
OMB APPROVAL

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No.)

LEVEL 8 SYSTEMS, INC.

(Name of Issuer)

COMMON STOCK, PAR VALUE \$0.001 PER SHARE

(Title of Class of Securities)

52729M102

(CUSIP Number)

DECEMBER 31, 2002

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this
Schedule is filed:

- Rule 13d-1(b)
 Rule 13d-1(c)
 Rule 13d-1(d)
 Rule 13d-2(c)

* The remainder of this cover page shall be filled out for a reporting
person's initial filing on this form with respect to the subject class
of securities, and for any subsequent amendment containing information
which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not
be deemed to be "filed" for the purpose of Section 18 of the Securities
Exchange Act of 1934 or otherwise subject to the liabilities of that
section of the Act but shall be subject to all other provisions of the
Act (however, see the Notes).

CUSIP No. 52729M102

13G

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)

Merrill Lynch & Co., Inc. (Merrill Lynch)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a)
(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF 5. SOLE VOTING POWER
SHARES Disclaimed (See #9 below)

BENEFICIALLY 6. SHARED VOTING POWER
OWNED BY Disclaimed (See #9 below)

EACH 7. SOLE DISPOSITIVE POWER
REPORTING Disclaimed (See #9 below)

PERSON 8. SHARED DISPOSITIVE POWER
WITH Disclaimed (See #9 below)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

Merrill Lynch & Co. disclaims beneficial ownership in all shares of Level 8 Systems Inc. held by MLBC, Inc.

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*
[]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
Disclaimed (See #9 above)

12. TYPE OF REPORTING PERSON*
HC, CO

*SEE INSTRUCTIONS BEFORE FILLING OUT!

CUSIP No. 52729M102 13G

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)
Merrill Lynch Group, Inc. (MLG)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
(a) []
(b) [x]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

NUMBER OF 5. SOLE VOTING POWER
SHARES Disclaimed (See #9 below)

BENEFICIALLY 6. SHARED VOTING POWER
OWNED BY Disclaimed (See #9 below)

EACH 7. SOLE DISPOSITIVE POWER
REPORTING Disclaimed (See #9 below)

PERSON 8. SHARED DISPOSITIVE POWER
WITH Disclaimed (See #9 below)

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

Merrill Lynch Group, Inc. disclaims beneficial ownership in all shares of Level 8 Systems, Inc. held by MLBC, Inc.

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*
[]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
Disclaimed (See #9 above)

12. TYPE OF REPORTING PERSON*
CO

*SEE INSTRUCTIONS BEFORE FILLING OUT!

CUSIP No. 52729M102 13G

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)
MLBC, Inc. (MLBC)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
(a) []
(b) [x]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION
Delaware

NUMBER OF 5. SOLE VOTING POWER
SHARES 1,166,000

BENEFICIALLY 6. SHARED VOTING POWER
OWNED BY 0

EACH 7. SOLE DISPOSITIVE POWER
REPORTING 1,166,000

PERSON 8. SHARED DISPOSITIVE POWER
WITH 0

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
1,166,000

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*
[]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)
6.1%

12. TYPE OF REPORTING PERSON*
CO

*SEE INSTRUCTIONS BEFORE FILLING OUT!

CUSIP No. 52729M102 13G

Explanatory Note: The Reporting Persons previously had been filing statements under Regulation 13D-G with respect to Level 8 Systems, Inc. on Schedule 13D.

Item 1(a). Name of Issuer:
LEVEL 8 SYSTEMS, INC.

Item 1(b). Address of Issuer's Principal Executive Offices:
8000 REGENCY PARKWAY
CARY, NC 27511

Item 2(a). Name of Person Filing:
MERRILL LYNCH & CO., INC.
MERRILL LYNCH GROUP, INC.
MLBC, INC.

Item 2(b). Address of Principal Business Office, or if None, Residence:
MERRILL LYNCH & CO., INC.
4 WORLD FINANCIAL CENTER
NEW YORK, NEW YORK 10080
MERRILL LYNCH GROUP, INC.
4 WORLD FINANCIAL CENTER
NEW YORK, NEW YORK 10080
MLBC, INC.
c/o MERRILL LYNCH CORPORATE LAW DEPARTMENT
222 BROADWAY 17TH FLOOR
NEW YORK, NEW YORK 10038

Item 2(c). Citizenship:
SEE ITEM 4 OF COVER PAGES

Item 2(d). Title of Class of Securities:
COMMON STOCK, PAR VALUE \$0.001 PER SHARE

Item 2(e). CUSIP Number:
52726M102

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b) or (c), Check Whether the Person Filing is a:

- (a) Broker or dealer registered under Section 15 of the Exchange Act.
- (b) Bank as defined in Section 3(a)(6) of the Exchange Act.
- (c) Insurance company as defined in Section 3(a)(19) of the Exchange Act.
- (d) Investment company registered under Section 8 of the Investment Company Act.
- (e) An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E)
- (f) An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F)
- (g) A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G)
- (h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act
- (i) A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act
- (j) Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

If this statement is filed pursuant to Rule 13d-1(c), check this box.
CUSIP No. 52726M102 13G

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

- (a) Amount beneficially owned:
1,166,000 Shares of Common Stock
- (b) Percent of class:
6.1%

(c) Number of shares as to which such person has:

- (i) Sole power to vote or to direct the vote:
SEE ITEM 5 OF COVER PAGES
- (ii) Shared power to vote or to direct the vote:
SEE ITEM 6 OF COVER PAGES
- (iii) Sole power to dispose or to direct the disposition of:
SEE ITEM 7 OF COVER PAGES
- (iv) Shared power to dispose or to direct the disposition of:
SEE ITEM 8 OF COVER PAGE

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following []

Item 6. Ownership of More Than Five Percent on Behalf of Another Person.

Merrill Lynch and MLG disclaim beneficial ownership of the shares of common stock beneficially owned by MLBC, which shares may be deemed to be beneficially owned, for the purposes of Section 13(d) of the Exchange Act, by Merrill Lynch and MLG by virtue of the fact that Merrill Lynch and MLG are the direct and indirect parent companies, respectively, of MLBC.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.

MLBC is a wholly-owned subsidiary of MLG. MLG is a wholly-owned subsidiary of Merrill Lynch, a holding company that, through its subsidiaries and affiliates, provides investment, financing, advisory, insurance and related products and services on a global basis. A Join Filing Agreement among the Reporting Persons with respect to the filing of this statement is attached hereto as Exhibit A.

Item 8. Identification and Classification of Members of the Group.

Although Merrill Lynch, MLG and MLBC are affiliates and have determined to file jointly, the reporting persons are of the view that their affiliation does not cause them to be acting as a group within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934 (the "1934 Act").

Item 9. Notice of Dissolution of Group.

NOT APPLICABLE

CUSIP No. 52729M102

13G

Item 10. Certifications.

(b) By signing below each of the undersigned certifies that, to the best of their knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date: February 14, 2003

MERRILL LYNCH GROUP, INC.

By: /s/ Lawrence M. Egan, Jr.

Name: Lawrence M. Egan, Jr.
Title: Assistant Secretary

MERRILL LYNCH & CO., INC.

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli
Title: Assistant Secretary

MLBC, INC.

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli
Title: Assistant Secretary

Exhibit A

JOINT FILING AGREEMENT

This will confirm the agreement by and between the undersigned that the the Schedule 13G filed on or about this date with respect to beneficial ownership by the undersigned of shares of the Common Stock, par value \$0.001 per share, of Level 8 Systems, Inc. is being filed on behalf of each of the undersigned in accordance with Rule 13d-1(k) (1) under the Securities Exchange Act of 1934. This agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Dated: February 14, 2003

MERRILL LYNCH GROUP, INC.

By: /s/ Lawrence M. Egan, Jr.

Name: Lawrence M. Egan, Jr.
Title: Assistant Secretary

MERRILL LYNCH & CO., INC.

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli
Title: Assistant Secretary

MLBC, INC.

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli
Title: Assistant Secretary