

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 13G  
Under the Securities Exchange Act of 1934  
(Amendment No. 3)\*  
Koll Real Estate Group Inc.  
(Name of Issuer)

Common Stock\*\*  
(Title Of Class of Securities)

500434303  
(CUSIP Number)

Check the following box if a fee is being paid with this statement .  
(A fee is not required only if the filing person: (1) has a previous  
statement on file reporting beneficial ownership of more than five  
percent of the class of securities described in Item 1; and (2) has  
filed no amendment subsequent thereto reporting beneficial ownership of  
five percent or less of such class.) (See Rule 13d-7).

\*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 ("Act") 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).

\*\*The amount reflected in Item 9 of the cover page reflects new common stock  
issued in 1997 as a result of conversion of convertible bonds ("the  
convertible bonds") (CUSIP 500434204).

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CUSIP NO. 500434303 \_\_\_\_\_  
13G  
PAGE 1

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Merrill Lynch & Co., Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP\*  
Joint Filing  
(a)  
(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5 SOLE VOTING POWER

None

6 SHARED VOTING POWER

1,038,259

7 SOLE DISPOSITIVE POWER

None

8 SHARED DISPOSITIVE POWER

1,038,259

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,038,259

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

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

1.71%

12 TYPE OF REPORTING PERSON\*

HC, CO

\*SEE INSTRUCTION BEFORE FILLING OUT!

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CUSIP NO. 500434303 \_\_\_\_\_

13G

PAGE 2

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Merrill Lynch, Pierce, Fenner & Smith Incorporated

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

Joint Filing

(a)

(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

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5 SOLE VOTING POWER

1,038,259

6 SHARED VOTING POWER

None

7 SOLE DISPOSITIVE POWER

1,038,259

8 SHARED DISPOSITIVE POWER

None

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1,038,259

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

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

1.71%

12 TYPE OF REPORTING PERSON\*

BD, CO

\*SEE INSTRUCTION BEFORE FILLING OUT!

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SCHEDULE 13G

Item 1 (a) Name of Issuer:

Koll Real Estate Group Inc.

Item 1 (b) Address of Issuer's Principal Executive Offices:

4343 Von Karmen Ave.  
Newport Beach, CA 92660

Item 2 (a) Names of Persons Filing:

Merrill Lynch & Co., Inc.  
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Item 2 (b) Address of Principal Business Office, or, if None, Residence:

Merrill Lynch & Co., Inc.  
World Financial Center, North Tower  
250 Vesey Street  
New York, New York 10281

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
World Financial Center, North Tower  
250 Vesey Street  
New York, New York 10281

Item 2 (c) Citizenship:

See Item 4 of Cover Pages

Item 2 (d) Title of Class of Securities:

Common Stock

Item 2 (e) CUSIP Number:

500434303

Item 3

Merrill Lynch & Co., Inc. ("ML&Co.") is a parent holding company, in accordance with Section 240.13d-1(b)(ii)(G). Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") is a broker-dealer registered under Section 15 of the Securities Exchange Act of 1934.

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a) Amount Beneficially Owned:

See Item 9 of Cover Pages. Pursuant to Section 240.13d-4, ML&Co. and MLPF&S (the "Reporting Persons") disclaim beneficial ownership of the securities of Koll Real Estate Group Inc. referred to herein, and the filing of this Schedule 13G shall not be construed as an admission that the Reporting Persons are, for the purposes of Section 13(d) or 13(g) of the Securities Exchange Act of 1934, the beneficial owner of any of the securities of Koll Real Estate Group Inc. referred to herein other than in the case of such held by MLPF&S in proprietary accounts.

(b) Percent of Class:

See Item 11 of Cover Pages

(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 Pages

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

Not Applicable

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

Not Applicable

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

See Exhibit A

Item 8 Identification and Classification of Members of the Group.

Not Applicable

Item 9 Notice of Dissolution of Group.

Not Applicable

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Item 10 Certification.

By signing below each of the undersigned certifies that, to the best of their knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purposes or effect.

Signature.

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

Merrill Lynch & Co., Inc.

\_\_\_\_\_  
Date:

Andrea Lowenthal  
Signature:

\_\_\_\_\_  
Name: Andrea Lowenthal

\_\_\_\_\_  
Title: Attorney-in-Fact \*

Merrill Lynch, Pierce, Fenner & Smith Incorporated

\_\_\_\_\_  
Date:

Andrea Lowenthal  
Signature:

\_\_\_\_\_  
Name: Andrea Lowenthal

\_\_\_\_\_  
Title: Attorney in Fact\*\*

\* Executed pursuant to a Power of Attorney dated November 17, 1995, a copy of which is attached hereto as Exhibit B.

\*\* Executed pursuant to a Power of Attorney dated November 17, 1995, a copy of which is attached hereto as Exhibit C.

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Exhibit A to Schedule 13G

One of the persons filing this report, Merrill Lynch & Co., Inc., is a Delaware corporation with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York ("ML&Co."), and a parent holding company pursuant to Section 240 13d-1(b)(1)(ii)(G). The relevant subsidiaries of ML&Co. are Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a Delaware corporation with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, is a wholly owned direct subsidiary of ML&Co. and a broker-dealer registered pursuant to the Securities Exchange Act of 1934.

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Exhibit B to Schedule 13G

Power of Attorney

The undersigned, Merrill Lynch & Co., (the "Corporation") a corporation duly organized under the laws of Delaware, with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York, 10281 does hereby make, constitute and appoint Richard B. Alsop, Richard D. Kreuder and Andrea Lowenthal, Gregory T. Russo, or any other individual from time to time elected or appointed as secretary or an assistant secretary of the Corporation, acting severally, each of whose address is Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York, 10281 as its true and lawful attorneys-in fact, for it and in its name, place and stead (i) to execute on behalf of the Corporation and cause to be filed and/or delivered, as required under Section 13(d) of the Securities Exchange Act of 1934 (the "Act") and the regulations thereunder, any number, as appropriate, of original copies, or electronic filings of the Securities and Exchange Commission Schedule 13D or Schedule 13G Beneficial Ownership Reports (together with any amendments and joint filing agreements under Rule 13d-1(f) (1) of the Act, as may be required thereto) to be filed and/or delivered with the respect to any equity security (as defined in Rule 13d-1(d) under the Act) beneficially owned by the undersigned and which must be reported by the undersigned pursuant to Section 13(d) of the Act and the regulations thereunder, (ii) and generally to take such other actions and perform such other things necessary to effectuate the foregoing as fully in all respects as if the undersigned could do it if personally present. This Power of Attorney shall remain in effect until revoked, in writing, by the undersigned.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, this 25th day of February, 1995.

MERRILL LYNCH & Co., Inc.

By: /s/ David H. Komansky  
Name: David H. Komansky  
Title: President and Chief Operating Officer

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Exhibit C to Schedule 13G

Power of Attorney

The undersigned, Merrill Lynch, Pierce, Fenner & Smith Incorporated, (the "Corporation") a corporation duly organized under the laws of Delaware, with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281 does hereby make, constitute and appoint Richard B. Alsop, Richard D. Kreuder, Andrea Lowenthal, Gregory T. Russo, or any other individual from time to time elected or appointed as secretary or an assistant secretary of the Corporation, acting severally, each of whose address is Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York, 10281 as its attorneys-in-fact, for it and in its name, place and stead (i) to execute on behalf of the Corporation and cause to be filed and/or delivered, as required under Section 13(d) of the Securities Exchange Act of 1934 (the "Act") and the regulations thereunder, any number, as appropriate, of original, copies, or electronic filings of the Securities and Exchange Commission Schedule 13D or Schedule 13G Beneficial Ownership Reports (together with any amendments and joint filing agreements under Rule 13d-1(f) (1) of the Act, as may be required thereto) to be filed and/or delivered with respect to any equity security (as defined in Rule 13d-1(d) under the Act) beneficially owned by the undersigned and which must be reported by the undersigned pursuant to Section (d) of the Act and the regulations thereunder, (ii) and generally to take such other actions and perform such other things necessary to effectuate the foregoing as fully in all respects as if the undersigned could do if personally present. This Power of Attorney shall remain in effect until revoked, in writing, by the undersigned.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, this 25th day of February, 1995.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: /s/ David H. Komansky  
Name: David H. Komansky  
Title: President and Chief Operating Officer

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