incorporated by reference in this Prospectus have been audited by Deloitte & Touche, independent auditors, as stated in their reports incorporated by reference herein. The information under the caption "Summary Financial Information" for each of the four years in the period ended December 25, 1992 included in this Prospectus and the Selected Financial Data under the captions "Operating Results", "Financial Position" and "Common Share Data" for each of the five years in the period ended December 25, 1992 included in the 1992 Annual Report to Stockholders of the Company and incorporated by reference herein have been derived from consolidated financial statements audited by Deloitte & Touche, as set forth in their reports incorporated by reference herein. The consolidated financial statements and related financial statement schedules, such Summary Financial Information and such Selected Financial Data appearing or incorporated by reference in this Prospectus and the Registration Statement of which this Prospectus is a part, have been included or incorporated herein by reference in reliance upon such reports of Deloitte & Touche given upon their authority as experts in accounting and auditing.

With respect to unaudited interim financial information for the periods included in any of the Quarterly Reports on Form 10-Q which may be incorporated herein by reference, Deloitte & Touche have applied

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limited procedures in accordance with professional standards for a review of such information. However, as stated in their report included in any such Quarterly Report on Form 10-Q and incorporated by reference herein, they did not audit and they do not express an opinion on such interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche are not subject to the liability provisions of Section 11 of the Act for any such report on unaudited interim financial information because any such report is not a "report" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY THE UNDERWRITER. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS NOR ANY SALE MADE HEREUNDER AND THEREUNDER SHALL UNDER ANY CIRCUMSTANCE CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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MERRILL LYNCH & CO., INC.

AMEX OIL INDEX SM  
STOCK MARKET ANNUAL  
RESET TERM SM NOTES DUE DECEMBER 31, 2000 "SMART NOTES SM"

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PROSPECTUS SUPPLEMENT  
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MERRILL LYNCH & CO.

March , 1994

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"Oil Index SM" is a registered service mark of the American Stock Exchange, Inc.

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GRAPHICS APPENDIX LIST

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Graphic No. 1	The graph appearing at S-19 reflects quarter-end closing values of the AMEX Oil Index from January 1985 through February 15, 1994.

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