PURSUANT TO RULE 424(b)(5)
REGISTRATION NUMBER 33-52647

SUBJECT TO COMPLETION
ISSUE DATE: JANUARY 6, 1995

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED MARCH 24, 1994)

LOGO

MERRILL LYNCH & CO., INC.

1,000,000 NIKKEI STOCK INDEX 300* CALL WARRANTS
1,000,000 NIKKEI STOCK INDEX 300 PUT WARRANTS
ALL EXPIRING JANUARY , 1997

Each Nikkei Stock Index 300 Call Warrant, Expiring January , 1997 (the "Call Warrants") will entitle the beneficial owner thereof to receive from Merrill Lynch & Co., Inc. (the "Company") upon exercise (including automatic exercise) an amount in U.S. dollars computed by reference to increases in the Nikkei Stock Index 300 (the "Index"). Such amount (the "Call Cash Settlement Value") will equal the product, if positive, of $50 multiplied by the Call Percentage Change in the Index. The "Call Percentage Change" will equal (i) the Index Spot Price minus the Index Strike Price, divided by (ii) the Index Strike Price. Each Nikkei Stock Index 300 Put Warrant, Expiring January , 1997 (the "Put Warrants", and together with the Call Warrants, the "Warrants") will entitle the beneficial owner thereof to receive from the Company upon exercise (including automatic exercise) an amount in U.S. dollars computed by reference to decreases in the Index. Such amount (the "Put Cash Settlement Value", and together with the Call Cash Settlement Value, the "Cash Settlement Value") will equal the product, if positive, of $50 multiplied by the Put Percentage Change in the Index. The "Put Percentage Change" will equal (i) the Index Strike Price minus the Index Spot Price, divided by (ii) the Index Strike Price. The Cash Settlement Value cannot be less than zero. The Index Strike Price will equal the closing value of the Index in Tokyo on the date the Warrants are priced for initial offering to the public and the Index Spot Price will be determined upon exercise as more fully described herein.

The Warrants will be exercisable at the option of the beneficial owner from the date of delivery of the Warrants until 1:00 p.m., New York City time, on the second New York Business Day immediately preceding the earlier of their expiration on January , 1997 (the "Expiration Date"), cancellation, or the date of their earlier expiration upon delisting from, or permanent suspension of trading on, the American Stock Exchange (the "AMEX") unless the Warrants are simultaneously accepted for trading pursuant to the rules of another Self-Regulatory Organization (as defined herein). Any Warrant not exercised at or before 1:00 p.m., New York City time, on the second New York Business Day immediately preceding the Expiration Date or the date of their earlier expiration will be deemed automatically exercised on the first New York Business Day preceding the Expiration Date or, in the case of early expiration, on the New York Business Day immediately preceding the Early Expiration Date (as defined herein). A beneficial owner may exercise no fewer than 100 Put Warrants or 100 Call Warrants at any one time, except in the case of automatic exercise. The valuation of and payment for any exercised Warrant (including automatic exercise) may be postponed as a result of the occurrence of certain events. See "Description of the Warrants". The Warrants will be in book-entry form and, accordingly, no beneficial owner of Warrants will be entitled to receive a certificate representing such Warrants.

THE WARRANTS INVOLVE A HIGH DEGREE OF RISK, INCLUDING THE RISK OF EXPIRING WORTHLESS. INVESTORS THEREFORE SHOULD BE PREPARED TO SUSTAIN A TOTAL LOSS OF THE PURCHASE PRICE OF THEIR WARRANTS, AND ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION UNDER "RISK FACTORS RELATING TO THE WARRANTS", "DESCRIPTION OF THE WARRANTS", "DESCRIPTION OF THE WARRANTS--DELISTING OF THE WARRANTS", "THE INDEX" AND "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS CONCERNING THE WARRANTS".

Prior to issuance, the Warrants will have been approved for listing on the AMEX under the symbol "NKC.WS" for the Call Warrants and "NKP.WS" for the Put Warrants, subject to official notice of issuance.

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<TABLE>

<CAPTION>

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT	PROCEEDS TO THE COMPANY(1)
<S>	<C>	<C>	<C>
Per Call Warrant.........................	$	$	$
Total Call Warrants......................	$	$	$
Per Put Warrant..........................	$	$	$
Total Put Warrants.......................	$	$	$

</TABLE>

(1) Before deducting expenses payable by the Company.

The Warrants are offered by the Underwriter, subject to prior sale, when, as and if delivered to and accepted by the Underwriter, 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 Warrants will be made on or about January , 1995.

This Prospectus Supplement and related Prospectus may be used by the Underwriter in connection with offers and sales related to market-making transactions in the Warrants. The Underwriter 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.

MERRILL LYNCH & CO.

The date of this Prospectus Supplement is January , 1995.

* The use of, and reference to, the term "Nikkei Stock Index 300" herein has been consented to by Nihon Keizai Shimbum, Inc.

IN CONNECTION WITH THE OFFERING OF THE WARRANTS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE WARRANTS 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 THIS OFFERING NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR PROSPECTUS.

PROSPECTUS SUPPLEMENT SUMMARY

The information below is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus Supplement and in the Prospectus.

THE OFFERING

Warrants Offered............. 1,000,000 Nikkei Stock Index 300 Call Warrants, Expiring January , 1997 (the "Call Warrants") and 1,000,000 Nikkei Stock Index 300 Put Warrants, Expiring January , 1997 (the "Put Warrants", and together with the Call Warrants, the "Warrants").

Call Cash Settlement Value.... Each Call Warrant will entitle the beneficial owner thereof to receive from the Company the cash value ("Call Cash Settlement Value") in U.S. dollars of the following amount, if positive:

$$\text{Call Percentage Change} \times \$50$$

Call Percentage Change........ The Call Percentage Change will equal the following amount:

$$\frac{\text{Index Spot Price} - \text{Index Strike Price}}{\text{Index Strike Price}}$$

Put Cash Settlement Value..... Each Put Warrant will entitle the beneficial owner thereof to receive from the Company the cash value ("Put Cash Settlement Value") in U.S. dollars of the following amount, if positive:

Put Percentage Change X $50

Put Percentage Change.........	The Put Percentage Change will equal the following amount: $\frac{\text{Index Strike Price} - \text{Index Spot Price}}{\text{Index Strike Price}}$
Closing Index Value...........	For any Index Calculation Day, the closing value of the Index on such date.
Index Spot Price..............	The Closing Index Value on the Valuation Date relating to an Exercise Date.
Index Strike Price............	The Closing Index Value on the date the Warrants are priced by the Company for initial offering to the public.
Index.........................	The Nikkei Stock Index 300 (the "Index") is a market capitalization-weighted stock index designed, calculated, published and presently disseminated by Nihon Keizai Shimbum, Inc. ("NKS"). NKS commenced publication of the Index on October 8, 1993, and has calculated the historical value of the Index from October 8, 1993 back through October 1, 1982.

	The Index is being used by the Company with the consent of NKS. The Index measures the aggregate market value of 300 selected stocks trading on the Tokyo Stock Exchange (the "TSE") and is designed to represent as equally as possible each of thirty-six industry sectors. The Index value for October 1, 1982 was set at a value of 100.00.
	As of January 5, 1995, the total capitalization of each of the component stocks of the Index ranged from approximately U.S. $77.9 billion to U.S. $930.6 million, with the median being U.S. $3.9 billion.
	Stocks that constitute the Index may be changed or substituted by NKS based on certain criteria. See "The Index" herein. NKS is under no obligation to continue the calculation and the dissemination of the Index. If NKS or any third party discontinues publication of the Index or any Successor Index, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), as Calculation Agent, shall determine for the remaining term of the Warrants the applicable Cash Settlement Value based on the formula and method used in calculating the Index in effect on the date the Index or any Successor Index was last published. See "Risk Factors Relating to the Warrants" herein.
Index Symbol on reporting services operated by Bloomberg, L.P.	NEY
Warrant Agent.................	Citibank, N.A.
Calculation Agent.............	Merrill Lynch, Pierce, Fenner & Smith Incorporated
Exercise of Warrants..........	Warrants will be exercisable at the option of the beneficial owner from the date of delivery of the Warrants until 1:00 p.m., New York City time, on the second New York Business Day, as hereinafter defined, immediately preceding their expiration (whether on January , 1997 or on the date of earlier expiration). See "Description of the Warrants--Exercise and Settlement of Warrants". The Warrants are also subject to automatic exercise in the event

they cease to be traded pursuant to the rules of a Self-Regulatory Organization, as described under "Description of the Warrants--Automatic Exercise" and cancellation if the Calculation Agent determines that an Extraordinary Event has occurred and is continuing as described under "Description of the Warrants--Extraordinary Events and Market Disruption Events". Any Warrant not exercised at or before 1:00 p.m., New York City time, on the second New York Business Day immediately preceding the Expiration Date or the date of their earlier expiration will be deemed automatically exercised on the first New York Business Day immediately pre-

ceding the Expiration Date or, in the case of early expiration, on the New York Business Day immediately preceding the Early Expiration Date.

A beneficial owner may exercise no fewer than 100 Call Warrants and no fewer than 100 Put Warrants at any one time, except in the case of automatic exercise. See "Description of the Warrants--Minimum Exercise Amount". All exercises of Warrants (other than on the Expiration Date or an Early Expiration Date) are subject, at the Company's option, to the limitation that not more than 20% of either the Call Warrants or the Put Warrants originally issued may be exercised on any Exercise Date and not more than 10% of either the Call Warrants or the Put Warrants originally issued may be exercised by or on behalf of any beneficial owner, either individually or in concert with any other beneficial owner, on any Exercise Date, other than automatic exercise. See "Description of the Warrants--Maximum Exercise Amount" herein.

Form.......................... The Warrants will be in book-entry form and, accordingly, no beneficial owner of Warrants will be entitled to receive a certificate representing such Warrants. See "Description of the Warrants--Book-Entry Procedures and Settlement".

Determination of Cash Settlement Value of Warrants..................... The Cash Settlement Value of a Warrant will be determined on the Valuation Date relating to the Exercise Date for such Warrant. Except in the case of automatic exercise, the "Exercise Date" will be (i) the New York Business Day on which the Warrant Agent receives irrevocable notice of exercise and delivery of the Warrants in book-entry form if such notice and Warrants are received by 1:00 p.m., New York City time, or (ii) the first New York Business Day following the day such notice is received and Warrants are delivered if such notice and Warrants are received after 1:00 p.m., New York City time. In the case of automatic exercise, the "Exercise Date" will be the first New York Business Day immediately preceding the Expiration Date, or, in the case of automatic exercise upon early expiration, the New York Business Day immediately preceding the Early Expiration Date. The "Valuation Date" with respect to the exercise of a Warrant will be the first Index Calculation Day following the relevant Exercise Date, subject to postponement upon the occurrence of a Market Disruption Event or an Extraordinary Event. As used herein, "Index Calculation Day" means any day on which the TSE is open for trading and the Index or a Successor Index, if any, is calculated and published. See

"Description of the Warrants--Exercise and Settlement of Warrants". If the Company determines that an Extraordinary Event has occurred and is continuing, and if the Extraordinary Event is expected by the Company to continue, the Company may immediately cancel the Warrants and each Warrant shall be exercised on the date of such cancellation, and the Holder of each such Warrant will receive, in lieu of the Cash Settlement Value of such Warrant, the Alternative Settlement Amount determined by the Calculation Agent. See "Description of the Warrants--Extraordinary Events and Market Disruption Events".

Listing....................... Prior to issuance, the Warrants will have been approved for listing on the American Stock Exchange under the symbol "NKC.WS" for the Call Warrants and "NKP.WS" for the Put Warrants, subject to official notice of issuance.

Certain Risk Factors.......... The Warrants involve a high degree of risk, including the risk of expiring worthless. If a Call Warrant is not exercised, and at expiration the Index Spot Price is less than the Index Strike Price, the Call Warrant will expire worthless. If a Put Warrant is not exercised, and at expiration the Index Spot Price is greater than the Index Strike Price, the Put Warrant will expire worthless. INVESTORS THEREFORE SHOULD BE PREPARED TO SUSTAIN A TOTAL LOSS OF THE PURCHASE PRICE OF THEIR WARRANTS.

The underlying stocks that constitute the Index have been issued by Japanese companies. Investments in securities indexed to the value of Japanese equity securities involve certain risks associated with the Japanese securities markets, including the risks of volatility in such markets, government intervention in such markets, cross-shareholdings in Japanese companies, a lack of public information about Japanese companies and accounting and financial standards that differ from those applicable to certain U.S. companies.

Securities prices in Japan are subject to political, economic, financial and social factors that apply in Japan. These factors could negatively affect the Japanese securities markets. Moreover, the Japanese economy may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

The stocks underlying the Index are traded on the TSE. The TSE has adopted certain measures intended to prevent any extreme short-term price fluctuation resulting from order imbalances. As a result, variations in the Index may be limited by price limitations on, or by suspension of trading in, individual stocks which comprise the Index which may, in turn,

adversely affect the value of the Warrants or result in a Market Disruption Event. See "Description of the Warrants--Extraordinary Events and Market Disruption Events".

It is not possible to predict the price at which the Warrants will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Warrants are exercised, the number of Warrants outstanding will decrease, which may result in a decrease in the liquidity of the Warrants. The trading value of a Warrant is expected to be dependent upon the Index Strike Price and also upon a number of complex interrelated factors, including the value of the Index, the volatility of the Index, the time remaining to the expiration of the Warrants, the dividend rates on the stocks underlying the Index, Japanese yen/U.S. dollar exchange rates and the interest rates in Japan and the United States.

All exercises of Warrants (other than on automatic exercise) are subject, at the Company's option, to the limitation that not more than 20% of either the Call Warrants or the Put Warrants originally issued may be exercised on any Exercise Date and not more than 10% of either the Call Warrants or the Put Warrants originally issued may be exercised by or on behalf of any beneficial owner, either individually or in concert with any other beneficial owner, on any Exercise Date. Thus, beneficial owners of Warrants may under certain circumstances be prevented from exercising all of their Call Warrants and/or Put Warrants on a single Exercise Date. See "Description of the Warrants--Maximum Exercise Amount". As a result of any such postponed exercise, beneficial owners will receive a Cash Settlement Value determined as of a date later than the otherwise applicable Valuation Date. In any such case, as a result of any such postponement, the Cash Settlement Value actually received by beneficial owners may be lower than the otherwise applicable Cash Settlement Value if the Valuation Date of the Call Warrants and/or the Put Warrants had not been postponed.

Except for cases of automatic exercise, a beneficial owner must tender at least 100 Call Warrants or 100 Put Warrants at any one time in order to exercise Warrants. Thus, except in such cases, beneficial owners with fewer than 100 Call Warrants or 100 Put Warrants, as the case may be, will need either to sell their Warrants or to purchase additional Warrants, incurring transaction costs in either case, in order to realize proceeds from their investment. At any time that a beneficial owner must purchase additional Warrants in order to have the minimum number of Warrants necessary to elect to exercise, such beneficial owner will be subject to the secondary market for Warrants at the time of any such purchase, including the risk that there may be a limited number of the appropriate Warrants available in such market at such time

and the other factors affecting the secondary market discussed above. Furthermore, such beneficial owners incur the risk that there may be differences between the trading value of the Warrants and the Cash Settlement Value of the Warrants.

In the event that the Warrants are delisted from, or permanently suspended from trading on, the American Stock Exchange (the "AMEX") and the Warrants are not simultaneously accepted for trading pursuant to the rules of another self-regulatory organization that are filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, such Warrants not previously exercised will expire on the date such delisting or trading suspension becomes effective (the "Early Expiration Date") and will be deemed automatically exercised on the New York Business Day immediately preceding the Early Expiration Date. At the time of such automatic exercise, the Warrants may be out-of-the-money so that the Cash Settlement Value will equal zero.

There will be a time lag between the time a beneficial owner gives instructions to exercise and the time the Index Spot Price relating to such exercise is determined. The delay will, at a minimum, amount to almost an entire day and could be much longer (e.g., an exercise notice received by the Warrant Agent after 1:00 p.m. on Friday would generally result in the Index Spot Price being determined the following Tuesday).

The Index is calculated on the basis of price quotations for stocks underlying the Index from the TSE. There will be a time difference between New York City time and the local time in Tokyo. To the extent that the AMEX is closed while the TSE is open, significant movements in the value of the Index may take place which will not be reflected in the last sale price of a Warrant on the AMEX.

The initial public offering price of the Warrants is in excess of the price a commercial user of options on the Index might pay for comparable options involving significantly greater notional amounts (i.e., the dollar amounts used to calculate amounts payable on options).

The Warrants are not standardized stock index options of the type issued by the Options Clearing Corporation (the "OCC"), a clearing agency regulated by the Securities and Exchange Commission. Purchasers of Warrants must look solely to the Company for performance of its obligations to pay the Cash Settlement Value or Alternative Settlement Amount on the exercise of Warrants. Further, the market for the Warrants is not expected to be generally as liquid as the market for OCC standardized options.

The Calculation Agent is an affiliate of the Company, and, under certain circumstances, conflicts of interest may arise. See "Description of the Warrants--Cash Settlement Value".

Investors are advised to carefully consider the foregoing risk factors, and the risks, potential conflicts of interest and other matters discussed under "Risk Factors Relating to the Warrants", "Description of the Warrants", "The Index" and "Certain United States Federal Income Tax Considerations Concerning the Warrants", prior to purchasing the Warrants.

Investors in Warrants.........

The AMEX requires that Warrants be sold only to investors with options approved accounts and that its members and member organizations and registered employees thereof make certain suitability determinations before recommending transactions in Warrants. It is suggested that investors considering purchasing Warrants be experienced with respect to options and option transactions and understand the risks of foreign stock index transactions and reach an investment decision only after carefully considering the suitability of the Warrants in light of their particular circumstances and the information set forth in this Prospectus Supplement and the accompanying Prospectus. Warrants are not suitable for persons solely dependent upon a fixed income, for individual retirement plan accounts or for accounts under the Uniform Gift to Minors Act. INVESTORS SHOULD BE PREPARED TO SUSTAIN A TOTAL LOSS OF THE PURCHASE PRICE OF THEIR WARRANTS.

CERTAIN IMPORTANT INFORMATION CONCERNING THE WARRANTS

A beneficial owner will receive a cash payment upon exercise only if the Warrants have a Cash Settlement Value in excess of zero on the relevant Valuation Date. At issuance, the Cash Settlement Value of the Warrants will equal zero. The Call Warrants will be "in-the-money" (i.e., their Cash Settlement Value will exceed zero) on the relevant Valuation Date only if, as of such date, the value of the Index increases from the date of this Prospectus Supplement so that the Index Spot Price is above the Index Strike Price. The Put Warrants will be "in-the-money" on the relevant Valuation Date only if, as of such date, the value of the Index decreases so that the Index Spot Price is below the Index Strike Price. An increase in the level of the Index from the date of this Prospectus Supplement will result in a greater Cash Settlement Value for the Call Warrants, and a decrease in the level of the Index from the date of this Prospectus Supplement will result in a lesser or zero Cash Settlement Value for the Call Warrants. A decrease in the level of the Index will result in a greater Cash Settlement Value for the Put Warrants, and an increase in the level of the Index from the date of this Prospectus Supplement will result in a lesser or zero Cash Settlement Value for the Put Warrants. If a Call Warrant is not exercised prior to its expiration and, on the Valuation Date with respect to its expiration, the value of the Index is less than or equal to the Index Strike Price, the Call Warrant will expire worthless and the beneficial owner will have sustained a total loss of the purchase price of such Call Warrant. Conversely, if a Put Warrant is not exercised prior to its expiration and, on the Valuation Date with respect to its expiration, the value of the Index is greater than or equal to the Index Strike Price, the Put Warrant will expire worthless and the beneficial owner will have sustained a total loss of the purchase price of such Put Warrant. Investors therefore should be prepared to sustain a total loss of the purchase price of their Warrants.

RISK FACTORS RELATING TO THE WARRANTS

THE WARRANTS INVOLVE A HIGH DEGREE OF RISK, INCLUDING THE RISK OF EXPIRING WORTHLESS. INVESTORS THEREFORE SHOULD BE PREPARED TO SUSTAIN A TOTAL LOSS OF THE PURCHASE PRICE OF THEIR WARRANTS. IT IS SUGGESTED THAT INVESTORS CONSIDERING PURCHASING THE WARRANTS BE EXPERIENCED WITH RESPECT TO OPTIONS AND OPTION TRANSACTIONS AND UNDERSTAND THE RISKS OF FOREIGN STOCK INDEX TRANSACTIONS AND REACH AN INVESTMENT DECISION ONLY AFTER CAREFULLY CONSIDERING ALL OF THE RISK FACTORS SET FORTH IN THIS SECTION OF THIS PROSPECTUS SUPPLEMENT, THE SUITABILITY OF THE WARRANTS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES AND ALL THE OTHER INFORMATION SET FORTH IN THIS PROSPECTUS SUPPLEMENT AND IN THE ACCOMPANYING PROSPECTUS.

Underlying Stocks. The underlying stocks that constitute the Index have been issued by Japanese companies. If a Successor Index is substituted for the Index, such Successor Index would also be based upon stocks issued by Japanese companies. Investments in securities indexed to the value of Japanese equity securities involve certain risks. The Japanese securities markets may be more volatile than U.S. or other securities markets and may be affected by market developments in different ways than U.S. or other securities markets. Direct or indirect government intervention to stabilize the Japanese securities markets and cross-shareholdings in Japanese companies may affect prices and volume of trading of Japanese equity securities. There is generally less publicly available information about Japanese companies than about U.S. companies that are subject to the reporting requirements of the U.S. Securities and Exchange Commission. Also, Japanese companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those to which U.S. reporting companies are subject.

The Tokyo Stock Exchange (the "TSE") has adopted certain measures intended to prevent any extreme short-term price fluctuation resulting from order imbalances. These include daily price floors and ceilings intended to prevent extreme fluctuations in individual stock prices. Any stock listed on the TSE cannot be traded at a price outside of these limits which are stated in absolute Japanese yen limits, and not percentage limits, from the closing price of the stock on the previous day. In addition, when there is a major order imbalance in a listed stock, the TSE posts a "special bid quote" or a "special asked quote" for that stock at a specified higher or lower price level than the stock's last sale price in order to solicit counter orders and

balance supply and demand for the stock. Investors should also be aware that the TSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances including, for example, unusual trading activity in that stock. As a result, variations in the Index may be limited by price limitations on, or by suspension of trading in, individual stocks which comprise the Index which may, in turn, adversely affect the value of the Warrants or result in a Market Disruption Event. See "Description of the Warrants--Extraordinary Events and Market Disruption Events".

Important Considerations Relating to Japan. Securities prices in Japan are subject to political, economic, financial and social factors that apply in Japan. These factors (including the possibility that recent or future changes in the Japanese government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other Japanese laws or restrictions applicable to Japanese companies or investments in Japanese equity securities and the possibility of fluctuations in the rate of exchange between currencies) could negatively affect the Japanese securities markets. Moreover, the Japanese economy may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

Offering Price of Warrants. The initial public offering price of the Warrants is in excess of the price a commercial user of or dealer in options on the Index might pay for comparable options involving significantly larger amounts.

Exercise of Warrants. A beneficial owner may incur transaction costs in connection with any exercise of Warrants. To the extent Warrants are exercised, including Warrants exercised by the Underwriter or any of its affiliates, the number of Warrants outstanding will decrease, which may result in a decrease in the liquidity of the Warrants.

Certain Factors Affecting the Value of the Warrants. The Cash Settlement Value of the Warrants at any time prior to expiration is typically expected to be less than the Warrants' trading value at that time. The difference between the trading value and the Cash Settlement Value will reflect a number of factors, including a "time value" for the Warrants. The "time value" of the Warrants will depend upon the length of the period remaining to expiration, among other factors. The expiration date of the Warrants will be accelerated should the Warrants be delisted or should their trading on the AMEX be suspended permanently unless the Warrants simultaneously are accepted for trading pursuant to the rules of another Self-Regulatory Organization. Any such acceleration would result in the total loss of any otherwise remaining "time value", and could occur when the Warrants are out-of-the-money, thus resulting in total loss of the purchase price of the Warrants. See "Description of the Warrants--Delisting of the Warrants". Before exercising or selling Warrants, beneficial owners should carefully consider the trading value of the Warrants, the value of the Index at the time, the time remaining to expiration and the probable range of Cash Settlement Values and any related transaction costs.

Investors should also consider factors affecting the economy of Japan. See "The Index" below and "Important Considerations Relating to Japan" above.

It is possible that the trading value of a Call Warrant may decline even if there is an increase in the value of the Index and that the trading value of a Put Warrant may decline even if there is a decrease in the value of the Index.

There can be no assurance as to how the Warrants will trade in the secondary market or whether such market will be liquid. The trading value of a Warrant is expected to be dependent on the value of the Index Strike Price and also upon a number of complex interrelated factors, including those listed below. The expected theoretical effect on the trading value of a Warrant of each of the factors listed below, assuming in each case that all other factors are held constant, is as follows:

(1) The Index. If the value of the Index increases, the trading value of a Call Warrant is expected to increase and the trading value of a Put Warrant is expected to decrease. If the value of the Index

decreases, the trading value of a Call Warrant is expected to decrease and the trading value of a Put Warrant is expected to increase.

(2) The volatility of the Index. If the volatility of the Index increases, the trading value of a Warrant is expected to increase. If such volatility decreases, the trading value of a Warrant is expected to decrease.

(3) The time remaining to the Expiration Date of the Warrants. An index warrant is a "wasting asset," meaning that as the time remaining to the Expiration Date decreases, the trading value of a Warrant is expected to decrease.

(4) Interest rates in Japan and the United States. In general, if U.S. interest rates increase, the trading value of the Warrants is expected to decrease. If U.S. interest rates decrease, the trading value of the Warrants is expected to increase. If interest rates in Japan increase, the trading value of a Call Warrant is expected to increase and the trading value of a Put Warrant is expected to decrease. If interest rates in Japan decrease, the trading value of a Call Warrant is expected to decrease and the trading value of a Put Warrant is expected to increase. Changes in Japanese interest rates may affect the economy of Japan and, in turn, the Index, and the trading value of the Warrants.

(5) Dividend rates in Japan. If dividend rates on the common stocks underlying the Index increase, the trading value of a Call Warrant is expected to decrease and the trading value of a Put Warrant is expected to increase. If dividend rates on the common stocks underlying the Index decrease, the trading value of a Call Warrant is expected to increase and the trading value of a Put Warrant is expected to decrease. Changes in the dividend rates on the common stocks underlying the Index may directly affect the value of the Index and therefore the value of the Warrants as described above.

(6) Japanese yen/U.S. dollar exchange rates. The Cash Settlement Value is based on a given level of the Index and will not be affected by changes in the Japanese yen/U.S. dollar exchange rate. However, a number of economic factors, including the Japanese yen/U.S. dollar exchange rate, could affect the value of the Underlying Stocks and, therefore, the value of the Index.

As noted above, these hypothetical scenarios are based on the assumption that all other factors are held constant. In reality, it is unlikely that only one factor would change in isolation, because changes in one factor usually cause, or result from, changes in others. Some of the factors referred to above are, in turn, influenced by the political and economic factors discussed above.

Minimum Exercise Amount. Except for cases of automatic exercise, a beneficial owner must tender at least 100 Call Warrants or 100 Put Warrants at any one time in order to exercise Warrants. Thus, except in cases of automatic exercise, beneficial owners with fewer than 100 Call Warrants or 100 Put Warrants will need either to sell their Warrants or to purchase additional Warrants, incurring transaction costs in either case, in order to realize proceeds from their investment. At any time that a beneficial owner must purchase additional Warrants in order to have the minimum number of Warrants necessary to elect to exercise, such beneficial owner will be subject to the secondary market for Warrants at the time of any such purchase, including the risk that there may be a limited number of the appropriate Warrants available in such market at such time and the other factors affecting the secondary market discussed above. Furthermore, such beneficial owners incur the risk that there may be differences between the trading value of the Warrants and the Cash Settlement Value of such Warrants.

Maximum Exercise Amount. All exercises of Warrants (other than on automatic exercise) are subject, at the Company's option, to the limitation that not more than 20% of the Call Warrants and not more than 20% of the Put Warrants originally issued may be exercised on any Exercise Date and not more than 10% of the Call Warrants and not more than 10% of the Put Warrants originally issued may be exercised by or on behalf of any beneficial owner, either individually or in concert with any other beneficial owner, on any Exercise Date. If any New York Business Day would otherwise, under the terms of the Warrant Agreement, be the Exercise Date in respect to more than 20% of the Call Warrants or more than 20% of the Put Warrants originally issued, then at the Company's election 20% of the Call Warrants and/or 20% of the Put Warrants,

as the case may be, originally issued (provided, however, that no more than 10% of the Call Warrants and no more than 10% of the Put Warrants originally issued shall be exercised for the account of any beneficial owner) shall be exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any beneficial owner of Warrants would be deemed to have exercised less than 100 Call Warrants or 100 Put Warrants, as the case may be, the Warrant Agent shall first select an additional amount of such beneficial owner's Warrants so that no beneficial owner shall be deemed to have exercised less than 100 Warrants), and the remainder of such Warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day subject to successive applications of this provision; provided that any Remaining Warrants which were exercised on a prior Exercise Date shall be deemed exercised before any other Warrants exercised on a subsequent Exercise Date. As a result of any such postponed exercise, beneficial owners will receive a Cash Settlement Value determined as of a date later than the otherwise applicable Valuation Date. In any such case, as a result of any such postponement, the Cash Settlement Value actually received by beneficial owners may be lower than the otherwise applicable Cash Settlement Value if the Valuation Date of the Warrants had not been postponed.

Time Lag After Exercise Instructions Given. In the case of any exercise of Warrants, there will be a time lag between the time a beneficial owner gives instructions to exercise and the time the Index Spot Price relating to such exercise is determined. Therefore, a beneficial owner will not be able to determine, at the time of exercise of a Warrant, the Index Spot Price that will be used in calculating the Cash Settlement Value of such Warrant (and will thus be unable to determine such Cash Settlement Value). The delay will, at a minimum, amount to almost an entire day and could be much longer (e.g., an exercise notice received by the Warrant Agent after 1:00 p.m. Friday would generally result in the Index Spot Price being determined the following Tuesday). Any downward movement, in the case of Call Warrants, or any upward movement, in the Case of Put Warrants, in the level of the Index between the time a beneficial owner of a Warrant exercises a Warrant and the time the Index Spot Price for such exercise is determined will result in such beneficial owner receiving a Cash Settlement Value that is less than the Cash Settlement Value anticipated by such beneficial owner based on the closing level of the Index most recently reported prior to exercise. A beneficial owner that has not exercised a Warrant prior to the second New York Business Day preceding the Expiration Date will, pursuant to the provision for automatic exercise, have the Index Spot Price with respect to such Warrant determined on the Index Business Day following the deemed exercise day. The value of the Index may change significantly during any such period, and such movements could adversely affect the Cash Settlement Value of the Warrants being exercised.

Further delay may occur if a Market Disruption Event or Extraordinary Event has occurred, in which case the Cash Settlement Value in respect of exercised Warrants will be calculated as of the next succeeding Index Business Day on which there is no Market Disruption Event or Extraordinary Event. If the Calculation Agent determines that on a Valuation Date a Market Disruption Event or Extraordinary Event has occurred, the Valuation Date shall be postponed to the first succeeding Index Business Day on which no Market Disruption Event or Extraordinary Event occurs; provided that, if the Valuation Date has not occurred on or prior to the fifth Index Business Day following an Exercise Date because of Market Disruption Events, such fifth Index Business Day shall be the Valuation Date regardless of whether a Market Disruption Event has occurred on such day; provided further, however, that if an Extraordinary Event has occurred and is continuing, and if the Extraordinary Event is expected by the Company to continue, the Company may immediately cancel the Warrants as described below under "Description of the Warrants--Extraordinary Events and Market Disruption Events". During any period of delay due to a Market Disruption Event or Extraordinary Event, the value of the Index may change significantly, and such change may adversely affect the amount paid on any Warrants exercised during such period.

Time Difference. The Index is calculated on the basis of price quotations for stocks underlying the Index from the TSE. There will be a time difference between New York City time and the local time in Tokyo. To the extent that the AMEX is closed while the TSE is open, significant movements in the value of the Index may take place which will not be reflected in the last sale price of a Warrant on the AMEX.

Automatic Exercise of the Warrants upon Delisting. In the event that the Warrants are delisted from, or permanently suspended from trading on, the AMEX and the Warrants are not simultaneously accepted for trading pursuant to the rules of another self-regulatory organization (a "Self-Regulatory Organization") that are filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, such Warrants not previously exercised will expire on the date such delisting or trading suspension becomes effective and will be deemed automatically exercised on the New York Business Day immediately preceding the date of such early expiration. At the applicable Valuation Date with respect to such automatic exercise, the Warrants may be out-of-the-money so that the Cash Settlement Value would equal zero.

Warrants Not Standardized Options Issued by the Options Clearing Corporation. The Warrants are not standardized stock index options of the type issued by the Options Clearing Corporation (the "OCC"), a clearing agency regulated by the Securities and Exchange Commission. For example, unlike purchasers of OCC standardized options who have the credit benefits of guarantees and margin and collateral deposits by OCC clearing members to protect the OCC from a clearing member's failure, purchasers of Warrants must look solely to the Company for performance of its obligations to pay the Cash Settlement Value or Alternative Settlement Amount on the exercise of Warrants. Further, the market for the Warrants is not expected to be generally as liquid as the market for OCC standardized options.

The Warrants are unsecured contractual obligations of the Company and will rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt. However, given that the Company is a holding company, the right of the Company, and hence the right of creditors of the Company (including beneficial owners of the Warrants), 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 Merrill Lynch, Pierce, Fenner & Smith Incorporated, to the Company are restricted by net capital requirements under the Securities Exchange Act of 1934, as amended, and under rules of certain exchanges and other regulatory bodies.

General Risk Considerations. Options and warrants provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the underlying investment. In general, certain of the risks associated with the Warrants are similar to those generally applicable to other options or warrants of private corporate issuers. However, unlike options or warrants on equities or debt securities, which are traded primarily on the basis of the value of a single underlying security, the trading value of a Warrant is likely to reflect primarily the extent of the appreciation, if any, in the case of Call Warrants, or the depreciation, in the case of Put Warrants, of the Index.

The purchaser of a Warrant may lose his entire investment. This risk reflects the nature of a Warrant as an asset which tends to decline in value over time and which may, depending on the relative value of the Index, be worthless when it expires. Assuming all other factors are held constant, the more a Warrant is out-of-the-money and the shorter its remaining term to expiration, the greater the risk that a purchaser of the Warrant will lose all of his investment. This means that the purchaser of a Warrant who does not sell it in the secondary market or exercise it prior to expiration will necessarily lose his entire investment in the Warrant if it expires when the Index Spot Price is less than or equal to, in the case of Call Warrants, or greater than or equal to, in the case of Put Warrants, the Index Strike Price.

The fact that Warrants may become valueless upon expiration means that, in order to recover and realize a return upon his investment, a purchaser of a Warrant must generally be correct about the direction, timing and magnitude of anticipated changes in the value of the Index. If the value of the Index does not increase in the case of a Call Warrant or decrease in the case of a Put Warrant to an extent sufficient to cover an investor's cost of a Warrant (i.e., the purchase price plus transaction costs, if any) before the Warrant expires, the investor will lose all or a part of his investment in the Warrant upon expiration. The Cash Settlement Value

is based on a given level of the Index and will not be affected by changes in the Japanese yen/U.S. dollar exchange rate. However, a number of economic factors, including the Japanese yen/U.S. dollar exchange rate, could affect the value of the Underlying Stocks and, therefore, the value of the Index.

The AMEX requires that Warrants be sold only to investors with options approved accounts and that its members and member organizations and registered employees thereof make certain suitability determinations before recommending transactions in Warrants. It is suggested that investors considering purchasing Warrants be experienced with respect to options and option transactions and understand the risks of foreign stock index transactions and reach an investment decision only after carefully considering, with their advisers, the suitability of the Warrants in light of their particular circumstances. Warrants are not suitable for persons solely dependent upon a fixed income, for individual retirement plan accounts or for accounts under the Uniform Gift to Minors Act. INVESTORS SHOULD BE PREPARED TO SUSTAIN A TOTAL LOSS OF THE PURCHASE PRICE OF THEIR WARRANTS.

In the event that the Index is not published by Nihon Keizai Shimbum, Inc. ("NKS") but is published by another party acceptable to the Calculation Agent, then the Index Spot Price for any date thereafter will be determined based on the closing level of the Index as published by such third party. If NKS or any third party discontinues publication of the Index and publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the Index (any such index being a "Successor Index"), then the Index Spot Price for any date thereafter will be determined by the Calculation Agent on behalf of the Company based on the closing level of the Successor Index on such date. If NKS or any third party makes a material change in the formula for, or the method of calculating, the Index or any Successor Index, the Calculation Agent shall make such calculations as may be required to determine the applicable Cash Settlement Value using the formula and method of calculating the Index or any Successor Index as in effect prior to such change or modification. If NKS and/or any third party discontinues publication of the Index and/or any Successor Index, the Calculation Agent will determine the applicable Cash Settlement Value based on the formula and method used in calculating the Index or any Successor Index as in effect on the date the Index or such Successor Index was last published.

The Underwriter and its affiliates may from time to time engage in transactions involving the Underlying Stocks for their proprietary accounts and for other accounts under their management, which may influence the value of such Underlying Stocks and therefore the value of the Warrants. The Underwriter and its affiliates will also be the writers of the hedge of the Company's obligations under the Warrants and will be obligated to pay to the Company upon exercise of Warrants an amount equal to the value of the exercised Warrants. See "Use of Proceeds" in the Prospectus and herein. Accordingly, under certain circumstances, conflicts of interest may arise between the Underwriter's responsibilities as Calculation Agent with respect to the Warrants and its obligations under its hedge and its status as a subsidiary of the Company. Under certain circumstances, the duties of the Underwriter as Calculation Agent in determining the existence of Extraordinary Events and Market Disruption Events could conflict with the interests of the Underwriter as an affiliate of the issuer of the Warrants, Merrill Lynch & Co., Inc., and with the interests of the beneficial owners of the Warrants.

RECENT DEVELOPMENTS

The following summary of certain consolidated financial information concerning the Company was derived from, and is qualified in its entirety by reference to, the condensed consolidated financial statements and data contained in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994; see "Documents Incorporated by Reference". Such condensed consolidated financial statements are unaudited; however, in the opinion of management of the Company, all adjustments (consisting only of normal recurring accruals and a non-recurring charge related to the Company's decision not to occupy certain office space in 1993) necessary for a fair statement of the results of operations have been included.

Income Statement Information	NINE MONTHS ENDED SEPTEMBER 24, 1993	NINE MONTHS ENDED SEPTEMBER 30, 1994
	(IN THOUSANDS, EXCEPT RATIOS)	
Revenues	$ 12,062,041	$ 13,749,334
Net revenues(/1/)	$ 7,800,233	$ 7,531,792
Earnings before income taxes and cumulative effect of change in accounting principle	$ 1,827,528	$ 1,474,392
Cumulative effect of change in accounting principle(/2/)	$ (35,420)	$ --
Net earnings	$ 1,011,700	$ 855,147
Ratio of earnings to fixed charges(/3/)	1.4	1.2

Balance Sheet Information	DECEMBER 31, 1993	SEPTEMBER 30, 1994
	(IN THOUSANDS)	
Total assets(/4/)	$ 152,910,362	$ 168,394,906
Long-term borrowings(/5/)	$ 13,468,900	$ 15,847,957
Stockholders' equity	$ 5,485,913	$ 5,704,751

Notes--

(1) Net revenues are revenues net of interest expense.
(2) Net earnings for 1993 have been reduced by $35,420,000 for the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits".
(3) 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.
(4) On January 1, 1994, the Company adopted Financial Accounting Standards Board Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts," which increased assets and liabilities at September 30, 1994 by approximately $12,000,000,000.
(5) 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 30, 1994, $362,240,000 of bank loans and $13,599,697,000 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 30, 1994, cash deposits for securities loaned and securities sold under agreements to repurchase amounted to $2,128,231,000 and $56,635,531,000, respectively. From October 1, 1994 to December 30, 1994, long-term borrowings, net of new issuances and resales, decreased in the amount of approximately $1,032,739,000.

RESULTS OF OPERATIONS FOR THE PERIOD ENDED SEPTEMBER 30, 1994

Financial markets, strong throughout 1993 and the first six weeks of 1994, weakened as a result of rising interest rates, unsettled currency markets, volatile stock and bond markets, and investor caution. The broad market decline, initially triggered by an increase in short-term interest rates in February 1994 by the Federal Reserve, continued during the remainder of the period ended September 30, 1994. As a result, volumes in institutional and retail investor business activities decreased industrywide. These conditions affected the Company's 1994 third quarter results. Net earnings were $231.6 million in the 1994 third quarter, down 8% from the 1994 second quarter and 36% from the 1993 third quarter. Net revenues in the 1994 third quarter were $2,302 million, down 4% from the 1994 second quarter and 13% from the 1993 third quarter, while non-interest expenses were $1,913 million, down 3% from the 1994 second quarter and 4% from the 1993 third quarter.

For the first nine months of 1994, net earnings were $855.1 million, down $156.6 million (15%) from $1,011.7 million reported in last year's record nine-month period. Net earnings for the 1993 nine-month period included a $35.4 million cumulative effect charge (net of $25.1 million of applicable income tax benefits) related to the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits". Earnings before the cumulative effect of the change in accounting principle decreased 18% from $1,047.1 million reported in the comparable 1993 period. Earnings per common share for the first nine months of 1994 were $3.98 primary and $3.97 fully diluted versus $4.45 primary and $4.42 fully diluted ($4.61 primary and $4.58 fully diluted, before the 1993 cumulative effect charge) in the prior year's period. As previously reported, 1993 nine-month results included a non-recurring pretax lease charge totaling $103.0 million ($59.7 million after income taxes) related to the Company's decision not to occupy certain office space at its World Financial Center Headquarters ("Headquarters") facility. An agreement to sublet this space was entered into in the 1993 fourth quarter.

Total revenues increased 14% from the 1993 nine-month period to $13,749 million. Net revenues (revenues after interest expense) decreased 3% to $7,532 million for the first nine months of 1994.

Commission revenues increased 7% from the 1993 nine-month period to $2,232 million on the strength of higher mutual fund, commodity, and listed securities transactions commissions. Mutual fund commissions benefited from increased distribution fees and redemption fees earned on mutual funds sold in prior periods. Sales of third-party mutual funds were up from a year ago; however, transactions in such funds declined during the 1994 second and third quarters relative to the 1994 first quarter. Sales of mutual funds managed by the Company have increased from the 1993 nine-month period. Commissions on listed securities benefited from higher trading volume. Other commission revenues advanced principally as a result of higher revenues from commodity transactions partially offset by lower commissions from money market instruments.

Interest and dividend revenues for the first nine months of 1994 rose 38% to $6,956 million. Interest expense, which includes dividend expense, increased 46% to $6,218 million. Net interest profit decreased 7% to $738 million due primarily to an increase in short-term interest rates and a general flattening of the yield curve, which is the difference between short-term and long-term interest rates. As a result, interest spreads declined, while financing and hedging costs increased from the comparable 1993 period.

Principal transactions revenues decreased 16% from the 1993 nine-month period to $1,881 million as a result of rising interest rates and lower volumes. For the first nine months of 1994, fixed-income and foreign exchange trading revenues, in the aggregate, decreased 16% to $1,432 million. Lower revenues from corporate bonds and preferred stock, non-U.S. governments and agencies securities, foreign exchange trading, and money market instruments, were partially offset by higher revenues from swaps and derivatives, municipal securities, mortgage-backed securities, and U.S. Government and agency securities. Equity and commodity trading revenues, in the aggregate, declined 16% to $449 million as lower trading revenues and a loss in convertible securities were partially offset by higher revenues from trading in commodities and foreign equities.

Investment banking revenues totaled $1,012 million, down 23% in the 1994 nine-month period. Underwriting activity was slow as domestic volume industrywide declined 29% from the comparable 1993 period. Lower underwriting revenues were reported in most categories, including equities, corporate bonds and preferred stock, convertible securities, and municipal bonds. Strategic services revenues, which include merger and acquisition fees and advisory fees, benefited from increased merger and acquisition advisory assignments in various industries.

Asset management and portfolio service fees increased 15% to $1,308 million principally as a result of growth in stock and bond fund assets under management. Other revenues rose 63% from the 1993 nine-month period to $360 million due to net realized investment gains in the 1994 period, compared with net investment losses in the comparable 1993 period.

Non-interest expenses increased 1% over the corresponding 1993 period to $6,057 million (3% excluding the non-recurring pretax lease charge of $103.0 million). Compensation and benefits expense, which represented approximately 63% of non-interest expenses, was virtually unchanged from the 1993 nine-month period. Higher salary and benefit expenses related to an increase in the number of full-time employees were offset by lower levels of variable compensation. Compensation and benefits expense, as a percentage of net revenues, was 50.8% in the first nine months of 1994, compared with 49.2% in the corresponding 1993 period.

Occupancy costs decreased 28% from the corresponding 1993 period (7% excluding the non-recurring pretax lease charge of $103.0 million), benefiting from continued relocation of support staff to lower cost facilities and reduced space requirements at the Headquarters facility. Other facilities-related costs, which include communications and equipment rental expense and depreciation and amortization expense, rose 11% primarily due to the increased use of market data and news services, and higher depreciation expense from the acquisition of technology-related equipment.

Advertising and market development expenses rose 8% from the 1993 nine-month period as a result of increased travel costs related to international business activity and higher recognition program costs. These expenses were partially offset by reductions in advertising costs. Professional fees were up 37% from the year-ago period due primarily to increased system consulting fees related to technology improvements. Brokerage, clearing, and exchange fees were up 22% from last year's nine-month period reflecting increased clearinghouse fees related to risk management activities in volatile markets and higher commodity trading volume. Other expenses advanced 6% due, in part, to increased provisions related to various business activities.

Income tax expense totaled $619 million for the first nine months of 1994, down 21% from the year earlier period due primarily to lower profitability. The effective tax rate for the 1994 nine-month period was 42.0% versus 42.7% in the comparable 1993 period.

CERTAIN BALANCE SHEET INFORMATION AS OF SEPTEMBER 30, 1994

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

In the normal course of business, the Company underwrites, trades, and holds non-investment grade securities in connection with its market-making, investment banking, and derivative structuring activities. 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 in, extending credit, underwriting, and trading in investment grade instruments.

At September 30, 1994, the fair value of long and short non-investment grade trading inventories amounted to $3,271 million and $496 million, respectively, and in the aggregate (i.e., the sum of long and short trading inventories) represented 4.2% of aggregate consolidated trading inventories.

At September 30, 1994, the carrying value of the extensions of credit provided to corporations entering into leveraged transactions aggregated $283 million (excluding unutilized revolving lines of credit and other lending commitments of $131 million) consisting primarily of senior term and subordinated financings to 37 medium-sized corporations. At September 30, 1994, the Company had no bridge loans outstanding. 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 consideration of economic, market, and credit conditions. Subsequent to September 30, 1994, the Company assigned $116 million of a $126 million commitment to third parties. As part of this transaction, a $38 million loan receivable was repaid. The Company has also funded $7 million of its remaining $10 million commitment. Direct equity investments made in conjunction with the Company's investment and merchant banking activities aggregated $284 million at September 30, 1994, representing investments in 81 enterprises. Equity investments in privately-held corporations for which sale is restricted by government or contractual requirements are carried at the lower of cost or estimated net realizable value. At September 30, 1994, the Company held interests in partnerships, totalling $98 million (recorded on the cost basis), that invest in highly leveraged transactions and non-investment grade securities. Prior to September 30, 1994, the Company had a co-investment arrangement to enter into direct equity investments. At September 30, 1994, the additional co-investment commitments were $7 million. At September 30, 1994, the Company also committed to invest an additional $74 million in partnerships that invest in leveraged transactions. Subsequent to quarter-end, the Company committed to provide up to $52 million of financing to a non-investment grade counterparty of which $45 million has been funded.

The Company's insurance subsidiaries hold non-investment grade securities. At September 30, 1994, non-investment grade insurance investments were $386 million, representing 6.4% of total insurance investments. At September 30, 1994, non-investment grade securities of insurance subsidiaries were classified as trading or available-for-sale and were carried at fair value.

At September 30, 1994, the largest non-investment grade concentration consisted of various issues of a Latin American sovereign totalling $271 million, of which $74 million represented on-balance-sheet hedges for off-balance-sheet instruments. No single industry sector accounted for more than 15% of total non-investment grade positions. At September 30, 1994, the Company held an aggregate carrying value of $254 million in debt and equity securities of issuers in various stages of bankruptcy proceedings. Approximately 59% of this amount resulted from the Company's market-making activities.

DESCRIPTION OF THE WARRANTS

GENERAL

An aggregate of 1,000,000 Nikkei Stock Index 300 Call Warrants, Expiring

January , 1997 (the "Call Warrants") and 1,000,000 Nikkei Stock Index 300 Put Warrants, Expiring January , 1997 (the "Put Warrants", and together with the Call Warrants, the "Warrants") will be issued. The Call Warrants will be issued under a Warrant Agreement (the "Call Warrant Agreement"), to be dated as of January , 1995, between the Company and Citibank, N.A., as Warrant Agent (the "Warrant Agent"). The Put Warrants will be issued under a Warrant Agreement (the "Put Warrant Agreement", and together with the Call Warrant Agreement, the "Warrant Agreements"), to be dated January , 1995, between the Company and the Warrant Agent. The following statements with respect to the Warrants are summaries of the detailed provisions of the Warrant Agreements, the form of which is filed as an exhibit to the Registration Statement relating to the Warrants. Wherever particular provisions of the Warrant Agreements or terms defined therein are referred to, such provisions or definitions are incorporated by reference as a part of the statements made, and the statements are qualified in their entirety by such reference.

A Warrant will not require, or entitle, a beneficial owner to sell or purchase any shares of any stock underlying the Index or any Successor Index or any other securities to or from the Company. The Company will make only a U.S. dollar cash settlement, if any, upon exercise of a Warrant. A beneficial owner will not receive any interest on any Cash Settlement Value or Alternative Settlement Amount and the Warrants will not entitle the beneficial owners thereof to any of the rights of holders of any underlying stock or other securities.

"Holder" means the person in whose name a certificate representing a Warrant is registered in the records of the Warrant Agent.

The Warrants will be exercisable commencing on the date of delivery of the Warrants, as set forth under "Exercise of Warrants". The Warrants will expire on January , 1997 (the "Expiration Date") or may expire on an earlier date as described under "Automatic Exercise". Warrants not exercised at or prior to 1:00 p.m., New York City time, on the second New York Business Day immediately preceding the Expiration Date or earlier expiration will be deemed automatically exercised on the first New York Business Day preceding the Expiration Date or, in the case of early expiration, on the New York Business Day immediately preceding the Early Expiration Date. Warrants cancelled upon the occurrence and continuation of an Extraordinary Event shall be exercised as described below under "Extraordinary Events and Market Disruption Events". The term "New York Business Day", as used herein, means any day other than a Saturday or a Sunday or a day on which commercial banks in The City of New York are required or authorized by law or executive order to be closed, and "Index Business Day" means any day on which the TSE is open for trading.

The Warrants will be unsecured contractual obligations of the Company and will rank on a parity with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt. However, given that the Company is a holding company, the right of the Company, and hence the right of creditors of the Company (including beneficial owners of the Warrants), 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 Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), to the Company are restricted by net capital requirements under the Securities Exchange Act of 1934, as amended, and under rules of certain exchanges and other regulatory bodies.

CASH SETTLEMENT VALUE

The Cash Settlement Value of an exercised Call Warrant is an amount stated in U.S. dollars that results from the following formula:

$$\text{Call Percentage Change} \times \$50$$

The "Call Percentage Change" will equal the following amount:

$$\frac{\text{Index Spot Price} - \text{Index Strike Price}}{\text{Index Strike Price}}$$

The Cash Settlement Value of an exercised Put Warrant is an amount stated in U.S. dollars that results from the following formula:

$$\text{Put Percentage Change} \times \$50$$

The "Put Percentage Change" will equal the following amount:

$$\frac{\text{Index Strike Price} - \text{Index Spot Price}}{\text{Index Strike Price}}$$

The "Index Spot Price" relating to any Exercise Date will be determined by MLPF&S (the "Calculation Agent") and will equal the Closing Index Value on the Valuation Date relating to such Exercise Date.

The "Index Strike Price" will equal the closing Index value on the date the Warrants are priced by the Company for initial offering to the public.

The "Index" means the Nikkei Stock Index 300, as presently calculated and disseminated by NKS, except as otherwise provided herein. See "Description of the Warrants--The Index".

The Cash Settlement Value will be rounded, if necessary, to the nearest cent (with one-half cent being rounded upwards).

Set forth below are illustrations of the Cash Settlement Values for both Call and Put Warrants at exercise based upon various hypothetical percentage changes in the value of the Index. The Index Percentage Change on Valuation Date column indicates the percentage increase or decrease in the value of the Index Spot Price as compared to the Index Strike Price at the time of exercise. The actual Cash Settlement Value of a Warrant will depend entirely on the actual Index Strike Price and actual Index Spot Price Percentage Change on the applicable Valuation Date relating to the Exercise Date. The illustrative Cash Settlement Values in the table do not reflect any "time value" for a Warrant, which may be reflected in trading value, and are not necessarily indicative of potential profit or loss, which are also affected by purchase price and transaction costs.

INDEX PERCENTAGE CHANGE ON VALUATION DATE	CALL WARRANT CASH SETTLEMENT VALUE	PUT WARRANT CASH SETTLEMENT VALUE
50% increase	$25.00	$0.00
45% increase	22.50	0.00
40% increase	20.00	0.00
35% increase	17.50	0.00
30% increase	15.00	0.00
25% increase	12.50	0.00
20% increase	10.00	0.00
15% increase	7.50	0.00
10% increase	5.00	0.00
5% increase	2.50	0.00
No change	0.00	0.00

INDEX PERCENTAGE CHANGE ON VALUATION DATE	CALL WARRANT CASH SETTLEMENT VALUE	PUT WARRANT CASH SETTLEMENT VALUE
5% decrease	$ 0.00	$ 2.50
10% decrease	0.00	5.00
15% decrease	0.00	7.50
20% decrease	0.00	10.00
25% decrease	0.00	12.50
30% decrease	0.00	15.00
35% decrease	0.00	17.50
40% decrease	0.00	20.00
45% decrease	0.00	22.50
50% decrease	0.00	25.00

BOOK-ENTRY PROCEDURES AND SETTLEMENT

Upon issuance, all Call Warrants and all Put Warrants held will be represented by one registered global Warrant for each of the Call Warrants and Put Warrants (each, a "Global Warrant"). Each Global Warrant will be deposited with, or on behalf of, The Depository Trust Company, as Securities Depository (the "Securities Depository" or "DTC"), and registered in the name of the Securities Depository or a nominee thereof. Unless and until each Global Warrant is exchanged in whole or in part for Warrants in definitive form in the limited circumstances described below, each such Global Warrant may not 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. Morgan Guaranty Trust Company of New York, Brussels office, as operator for the Euroclear System ("Euroclear") and Cedel, societe anonyme ("Cedel") will hold interests in the

Global Warrant on behalf of their participants through the facilities of DTC.

The Securities Depository has advised the Company as follows: The Securities Depository is a limited-purpose trust company organized under the Banking Laws 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 of 1934, as amended. The Securities Depository was created to hold securities of its 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 (including the Underwriter), banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own the Securities Depository. 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. Persons who are not participants may beneficially own securities held by the Securities Depository only through participants.

Ownership of beneficial interests in the Warrants will be limited to persons that have accounts with the Securities Depository ("Agent Members") or persons that may hold interests through Agent Members. The Securities Depository has advised the Company that upon the issuance of a Global Warrant representing either the Call or Put Warrants, the Securities Depository will credit, on its book-entry registration and transfer system, the Agent Members' accounts with the respective number of Warrants represented by such Global Warrant. Ownership of beneficial interests in a Global Warrant 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 Agent Members) and on the records of Agent Members (with respect to interests of persons held through Agent Members). 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 a Global Warrant.

So long as the Securities Depository, or its nominee, is the registered owner of each Global Warrant, the Securities Depository or its nominee, as the case may be, will be considered the sole owner or Holder of the Warrants represented by each such Global Warrant for all purposes under each Warrant Agreement. Except as provided below, owners of beneficial interests in a Global Warrant will not be entitled to have the Warrants represented by such Global Warrant registered in their names, will not receive or be entitled to receive physical delivery of such Warrants in definitive form and will not be considered the owners or Holders thereof under the applicable Warrant Agreement. Accordingly, each person owning a beneficial interest in a Global Warrant must rely on the procedures of the Securities Depository and, if such person is not an Agent Member, on the procedures of the Agent Member through which such person owns its interest, to exercise any rights of a beneficial owner under the applicable Warrant Agreement. 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 a Global Warrant desires to give or take any action which a beneficial owner is entitled to give or take under the applicable Warrant Agreement, the Securities Depository would authorize the Agent Members holding the relevant beneficial interests to give or take such action, and such Agent Members would authorize beneficial owners owning through such Agent Members to give or take such action or would otherwise act upon the instructions of beneficial owners through them.

The Cash Settlement Value payable upon exercise of Warrants registered in the name of the Securities Depository or its nominee will be paid by the Warrant Agent to the Agent Members or, in the case of automatic exercise, to the Securities Depository. None of the Company, the Warrant Agent or any other agent of the Company or agent of the Warrant Agent 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 Warrant Agent, upon the receipt of any payment of the Cash Settlement Value in respect of any portion of a Global Warrant, will pay the relevant Agent Member in an amount proportionate to its beneficial interest in such Global Warrant being exercised and that such Agent Member will credit the accounts of the beneficial owners of such Warrants. The Company expects that the Securities Depository, in the case of automatic exercise, upon receipt of any payment of the Cash Settlement Value in respect of all or any portion of each Global Warrant, will credit the accounts of the Agent Members with payment in amounts proportionate to their respective beneficial interests in the portion of such Global Warrant so exercised, as shown on the records of the Securities Depository. The Company also expects that payments by Agent Members to owners of beneficial interests in a Global Warrant 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 Agent Members. It is suggested that purchasers of Warrants with accounts at more than one brokerage firm effect transactions in the Warrants, including exercises, only through the brokerage firm or firms which hold that purchaser's Warrants.

If the Securities Depository is at any time unwilling or unable to continue as depository and a successor Securities Depository is not appointed by the Company within 90 days or if the Company is subject to certain events in bankruptcy, insolvency or reorganization, the Company will issue Warrants in definitive form in exchange for each Global Warrant. In addition, the Company may at any time determine not to have the Warrants represented by the Global Warrants and, in such event, will issue Warrants in definitive form in exchange for the Global Warrants. In any such instance, an owner of a beneficial interest in a Global Warrant will be entitled to have a number of Warrants equivalent to such beneficial interest registered in its name and will be entitled to physical delivery of such Warrants in definitive form.

Cedel and Euroclear. Beneficial owners may hold their interests in Warrants through Cedel or Euroclear if they are participants of such systems, or indirectly through organizations which are participants in such systems. Cedel and Euroclear will hold omnibus positions on behalf of their participants through the

facilities of DTC. All securities in Cedel or Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Exercises of Warrants by persons holding through Cedel or Euroclear participants will be effected through DTC, in accordance with DTC rules, on behalf of the relevant European international clearing system by its depositary; however, such transactions will require delivery of exercise instructions to the relevant European international clearing system by the participant in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the exercise meets its requirements, deliver instructions to its depositary to take action to effect its exercise of the Warrants on its behalf by delivering Warrants through DTC and receiving payment in accordance with its normal procedures for next-day funds settlement. Payments with respect to the Warrants held through Cedel or Euroclear will be credited to the cash accounts of Cedel participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depositary. See "Exercise and Settlement of Warrants" herein.

Cedel is incorporated under the laws of Luxembourg as a professional depository. Cedel holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Cedel participants through electronic book-entry changes in accounts of Cedel participants, thereby eliminating the need for physical movement of certificates. Transactions may be settled in Cedel in any of 28 currencies, including U.S. dollars. Cedel provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Cedel interfaces with domestic markets in several countries. As a professional depository, Cedel is subject to regulation by the Luxembourg Monetary Institute. Cedel participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and include an affiliate of the Underwriter. Indirect access to Cedel is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Cedel participant, either directly or indirectly.

The Euroclear System was created in 1968 to hold securities for participants in the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may now be settled in any of 27 currencies, including U.S. dollars. The Euroclear System includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements of cross-market transfers with DTC described above. The Euroclear System is operated by the Brussels, Belgium office of Morgan Guaranty Trust Company of New York (the "Euroclear Operator") under contract with Euroclear Clearance System S.C., a Belgium cooperative corporation (the "Cooperative"). Morgan Guaranty Trust Company of New York ("Morgan") is a member bank of the United States Federal Reserve System. All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for the Euroclear System on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and include an affiliate of the Underwriter. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within the Euroclear System, withdrawal of securities and cash from the Euroclear System, and receipt of payments with respect to securities in the Euroclear System. All securities

in the Euroclear System are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

All information herein on Cedel and Euroclear is derived from Cedel or Euroclear, as the case may be, and reflects the policies of such organizations; such policies are subject to change without notice.

EXERCISE AND SETTLEMENT OF WARRANTS

The Warrants will be exercisable commencing on the date of delivery of the Warrants, subject to postponement upon the occurrence of an Extraordinary Event or a Market Disruption Event as described under "Extraordinary Events and Market Disruption Events" herein, and will expire on January , 1997 (the "Expiration Date"). Warrants not exercised (including by reason of any such postponed exercise) at or before 1:00 p.m., New York City time, on the earlier of (i) the second New York Business Day immediately preceding the Expiration Date and (ii) the Early Expiration Date, will be automatically exercised as described under "Automatic Exercise" below, subject to earlier cancellation as described below under "Extraordinary Events and Market Disruption Events". See "Minimum Exercise Amount" and "Maximum Exercise Amount" below.

A beneficial owner may exercise the Warrants on any New York Business Day during the period from the date of delivery of the Warrants until 1:00 p.m., New York City time, on the earlier of (i) the second New York Business Day immediately preceding the Expiration Date and (ii) the Early Expiration Date, by causing (x) such Warrants to be transferred free to the Warrant Agent on the records of DTC and (y) a duly completed and executed Exercise Notice to be delivered by an Agent Member on behalf of the beneficial owner to the Warrant Agent. Forms of Exercise Notice may be obtained from the Warrant Agent at the Warrant Agent's Office. The Warrant Agent's telephone number and facsimile transmission number for this purpose are (201) 262-5444 and (201) 262-7521, respectively.

In the case of Warrants held through the facilities of Cedel or Euroclear, a beneficial owner may exercise such Warrants on any New York Business Day during the period from   , 1995 until 1:00 p.m., New York City time, on the earlier of (i) the second New York Business Day immediately preceding the Expiration Date and (ii) the Early Expiration Date by causing (x) such Warrants to be transferred to the Warrant Agent, by giving appropriate instructions to the participant holding such Warrants in either the Cedel or Euroclear system, as the case may be, and (y) a duly completed and executed Exercise Notice to be delivered on behalf of the beneficial owner by Cedel, in the case of Warrants held through Cedel, or such participant, in the case of Warrants held through Euroclear, to the Warrant Agent. Forms of Exercise Notice for Warrants held through the facilities of either Cedel or Euroclear may be obtained from the Warrant Agent at the Warrant Agent's Office or from Cedel or Euroclear.

Except for Warrants subject to automatic exercise or held through the facilities of Cedel or Euroclear, the "Exercise Date" for a Warrant will be (i) the New York Business Day on which the Warrant Agent receives the Warrant and Exercise Notice in proper form with respect to such Warrant, if received at or prior to 1:00 p.m., New York City time, on such day, or (ii) if the Warrant Agent receives such Warrant and Exercise Notice after 1:00 p.m., New York City time, on a New York Business Day, then the first New York Business Day following such New York Business Day.

In the case of Warrants held through the facilities of Cedel or Euroclear, except for Warrants subject to automatic exercise, the "Exercise Date" for a Warrant will be (i) the New York Business Day on which the Warrant Agent receives the Exercise Notice in proper form with respect to such Warrant if such Exercise Notice is received at or prior to 1:00 p.m., New York City time, on such day, provided that the Warrant is received by the Warrant Agent by 1:00 p.m., New York City time, on the Valuation Date, or (ii) if the Warrant Agent receives such Exercise Notice after 1:00 p.m., New York City time, on a New York Business

Day, then the first New York Business Day following such New York Business Day, provided that the Warrant is received by 1:00 p.m., New York City time, on the Valuation Date relating to exercises of Warrants on such succeeding New York Business Day. In the event that the Warrant is received after 1:00 p.m., New York City time, on the Valuation Date, then the Exercise Date for such Warrants will be the first New York Business Day following the day on which such Warrants are received or, if such day is not a New York Business Day, the next succeeding New York Business Day. In the case of Warrants held through the facilities of Cedel or Euroclear, in order to ensure proper exercise on a given New York Business Day, participants in Cedel or Euroclear must submit exercise instructions to Cedel or Euroclear, as the case may be, by 10:00 a.m., Luxembourg time, in the case of Cedel and by 10:00 a.m., Brussels time (by telex), or 11:00 a.m., Brussels time (by EUCLID), in the case of Euroclear. In addition, in the case of book-entry exercises by means of the Euroclear System, (i) participants must also transmit, by facsimile (facsimile number (201) 262-7521), to the Warrant Agent a copy of the Exercise Notice submitted to Euroclear by 1:00 p.m., New York City time, on the desired Exercise Date and (ii) Euroclear must confirm by telex to the Warrant Agent by 9:00 a.m., New York City time, on the Valuation Date, that the Warrants will be received by the Warrant Agent on such date; provided, that if such telex communication is received after 9:00 a.m., New York City time, on the Valuation Date, the Company will be entitled to direct the Warrant Agent to reject the related Exercise Notice or waive the requirement for timely delivery of such telex communication.

To ensure that an Exercise Notice and the related Warrants will be delivered to the Warrant Agent before 1:00 p.m., New York City time, on a given New York Business Day, a beneficial owner may need to give exercise instructions to his broker or other intermediary substantially earlier than 1:00 p.m., New York City time, on such day. Different brokerage firms may have different cut-off times for accepting and implementing exercise instructions from their customers. Therefore, beneficial owners should consult with their brokers and other intermediaries, if applicable, as to applicable cut-off times and other exercise mechanics.

Except in the case of Warrants subject to automatic exercise and for Warrants that upon exercise will entitle the Holder thereof to receive an Alternative Settlement Amount in lieu of the Cash Settlement Amount, if on any Valuation Date the Cash Settlement Amount for any Warrants would be zero, then the attempted exercise of any such Warrants will be void and of no effect. Such Warrants will be transferred back to the Agent Member that submitted them free on the records of DTC and, in any such case, such beneficial owner will be permitted to re-exercise such Warrants prior to the Expiration Date or the Early Expiration Date, as the case may be.

The "Valuation Date" for a Warrant will be the first Index Calculation Day following the applicable Exercise Date, subject to postponement upon the occurrence of an Extraordinary Event or a Market Disruption Event as described below under "Extraordinary Events and Market Disruption Events" or as a result of the exercise of a number of Warrants exceeding the limits on exercise described below under "Maximum Exercise Amount". NKS will calculate the Index once on each Index Calculation Day based upon the most recent official closing prices of each of the Underlying Stocks as reported by the TSE. "Index Calculation Day" means any day on which the TSE is open for trading and the Index or a Successor Index, if any, is calculated and published. Due to time differences, trading on the TSE occurs when the AMEX is closed for business. The following is an illustration of the timing of an Exercise Date and the ensuing Valuation Date, assuming (i) that all relevant dates are New York Business Days and Index Calculation Days, (ii) the absence of any intervening Extraordinary Event or Market Disruption Event and (iii) the number of exercised Warrants does not exceed the maximum permissible amount. If the Warrant Agent receives a beneficial owner's Warrants and Exercise Notice in proper form at or prior to 1:00 p.m., New York City time, on Wednesday, February 8, 1995, the Exercise Date for such Warrants will be February 8 and the Valuation Date for such Warrants will be Thursday, February 9, 1995 (except that in the case of Warrants held through the facilities of Cedel or Euroclear, the Warrants must be received by 1:00 p.m., New York City time, on the Valuation Date; if such Warrants are received after such time, then the Exercise Date for such Warrants will be the day on which such Warrants are received or, if such day is not a New York Business Day, the next succeeding New York Business Day, and the Valuation Date for such Warrants will be the

first Index Calculation Day following such Exercise Date). The Index Spot Price used to determine the Cash Settlement Value of such Warrants will be the closing level of the Index on February 9 (i.e., the level of the Index calculated using values for the Underlying Stocks as of the close of the TSE on February 9 (assuming such day is an Index Business Day), which, because of time differences, will occur at 1:00 a.m., New York City time, on February 9 (or 2:00 a.m., New York City time, during the months in which Eastern Daylight Savings Time is in effect)).

Following receipt of Warrants and the related Exercise Notice in proper form, the Warrant Agent will, not later than 5:00 p.m., New York City time, on the applicable Valuation Date (or, if such Valuation Date is not a New York Business Day, on the next succeeding New York Business Day which is an Index Calculation Day) (i) obtain the Index Spot Price from the Calculation Agent (which will be the level of the Index on such Valuation Date), (ii) determine the Cash Settlement Value of such Warrants and (iii) advise the Company of the aggregate Cash Settlement Value of the exercised Warrants. The Company will be required to make available to the Warrant Agent, no later than 3:00 p.m., New York City time, on the fourth New York Business Day following the Valuation Date (or, if the Valuation Date is not a New York Business Day, on the fourth New York Business Day following the New York Business Day next succeeding the Valuation Date), funds in an amount sufficient to pay such aggregate Cash Settlement Value. If the Company has made such funds available by such time, the Warrant Agent will thereafter be responsible for making funds available to each appropriate Agent Member (including Citibank, N.A. and Morgan as custodians for Cedel and Euroclear, respectively, who, in turn, will disburse payments to Cedel and Euroclear, as the case may be, who will be responsible for disbursing such payments to each of their respective participants, who, in turn, will be responsible for disbursing payments to the beneficial owner it represents), and such Participant will be responsible for disbursing such payments to the beneficial owner it represents and to each brokerage firm for which it acts as agent. Each such brokerage firm will be responsible for disbursing funds to the beneficial owners it represents.

The "Closing Index Value" for any Valuation Date will equal the closing value in Tokyo of the Index on such date.

"Calculation Agent" means MLPF&S or, in lieu thereof, another firm selected by the Company to perform the functions of the Calculation Agent in connection with the Warrants. The Calculation Agent is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment. However, MLPF&S, in its capacity as Calculation Agent, will have no obligation to take the interests of the Company or the beneficial owners into consideration in the event it determines, composes or calculates the Cash Settlement Value or Alternative Settlement Amount. The Calculation Agent and its affiliates may from time to time engage in transactions involving the Underlying Stocks for their proprietary accounts and for other accounts under their management, which may influence the value of such Underlying Stocks. The Calculation Agent and its affiliates will also be the writers of the hedge of the Company's obligations under the Warrants and will be obligated to pay to the Company upon exercise of the Warrants an amount equal to the value of the Warrants. Accordingly, under certain circumstances, conflicts of interest may arise between the Calculation Agent's responsibilities as Calculation Agent with respect to the Warrants and its obligations under its hedge and its status as a subsidiary of the Company. In addition, because the Calculation Agent is an affiliate of the Company, certain conflicts of interest may arise in connection with the Calculation Agent performing its role as Calculation Agent. The Calculation Agent, as a registered broker-dealer, is required to maintain policies and procedures regarding the handling and use of confidential proprietary information, and such policies and procedures will be in effect throughout the term of the Warrants to restrict the use of information relating to any calculation of the Cash Settlement Value prior to its dissemination.

AUTOMATIC EXERCISE

In the event that the Warrants are delisted from, or permanently suspended from trading on, the AMEX and the Warrants are not simultaneously accepted for trading pursuant to the rules of another self-regulatory

organization whose rules are filed with the Securities and Exchange Commission (a "Self-Regulatory Organization") under the Securities Exchange Act of 1934, as amended, Warrants not previously exercised will expire on the date such delisting or trading suspension becomes effective (an "Early Expiration Date") and the Warrants will be deemed automatically exercised on the New York Business Day immediately preceding such Early Expiration Date, and the Cash Settlement Value, if any (determined as provided under "Exercise and Settlement of Warrants"), of such automatically exercised Warrants will be paid on the fifth New York Business Day following such Early Expiration Date. Settlement shall otherwise occur as described under "Book-Entry Procedures and Settlement" and "Exercise and Settlement of Warrants". The Company will notify Holders as soon as practicable of such delisting or trading suspension. The Company will agree in the Warrant Agreement that it will not seek delisting of the Warrants or suspension of their trading on the AMEX.

In the event the Warrants are canceled by the Company because of the continuance of an Extraordinary Event as described under "Extraordinary Events and Market Disruption Events" below, Warrants not previously exercised shall be automatically exercised on the basis that the Valuation Date for such Warrants shall be the Calculation Date, and the Cash Settlement Value or Alternative Settlement Amount, as the case may be, of such automatically exercised Warrants will be paid on the fourth New York Business Day following such Valuation Date. Settlement shall otherwise occur as described under "Book-Entry Procedures and

Settlement" and "Exercise and Settlement of Warrants".

All Warrants for which the Warrant Agent has not received a valid Exercise Notice at or prior to 1:00 p.m., New York City time, on the second New York Business Day immediately preceding the Expiration Date, or for which the Warrant Agent has received a valid Exercise Notice but with respect to which timely delivery of the relevant Warrants has not been made, together with any Warrants the Valuation Date for which has at such time been postponed as described under "Extraordinary Events and Market Disruption Events" below, will be automatically exercised on the first New York Business Day preceding the Expiration Date. Settlement shall otherwise occur as described under "Book-Entry Procedures and Settlement" and "Exercise and Settlement of Warrants".

MINIMUM EXERCISE AMOUNT

No fewer than 100 Call Warrants or 100 Put Warrants may be exercised by a beneficial owner at any one time, except in the case of automatic exercise or exercise upon cancellation of the Warrants as described under "Extraordinary Events and Market Disruption Events" below. Accordingly, except in the case of automatic exercise of the Warrants or upon cancellation of the Warrants, beneficial owners with fewer than 100 Call Warrants or 100 Put Warrants, as the case may be, will need either to sell their Warrants or to purchase additional Warrants, thereby incurring transaction costs, in order to realize proceeds from their investment. Warrants held through one Agent Member (including participants in Cedel or Euroclear) may not be combined with Warrants held through another Agent Member in order to satisfy the minimum exercise requirement.

MAXIMUM EXERCISE AMOUNT

All exercises of Warrants (other than on automatic exercise) are subject, at the Company's option, to the limitation that not more than 20% of the Call Warrants or more than 20% of the Put Warrants, as the case may be, originally issued (provided, however, that no more than 10% of the Call Warrants or more than 10% of the Put Warrants, as the case may be, originally issued shall be exercised for the account of any beneficial owner) may be exercised on any Exercise Date and not more than 10% of the Call Warrants or more than 10% of the Put Warrants, as the case may be, originally issued may be exercised by or on behalf of any beneficial owner, either individually or in concert with any other beneficial owner, on any Exercise Date. If any New York Business Day would otherwise, under the terms of the Warrant Agreement, be the Exercise Date in respect to more than 20% of the Call Warrants or more than 20% of the Put Warrants, as the case may be, originally issued, then at the Company's election, 20% of the Call Warrants or 20% of the

Put Warrants, as the case may be, originally issued (provided, however, that no more than 10% of either the Call Warrants or the Put Warrants originally issued shall be exercised for the account of any beneficial owner) shall be deemed exercised on such Exercise Date (selected by the Warrant Agent on a pro rata basis, but if, as a result of such pro rata selection, any beneficial owner of Warrants would be deemed to have exercised less than 100 Warrants, then the Warrant Agent shall first select an additional amount of such beneficial owner's Warrants so that no beneficial owner shall be deemed to have exercised less than 100 Warrants), and the remainder of such warrants (the "Remaining Warrants") shall be deemed exercised on the following New York Business Day (subject to successive applications of this provision); provided that any Remaining Warrants for which an Exercise Notice was delivered on a given Exercise Date shall be deemed exercised before any other Warrants for which an Exercise Notice was delivered on a later Exercise Date. If any beneficial owner attempts to exercise more than 10% of the Call Warrants or 10% of the Put Warrants originally issued, as the case may be, on any New York Business Day, then, at the Company's election, 10% of such Call Warrants or such Put Warrants, as the case may be, shall be deemed exercised on such New York Business Day and the remainder shall be deemed exercised on the following New York Business Day (subject to successive applications of this provision). As a result of any postponed exercise as described above, such beneficial owners will receive a Cash Settlement Value determined as of a date later than the otherwise applicable Valuation Date. In any such case, as a result of any such postponement, the Cash Settlement Value actually received by such beneficial owners may be lower than the otherwise applicable Cash Settlement Value if the Valuation Date of the Warrants had not been postponed.

SUCCESSOR INDEX

If NKS discontinues publication of the Index and NKS or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the Index (any such index being referred to herein as a "Successor Index"), then, upon the Calculation Agent's notification of such determination to the Warrant Agent and the Company, the Calculation Agent will substitute the Successor Index as calculated by NKS or such other entity for the Index and calculate the Cash Settlement Value upon an exercise as described above. Upon any selection by the Calculation Agent of a Successor Index, the Company shall promptly give notice to the beneficial owners by publication in a United States newspaper with a national circulation (currently expected to be The Wall Street Journal), within three New York Business Days of such selection.

If NKS discontinues publication of the Index and a Successor Index is not selected by the Calculation Agent or is no longer published on any Valuation Date, the value to be substituted for the Index for any Valuation Date used to calculate the Cash Settlement Value upon exercise will be a value computed by the Calculation Agent on each Valuation Date in accordance with the procedures last used to calculate the Index prior to such discontinuance.

If a Successor Index is selected or the Calculation Agent calculates a value as a substitute for the Index, such Successor Index or value shall be substituted for the Index for all purposes, including for purposes of determining whether a Market Disruption Event or Extraordinary Event exists.

If at any time the method of calculating the Index or any Successor Index, as the case may be, or the value thereof, is changed in a material respect, or if the 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 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 Valuation Date, 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 Index or any Successor Index, as the case may be, as if such changes or modifications had not been made, and calculate such Closing Index Value with reference to the Index or any Successor Index, as the case may be, as adjusted. Accordingly, if the method of calculating the Index or any Successor Index, as the case may be, is modified so that the value of such Index or such Successor 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), the Calculation Agent shall adjust the Index in order to arrive at a value of the Index or such Successor Index as if it had not been modified (e.g., as if such split had not occurred).

EXTRAORDINARY EVENTS AND MARKET DISRUPTION EVENTS

Extraordinary Events. The Warrant Agreements will provide that if the Calculation Agent determines that an Extraordinary Event has occurred and is continuing on the Index Business Day with respect to which the Index Spot Price on a Valuation Date is to be determined (the "Applicable Index Business Day"), then the Cash Settlement Value in respect of an exercise shall be calculated on the basis that the Valuation Date shall be the next Index Calculation Day following an Applicable Index Business Day on which there is no Extraordinary Event or Market Disruption Event; provided that if the Valuation Date has not occurred on or prior to the Expiration Date or the Early Expiration Date, the Holders will receive the Alternative Settlement Amount in lieu of the Cash Settlement Value which shall be calculated as if the Warrants had been cancelled on the Expiration Date or the Early Expiration Date, as the case may be. The Company shall promptly give notice to the beneficial owners by publication in a United States newspaper with a national circulation (currently expected to be The Wall Street Journal), if an Extraordinary Event shall have occurred.

"Extraordinary Event" means any of the following events:

(i) a suspension or absence of trading on the TSE of all the Underlying Stocks which then comprise the Index or a Successor Index;

(ii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or any other U.S. or non-U.S. governmental authority that would make it unlawful for the Company to perform any of its obligations under the Warrant Agreements or the Warrants; or

(iii) any outbreak or escalation of hostilities or other national or international calamity or crises (including, without limitation, natural calamities that in the opinion of the Calculation Agent may materially and adversely affect the economy of Japan or the trading of securities generally on the TSE) that has or will have a material adverse effect on the ability of the Company to perform its obligations under the Warrants or to modify the hedge of its position with respect to the Index.

For the purposes of determining whether an Extraordinary Event has occurred: (1) a limitation on the hours or number of days of trading on the TSE will not constitute an Extraordinary Event if it results from an announced change in the regular business hours of the TSE and (2) an "absence of trading" on the TSE will not include any time when the TSE itself is closed for trading under ordinary circumstances.

The Company is not aware of any circumstances that have arisen since the inception of the Index that could have constituted an Extraordinary Event, and based on the information currently available to the Company, the Company is not aware of any circumstances that would have constituted an Extraordinary Event during the ten years prior to the inception of the Index, except that on January 7, 1989 trading was suspended due to the death of the Emperor of Japan. The existence of such circumstances, however, is not necessarily indicative of the likelihood of such circumstances arising or not arising in the future. See "The Index--The Tokyo Stock Exchange" herein.

If the Calculation Agent determines that an Extraordinary Event has occurred and is continuing, and if the Extraordinary Event is expected by the Calculation Agent to continue, the Company may immediately cancel all outstanding Warrants by notifying the Warrant Agent of such cancellation (the date such notice is given being the "Cancellation Date"), and each beneficial owner's rights under the Warrants and the Warrant Agreement shall thereupon cease; provided that each Warrant shall be automatically exercised on the basis that the Valuation Date for such Warrant shall be the Cancellation Date and the beneficial owner of each such Warrant will receive, in lieu of the Cash Settlement Value of such Warrant, an amount (the "Alternative Settlement Amount"), determined by the Calculation Agent, which is the greater of (i) the average of the last sale prices, as available, of the Warrants on the AMEX (or any successor securities exchange on which the

Warrants are listed) on the 30 trading days preceding the date on which such Extraordinary Event was declared; provided that, if the Warrants were not traded on the AMEX (or such successor securities exchange) on at least 20 of such trading days, no effect will be given to this clause (i) for the purpose of determining the Alternative Settlement Amount, and (ii) the amount "X" calculated using the formula set forth below:

$$X = I + \left[\frac{T}{2} \times \frac{A}{B} \right]$$

where

I = The Cash Settlement Value of the Warrants determined as described under "Cash Settlement Value" above, but subject to the following modifications:

(1) if the Cancellation Date for such Warrants is a date on which the Index or a Successor Index is calculated and published, for the purpose of determining such Cash Settlement Value, the Index Spot Price will be determined as of such Cancellation Date except that, if the Index Spot Price as of such day is less than 90% of the Index Spot Price as of the immediately preceding Index Calculation Day, then the Index Spot Price will be deemed to be 90% of the Index Spot Price on such preceding Index Calculation Day; or

(2) if the Cancellation Date for such Warrants is a date on which the Index or a Successor Index is not calculated or published, for the purpose of determining such Cash Settlement Value, the Index Spot Price will be deemed to be the lesser of (i) the Index Spot Price as of the first Index Calculation Day immediately preceding the Cancellation Date except that, if the Index Spot Price as of such day is less than 90% of the Index Spot Price as of the second Index Calculation Day immediately preceding such Cancellation Date, 90% of the Index Spot Price as of such second Index Calculation Day and (ii) the arithmetic average of four amounts, being (a) the Index Spot Price at each of the three successive Index Calculation Days immediately preceding the Cancellation Date and (b) the Index Spot Price at the next Index Calculation Day, provided that if an Extraordinary Event described in clause (i) of the definition of Extraordinary Event continues for 30 consecutive days immediately following such Cancellation Date, then the Calculation Agent shall calculate an amount which, in its reasonable opinion, fairly reflects the value of the Underlying Stocks on the Index Calculation Day immediately following such Cancellation Date which, subject to approval by the Company (such approval not to be unreasonably withheld), shall for purposes of calculating the amount under this clause (2)(ii) be treated as the figure arrived at under clause (2)(ii)(b) above;

T = U.S.$, the initial offering price per Call Warrant, in the case of Call Warrants; T = U.S.$, the initial offering price per Put Warrant, in the case of Put Warrants;

A = the total number of days from but excluding the Cancellation Date for such Warrants to and including the Expiration Date; and

B = the total number of days from but excluding the date the Warrants were initially sold to and including the Expiration Date.

For the purposes of determining "I" in the above formula, in the event that the Calculation Agent and the Company are required to have, but have not, after good faith consultation with each other and within five days following the first day upon which such Alternative Settlement Amount may be calculated in accordance with the above formula, agreed upon a figure under clause (2)(ii)(b) which fairly reflects the value of the Underlying Stocks on the Cancellation Date, then the Calculation Agent shall promptly nominate a third party, subject to approval by the Company (such approval not to be unreasonably withheld), to determine such figure and calculate the Alternative Settlement Amount in accordance with the above formula. Such party shall act as an independent expert and not as an agent of the Company or the Calculation Agent, and its calculation and determination of the Alternative Settlement Amount shall, absent manifest

error, be final and binding on the Company, the Warrant Agent, the Calculation Agent and the Holders. Any such calculations will be made available to Holders for inspection at the Warrant Agent's Office. Neither the Company nor such third party shall have any responsibility for good faith errors or omissions in calculating the Alternative Settlement Amount. Under certain circumstances, the duties of MLPF&S as Calculation Agent in determining the existence of Extraordinary Events could conflict with the interests of MLPF&S as an affiliate of the issuer of the Warrants, Merrill Lynch & Co., Inc.

Market Disruption Events. If the Calculation Agent determines that on a Valuation Date a Market Disruption Event has occurred and is continuing, the Valuation Date shall be postponed to the first succeeding Index Business Day on which no Market Disruption Event occurs; provided that, if the Valuation Date has not occurred on or prior to the fifth Index Business Day following an Exercise Date because of Market Disruption Events, such fifth Index Business Day shall be the Valuation Date regardless of whether a Market Disruption Event has occurred on such day.

"Market Disruption Event" means with respect to any Index Business Day the occurrence or existence during the one-half hour period that ends at the determination of the Closing Index Value for such Index Business Day of:

(i) a suspension, material limitation or absence of trading on the TSE of 20% or more of the Underlying Stocks which then comprise the Index or a Successor Index during the one-half hour period preceding the close of trading on the applicable exchange; or

(ii) the suspension or material limitation on the Singapore International Monetary Exchange, Ltd. (the "SIMEX"), the Osaka Securities Exchange (the "OSE") or any other major futures or securities market of trading in futures or options contracts related to the Index or a Successor Index during the one-half hour period preceding the close of trading on the applicable exchange.

For the purposes of determining whether a Market Disruption Event has occurred: (i) a limitation on the hours 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, (ii) a decision to permanently discontinue trading in the relevant futures or options contract will not constitute a Market Disruption Event, (iii) a suspension in trading in a futures or options contract on the Index by a major securities market by reason of (a) a price change violating limits set by such securities market, (b) an imbalance of orders relating to such contracts or (c) a disparity in bid and ask quotes relating to such contracts will constitute a suspension or material limitation of trading in futures or options contracts related to the Index, (iv) an absence of trading on the TSE will not include any time when the TSE is closed for trading under ordinary circumstances, and (v) the occurrence of an Extraordinary Event described in Clause (i) of Extraordinary Event will not constitute, and will supersede the occurrence of, a Market Disruption Event. Under certain circumstances, the duties of MLPF&S as Calculation Agent in determining the existence of Market Disruption Events could conflict with the interests of MLPF&S as an affiliate of the issuer of the Warrants, Merrill Lynch & Co., Inc.

To the Company's knowledge, no circumstances have arisen since the inception of the Index that could have constituted a Market Disruption Event. However, most recently, on January 31 and February 1 of 1994, prices for futures contracts for the Nikkei Stock Index 225 reached price limits imposed by the OSE, which would have been a Market Disruption Event if such limits had been reached with respect to futures contracts for the Index. Futures contracts for the Index were not traded at that time. Given that the Nikkei Stock Index 225 and the Index are comprised of stocks which trade on the TSE and that many of the stocks in the Index are also in the Nikkei Stock Index 225, it is possible that prices for the futures contracts for the two indexes would have increased in a similar manner. The existence or non-existence of such circumstances, however, is not necessarily indicative of the likelihood of such circumstances arising or not arising in the future.

LISTING OF THE WARRANTS

Prior to issuance, the Warrants will have been approved for listing on the AMEX, subject to official notice of issuance. The AMEX will expect to cease trading the Warrants on such Exchange as of the close of business on the Expiration Date.

MODIFICATION

The Warrant Agreements and the terms of the Warrants may be amended by the Company and the Warrant Agent without the consent of the beneficial owners of any Warrants for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in any other manner which the Company may deem necessary or desirable and which will not materially and adversely affect the interests of the beneficial owners of the Warrants.

The Company and the Warrant Agent also may modify or amend the Warrant Agreements and the terms of the Warrants, with the consent of the beneficial owners of not less than a majority in number of the then outstanding Warrants affected, provided that no such modification or amendment that changes the Index Strike Price so as to adversely affect the beneficial owner, shortens the period of time during which the Warrants may be exercised or otherwise materially and adversely affects the exercise rights of the beneficial owners of the Warrants or reduces the percentage of the number of outstanding Warrants, the consent of whose beneficial owners is required for modification or amendment of such Warrant Agreement or the terms of such Warrants may be made without the consent of the beneficial owners of Warrants affected thereby.

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 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 Alternative Settlement Amount with respect to all unexercised Warrants, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Warrant Agreements and of the Warrants to be performed by the Company.

THE INDEX

Unless otherwise stated, all information herein on the Index is derived from NKS or other publicly available sources. Such information reflects the policies of NKS as stated in such sources and such policies are subject to change by NKS. NKS is under no obligation to continue to publish the Index and may discontinue publication of the Index at any time. NKS is under no obligation to continue to publish the Index and may discontinue publication of the Index at any time.

The Nikkei Stock Index 300 is an index calculated, published and disseminated by NKS, and measures the composite price performance of stocks of 300 Japanese companies. All 300 stocks are listed in the First Section of the TSE. Stocks listed in the First Section are among the most actively traded stocks on the TSE. Publication of the Nikkei Stock Index 300 began on October 8, 1993.

The Nikkei Stock Index 300 is a market capitalization-weighted index which is calculated by (i) multiplying the per share price of each stock included in the Nikkei Stock Index 300 by the number of outstanding shares (excluding shares held by the Japanese Government), (ii) calculating the sum of all these products (such sum being hereinafter referred to as the "Aggregate Market Price"), (iii) dividing the Aggregate Market Price by the Base Aggregate Market Price (i.e., the Aggregate Market Price as of October 1, 1982, as calculated by NKS) and (iv) multiplying the result by 100. Because of such capitalization-weighting, movements in share prices of companies with relatively larger market capitalization will have a greater effect on the level of the entire Nikkei Stock Index 300 than will movements in share prices of companies with relatively smaller market capitalization.

Although the Nikkei Stock Index 300 was first published in October 1993, NKS has calculated values for the Nikkei Stock Index 300 for the period from October 1, 1982 through October 8, 1993. The stocks

included in the Nikkei Stock Index 300 (such stocks being hereinafter referred to as the "Underlying Stocks") were selected from a reference group of stocks which were selected by excluding stocks listed in the First Section of the TSE that have relatively low market liquidity or extremely poor financial results. The Underlying Stocks were selected from this reference group by (i) selecting from the remaining stocks in this reference group the stocks with the largest aggregate market value in each of 36 industrial sectors and (ii) selecting additional stocks (with priority within each industrial sector given to the stock with the largest aggregate market value) so that the selection ratios (i.e., the ratio of the aggregate market value of the included stocks to that of the stocks in the reference group) with respect to all 36 industry sectors will be as nearly equal as possible and the total number of companies with stocks included in the Nikkei Stock Index 300 will be 300.

In order to maintain continuity in the level of the Nikkei Stock Index 300, the Nikkei Stock Index 300 will be reviewed annually by NKS and the Underlying Stocks may be replaced, if necessary, in accordance with the "deletion/addition" rules. The "deletion/addition" rules provide generally for the deletion of a stock from the Nikkei Stock Index 300 if such stock is no longer included in the reference group or if the aggregate market value of such stock is low relative to other stocks in the relevant industry sector. Stocks deleted pursuant to the "deletion/addition" rules will be replaced by stocks included in the reference group which have relatively high aggregate market values. In addition, stocks may be added or deleted from time to time for extraordinary reasons.

All disclosure contained in this Prospectus Supplement regarding the Nikkei Stock Index 300, or its publisher is derived from publicly available information. All copyrights and other intellectual property rights relating to the Index are owned by NKS. NKS has no relationship with the Company or the Warrants; it does not sponsor, endorse, authorize, sell or promote the Warrants, and has no obligation or liability in connection with the administration, marketing or tradings of the Warrants.

HISTORICAL DATA ON THE INDEX

The following table sets forth the closing level of the Index at the end of each month, in the period from January 1989 through December 1994. All historical data presented in the following table relating to periods prior to October 8, 1993 (the date NKS commenced the daily calculation and public dissemination of the Index) is presented as if the Index had existed during such periods, based on the Underlying Stocks contained in the Index as of October 8, 1993, and such closing levels have been calculated hypothetically on the same basis that the Index is calculated. All historical data presented in the following table relating to periods after September 1993 are based on actual data from the Index. These historical data on the Index are not necessarily indicative of the future performance of the Index or what the value of the Warrants may be. Any historical upward or downward trend in the closing level of the Index during any period set forth below is not any indication that the Index is more or less likely to decline at any time during the term of the Warrants.

	MONTH-END CLOSING LEVEL
1989:	
January	465.05
February	463.39
March	467.53
April	468.55
May	478.09
June	458.54
July	494.97
August	483.64
September	494.67
October	493.60
November	519.11
December	521.28

	MONTH-END CLOSING LEVEL
1990:	
January	493.66
February	458.18
March	395.83
April	400.28
May	439.67
June	417.76
July	398.77
August	351.89
September	283.76
October	332.99
November	294.24
December	310.32
1991:	
January	305.35

February	352.18
March	347.60
April	344.08
May	342.82
June	315.19
July	325.92
August	303.60
September	322.64
October	329.24
November	301.51
December	300.23
1992:	
January	288.95
February	276.17
March	254.18
April	242.84
May	251.22
June	226.03
July	222.39
August	249.29
September	235.83
October	231.23
November	239.82
December	237.58
1993:	
January	236.67
February	234.07
March	262.94
April	298.52
May	295.79
June	283.39
July	298.27
August	305.09
September	293.04

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<S>	MONTH-END CLOSING LEVEL <C>
October	299.62
November	254.54
December	267.06
1994:	
January	302.15
February	302.23
March	285.73
April	293.10
May	307.79
June	304.62
July	297.16
August	299.25
September	288.39
October	290.50
November	280.08
December	287.17

</TABLE>

The following graph sets forth the historical performance of the Index at the end of each month from January 1989 through December 1994 and the value of the Index on January 5, 1995. PAST MOVEMENTS OF THE INDEX ARE NOT NECESSARILY INDICATIVE OF THE FUTURE INDEX VALUES. The January 5, 1995 closing level of the Index was 285.05.

[GRAPHIC APPEARS HERE]

Source: Prepared by the Company from data obtained from NKS.

THE TOKYO STOCK EXCHANGE

The TSE is one of the world's largest securities exchanges in terms of market capitalization. TSE is a two-way, continuous pure auction market. Trading hours are currently from 9:00 a.m. to 11:00 a.m. and from 1:00 p.m. to 3:00 p.m., Tokyo time, Monday through Friday.

Due to the time zone difference, on any normal trading day the TSE will close prior to the opening of business in New York City on the same calendar day. Therefore, the closing level of the Index on such trading day will generally be available in the United States by the opening of business on the same calendar day.

The TSE has adopted certain measures intended to prevent any extreme short-term price fluctuation resulting from order imbalances. These include daily price floors and ceilings intended to prevent extreme fluctuations in individual stock prices. Any stock listed on the TSE cannot be traded at a price outside of these limits which are stated in absolute Japanese yen, and not percentage, limits from the closing price of the stock on the previous day. In addition, when there is a major order imbalance in a listed stock, the TSE posts a "special bid quote" or a "special asked quote" for that stock at a specified higher or lower price level than the stock's last sale price in order to solicit counter orders and balance supply and demand for the stock. Investors should also be aware that the TSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances including, for example, unusual trading activity in that stock. As a result, variations in the Index may be limited by price limitations on, or by suspension of trading in, individual stocks which comprise the Index which may, in turn, adversely affect the value of the Warrants or result in a Market Disruption Event. See "Description of the Warrants--Extraordinary Events and Market Disruption Events".

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS CONCERNING THE WARRANTS

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 a Warrant. Such opinion is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect) or possible differing interpretations. The following discussion of certain United States Federal income tax consequences to beneficial owners of the Warrants applies only to a person who holds a Warrant as a capital asset and does not purport to address the United States Federal income tax consequences to special classes of investors including persons who are securities, currencies or options dealers, or persons who may hold the Warrants as part of an integrated transaction (e.g., as part of a hedge or straddle for tax purposes). Prospective purchasers of Warrants are urged to consult their own tax advisors as to the application of the United States Federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Warrants arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Warrant 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 Warrant is effectively connected with the conduct of a United States trade or business. As used herein, the term "non-U.S. Holder" means a beneficial owner of a Warrant that is not a U.S. Holder.

Although there is no authority directly dealing with instruments such as the Warrants, pursuant to Revenue Ruling 94-63, each Warrant should be treated as a "non-equity" option for purposes of Section 1256 of the Internal Revenue Code of 1986, as amended (the "Code"), which must be "marked-to-market". Accordingly, a U.S. Holder of a Warrant should be required to treat such Warrant as if sold for its fair market value on the last business day of each of the U.S. Holder's taxable years (assuming that the U.S. Holder has

not previously disposed of the Warrant) and should be required to recognize taxable gain or loss for each such taxable year in an amount equal to the difference between the fair market value of the Warrant on the last business day of each such taxable year and such U.S. Holder's adjusted tax basis in the Warrant. Thus, a U.S. Holder of a Warrant may incur United States Federal income tax liability on an annual basis in respect of any increase in the value of a Warrant without a corresponding receipt of cash. In addition, a U.S. Holder should be required to recognize taxable gain or loss upon the sale, exchange, exercise or expiration of the Warrant in an amount equal to the difference between the amount realized upon such sale, exchange, exercise or expiration and the U.S. Holder's adjusted tax basis in such Warrant. For these purposes, a U.S. Holder's adjusted tax basis in a Warrant would equal such U.S. Holder's initial investment in the Warrant, increased or decreased by any net gain or loss recognized by the U.S. Holder in respect of the Warrant in prior taxable years. Any gain or loss recognized by a U.S. Holder in accordance with the preceding rules would generally be treated as 60 percent long-term capital gain or loss and 40 percent short-term capital gain or loss.

NON-U.S. HOLDERS

In general, gains realized on the sale, exchange or exercise of a Warrant by a non-U.S. Holder will not be subject to United States Federal income or withholding tax in respect of such amounts, assuming the income is not effectively connected with a United States trade or business of 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, the fair market value of a Warrant may be includible in the estate of an individual non-U.S. Holder for United States Federal estate tax purposes, unless an applicable estate tax treaty provides otherwise. Individual non-U.S. Holders should consult their own tax advisors concerning the United States Federal estate tax consequences, if any, of investing in the Warrants.

BACKUP WITHHOLDING

A beneficial owner of a Warrant will be subject to backup withholding at the rate of 31 percent with respect to the gross proceeds upon a sale or exercise of a Warrant if such beneficial owner fails to supply an accurate taxpayer identification number (or fails to comply with certain other requirements) and does not establish, when required, that it is an exempt recipient or a non-U.S. Holder. Any amount withheld under the backup withholding rules would be allowed as a refund or a credit against the beneficial owner's United States Federal income tax provided the required information is furnished to the IRS.

USE OF PROCEEDS

A substantial portion of the proceeds from the sale of the Warrants may be used to hedge market risks with respect to the payment at expiration of the Warrants. 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 all of the Warrants offered hereby. The Underwriting Agreement and Terms Agreement provide that the Underwriter will purchase all the Warrants if any are purchased.

The Underwriter has advised the Company that it proposes initially to offer all or part of the Warrants directly to the public at the offering prices set forth on the cover page of this Prospectus Supplement and to certain dealers at such prices less a concession not in excess of $ per Call Warrant and $ per Put Warrant. After the initial public offering, the public offering prices and concessions may be changed.

An affiliate of the Underwriter will receive a fee from the Company for assisting the Company in arranging hedging of the Company's currency risks with respect to the Warrants.

The underwriting of the Warrants 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 THE WARRANTS

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

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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LOGO

MERRILL LYNCH & CO., INC.

1,000,000 NIKKEI STOCK INDEX 300 CALL WARRANTS
1,000,000 NIKKEI STOCK INDEX 300 PUT WARRANTS
ALL EXPIRING JANUARY , 1997

PROSPECTUS SUPPLEMENT

MERRILL LYNCH & CO.

JANUARY , 1995

GRAPHICS APPENDIX LIST

DESCRIPTION OF GRAPHIC

The graph sets forth the month-end values of the Index from January 1989 through December 1994, and the value of the Index on January 5, 1995. The vertical axis denotes the range of values of the Index from 100 to 600, in increments of 100; the horizontal axis denotes the time period, in increments of four months, beginning with January 1989 and ending with September 1994.