

REGISTRATION NO. 333-20137

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

<TABLE>

<S>	<C>
MERRILL LYNCH & CO., INC.	MERRILL LYNCH PREFERRED FUNDING II, L.P.
(Exact name of registrant as specified in charter)	(Exact name of registrant as specified in certificate of limited partnership)
DELAWARE	DELAWARE
(State or other jurisdiction of incorporation or organization)	(State or other jurisdiction of incorporation or organization)
13-2740599	13-3926165
(I.R.S. employer identification number)	(I.R.S. employer identification number)

<CAPTION>

MERRILL LYNCH PREFERRED CAPITAL TRUST II
(Exact name of registrant as specified in certificate of trust)
DELAWARE
(State or other jurisdiction of incorporation or organization)
13-7108354
(I.R.S. employer identification number)

<CAPTION>

</TABLE>

WORLD FINANCIAL CENTER
NORTH TOWER
NEW YORK, NEW YORK 10281
(212) 449-1000
(Address, including zip code, and telephone number, including area code, of registrants' principal executive offices)

ROSEMARY T. BERKERY, ESQ.
ASSOCIATE GENERAL COUNSEL
MERRILL LYNCH & CO., INC.
WORLD FINANCIAL CENTER
NORTH TOWER
NEW YORK, NEW YORK 10281-1334
(212) 449-6990
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

<TABLE>

<S>	<C>
NORMAN D. SLONAKER, ESQ. BROWN & WOOD LLP ONE WORLD TRADE CENTER NEW YORK, NEW YORK 10048 (212) 839-5300	RICHARD T. PRINS, ESQ. SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP 919 THIRD AVENUE NEW YORK, NEW YORK 10022 (212) 735-3000

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: /X/

CALCULATION OF REGISTRATION FEE

<TABLE> <CAPTION>			PROPOSED MAXIMUM	PROPOSED
MAXIMUM	TITLE OF EACH CLASS OF	AMOUNT TO BE	OFFERING PRICE	OFFERING
AGGREGATE	SECURITIES TO BE REGISTERED	REGISTERED	PER UNIT	
PRICE(1)				
<S>		<C>	<C>	<C>
Trust Originated Preferred Securities of Merrill Lynch Preferred Capital Trust II (including such securities sold in market-making transactions) (2).....		12,000,000	\$25	
\$300,000,000				
Partnership Preferred Securities of Merrill Lynch Preferred Funding II, L.P. (including such securities sold in market-making transactions) (2) (3).....		12,000,000	\$25	
\$300,000,000				
Guarantee of Merrill Lynch & Co., Inc. with respect to Trust Preferred Securities(4).....		--	--	--
Guarantee of Merrill Lynch & Co., Inc. with respect to Partnership Preferred Securities(4).....		--	--	--
Guarantees of Merrill Lynch & Co., Inc. with respect to certain debentures of its wholly owned subsidiaries (the "Affiliate Debentures") (4).....		--	--	--
Subordinated Debenture of Merrill Lynch & Co., Inc.(4)...		--	--	--
Totals.....				

<CAPTION>

TITLE OF EACH CLASS OF	AMOUNT OF
SECURITIES TO BE REGISTERED	REGISTRATION FEE
<S>	<C>
Trust Originated Preferred Securities of Merrill Lynch Preferred Capital Trust II (including such securities sold in market-making transactions) (2).....	\$90,910
Partnership Preferred Securities of Merrill Lynch Preferred Funding II, L.P. (including such securities sold in market-making transactions) (2) (3).....	--
Guarantee of Merrill Lynch & Co., Inc. with respect to Trust Preferred Securities(4).....	--
Guarantee of Merrill Lynch & Co., Inc. with respect to Partnership Preferred Securities(4).....	--
Guarantees of Merrill Lynch & Co., Inc. with respect to certain debentures of its wholly owned subsidiaries (the "Affiliate Debentures") (4).....	--
Subordinated Debenture of Merrill Lynch & Co., Inc.(4)...	--
Totals.....	\$90,910(5)

</TABLE>

- (1) Estimated solely for the purpose of determining the registration fee pursuant to Rule 457.
- (2) This Registration Statement also registers an indeterminate amount of securities registered hereunder to be sold by Merrill Lynch, Pierce, Fenner & Smith Incorporated in market-making transactions.
- (3) The Partnership Preferred Securities will be purchased by the Trust with the proceeds of the sale of the Trust Preferred Securities, together with the proceeds received from Merrill Lynch & Co., Inc. in respect of the common securities to be issued by the Trust. No separate consideration will be received for the Partnership Preferred Securities.
- (4) No separate consideration will be received for (i) guarantees of Merrill Lynch & Co., Inc. with respect to the Trust Preferred Securities, the Partnership Preferred Securities or the Affiliate Debentures or (ii) the Subordinated Debenture. The Subordinated Debenture and the Affiliate Debentures will be purchased by the Partnership with proceeds of the sale of the Partnership Preferred Securities, together with a capital contribution from Merrill Lynch & Co., Inc.
- (5) Previously paid on January 21, 1997.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION

STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS, DATED FEBRUARY 3, 1997

PROSPECTUS

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

[LOGO]

12,000,000 TRUST PREFERRED SECURITIES
MERRILL LYNCH PREFERRED CAPITAL TRUST II

% TRUST ORIGINATED PREFERRED SECURITIES-SM- ("TOPRS-SM-")
(LIQUIDATION AMOUNT \$25 PER TRUST PREFERRED SECURITY)
GUARANTEED TO THE EXTENT SET FORTH HEREIN BY
MERRILL LYNCH & CO., INC.

The % Trust Originated Preferred Securities-SM- (the "TOPRS-SM-" or "Trust Preferred Securities") offered hereby represent preferred undivided beneficial ownership interests in the assets of Merrill Lynch Preferred Capital Trust II, a statutory business trust formed under the laws of the State of Delaware (the "Trust"). Merrill Lynch & Co., Inc., a Delaware corporation (the "Company" or "Merrill Lynch"), will own all the common securities (the "Trust Common Securities" and, together with the Trust Preferred Securities, the "Trust Securities") representing undivided beneficial ownership interests in the assets of the Trust. The Trust exists for the sole purpose of issuing the Trust Securities and investing the proceeds as described below and engaging in activities incident thereto. The proceeds from the sale of the Trust Securities will be used by the Trust to purchase Partnership Preferred Securities ("Partnership Preferred Securities"), representing the limited partner interests of Merrill Lynch Preferred Funding II, L.P., a Delaware limited partnership (the "Partnership"). The general partner interest, which constitutes all of the interest in the Partnership other than the limited partner interests represented by the Partnership Preferred Securities, is owned by the Company, which is the sole general partner of the Partnership (in such capacity, the "General Partner"). Substantially all of the proceeds from the sale of the Partnership Preferred Securities, together with the capital contribution from the General Partner, will be used by the Partnership to purchase Debentures (as defined herein), which consist of debt instruments of the Company and one or more of its eligible controlled affiliates. In addition, approximately one percent of the proceeds from the sale of the Partnership Preferred Securities and the capital contribution from the General Partner will be used to purchase Eligible Debt Securities (as defined herein). See "Description of the Partnership Preferred Securities -- Partnership Investments".

(CONTINUED ON NEXT PAGE)

SEE "RISK FACTORS" BEGINNING ON PAGE 11 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE TRUST PREFERRED SECURITIES, INCLUDING CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES.

Application will be made to list the Trust Preferred Securities on the New York Stock Exchange, Inc. (the "New York Stock Exchange"). If approved for listing, trading of the Trust Preferred Securities on the New York Stock Exchange is expected to commence within the 30-day period after the initial delivery of the Trust Preferred Securities. See "Underwriting".

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

<TABLE>
<CAPTION>

	PRICE TO PUBLIC (1)	UNDERWRITING COMMISSION (2)
<S>	<C>	<C>
Per Trust Preferred Security.....	\$25	(3)
Total.....	\$300,000,000	(3)

<CAPTION>

PROCEEDS TO

<S>	<C>	
Per Trust Preferred Security.....		\$25
Total.....		\$300,000,000

</TABLE>

- (1) Plus accumulated distributions, if any, from February , 1997.
- (2) The Trust, the Partnership and the Company have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting".
- (3) In view of the fact that the proceeds of the sale of the Trust Preferred Securities will be ultimately invested in investment instruments of the Company and its subsidiaries, the Company has agreed to pay to the Underwriters as compensation (the "Underwriters' Compensation") \$ per Trust Preferred Security (or \$ in the aggregate); provided that such compensation for sales of more than 10,000 Trust Preferred Securities to a single purchaser will be \$ per Trust Preferred Security. Therefore, to the extent of such sales, the actual amount of Underwriters' Compensation will be less than the aggregate amount specified in the preceding sentence. See "Underwriting".
- (4) Expenses of the offering payable by the Company are estimated to be \$700,000.

The Trust Preferred Securities offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the Trust Preferred Securities will be made only in book-entry form through the facilities of The Depository Trust Company ("DTC") on or about February , 1997.

This Prospectus may be used by Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") in connection with offers and sales related to market-making transactions in the Trust Preferred Securities. MLPF&S 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.

DEAN WITTER REYNOLDS INC.

A.G. EDWARDS & SONS, INC.

PAINWEBBER INCORPORATED

PRUDENTIAL SECURITIES
INCORPORATED

SMITH BARNEY INC.

THE DATE OF THIS PROSPECTUS IS FEBRUARY , 1997.

-SM-"TRUST ORIGINATED PREFERRED SECURITIES" AND "TOPRS" ARE SERVICE MARKS OF MERRILL LYNCH & CO., INC.

(CONTINUED FROM COVER PAGE)

Holders of the Trust Preferred Securities will be entitled to receive cumulative cash distributions accumulating from the date of original issuance and payable quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing March 30, 1997, at an annual rate of % of the liquidation amount of \$25 per Trust Preferred Security (equivalent to \$ per Trust Preferred Security per annum), if, as and when the Trust has funds available for payment. See "Description of the Trust Preferred Securities -- Distributions." Distributions not paid on the scheduled payment date will accumulate and compound quarterly at a rate per annum equal to %. The distribution rate and the distribution payment dates and other payment dates for the Trust Preferred Securities will correspond to the distribution rate and distribution payment dates and other payment dates for the Partnership Preferred Securities, which are the sole assets of the Trust. As described above, the assets of the Partnership will initially consist only of the Debentures and, to a limited extent, Eligible Debt Securities.

The payment of distributions by the Trust and payments on liquidation of the Trust or the redemption of Trust Preferred Securities, as described below, are guaranteed on a subordinated basis by the Company (the "Trust Guarantee") to the extent the Trust has funds available therefor as described under "Description of the Trust Guarantee". The payment of distributions by the Partnership (if, as and when declared) and payments on liquidation of the Partnership or the redemption of Partnership Preferred Securities, as described below, are also guaranteed on a subordinated basis by the Company (the "Partnership Guarantee") to the extent the Partnership has funds available therefor as described under

"Description of the Partnership Guarantee". In addition, payments in respect of the Debentures (other than the Company Debenture (as defined herein)) will be fully and unconditionally guaranteed, on a subordinated basis, by the Company (the "Investment Guarantees") for the benefit of the holders of the Partnership Preferred Securities. The Trust Guarantee, the Partnership Guarantee and the Investment Guarantees (collectively, the "Guarantees"), when taken together with the Company Debenture and the Company's obligations to pay all fees and expenses of the Trust and the Partnership, constitute a guarantee to the extent set forth herein by the Company of the distribution, redemption and liquidation payments payable to the holders of the Trust Preferred Securities. The Guarantees do not apply to current distributions by the Partnership unless and until such distributions are declared by the Partnership out of funds legally available for payment or to liquidating distributions unless there are assets available for payment in the Partnership, each as more fully described in the next succeeding paragraph and under "Risk Factors -- Insufficient Income or Assets Available to Partnership". The Company's obligations under the Guarantees are subordinate and junior in right of payment to all other liabilities of the Company and rank PARI PASSU with the most senior preferred stock issued from time to time by the Company, with similar guarantees issued by the Company in connection with the \$275,000,000 aggregate liquidation amount of 7 3/4% Trust Originated Preferred Securities issued by Merrill Lynch Preferred Capital Trust I, and with any guarantee now or hereafter entered into by the Company in respect of any preferred stock of any other Finance Subsidiary (as defined below). The Company's obligations under the Company Debenture are subordinate and junior in right of payment to all Senior Indebtedness of the Company. At September 27, 1996, the Company had outstanding Senior Indebtedness aggregating approximately \$47.7 billion, which would have ranked senior to the Company's obligations under the Guarantees and the Company Debenture. See "Risk Factors -- Ranking of Subordinate Obligations Under the Guarantees and the Company Debenture". The term "Senior Indebtedness" means any payment in respect of indebtedness of the Company for money borrowed, except for any such indebtedness that is by its terms subordinated to or PARI PASSU with the Company Debenture, as the case may be.

Distributions on the Partnership Preferred Securities will be declared and paid only as determined in the sole discretion of the Company in its capacity as the General Partner of the Partnership. In addition, the General Partner is not obligated to declare distributions on the Partnership Preferred Securities at any time, including upon or following a Partnership Enforcement Event (as defined herein). To the extent that the issuers (including, where applicable, the Company, as guarantor) of the securities in which the Partnership invests defer or fail to make any payments in respect of such securities (or, if applicable,

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guarantees), the Partnership will not have sufficient funds to pay and will not declare or pay distributions on the Partnership Preferred Securities. In addition, as described under "Risk Factors -- Insufficient Income or Assets Available to Partnership", the Partnership may not have sufficient funds to pay current or liquidating distributions on the Partnership Preferred Securities if (i) at any time that the Partnership is receiving current payments in respect of the securities held by the Partnership (including the Debentures), the General Partner, in its sole discretion, does not declare distributions on the Partnership Preferred Securities and the Partnership receives insufficient amounts to pay the additional compounded distributions that will accumulate in respect of the Partnership Preferred Securities, (ii) the Partnership reinvests the proceeds received in respect of the Debentures upon their retirement or at their maturities in Affiliate Investment Instruments (as defined herein) and Eligible Debt Securities that do not generate income in an amount that is sufficient to pay full distributions in respect of the Partnership Preferred Securities or (iii) the Partnership invests in equity or debt securities of Investment Affiliates that are not guaranteed by the Company and that cannot be liquidated by the Partnership for an amount sufficient to pay such distributions in full. The Debentures will provide that payments of interest may be deferred at any time, and from time to time, by the relevant issuer for a period not exceeding six consecutive quarters. If an issuer were to so defer the payment of interest, interest would continue to accrue and compound at the stated interest rate on such Debenture. If the Partnership does not declare and pay distributions on the Partnership Preferred Securities out of funds legally available for distribution, the Trust will not have sufficient funds to make distributions on the Trust Preferred Securities, in which event the Trust Guarantee will not apply to such distributions until the Trust has sufficient funds available therefor. See "Risk Factors -- Distributions Payable Only if Declared by General Partner; Restrictions on Certain Payments; Tax Consequences", "-- Insufficient Income or Assets Available to Partnership", "Description of the Trust Preferred Securities -- Distributions" and "Description of the Partnership Preferred Securities -- Distributions".

The Partnership may, from time to time and subject to the restrictions described herein, reinvest payments received with respect to the Affiliate Investment Instruments (including the Debentures) and the Eligible Debt Securities, in additional Affiliate Investment Instruments and Eligible Debt Securities. As of the date of this Prospectus, the Company, as the General Partner, does not intend to cause the Partnership to reinvest regularly scheduled periodic payments of interest or dividends received by the Partnership

in the manner described herein, although there can be no assurance that the General Partner's intention in respect of such reinvestments will not change in the future.

If (a) for any distribution period, full distributions on a cumulative basis on any Trust Preferred Securities have not been paid or set apart for payment, (b) an Investment Event of Default by any Investment Affiliate in respect of any Affiliate Investment Instrument has occurred and is continuing or (c) the Company is in default of its obligations under any Guarantee, then during such period (i) the Company shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock or comparable equity interest (except for (x) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, its capital stock, and conversions or exchanges of common stock of one class into common stock of another class, (y) redemptions or purchases of any rights pursuant to the Rights Agreement dated as of December 16, 1987 between the Company and The Chase Manhattan Bank (successor by merger to Manufacturers Hanover Trust Company), or any successor to such Rights Agreement (the "Rights Agreement") and the issuance of preferred stock pursuant to such rights and (z) purchases or acquisitions by the Company or its affiliates in connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such capital stock or comparable equity interest) and (ii) the Company shall not make, permit any Finance Subsidiary to make, or make any payments that would enable any Finance Subsidiary to make, any payment of any dividends on, any distribution with respect to, or any redemption, purchase or other acquisition of, or any liquidation payment with respect to, any preferred security or

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comparable equity interest of any Finance Subsidiary. "Finance Subsidiary" means Merrill Lynch Preferred Capital Trust I and any other wholly-owned subsidiary of the Company the principal purpose of which is to raise capital for the Company by issuing securities that are guaranteed by the Company and the proceeds of which are loaned to or invested in the Company or one or more of its affiliates.

The Partnership Preferred Securities are redeemable by the Partnership, in whole or in part, from time to time, on or after March 30, 2007 at an amount per Partnership Preferred Security equal to \$25 plus accumulated and unpaid distributions thereon to the date fixed for redemption. The Partnership Preferred Securities may also be redeemed, in whole but not in part, at any time upon the occurrence of a Partnership Special Event (as defined herein). If the Partnership redeems the Partnership Preferred Securities, the Trust must redeem Trust Securities on a PRO RATA basis having an aggregate liquidation amount equal to the aggregate liquidation preference of the Partnership Preferred Securities so redeemed at a redemption price of \$25 per Partnership Preferred Security plus all accumulated and unpaid distributions thereon to the date fixed for redemption (the "Redemption Price"). See "Description of the Trust Preferred Securities -- Mandatory Redemption". Neither the Partnership Preferred Securities nor the Trust Preferred Securities have any scheduled maturity or are redeemable at any time at the option of the holders thereof.

The Trust will be dissolved upon the occurrence of a Trust Special Event (as defined herein). Upon dissolution of the Trust, the Partnership Preferred Securities will be distributed to the holders of the Trust Securities, on a PRO RATA basis, in lieu of any cash distribution, unless the Partnership Preferred Securities are redeemed in the limited circumstances described herein. If the Partnership Preferred Securities are distributed to the holders of the Trust Securities, the Company will use its best efforts to cause the Partnership Preferred Securities to be listed on the New York Stock Exchange or such other national securities exchange or similar organization as the Trust Preferred Securities are then listed or quoted. See "Description of the Trust Preferred Securities -- Trust Special Event Redemption or Distribution" and "Description of the Partnership Preferred Securities".

In the event of any liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Preferred Securities will be entitled to receive for each Trust Preferred Security a liquidation amount of \$25 plus accumulated and unpaid distributions thereon, except to the extent, in connection with such dissolution, Partnership Preferred Securities are distributed to the holders of the Trust Preferred Securities. Upon (i) the occurrence of an Investment Event of Default by an Investment Affiliate in respect of any Affiliate Investment Instrument or (ii) default by the Company on any of its obligations under any Guarantee, the holders of the Trust Preferred Securities will have a preference over the holders of the Trust Common Securities with respect to payments upon liquidation of the Trust. Under no circumstances will the investment instruments held by the Partnership be distributed in kind to the holders of the Trust Preferred Securities or Partnership Preferred Securities. See "Description of the Trust Preferred Securities -- Liquidation Distribution Upon Dissolution".

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE

OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAYBE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

The Company, the Trust and the Partnership have filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-3 (the "Registration Statement", which term shall include all amendments, exhibits and schedules thereto), pursuant to the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder, with respect to the Trust Preferred Securities offered hereby (as well as the Partnership Preferred Securities, the Trust Guarantee, the Partnership Guarantee, the Investment Guarantees and the Company Debenture). This

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Prospectus, which constitutes a part of the Registration Statement, does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission, and to which reference is hereby made.

The Company is subject to the informational and reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Commission. Except for the listing of Trust Preferred Securities that is expected to be made on the New York Stock Exchange, neither the Trust nor the Partnership has any securities that are listed on any national securities exchange. The Registration Statement, as well as reports, proxy and information statements and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: Northeast Regional Office, Seven World Trade Center, New York, New York 10048 and Midwest Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2551. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Reports, proxy and information statements and other information concerning the Company may also be inspected at the offices of the New York Stock Exchange, the American Stock Exchange, the Chicago Stock Exchange and the Pacific Stock Exchange. The Commission maintains a Web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants, including the Company, that file electronically with the Commission.

Statements made in this Prospectus concerning the provisions of any contract, agreement or other document referred to herein are not necessarily complete. With respect to each such statement concerning a contract, agreement or other document filed as an exhibit to the Registration Statement or otherwise filed with the Commission, reference is made to such exhibit or other filing for a more complete description of the matter involved, and each such statement is qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 10-K for the year ended December 29, 1995 (the "1995 Form 10-K"), Quarterly Reports on Form 10-Q for the periods ended March 29, 1996, June 28, 1996 and September 27, 1996, and Current Reports on Form 8-K dated January 17, 1996, January 22, 1996, February 7, 1996, February 29, 1996, March 1, 1996, March 12, 1996, March 18, 1996, April 1, 1996, April 15, 1996, May 1, 1996, May 13, 1996, May 15, 1996, May 28, 1996 (as amended by Form 8-K/A filed June 7, 1996), July 9, 1996, July 16, 1996, July 31, 1996, August 12, 1996, October 15, 1996, October 30, 1996, January 13, 1997 and January 27, 1997 filed pursuant to Section 13 of the Exchange Act, are hereby incorporated by reference into this Prospectus.

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

The Company will provide without charge to each person to whom this Prospectus is delivered, on written or oral request of such person, a copy (without exhibits other than exhibits specifically incorporated by reference) of any or all documents incorporated by reference into this Prospectus. Requests for such copies should be directed to Mr. Gregory T. Russo, Secretary, Merrill Lynch & Co., Inc., 100 Church Street, 12th Floor, New York, New York 10080-6512; telephone number (212) 602-8435.

SUMMARY

THE FOLLOWING SUMMARY DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS. CERTAIN TERMS USED IN THIS SUMMARY ARE DEFINED ELSEWHERE IN THIS PROSPECTUS. SEE "INDEX OF DEFINED TERMS" FOR A CROSS REFERENCE TO THE LOCATION IN THIS PROSPECTUS WHERE SUCH TERMS ARE DEFINED.

<TABLE>

<S>	<C>
The Trust.....	Merrill Lynch Preferred Capital Trust II, a Delaware statutory business trust. The sole assets of the Trust will be the Partnership Preferred Securities.
The Partnership.....	Merrill Lynch Preferred Funding II, L.P., a Delaware limited partnership. The assets of the Partnership will initially consist of Debentures and certain Eligible Debt Securities.
Securities Offered.....	12,000,000 of % Trust Preferred Securities.
Distributions.....	Distributions on the Trust Preferred Securities will accumulate from the date of original issuance of the Trust Preferred Securities and will be payable at the annual rate of % of the liquidation amount of \$25 per Trust Preferred Security if, as and when the Trust has funds available for payment. Distributions will be payable quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing March 30, 1997. Distributions not made on the scheduled payment date will accumulate and compound quarterly at a rate per annum equal to %. The distributions payable with respect to March 30, 1997 will represent distributions accumulated from February , 1997 and will equal \$ for each \$25 Trust Preferred Security.

The ability of the Trust to pay distributions on the Trust Preferred Securities is entirely dependent on its receipt of corresponding distributions with respect to the Partnership Preferred Securities. The ability of the Partnership to pay distributions on the Partnership Preferred Securities is, in turn, dependent on its receipt of payments with respect to the Debentures and the Eligible Debt Securities held by the Partnership. The Debentures will provide that payments of interest may be deferred at any time, and from time to time, by the relevant issuer for a period not exceeding six consecutive quarters. Distributions on the Partnership Preferred Securities will be declared and paid only as determined in the sole discretion of the Company in its capacity as the General Partner of the Partnership. See "Risk Factors -- Distributions Payable Only if Declared by General Partner; Restrictions on Certain Payments; Tax Consequences," "Description of the Trust Preferred Securities -- Distributions" and "Description of the Partnership Preferred Securities -- Distributions" and "-- Partnership Investments".

Rights Upon Non-Payment of Distributions and Certain Defaults; Covenants of the Company.....	If, at any time, (i) arrearages on distributions on the Trust Preferred Securities shall exist for six consecutive quarterly distribution periods, (ii) an Investment Event of Default occurs and is continuing on any
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	Affiliate Investment Instrument or (iii) the Company is in default on any of its obligations under the Trust Guarantee or the Partnership Guarantee, then (a) the Property Trustee, as the holder of the Partnership Preferred Securities, will have the right to enforce the terms of the Partnership Preferred Securities, including the right to direct the Special Representative (as defined herein) to enforce (1) the Partnership's creditors' rights and other rights with respect to the Affiliate Investment Instruments and the Investment Guarantees and (2) the rights of the holders of the Partnership Preferred Securities to receive distributions (only if, as and when declared) on the Partnership Preferred Securities, and (b) the Trust Guarantee Trustee or the Special Representative, as the holders of the Trust Guarantee and the Partnership Guarantee, respectively, shall have the right to enforce such Guarantees, including the right to enforce the covenant

restricting certain payments by the Company and Finance Subsidiaries described below.

Under no circumstances, however, shall the Special Representative have authority to cause the General Partner to declare distributions on the Partnership Preferred Securities. If the Partnership does not declare and pay distributions on the Partnership Preferred Securities out of funds legally available for distribution, the Trust will not have sufficient funds to make distributions on the Trust Preferred Securities. See "Risk Factors -- Insufficient Income or Assets Available to Partnership", "Description of the Trust Preferred Securities -- Trust Enforcement Events" and "Description of the Partnership Preferred Securities -- Partnership Enforcement Events".

The Company has agreed that if (a) for any distribution period, full distributions on a cumulative basis on any Trust Preferred Securities have not been paid or set apart for payment, (b) an Investment Event of Default by any Investment Affiliate in respect of any Affiliate Investment Instrument has occurred and is continuing or (c) the Company is in default of its obligations under the Trust Guarantee, the Partnership Guarantee or any Investment Guarantee, then, during such period (i) the Company shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to any of its capital stock or comparable equity interest (except for (x) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, its capital stock and conversions or exchanges of common stock of one class into common stock of another class, (y) redemptions or purchases of any rights pursuant to the Rights Agreement and the issuance of preferred stock pursuant to such rights and (z) purchases or acquisitions by the Company or its affiliates in connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such capital stock or comparable equity interest) and (ii) the Company shall not make, permit any Finance Subsidiary to make, nor make any payments that would enable any Finance Subsidiary to make, any payment of any dividends on, any distribution with respect to, or any redemption, purchase or other

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acquisition of, or any liquidation payment with respect to, any preferred security or comparable equity interest of any Finance Subsidiary.

Liquidation Amount..... In the event of any liquidation of the Trust, holders will be entitled to receive \$25 per Trust Preferred Security plus an amount equal to any accumulated and unpaid distributions thereon to the date of payment (such amount being the "Trust Liquidation Distribution"), unless Partnership Preferred Securities are distributed to such holders in connection with a Trust Special Event. If upon a liquidation of the Trust (in which the Partnership Preferred Securities are not distributed to holders of the Trust Securities), the Trust Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Trust Liquidation Distribution, then the amounts payable directly by the Trust on the Trust Preferred Securities shall be paid on a PRO RATA basis. The holders of the Trust Common Securities will be entitled to receive distributions upon any such liquidation PRO RATA with the holders of the Trust Preferred Securities, except that upon (i) the occurrence of an Investment Event of Default by an Investment Affiliate (including the Company) in respect of any Affiliate Investment Instrument or (ii) default by the Company on any of its obligations under any Guarantee, the holders of the Trust Preferred Securities will have a preference over the holders of the Trust Common Securities with respect to payments upon liquidation of the Trust. See "Description of the Trust Preferred Securities -- Liquidation Distribution Upon Dissolution".

Optional Redemption..... The Partnership Preferred Securities will be redeemable for cash, at the option of the Partnership, in whole or in part, from time to time, after March 30, 2007 at an amount per Partnership Preferred Security equal to \$25 plus accumulated

and unpaid distributions thereon. Upon any redemption of the Partnership Preferred Securities, the Trust Preferred Securities will be redeemed, in whole or in part, as applicable, at the Redemption Price. See "Description of the Partnership Preferred Securities--Optional Redemption" and "Description of the Trust Preferred Securities -- Mandatory Redemption". Neither the Partnership Preferred Securities nor the Trust Preferred Securities have any scheduled maturity or are redeemable at any time at the option of the holders thereof.

Guarantees..... The Company will irrevocably guarantee, on a subordinated basis, the payment in full of (i) any accumulated and unpaid distributions on the Trust Preferred Securities to the extent of funds of the Trust legally available therefor, (ii) the amount payable upon redemption of the Trust Preferred Securities to the extent of funds of the Trust legally available therefor and (iii) generally, the liquidation amount of the Trust Preferred Securities to the extent of the assets of the Trust legally available for distribution to holders of Trust Preferred Securities. See "Description of the Trust Guarantee".

The Company will also irrevocably guarantee, on a subordinated basis and to the extent set forth herein, the payment in full of (i) any

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accumulated and unpaid distributions on the Partnership Preferred Securities if, as and when declared out of funds legally available therefor, (ii) the amount payable upon redemption of the Partnership Preferred Securities to the extent of funds of the Partnership legally available therefor and (iii) generally, the liquidation preference of the Partnership Preferred Securities to the extent of the assets of the Partnership legally available for distribution to holders of Partnership Preferred Securities. See "Description of the Partnership Guarantee".

The Company will fully and unconditionally guarantee, on a subordinated basis, payments in respect of the Debentures (other than the Company Debenture) for the benefit of the holders of the Partnership Preferred Securities, to the extent described under "Description of the Partnership Preferred Securities -- Investment Guarantees". The Guarantees, when taken together with the Company Debenture and the Company's obligations to pay all fees and expenses of the Trust and the Partnership, constitute a guarantee to the extent set forth herein by the Company of the distribution, redemption and liquidation amounts payable to the holders of the Trust Preferred Securities. The Guarantees do not apply, however, to current distributions by the Partnership unless and until such distributions are declared by the Partnership out of funds legally available for payment or to liquidating distributions unless there are assets available for payment in the Partnership, each as more fully described under "Risk Factors -- Insufficient Income or Assets Available to Partnership". The Company's obligations under the Guarantees are subordinate and junior in right of payment to all other liabilities of the Company and rank PARI PASSU with the most senior preferred stock issued from time to time by the Company, with similar guarantees issued by the Company in connection with the \$275,000,000 aggregate liquidation amount of 7 3/4% Trust Originated Preferred Securities issued by Merrill Lynch Preferred Capital Trust I, and with any guarantee now or hereafter entered into by the Company in respect of any preferred stock of any other Finance Subsidiary.

Voting Rights..... Generally, holders of the Trust Preferred Securities will not have any voting rights. The holders of a majority in liquidation amount of the Trust Preferred Securities, however, have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee, as holder of the Partnership Preferred Securities, (i) to exercise its rights in the manner described above under "Rights Upon Non-Payment of Distributions and Certain Defaults; Covenants of the Company" and (ii) to consent to

any amendment, modification or termination of the Limited Partnership Agreement or the Partnership Preferred Securities where such consent shall be required. See "Description of the Trust Preferred Securities -- Voting Rights".

Special Event Redemptions or Distributions..... Upon the occurrence of a Trust Tax Event (which event will generally

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be triggered upon the occurrence of certain adverse tax consequences or the denial of an interest deduction on the Debentures held by the Partnership) or a Trust Investment Company Event (which event will generally be triggered if the Trust is considered an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act")), except in certain limited circumstances, the Regular Trustees (as defined herein) will have the right to liquidate the Trust and cause Partnership Preferred Securities to be distributed to the holders of the Trust Preferred Securities. In certain circumstances involving a Partnership Tax Event (which event will generally be triggered upon the occurrence of certain adverse tax consequences or the denial of an interest deduction on the Debentures held by the Partnership) or a Partnership Investment Company Event (which event will generally be triggered if the Partnership is considered an "investment company" under the 1940 Act), the Partnership will have the right to redeem the Partnership Preferred Securities, in whole (but not in part), at \$25 per Partnership Preferred Security plus accumulated and unpaid distributions thereon, regardless of the occurrence of any Trust Tax Event or Trust Investment Company Event and in lieu of any distribution of the Partnership Preferred Securities required in connection therewith, in which event the Trust Securities will be redeemed at the Redemption Price. See "Description of the Trust Preferred Securities -- Trust Special Event Redemption or Distribution" and "Description of the Partnership Preferred Securities -- Partnership Special Event Redemption".

Form of Trust Preferred Securities..... The Trust Preferred Securities will be represented by a global certificate or certificates registered in the name of Cede & Co., as nominee for DTC. Beneficial interests in the Trust Preferred Securities will be evidenced by, and transfers thereof will be effected only through, records maintained by the participants in DTC. Except as described herein, Trust Preferred Securities in certificated form will not be issued in exchange for the global certificate or certificates. See "Description of the Trust Preferred Securities -- Book-Entry Only Issuance -- The Depository Trust Company".

Use of Proceeds..... All of the proceeds from the sale of the Trust Securities will be invested by the Trust in the Partnership Preferred Securities. The Partnership will use the funds to make investments in Debentures and certain Eligible Debt Securities. See "Use of Proceeds".

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RISK FACTORS

PROSPECTIVE PURCHASERS OF THE TRUST PREFERRED SECURITIES SHOULD CONSIDER CAREFULLY THE RISK FACTORS SET FORTH BELOW, AS WELL AS ALL OTHER INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS, IN EVALUATING AN INVESTMENT IN THE TRUST PREFERRED SECURITIES.

DISTRIBUTIONS PAYABLE ONLY IF DECLARED BY GENERAL PARTNER; RESTRICTIONS ON CERTAIN PAYMENTS; TAX CONSEQUENCES

Distributions on the Partnership Preferred Securities will be payable only if, as and when declared by the General Partner in its sole discretion. The Company is the sole General Partner of the Partnership, and the Debentures will constitute obligations of the Company and its affiliates. If interest payments on the Debentures are deferred as permitted thereby, or if such interest payments are not paid to the Partnership according to their terms (and guarantee payments on the Investment Guarantees are not made by the Company), the Partnership will generally lack funds to pay distributions on the Partnership

Preferred Securities. If the Partnership does not make current distributions on the Partnership Preferred Securities, either because the General Partner does not declare distributions to be made or because the Partnership lacks sufficient funds, the Trust will not have funds available to make current distributions on the Trust Preferred Securities. As described under "Description of the Trust Guarantee -- Covenants of the Company", in certain circumstances, the Company will be restricted from, among other things, paying any dividends on its Common Stock.

Should the Partnership fail to pay current distributions on the Partnership Preferred Securities, each holder of Trust Preferred Securities will generally be required to accrue income, for United States federal income tax purposes, in respect of the cumulative deferred distributions (including interest thereon) allocable to its proportionate share of the Partnership Preferred Securities. As a result, each holder of Trust Preferred Securities will recognize income for United States federal income tax purposes in advance of the receipt of cash and will not receive the cash from the Trust related to such income if such holder disposes of its Trust Preferred Securities prior to the record date for the date on which distributions of such amounts are made by the Trust. See "Certain Federal Income Tax Considerations".

INSUFFICIENT INCOME OR ASSETS AVAILABLE TO PARTNERSHIP

The Trust Preferred Securities are subject to the risk of a current or liquidating distribution rate mismatch between the rate paid on the Trust Preferred Securities and the rate paid on the securities held by the Partnership, including the Debentures and any additional securities acquired by the Partnership in the future. Such mismatch could occur if (i) at any time that the Partnership is receiving current payments in respect of the securities held by the Partnership (including the Debentures), the General Partner, in its sole discretion, does not declare distributions on the Partnership Preferred Securities and the Partnership receives insufficient amounts to pay the additional compounded distributions that will accumulate in respect of the Partnership Preferred Securities, (ii) the Partnership reinvests the proceeds received in respect of the Debentures upon their retirement or at their maturities in Affiliate Investment Instruments or Eligible Debt Securities that do not generate income in an amount that is sufficient to pay full distributions in respect of the Partnership Preferred Securities at a rate of % per annum or (iii) the Partnership invests in equity or debt securities of Investment Affiliates that are not guaranteed by the Company and that cannot be liquidated by the Partnership for an amount sufficient to pay such distributions in full. If the reinvestments in the securities of the Investment Affiliates contemplated by the General Partner do not meet the eligibility criteria for Affiliate Investment Instruments described under "Description of the Partnership Preferred Securities -- Partnership Investments," the Partnership shall invest funds available for reinvestment in Eligible Debt Securities. To the extent that the Partnership lacks sufficient funds to make current or liquidating distributions on the Partnership Preferred Securities in full,

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the Trust will not have sufficient funds available to pay full current or liquidating distributions on the Trust Preferred Securities.

DEPENDENCE ON AFFILIATE INVESTMENT INSTRUMENTS

Approximately 99% of the proceeds from the issuance of the Partnership Preferred Securities and the General Partner's capital contribution will be invested in Debentures, which consist of debt instruments of the Company and one or more eligible controlled affiliates. See "Description of the Partnership Preferred Securities -- Partnership Investments".

PROPOSED TAX LEGISLATION

On March 19, 1996, as part of President Clinton's Fiscal 1997 Budget Proposal, the Treasury Department proposed legislation (the "Proposed Legislation") that would, among other things, deny the borrower an interest deduction with respect to certain types of debt instruments that are payable in stock of the issuer or a related party. The Proposed Legislation also would treat as equity for United States federal income tax purposes instruments with a maximum term of more than 20 years that are not shown as indebtedness on the consolidated balance sheet of the issuer. On March 29, 1996, Senate Finance Committee Chairman William V. Roth and House Ways and Means Committee Chairman Bill Archer issued a joint statement (the "Joint Statement") indicating their intent that certain legislative proposals initiated by the Clinton administration, including the Proposed Legislation, that may be adopted by either of the tax-writing committees of Congress, would have an effective date that is no earlier than the date of "appropriate Congressional action". In addition, subsequent to the publication of the Joint Statement, Senator Daniel Patrick Moynihan and Representatives Sam M. Gibbons and Charles B. Rangel wrote letters to Treasury Department officials concurring with the view expressed in the Joint Statement (the "Democrat Letters"). If the principles contained in the Joint Statement and the Democrat Letters were followed and the Proposed Legislation were enacted, such legislation would not apply to the Debentures. There can be no assurances, however, that legislation enacted after the date hereof will not adversely affect the tax treatment of the Debentures, or whether

such tax treatment would cause a Partnership Tax Event or a Trust Tax Event that may result in the redemption of the Partnership Preferred Securities and, consequently, the Trust Preferred Securities.

SPECIAL EVENT REDEMPTION OR DISTRIBUTION

Upon the occurrence of a Trust Special Event or a Partnership Special Event (each of which will generally be triggered either upon (i) the occurrence of certain adverse tax consequences to the Trust or the Partnership, as the case may be, or the denial of an interest deduction by the related Investment Affiliate on the Debentures held by the Partnership or (ii) the Trust or Partnership being considered an "investment company" under the 1940 Act) (each, a "Special Event"), the Trust will be dissolved with the result that, except in the limited circumstances described below, the Partnership Preferred Securities would be distributed to the holders of the Trust Securities in connection with the liquidation of the Trust. In certain circumstances, the Partnership shall have the right to redeem the Partnership Preferred Securities, in whole (but not in part), in lieu of a distribution of the Partnership Preferred Securities by the Trust, in which event the Trust will redeem the Trust Preferred Securities for cash. See "Description of the Trust Preferred Securities -- Trust Special Event Redemption or Distribution" and "Description of the Partnership Preferred Securities -- Partnership Special Event Redemption".

Unless the liquidation of the Trust occurs as a result of the Trust being subject to United States federal income tax with respect to income on the Partnership Preferred Securities, a distribution of the Partnership Preferred Securities upon the dissolution of the Trust would not be a taxable event to holders of the Trust Preferred Securities. If, however, the liquidation of the Trust were to occur because the Trust is subject to United States federal income tax with respect to income accrued or received on the Partnership Preferred Securities, the distribution of Partnership Preferred Securities to holders by the Trust would likely be a

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taxable event to each such holder, and a holder would recognize gain or loss as if the holder had exchanged its Trust Preferred Securities for the Partnership Preferred Securities it received upon the liquidation of the Trust. Similarly, the holders of the Trust Preferred Securities would recognize gain or loss if the Trust dissolves upon an occurrence of a Partnership Special Event and the holders of Trust Preferred Securities receive cash in exchange for their Trust Preferred Securities. See "Certain Federal Income Tax Considerations -- Redemption of Trust Preferred Securities for Cash".

There can be no assurance as to the market prices for the Partnership Preferred Securities that may be distributed in exchange for Trust Preferred Securities if a dissolution or liquidation of the Trust were to occur. Accordingly, the Partnership Preferred Securities that a holder of Trust Preferred Securities may receive upon dissolution and liquidation of the Trust may trade at a discount to the price that the investor paid to purchase the Trust Preferred Securities offered hereby. Because holders of Trust Preferred Securities may receive Partnership Preferred Securities upon the occurrence of a Special Event, prospective purchasers of Trust Preferred Securities also are making an investment decision with regard to the Partnership Preferred Securities and should carefully review all the information regarding the Partnership Preferred Securities contained herein. See "Description of the Partnership Preferred Securities -- Partnership Special Event Redemption" and "-- General".

RANKING OF SUBORDINATED OBLIGATIONS UNDER THE GUARANTEES AND THE COMPANY DEBENTURE

The Company's obligations under the Trust Guarantee, the Partnership Guarantee and the Investment Guarantees are subordinate and junior in right of payment to all liabilities of the Company and will rank PARI PASSU with the most senior preferred stock, if any, issued from time to time by the Company, with similar guarantees issued by the Company in connection with the \$275,000,000 aggregate liquidation amount of 7 3/4% Trust Originated Preferred Securities issued by Merrill Lynch Preferred Capital Trust I, and with any guarantee now or hereafter entered into by the Company in respect of any preferred stock of any other Finance Subsidiary, and the Company's obligations under the Company Debenture are subordinate and junior in right of payment to all Senior Indebtedness. At September 27, 1996, the Company had outstanding Senior Indebtedness aggregating approximately \$47.7 billion which would have ranked senior to the Company's obligations under the Guarantees and the Company Debenture. There are no terms in the Trust Preferred Securities, the Partnership Preferred Securities, the Guarantees or the Debentures that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to the Guarantees. See "Description of the Partnership Preferred Securities -- Partnership Investments" and "-- Investment Guarantees", "Description of the Trust Guarantee" and "Description of the Partnership Guarantee".

ENFORCEMENT OF CERTAIN RIGHTS BY OR ON BEHALF OF HOLDERS OF TRUST PREFERRED SECURITIES

If a Trust Enforcement Event occurs and is continuing, then (a) the holders of Trust Preferred Securities would rely on the enforcement by the Property Trustee of its rights, as a holder of the Partnership Preferred Securities, against the Company, including the right to direct the Special Representative to enforce (i) the Partnership's creditors' rights and other rights with respect to the Affiliate Investment Instruments and the Investment Guarantees, (ii) the rights of the holders of the Partnership Preferred Securities under the Partnership Guarantee, and (iii) the rights of the holders of the Partnership Preferred Securities to receive distributions (only if and to the extent declared out of funds legally available therefor) on the Partnership Preferred Securities, and (b) the Trust Guarantee Trustee shall have the right to enforce the terms of the Trust Guarantee, including the right to enforce the covenant restricting certain payments by the Company and Finance Subsidiaries. Under no circumstances, however, shall the Special Representative have authority to cause the General Partner to declare distributions on the Partnership Preferred Securities. As a result, although the Special Representative may be able to enforce the Partnership's creditors' rights to accelerate and receive payments in respect of the Affiliate Investment Instruments and the Investment Guarantees, the Partnership would be entitled to reinvest such payments

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in additional Affiliate Investment Instruments, subject to satisfying the reinvestment criteria described under "Description of the Partnership Preferred Securities -- Partnership Investments", and the Eligible Debt Securities, rather than declaring and making distributions on the Partnership Preferred Securities. See "Description of the Trust Preferred Securities -- Trust Enforcement Events".

LIMITED VOTING RIGHTS

Holders of the Trust Preferred Securities will have limited voting rights and will not be entitled to vote to appoint, remove or replace, or to increase or decrease the number of, Trustees, which voting rights are vested exclusively in the holder of the Trust Common Securities. See "Description of the Trust Preferred Securities -- Voting Rights".

TRADING CHARACTERISTICS OF TRUST PREFERRED SECURITIES

The price at which the Trust Preferred Securities may trade may not fully reflect the value of the accumulated but unpaid distributions on the Trust Preferred Securities (which will equal the accumulated but unpaid distributions on the Partnership Preferred Securities). In addition, as a result of the right of the General Partner not to declare current distributions on the Partnership Preferred Securities, the market price of the Trust Preferred Securities (which represent undivided beneficial ownership interests in the Partnership Preferred Securities) may be more volatile than other similar securities where there is no such right to defer current distributions. A holder who disposes of its Trust Preferred Securities will be required to include for United States federal income tax purposes accumulated but unpaid distributions on the Partnership Preferred Securities through the date of disposition in income as ordinary income, and to add such amount to its adjusted tax basis in its pro rata share of the Partnership Preferred Securities deemed disposed of. To the extent the selling price is less than the holder's adjusted tax basis (which will include all accumulated but unpaid distributions), a holder will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes. See "Certain Federal Income Tax Considerations".

NO PRIOR MARKET FOR THE TRUST PREFERRED SECURITIES

The Trust Preferred Securities constitute a new issue of securities with no established trading market. Application has been made to list the Trust Preferred Securities on the New York Stock Exchange. There can be no assurance that an active market for the Trust Preferred Securities will develop or be sustained in the future on the New York Stock Exchange. Although the Underwriters have indicated to the Company that they intend to make a market in the Trust Preferred Securities, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue any such market-making at any time without notice. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Trust Preferred Securities.

The Trust Preferred Securities will only be sold to those investors for whom such Trust Preferred Securities are considered suitable in light of their particular circumstances.

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MERRILL LYNCH & CO., INC.

Merrill Lynch & Co., Inc. is a holding company that, through its subsidiaries and affiliates, provides investment, financing, insurance, and related services on a global basis. Its principal subsidiary, MLPF&S, one of the largest securities firms in the world, is a leading broker in securities, options contracts, and commodity and financial futures contracts; a leading dealer in options and in corporate and municipal securities; a leading

investment banking firm that provides advice to, and raises capital for, its clients; and an underwriter of selected insurance products. Other subsidiaries provide financial services on a global basis similar to those of MLPF&S and are engaged in such other activities as international banking, lending, and providing other investment and financing services. Merrill Lynch International Incorporated, through subsidiaries and affiliates, provides investment, financing, and related services outside the United States and Canada. Merrill Lynch Asset Management, LP and Fund Asset Management, LP together constitute one of the largest mutual fund managers in the world and provide investment advisory services. Merrill Lynch Government Securities Inc. is a primary dealer in obligations issued or guaranteed by the U.S. Government and its agencies. Merrill Lynch Capital Services, Inc., Merrill Lynch Derivative Products AG, and Merrill Lynch Capital Markets PLC are the Company's primary derivative product dealers and enter into interest rate and currency swaps and other derivative transactions as intermediaries and as principals. The Company's insurance underwriting operations consist of the underwriting of life insurance and annuity products. Banking, trust, and mortgage lending operations conducted through subsidiaries of the Company include issuing certificates of deposit, offering money market deposit accounts, making secured loans, and providing foreign exchange facilities and other related services.

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

USE OF PROCEEDS

The proceeds to be received by the Trust from the sale of the Trust Preferred Securities and the Trust Common Securities will be used by the Trust to purchase Partnership Preferred Securities, and will be applied by the Partnership to invest in Debentures and Eligible Debt Securities. See "Description of the Partnership Preferred Securities -- Partnership Investments". The Company and the subsidiaries of the Company which are the issuers of the Debentures will use the proceeds from the sale of such Debentures to the Partnership of \$300,000,000 for general corporate purposes and to repay certain intercompany indebtedness. To the extent that Trust Preferred Securities being purchased for resale by MLPF&S are not resold, the aggregate proceeds to the Company and its subsidiaries would be reduced.

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SUMMARY FINANCIAL INFORMATION

The following summary of consolidated financial information was derived from, and is qualified in its entirety by reference to, the financial statements, condensed financial statements, and other information and data contained in the Company's Annual Report on Form 10-K for the year ended December 29, 1995, the Quarterly Report on Form 10-Q for the period ended September 27, 1996 (the "Quarterly Report"), and the Current Report on Form 8-K dated January 27, 1997 (the "Current Report"). See "Incorporation of Certain Documents by Reference." The Quarterly Report and the Current Report (which include unaudited preliminary financial information for the year ended December 27, 1996) and the other documents incorporated herein by reference will be superseded by the Company's Annual Report on Form 10-K for the year ended December 27, 1996. In the opinion of management of the Company, all adjustments (consisting only of normal recurring accruals) necessary for a fair statement of the results of operations have been included. The year-end results include 52 weeks for 1992, 1994, 1995, and 1996 and 53 weeks for 1993.

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

<TABLE>

<CAPTION>

	YEAR ENDED LAST FRIDAY IN DECEMBER				
	<C> 1992	<C> 1993	<C> 1994	<C> 1995	<C> 1996
<S>					

<CAPTION>

	(IN MILLIONS, EXCEPT RATIOS)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$ 13,413	\$ 16,588	\$ 18,234	\$ 21,513	\$ 25,011
Net revenues(1).....	\$ 8,577	\$ 10,558	\$ 9,625	\$ 10,265	\$ 13,116
Earnings before income taxes and cumulative effect of changes in accounting principles(2).....	\$ 1,621	\$ 2,425	\$ 1,730	\$ 1,811	\$

2,566

Cumulative effect of changes in accounting principles (net of applicable income taxes) (2).....	\$	(58)	\$	(35)	--	--	--		
Net earnings(2).....	\$	894	\$	1,359	\$	1,017	\$ 1,114	\$ --	
1,619									
Ratio of earnings to fixed charges(3).....		1.3		1.4		1.2		1.2	--
Total assets(4) (5).....	\$	107,024	\$	152,910	\$	163,749	\$	176,857	--
Long-term borrowings(4) (6).....	\$	10,871	\$	13,469	\$	14,863	\$	17,340	--
Stockholders' equity(4) (7).....	\$	4,569	\$	5,486	\$	5,818	\$	6,141	--

</TABLE>

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- (1) Net revenues are revenues net of interest expense.
- (2) Net earnings for 1992 have been reduced by \$58 million to reflect the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, EMPLOYERS' ACCOUNTING FOR POSTRETIREMENT BENEFITS OTHER THAN PENSIONS, and SFAS No. 109, ACCOUNTING FOR INCOME TAXES. Net earnings for 1993 were reduced by \$35 million to reflect the adoption of SFAS 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, amortization of debt expense, preferred stock dividend requirements of majority-owned subsidiaries, and that portion of rentals estimated to be representative of the interest factor. The ratio of earnings to fixed charges for the year ended December 27, 1996 is not available as of the date of this Prospectus. The ratio of earnings to fixed charges was 1.2 for the year ended December 27, 1991 and was 1.2 for the nine months ended September 27, 1996.

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

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(FOOTNOTES CONTINUED FROM PRECEDING PAGE)

- (4) Balance sheet information for the year ended December 27, 1996 is not available as of the date of this Prospectus. At September 27, 1996, total assets, long-term borrowings, and stockholders' equity were \$207,911 million, \$24,098 million and \$6,618 million, respectively.
- (5) In 1994, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 39, "OFFSETTING OF AMOUNTS RELATED TO CERTAIN CONTRACTS", and FASB Interpretation No. 41, "OFFSETTING OF AMOUNTS RELATED TO CERTAIN REPURCHASE AND REVERSE REPURCHASE AGREEMENTS", which increased assets and liabilities at December 30, 1994 by approximately \$8,500 million.
- (6) 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 varies significantly with the level of general business activity, on September 27, 1996, \$2,659 million of bank loans and \$20,208 million 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 27, 1996, cash deposits for securities loaned and securities sold under agreements to repurchase amounted to \$5,067 million and \$65,123 million, respectively. From September 28, 1996 to January 29, 1997, long-term borrowings, net of repayments and repurchases, increased by approximately \$4,047 million.
- (7) On December 17, 1996, Merrill Lynch Preferred Capital Trust I, a subsidiary of the Company ("Trust I"), issued \$275 million of 7 3/4% Trust Originated Preferred Securities. Trust I holds preferred securities of a partnership, which is also a subsidiary of the Company. The assets of the partnership consist primarily of debt securities of the Company and one of its eligible controlled affiliates. The Company has guaranteed, on a subordinated basis, certain payments by Trust I and the partnership.

FISCAL YEAR 1996

Financial markets were strong in 1996, led by a stable U.S. economy and heightened individual and institutional investor activity. Low interest rates and strong cash flows into mutual funds combined to make 1996 a record-breaking year in U.S. equity markets and led to significant gains in most international markets.

Net earnings for 1996 were a record \$1,619 million, up 45% from \$1,114 million in 1995. Earnings per common share were \$8.20 primary and \$8.06 fully diluted, compared with \$5.44 primary and \$5.42 fully diluted in 1995. Total revenues were a record \$25,011 million, up 16% from 1995. Net revenues (revenues after interest expense) totaled \$13,116 million in 1996, up 28% from 1995.

Commission revenues increased 21% to a record \$3,786 million from \$3,126

million in 1995, due primarily to higher levels of listed and over-the-counter securities transactions and mutual fund commissions. Commissions from listed and over-the-counter securities were up as a result of higher trading volumes on the New York Stock Exchange, Nasdaq, and most international exchanges. Mutual fund commission revenues rose primarily as a result of strong sales of U.S. funds and higher distribution fees from deferred-charge funds.

Interest and dividend revenues increased 6% to \$12,899 million from \$12,221 million in 1995. Interest expense, which includes dividend expense, increased 6% from 1995 to \$11,895 million. Net interest and dividend profit was \$1,004 million, up 3% from \$973 million in 1995. Higher dividend income attributable to increased levels of equity securities inventory during 1996 contributed to the increase.

Principal transactions revenues rose 37% from 1995 to a record \$3,454 million due to favorable market conditions, highlighted by rising stock prices, low interest rates, and narrowing credit spreads. These conditions led to increased customer demand particularly for higher yielding securities.

Equities and equity derivative trading revenues increased 25% to \$1,138 million, due principally to higher trading revenues from international equities and over-the-counter securities. International equities trading revenues benefited primarily from improved market conditions and increased capacity due to the

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acquisition of Smith New Court PLC in the third quarter of 1995. Over-the-counter securities trading revenues were up as a result of record Nasdaq volume.

Taxable fixed-income trading revenues increased 87% to \$966 million primarily due to higher revenues from mortgage-backed products, non-U.S. governments and agencies securities, and money market instruments. The increase in mortgage-backed securities trading revenues was attributable to improved liquidity in this market and increased customer demand compared with a year ago. Trading revenues from non-U.S. governments and agencies securities advanced due in part to increased customer demand for higher yields associated with emerging market securities. Trading revenues from money market instruments benefited from increased floating-rate note activity in European markets.

Interest rate and currency swaps trading revenues rose 22% to \$893 million due to higher revenues from both non-U.S. and U.S. dollar-denominated transactions. Municipal securities revenues were up 19% to \$323 million as a result of increased investor demand for tax-advantaged products. Foreign exchange and commodities trading revenues, in the aggregate, increased 56% to \$134 million. Higher volume led to increased foreign exchange trading revenues as the U.S. dollar strengthened versus most currencies, particularly the Japanese yen and German mark.

Investment banking revenues advanced to a record \$1,945 million, up 49% from \$1,308 million in 1995. Underwriting fees were higher in virtually all products due to record equity and debt underwriting volume industrywide. Strategic services revenues benefited from strong merger and acquisition activity industrywide and significant gains in market share.

Asset management and portfolio service fees were a record \$2,261 million in 1996, up 20% from \$1,890 million in 1995, as a result of strong inflows of client assets and net asset appreciation. Other revenues were up 48% to \$666 million primarily due to an increase in realized investment gains of \$171 million, of which \$155 million related to the sale of one-third of Merrill Lynch's minority interest in Bloomberg L.P., and a \$40 million increase in gains from real estate transactions, primarily sales of mortgages to Real Estate Mortgage Investment Conduits ("REMICs").

Non-interest expenses were \$10,550 million, up 25% from \$8,454 million in 1995. Compensation and benefits expense, which represented approximately 64% of non-interest expenses, increased 27% during 1996 due to higher incentive and production-related compensation and an 8% increase in the number of full-time employees. Compensation and benefits expense was 51.1% of net revenues for 1996, compared with 51.3% in 1995.

Non-interest expenses excluding compensation and benefits, rose 21% to \$3,846 million. A significant component of the increase related to strategic investments to upgrade technology and processing capabilities.

Communications and equipment rental expense was up 15% from 1995 due to increased computer maintenance costs related to system initiatives, as well as higher levels of business activity. Depreciation and amortization expense rose 12% from 1995 due primarily to purchases of technology-related equipment during the past year. Higher systems development and management consulting costs led to a 37% increase in professional fees.

Occupancy costs rose 13%, primarily as a result of a non-recurring pre-tax charge of \$40 million. This charge related to the rejection in bankruptcy of the long-term sublease agreement with Olympia & York for space in the World

Financial Center, South Tower, which led to a difference between expected rents from sublessees and the Company's lease obligation for the space. Advertising and market development costs rose 29% due to increased international travel and higher production-related recognition programs. Brokerage, clearing, and exchange fees were up 15% as a result of higher securities volume, particularly in international markets. Other expenses were up 23% from 1995 due in part to provisions related to various business activities and goodwill amortization.

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Income tax expense totaled \$947 million for 1996. The effective tax rate in 1996 was 36.9%, compared with 38.5% a year ago. The effective tax rate decreased in 1996 primarily as a result of tax benefits associated with international operations and lower state taxes.

CERTAIN BALANCE SHEET INFORMATION AS OF SEPTEMBER 27, 1996

Balance Sheet information as of December 27, 1996 is not available as of the date of this Prospectus.

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 investment banking, market making, and derivative activities. These activities are subject to risks related to the creditworthiness of the issuers of, and the liquidity of the market for, such securities, in addition to the usual risks associated with investing in, financing, underwriting, and trading in investment grade instruments.

At September 27, 1996, the fair value of long and short non-investment grade trading inventories amounted to \$8,912 million and \$879 million, respectively, and in the aggregate (I.E. the sum of long and short trading inventories), represented 8.5% of aggregate consolidated trading inventories.

At September 27, 1996, the carrying value of extensions of credit provided to corporations entering into leveraged transactions aggregated \$269 million (excluding unutilized revolving lines of credit and other lending commitments of \$109 million), consisting primarily of senior term and subordinated financing to 38 large- and medium-sized corporations. At September 27, 1996, the Company had no bridge loans outstanding but had two bridge loan commitments at September 27, 1996 that were subsequently canceled by the counterparties. Subsequent to quarter-end, the Company entered into a bridge loan commitment for \$90 million to a non-investment grade counterparty. The Company intends to syndicate the loan, if extended, and may retain a residual portion. Loans to highly leveraged corporations are carried at unpaid principal balances less a reserve for estimated losses. The allowance for loan losses is estimated based on a review of each loan, and a consideration of economic, market, and credit conditions.

Direct equity investments made in conjunction with the Company's investment and merchant banking activities aggregated \$153 million at September 27, 1996, representing investments in 61 enterprises. Equity investments in privately-held companies for which sale is restricted by government or contractual requirements are carried at the lower of cost or estimated net realizable value. At September 27, 1996, the Company held interests in partnerships, totaling \$112 million (recorded on the cost basis), that invest in highly leveraged transactions and non-investment grade securities. At September 27, 1996, the Company also committed to invest an additional \$74 million in partnerships that invest in leveraged transactions.

The Company's insurance subsidiaries hold non-investment grade securities. Non-investment grade securities were 4.7% of total insurance investments at September 27, 1996. Non-investment grade securities of insurance subsidiaries are classified as available-for-sale and are carried at fair value.

At September 27, 1996, the largest non-investment grade concentration consisted of various sovereign and corporate issues of a South American country totaling \$1,186 million, which primarily represented hedges of other financial instruments. No one industry sector accounted for more than 20% of total non-investment grade positions. At September 27, 1996, the Company held an aggregate carrying value of \$144 million in debt and equity securities of issuers in various stages of bankruptcy proceedings or in default, of which 50% resulted from the Company's market making activities in such instruments. In addition, the Company held distressed bank loans totaling \$385 million at quarter-end.

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MERRILL LYNCH PREFERRED CAPITAL TRUST II

Merrill Lynch Preferred Capital Trust II (the "Trust") is a statutory business trust formed under the Delaware Business Trust Act, as amended (the "Trust Act"), pursuant to a declaration of trust and the filing of a certificate of trust with the Secretary of State of the State of Delaware on January 16, 1997; such declaration will be amended and restated in its entirety (as so amended and restated, the "Declaration") substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part. The

Declaration will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Upon issuance of the Trust Preferred Securities, the purchasers thereof will own all the Trust Preferred Securities. See "Description of the Trust Preferred Securities". The Company will acquire Trust Common Securities in an amount equal to at least 3% of the total capital of the Trust. The Trust will use all the proceeds derived from the issuance of the Trust Securities to purchase the Partnership Preferred Securities from the Partnership and, accordingly, the assets of the Trust will consist solely of the Partnership Preferred Securities. The Trust exists for the exclusive purpose of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the Partnership Preferred Securities, and (iii) engaging in only those other activities necessary or incidental thereto.

Pursuant to the Declaration, there will initially be four trustees (the "Trustees") for the Trust. Two of the Trustees will be individuals who are employees or officers of or who are affiliated with the Company (the "Regular Trustees"). The third trustee will be a financial institution that is unaffiliated with the Company and is indenture trustee for purposes of compliance with the provisions of the Trust Indenture Act (the "Property Trustee"). The fourth trustee will be an entity that maintains its principal place of business in the State of Delaware (the "Delaware Trustee"). Initially, The Chase Manhattan Bank, a New York banking corporation, will act as Property Trustee, and its affiliate, Chase Manhattan Bank Delaware, a Delaware corporation, will act as Delaware Trustee until, in each case, removed or replaced by the holder of the Trust Common Securities. For purposes of compliance with the Trust Indenture Act, The Chase Manhattan Bank will also act as trustee under the Trust Guarantee (the "Trust Guarantee Trustee"), as Property Trustee under the Declaration and as trustee under the indenture applicable to the Company Debenture.

The Property Trustee will hold title to the Partnership Preferred Securities for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Partnership Preferred Securities under the Amended and Restated Agreement of Limited Partnership to be entered into by the Company and the Trust (the "Limited Partnership Agreement") as the holder of the Partnership Preferred Securities. In addition, the Property Trustee will maintain exclusive control of a segregated non-interest bearing bank account (the "Property Account") to hold all payments made in respect of the Partnership Preferred Securities for the benefit of the holders of the Trust Securities. The Trust Guarantee Trustee will hold the Trust Guarantee for the benefit of the holders of the Trust Preferred Securities. The Company, as the holder of all the Trust Common Securities, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of trustees, provided that at least one trustee shall be a Delaware Trustee, at least one trustee shall be the Property Trustee and at least one Trustee shall be a Regular Trustee. The Company will pay all fees and expenses related to the organization and operations of the Trust (including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the Trust) and the offering of the Trust Preferred Securities and be responsible for all debts and obligations of the Trust (other than with respect to the Trust Securities).

For so long as the Trust Preferred Securities remain outstanding, the Company will covenant (i) to maintain directly 100% ownership of the Trust Common Securities, (ii) to cause the Trust to remain a statutory business trust and not to voluntarily dissolve, wind-up, liquidate or be terminated, except as permitted by the Declaration of the Trust and (iii) to use its commercially reasonable efforts to ensure that

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the Trust will not be (A) an "investment company" for purposes of the 1940 Act or (B) classified as other than a grantor trust for United States federal income tax purposes.

The rights of the holders of the Trust Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Declaration and the Trust Act. See "Description of the Trust Preferred Securities". The Declaration and the Trust Guarantee also incorporate by reference the terms of the Trust Indenture Act.

The location of the principal executive office of the Trust is c/o Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281, and its telephone number is (212) 449-1000.

MERRILL LYNCH PREFERRED FUNDING II, L.P.

Merrill Lynch Preferred Funding II, L.P. (the "Partnership") is a limited partnership that was formed under the Delaware Revised Uniform Limited Partnership Act, as amended (the "Partnership Act"), on January 16, 1997 for the exclusive purposes of purchasing certain eligible securities of the Company and wholly-owned subsidiaries of the Company (the "Affiliate Investment Instruments") with the proceeds from the sale of Partnership Preferred

Securities to the Trust and a capital contribution from the Company in exchange for the general partner interest in the Partnership. Pursuant to the certificate of limited partnership, as amended, and the Limited Partnership Agreement, the Company is the sole general partner of the Partnership (in such capacity the "General Partner"). Upon the issuance of the Partnership Preferred Securities, which securities represent limited partner interests in the Partnership, the Trust will be the sole limited partner of the Partnership. Contemporaneously with the issuance of the Partnership Preferred Securities, the General Partner will contribute capital to the Partnership in an amount sufficient to establish its initial capital account at an amount equal to at least 15% of the total capital of the Partnership.

The Partnership is managed by the General Partner and exists for the sole purpose of (i) issuing its partnership interests, (ii) investing the proceeds thereof in Affiliate Investment Instruments and Eligible Debt Securities and (iii) engaging in only those other activities necessary or incidental thereto. To the extent that aggregate payments to the Partnership on the Affiliate Investment Instruments and on Eligible Debt Securities exceed distributions accumulated or payable with respect to the Partnership Preferred Securities, the Partnership may at times have excess funds which shall be allocated to and may, in the General Partner's sole discretion, be distributed to the General Partner.

For so long as the Partnership Preferred Securities remain outstanding, the General Partner will covenant in the Limited Partnership Agreement (i) to remain the sole general partner of the Partnership and to maintain directly 100% ownership of the General Partner's interest in the Partnership, which interest will at all times represent at least 1% of the total capital of the Partnership, (ii) to cause the Partnership to remain a limited partnership and not to voluntarily dissolve, liquidate, wind-up or be terminated, except as permitted by the Limited Partnership Agreement and (iii) to use its commercially reasonable efforts to ensure that the Partnership will not be (A) an "investment company" for purposes of the 1940 Act or (B) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes. The Company or the then General Partner may transfer its obligations as General Partner to a wholly-owned direct or indirect subsidiary of the Company provided that (i) such successor entity expressly accepts such transfer of the obligations as General Partner and (ii) prior to such transfer, the Company has received an opinion of nationally recognized independent counsel to the Partnership experienced in such matters to the effect that (A) the Partnership will be treated as a partnership for United States federal income tax purposes, (B) such transfer would not cause the Trust to be classified as an association taxable as a corporation for United States federal income tax purposes, (C) following such transfer, the Company and such successor entity will be in compliance with the 1940 Act

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without registering thereunder as an investment company, and (D) such transfer will not adversely affect the limited liability of the holders of the Partnership Preferred Securities.

The rights of the holders of the Partnership Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the Limited Partnership Agreement and the Partnership Act. See "Description of the Partnership Preferred Securities".

The Limited Partnership Agreement provides that the General Partner will have liability for the fees and expenses of the Partnership (including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the Partnership) and be responsible for all debts and obligations of the Partnership (other than with respect to the Partnership Preferred Securities). Under Delaware law, assuming a limited partner in a Delaware limited partnership such as the Partnership (I.E., a holder of the Partnership Preferred Securities) does not participate in the control of the business of the limited partnership, such limited partner will not be personally liable for the debts, obligations and liabilities of such limited partnership, whether arising in contract, tort or otherwise, solely by reason of being a limited partner of such limited partnership (subject to any obligation such limited partner may have to repay any funds that may have been wrongfully distributed to it). The Partnership's business and affairs will be conducted by the General Partner.

The location of the principal executive offices of the Partnership is c/o Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281 and its telephone number is (212) 449-1000.

DESCRIPTION OF THE TRUST PREFERRED SECURITIES

The Trust Preferred Securities will be issued pursuant to the terms of the Declaration. The Declaration will be qualified as an indenture under the Trust Indenture Act. The Property Trustee, The Chase Manhattan Bank, will act as trustee for the Trust Preferred Securities under the Declaration for purposes of compliance with the provisions of the Trust Indenture Act. The terms of the Trust Preferred Securities will include those stated in the Declaration and those made part of the Declaration by the Trust Indenture Act. The following

summary of the material terms and provisions of the Trust Preferred Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Declaration, a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part, the Trust Act and the Trust Indenture Act.

GENERAL

The Trust Preferred Securities will be issued in fully registered form without coupons. Trust Preferred Securities will not be issued in bearer form. See "-- Book-Entry Only Issuance -- The Depository Trust Company".

The Declaration authorizes the Regular Trustees of the Trust to issue the Trust Securities, which represent undivided beneficial ownership interests in the assets of the Trust. Title to the Partnership Preferred Securities will be held by the Property Trustee for the benefit of the holders of the Trust Securities. The Declaration does not permit the Trust to acquire any assets other than the Partnership Preferred Securities or the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. The payment of distributions out of money held by the Trust, and payments out of money held by the Trust upon redemption of the Trust Preferred Securities or liquidation of the Trust, are guaranteed by the Company to the extent described under "Description of the Trust Guarantee". The Trust Guarantee will be held by The Chase Manhattan Bank, the Trust Guarantee Trustee, for the benefit of the holders of the Trust Preferred Securities. The Trust Guarantee does not cover payment of distributions when the Trust does not have sufficient available funds to pay such

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distributions. In such event, holders of Trust Preferred Securities will have the remedies described below under "-- Trust Enforcement Events".

DISTRIBUTIONS

The distribution rate on Trust Preferred Securities will be fixed at a rate per annum of % of the stated liquidation amount of \$25 per Trust Preferred Security and will be paid if, as and when the Trust has funds available for payment. Distributions not paid on the scheduled payment date will accumulate and compound quarterly at a rate per annum equal to %. The term "distribution" as used herein includes any such compounded amounts unless otherwise stated or the context otherwise requires. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

Distributions on the Trust Preferred Securities will be cumulative, will accumulate from the date of initial issuance and will be payable quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing March 30, 1997, if, as and when available for payment, by the Property Trustee, except as otherwise described below. If distributions are not paid when scheduled, the accumulated distributions shall be paid to the holders of record of Trust Preferred Securities as they appear on the books and records of the Trust on the record date with respect to the payment date for the Trust Preferred Securities which corresponds to the payment date fixed by the Partnership with respect to the payment of cumulative distributions on the Partnership Preferred Securities.

Distributions on the Trust Preferred Securities will be made to the extent that the Trust has funds available for the payment of such distributions in the Property Account. Amounts available to the Trust for distribution to the holders of the Trust Preferred Securities will be limited to payments received by the Trust from the Partnership with respect to the Partnership Preferred Securities or from the Company on the Partnership Guarantee or the Trust Guarantee. Distributions on the Partnership Preferred Securities will be paid only if, as and when declared in the sole discretion of the Company, as the General Partner of the Partnership. Pursuant to the Limited Partnership Agreement, the General Partner is not obligated to declare distributions on the Partnership Preferred Securities at any time, including upon or following a Partnership Enforcement Event. See "Description of Partnership Preferred Securities -- Partnership Enforcement Events".

The assets of the Partnership will consist only of Affiliate Investment Instruments (which initially will be Debentures) and Eligible Debt Securities. To the extent that the issuers (and, where applicable, the Company, as guarantor) of the securities in which the Partnership invests defer or fail to make any payment in respect of such securities (or, if applicable, such guarantees), the Partnership will not have sufficient funds to pay and will not declare or pay distributions on the Partnership Preferred Securities. If the Partnership does not declare and pay distributions on the Partnership Preferred Securities out of funds legally available for distribution, the Trust will not have sufficient funds to make distributions on the Trust Preferred Securities, in which event the Trust Guarantee will not apply to such distributions until the Trust has sufficient funds available therefor. See "Description of the Partnership Preferred Securities -- Distributions" and "Description of the Trust Guarantee". In addition, as described under "Risk Factors -- Insufficient Income or Assets Available to Partnership", the Partnership may not have sufficient funds to pay current or liquidating distributions on the Partnership Preferred

Securities if (i) at any time that the Partnership is receiving current payments in respect of the securities held by the Partnership (including the Debentures), the General Partner, in its sole discretion, does not declare distributions on the Partnership Preferred Securities and the Partnership receives insufficient amounts to pay the additional compounded distributions that will accumulate in respect of the Partnership Preferred Securities, (ii) the Partnership reinvests the proceeds received in respect of the Debentures upon their retirement or at their maturities in Affiliate Investment Instruments that do not generate income in an amount that is sufficient to pay full distributions in respect of the Partnership Preferred Securities or (iii) the Partnership invests in equity or

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debt securities of Investment Affiliates that are not guaranteed by the Company and that cannot be liquidated by the Partnership for an amount sufficient to pay such distributions in full.

Distributions on the Trust Preferred Securities will be payable to the holders thereof as they appear on the books and records of the Trust on the relevant record dates, which will be one Business Day (as defined herein) prior to the relevant payment dates. Such distributions will be paid through the Property Trustee who will hold amounts received in respect of the Partnership Preferred Securities in the Property Account for the benefit of the holders of the Trust Securities. Subject to any applicable laws and regulations and the provisions of the Declaration, each such payment will be made as described under "-- Book-Entry Only Issuance -- The Depository Trust Company" below. In the event that the Trust Preferred Securities do not remain in book-entry only form, the relevant record dates shall be the 15th day of the month of the relevant payment dates. In the event that any date on which distributions are payable on the Trust Preferred Securities is not a Business Day, payment of the distribution payable on such date will be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of the distribution subject to such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. A "Business Day" shall mean any day other than a day on which banking institutions in The City of New York are authorized or required by law to close.

TRUST ENFORCEMENT EVENTS

The occurrence, at any time, of (i) arrearages on distributions on the Trust Preferred Securities that shall exist for six consecutive quarterly distribution periods, (ii) a default by the Company in respect of any of its obligations under the Trust Guarantee or (iii) a Partnership Enforcement Event under the Limited Partnership Agreement, will constitute an enforcement event under the Declaration with respect to the Trust Securities (a "Trust Enforcement Event"); PROVIDED, that pursuant to the Declaration, the holder of the Trust Common Securities will be deemed to have waived any Trust Enforcement Event with respect to the Trust Common Securities until all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until such Trust Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Declaration and, in the case of a Partnership Enforcement Event, the Special Representative with respect to certain matters under the Limited Partnership Agreement. See "Description of the Partnership Preferred Securities -- Partnership Enforcement Events" for a description of the events which will trigger the occurrence of a Partnership Enforcement Event.

Upon the occurrence of a Trust Enforcement Event, (a) the Property Trustee, as the holder of the Partnership Preferred Securities, shall have the right to enforce the terms of the Partnership Preferred Securities, including the right to direct the Special Representative to enforce (i) the Partnership's creditors' rights and other rights with respect to the Affiliate Investment Instruments and the Investment Guarantees, (ii) the rights of the holders of the Partnership Preferred Securities under the Partnership Guarantee and (iii) the rights of the holders of the Partnership Preferred Securities to receive distributions (only if and to the extent declared out of funds legally available therefor) on the Partnership Preferred Securities, and (b) the Trust Guarantee Trustee shall have the right to enforce the terms of the Trust Guarantee, including the right to enforce the covenant restricting certain payments by the Company and Finance Subsidiaries.

If the Property Trustee fails to enforce its rights under the Partnership Preferred Securities after a holder of Trust Preferred Securities has made a written request, such holder of record of Trust Preferred Securities may directly institute a legal proceeding against the Partnership and the Special Representative to enforce the Property Trustee's rights under the Partnership Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity. In addition, for

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so long as the Trust holds any Partnership Preferred Securities, if the Special

Representative fails to enforce its rights on behalf of the Partnership under the Affiliate Investment Instruments after a holder of Trust Preferred Securities has made a written request, a holder of record of Trust Preferred Securities may on behalf of the Partnership directly institute a legal proceeding against the Investment Affiliates under the Affiliate Investment Instruments, without first instituting any legal proceeding against the Property Trustee, the Trust, the Special Representative or the Partnership. In any event, for so long as the Trust is the holder of any Partnership Preferred Securities, if a Trust Enforcement Event has occurred and is continuing and such event is attributable to the failure of an Investment Affiliate to make any required payment when due on any Affiliate Investment Instrument or the failure of the Company to make any required payment when due on any Investment Guarantee, then a holder of Trust Preferred Securities may on behalf of the Partnership directly institute a proceeding against such Investment Affiliate with respect to such Affiliate Investment Instrument or against the Company with respect to any such Investment Guarantee, in each case for enforcement of payment.

Under no circumstances, however, shall the Special Representative have authority to cause the General Partner to declare distributions on the Partnership Preferred Securities. As a result, although the Special Representative may be able to enforce the Partnership's creditors' rights to accelerate and receive payments in respect of the Affiliate Investment Instruments and the Investment Guarantees, the Partnership would be entitled to reinvest such payments in additional Affiliate Investment Instruments, subject to satisfying the reinvestment criteria described under "Description of the Partnership Preferred Securities -- Partnership Investments", and Eligible Debt Securities, rather than declaring and making distributions on the Partnership Preferred Securities.

The Company and the Trust are each required to file annually with the Property Trustee an officer's certificate as to its compliance with all conditions and covenants under the Declaration.

MANDATORY REDEMPTION

The Partnership Preferred Securities may be redeemed by the Partnership at the option of the General Partner, in whole or in part, at any time on or after March 30, 2007 or at any time in certain circumstances upon the occurrence of a Partnership Special Event. Upon such redemption of the Partnership Preferred Securities (either at the option of the General Partner or pursuant to a Partnership Special Event), the proceeds from such repayment shall simultaneously be applied to redeem Trust Securities having an aggregate liquidation amount equal to the Partnership Preferred Securities so redeemed at an amount per Trust Security equal to \$25 plus accumulated and unpaid distributions thereon; PROVIDED, that holders of the Trust Securities shall be given not less than 30 nor more than 60 days notice of such redemption. See "Description of the Partnership Preferred Securities -- General" and "-- Optional Redemption".

TRUST SPECIAL EVENT REDEMPTION OR DISTRIBUTION

If, at any time, a Trust Tax Event or a Trust Investment Company Event (each as hereinafter defined, and each, a "Trust Special Event") shall occur and be continuing, the Regular Trustees shall, unless the Partnership Preferred Securities are redeemed in the limited circumstances described below, within 90 days following the occurrence of such Trust Special Event elect to either (i) dissolve the Trust upon not less than 30 nor more than 60 days notice with the result that, after satisfaction of creditors of the Trust, if any, Partnership Preferred Securities would be distributed on a PRO RATA basis to the holders of the Trust Preferred Securities and the Trust Common Securities in liquidation of such holders' interests in the Trust; PROVIDED, HOWEVER, that if at the time there is available to the Trust the opportunity to eliminate, within such 90-day period, the Trust Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure which in the sole judgment of the Company has or will cause no adverse effect on the Trust, the Partnership, the Company or the holders of the Trust Securities and will involve no material cost, the Trust will pursue such measure in lieu of dissolution or (ii)

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cause the Trust Preferred Securities to remain outstanding, provided that in the case of this clause (ii), the Company shall pay any and all expenses incurred by or payable by the Trust attributable to the Trust Special Event. Furthermore, if in the case of the occurrence of a Trust Tax Event, the Regular Trustees have received an opinion (a "Trust Redemption Tax Opinion") of nationally recognized independent tax counsel experienced in such matters that there is more than an insubstantial risk that interest payable by one or more of the Investment Affiliates with respect to the Debentures issued by such Investment Affiliate is not, or will not be, deductible by such Investment Affiliate for United States federal income tax purposes even if the Partnership Preferred Securities were distributed to the holders of the Trust Securities in liquidation of such holders' interests in the Trust as described above, then the General Partner shall have the right, within 90 days following the occurrence of such Trust Tax Event, to elect to cause the Partnership to redeem the Partnership Preferred Securities in whole (but not in part) for cash upon not less than 30 nor more

than 60 days notice and promptly following such redemption, the Trust Preferred Securities and Trust Common Securities will be redeemed by the Trust at the Redemption Price.

"Trust Tax Event" means that the Company shall have requested and received and shall have delivered to the Regular Trustees an opinion of nationally recognized independent tax counsel experienced in such matters (a "Trust Dissolution Tax Opinion") to the effect that there has been (a) an amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) a judicial decision interpreting, applying, or clarifying such laws or regulations, (c) an administrative pronouncement or action that represents an official position (including a clarification of an official position) of the governmental authority or regulatory body making such administrative pronouncement or taking such action, or (d) a threatened challenge asserted in connection with an audit of the Company or any of its subsidiaries, the Partnership, or the Trust, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Debentures, the Partnership Preferred Securities, or the Trust Preferred Securities, which amendment or change is adopted or which proposed change, decision or pronouncement is announced or which action, clarification or challenge occurs on or after the date of this Prospectus (collectively a "Tax Action"), which Tax Action relates to any of the items described in (i) through (iii) below, and that following the occurrence of such Tax Action there is more than an insubstantial risk that (i) the Trust is, or will be, subject to United States federal income tax with respect to income accrued or received on the Partnership Preferred Securities, (ii) the Trust is, or will be, subject to more than a DE MINIMIS amount of other taxes, duties or other governmental charges or (iii) interest payable by an Investment Affiliate with respect to the Debenture issued by such Investment Affiliate is not, or will not be, deductible by such Investment Affiliate for United States federal income tax purposes.

"Trust Investment Company Event" means that the Company shall have requested and received and shall have delivered to the Regular Trustees an opinion of nationally recognized independent legal counsel experienced in such matters to the effect that as a result of the occurrence on or after the date hereof of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), the Trust is or will be considered an "investment company" which is required to be registered under the 1940 Act.

If the Partnership Preferred Securities are distributed to the holders of the Trust Preferred Securities, the Company will use its best efforts to cause the Partnership Preferred Securities to be listed on the New York Stock Exchange or on such other national securities exchange or similar organization as the Trust Preferred Securities are then listed or quoted.

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On the date fixed for any distribution of Partnership Preferred Securities, upon dissolution of the Trust, (i) the Trust Preferred Securities and the Trust Common Securities will no longer be deemed to be outstanding and (ii) certificates representing Trust Securities will be deemed to represent the Partnership Preferred Securities having a liquidation preference equal to the stated liquidation amount of such Trust Securities until such certificates are presented to the Company or its agent for transfer or reissuance.

There can be no assurance as to the market price for the Partnership Preferred Securities which may be distributed in exchange for Trust Preferred Securities if a dissolution and liquidation of the Trust were to occur. Accordingly, the Partnership Preferred Securities which an investor may subsequently receive on dissolution and liquidation of the Trust may trade at a discount to the price of the Trust Preferred Securities exchanged.

REDEMPTION PROCEDURES

The Trust may not redeem fewer than all of the outstanding Trust Preferred Securities unless all accumulated and unpaid distributions have been paid on all Trust Preferred Securities for all quarterly distribution periods terminating on or prior to the date of redemption.

If the Trust gives a notice of redemption in respect of Trust Preferred Securities (which notice will be irrevocable), and if the Company has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the Partnership Preferred Securities, then, by 12:00 noon, New York time, on the redemption date, the Trust will irrevocably deposit with DTC funds sufficient to pay the amount payable on redemption of all book-entry certificates and will give DTC irrevocable instructions and authority to pay such amount to holders of the Trust Preferred Securities. See "-- Book-Entry Only Issuance -- The Depository Trust Company". If notice of redemption shall have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of such Trust Preferred Securities so called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the Redemption Price, but without interest on such Redemption Price. In the event that any date fixed for redemption of Trust

Preferred Securities is not a Business Day, then payment of the amount payable on such date will be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of the amount payable subject to such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of Trust Preferred Securities is improperly withheld or refused and not paid either by the Trust or by the Company pursuant to the Trust Guarantee described under "Description of the Trust Guarantee", distributions on such Trust Preferred Securities will continue to accumulate from the original redemption date to the date of payment.

In the event that fewer than all of the outstanding Trust Preferred Securities are to be redeemed, the Trust Preferred Securities will be redeemed in accordance with the procedures of DTC. See "-- Book-Entry Only Issuance -- The Depository Trust Company". In the event that the Trust Preferred Securities do not remain in book-entry only form and fewer than all of the outstanding Trust Preferred Securities are to be redeemed, the Trust Preferred Securities shall be redeemed on a PRO RATA basis or pursuant to the rules of any securities exchange on which the Trust Preferred Securities are listed.

Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), the Company or its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the open market or by private agreement.

SUBORDINATION OF TRUST COMMON SECURITIES

Payment of amounts upon liquidation of the Trust Securities shall be made PRO RATA based on the liquidation amount of the Trust Securities; PROVIDED, HOWEVER, that upon (i) the occurrence of an Investment Event of Default by an Investment Affiliate (including the Company) in respect of any Affiliate Investment Instrument or (ii) default by the Company on any of its obligations under any Guarantee, the

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holders of the Trust Preferred Securities will have a preference over the holders of the Trust Common Securities with respect to payments upon liquidation of the Trust.

In the case of any Trust Enforcement Event, the holder of Trust Common Securities will be deemed to have waived any such Trust Enforcement Event until all such Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until all Trust Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the holders of the Trust Preferred Securities and not on behalf of the holder of the Trust Common Securities, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

LIQUIDATION DISTRIBUTION UPON DISSOLUTION

In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Trust (each a "Trust Liquidation"), the holders of the Trust Preferred Securities will be entitled to receive out of the assets of the Trust, after satisfaction of liabilities to creditors, distributions in cash or other immediately available funds in an amount equal to the aggregate of the stated liquidation amount of \$25 per Trust Preferred Security plus accumulated and unpaid distributions thereon to the date of payment (the "Trust Liquidation Distribution"), unless, in connection with such Trust Liquidation, Partnership Preferred Securities have been distributed on a PRO RATA basis to the holders of the Trust Securities.

If, upon any such Trust Liquidation, the Trust Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Trust Liquidation Distribution, then the amounts payable directly by the Trust on the Trust Preferred Securities shall be paid on a PRO RATA basis. The holders of the Trust Common Securities will be entitled to receive distributions upon any such liquidation PRO RATA with the holders of the Trust Preferred Securities, except in the limited circumstances described above under "-- Subordination of Trust Common Securities".

Pursuant to the Declaration, the Trust shall terminate (i) upon the bankruptcy of the Company, (ii) upon the filing of a certificate of dissolution or the equivalent with respect to the Company, the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of at least a majority in liquidation amount of the Trust Securities, voting together as a single class, to file such certificate of cancellation, or the revocation of the charter of the Company and the expiration of 90 days after the date of revocation without a reinstatement thereof, (iii) upon the distribution of all of the Partnership Preferred Securities upon the occurrence of a Trust Special Event, (iv) upon the entry of a decree of a judicial dissolution of the Company or the Trust, or (v) upon the redemption of all the Trust Securities.

VOTING RIGHTS

Except as described herein, under the Trust Act, the Trust Indenture Act and under "Description of the Trust Guarantee -- Amendments and Assignment", and as otherwise required by law and the Declaration, the holders of the Trust Preferred Securities will have no voting rights.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority in liquidation amount of the Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee, as holder of the Partnership Preferred Securities, to (i) exercise the remedies available to it under the Limited Partnership Agreement as a holder of the Partnership Preferred Securities, including the right to direct the Special Representative to exercise its rights in the manner described above under "-- Trust Enforcement Events" and (ii) consent to any amendment, modification, or termination of the Limited Partnership Agreement or the Partnership Preferred Securities where such consent shall be required; PROVIDED, HOWEVER, that where a

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consent or action under the Limited Partnership Agreement would require the consent or act of the holders of more than a majority of the aggregate liquidation preference of Partnership Preferred Securities affected thereby, only the holders of the percentage of the aggregate stated liquidation amount of the Trust Securities which is at least equal to the percentage required under the Limited Partnership Agreement may direct the Property Trustee to give such consent or take such action on behalf of the Trust. See "Description of the Partnership Preferred Securities -- Voting Rights". The Property Trustee shall notify all holders of the Trust Preferred Securities of any notice of any Partnership Enforcement Event received from the General Partner with respect to the Partnership Preferred Securities and the Affiliate Investment Instruments. Such notice shall state that such Partnership Enforcement Event also constitutes a Trust Enforcement Event. Except with respect to directing the time, method, and place of conducting a proceeding for a remedy as described above, the Property Trustee shall be under no obligation to take any of the actions described in clauses (i) or (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes and that after such action each holder of Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the Partnership Preferred Securities.

A waiver of a Partnership Enforcement Event with respect to the Partnership Preferred Securities held by the Property Trustee will constitute a waiver of the corresponding Trust Enforcement Event.

Any required approval or direction of holders of Trust Preferred Securities may be given at a separate meeting of holders of Trust Preferred Securities convened for such purpose, at a meeting of all of the holders of Trust Securities or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of Trust Preferred Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute Partnership Preferred Securities in accordance with the Declaration.

Notwithstanding that holders of Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Securities that are beneficially owned at such time by the Company or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Company, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Trust Securities were not outstanding, except for Trust Preferred Securities purchased or acquired by the Company or its affiliates in connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such Trust Preferred Securities; PROVIDED, HOWEVER, that persons (other than affiliates of the Company) to whom the Company or any of its subsidiaries have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities pursuant to the terms of such pledge.

The procedures by which holders of Trust Preferred Securities represented by the global certificates may exercise their voting rights are described below. See "-- Book-Entry Only Issuance -- The Depository Trust Company".

Holders of the Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by

the Company, as the holder of all of the Trust Common Securities.

MERGER, CONSOLIDATION OR AMALGAMATION OF THE TRUST

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other entity, except as described below. The Trust may, with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Securities, the Property Trustee or the Delaware Trustee consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State of the United States; PROVIDED, that (i) if the Trust is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the Trust under the Trust Securities or (y) substitutes for the Trust Preferred Securities other securities having substantially the same terms as the Trust Preferred Securities (the "Successor Securities"), so long as the Successor Securities rank the same as the Trust Securities rank with respect to distributions, assets and payments, (ii) the Company expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Partnership Preferred Securities, (iii) the Trust Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with another organization on which the Trust Preferred Securities are then listed or quoted, (iv) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Trust, (vii) the Company guarantees the obligations of such successor entity under the Successor Securities to the same extent as provided by the Trust Guarantee and (viii) prior to such merger, consolidation, amalgamation or replacement, the Company has received an opinion of a nationally recognized independent counsel to the Trust experienced in such matters to the effect that: (A) such merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the holders' interest in the new entity), (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act, (C) following such merger, consolidation, amalgamation or replacement, the Trust (or such successor trust) will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes and (D) following such merger, consolidation, amalgamation or replacement, the Partnership will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% in liquidation amount of the Trust Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

MODIFICATION OF THE DECLARATION

The Declaration may be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), PROVIDED, that if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Declaration or otherwise or (ii) the dissolution, winding-up or termination of the Trust other than pursuant to the terms of the Declaration, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a majority in liquidation amount of the Trust Securities affected thereby; PROVIDED, FURTHER that if any amendment or proposal referred to in clause

(i) above would adversely affect only the Trust Preferred Securities or the Trust Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a majority in liquidation amount of such class of Trust Securities.

The Declaration may be amended without the consent of the holders of the Trust Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the Declaration that may be defective or inconsistent with any

other provision of the Declaration, (iii) add to the covenants, restrictions or obligations of the Sponsor, (iv) conform to any change in the 1940 Act, the Trust Indenture Act or the rules or regulations of either such Act and (v) modify, eliminate and add to any provision of the Declaration to such extent as may be necessary or desirable; PROVIDED that no such amendment shall have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Declaration if such amendment or modification would (i) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (ii) cause the Partnership to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (iii) reduce or otherwise adversely affect the powers of the Property Trustee or (iv) cause the Trust or the Partnership to be deemed an "investment company" which is required to be registered under the 1940 Act.

BOOK-ENTRY ONLY ISSUANCE -- THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC") will act as securities depository (the "Depository") for the Trust Preferred Securities and, to the extent distributed to the holders of Trust Preferred Securities, the Partnership Preferred Securities. The Trust Preferred Securities will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC's nominee). One or more fully-registered global Trust Preferred Securities certificates ("Global Certificates"), representing the total aggregate number of Trust Preferred Securities, will be issued and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, 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 Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Participants in DTC include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Participants and by the New York Stock Exchange, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Trust Preferred Securities within the DTC system must be made by or through Participants, which will receive a credit for the Trust Preferred Securities on DTC's records. The ownership interest of each actual purchaser of Trust Preferred Securities ("Beneficial Owner") is in turn to be recorded on the Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Participants or Indirect Participants through which the Beneficial Owners purchased Trust Preferred Securities. Transfers of ownership interests in the Trust Preferred Securities are to be accomplished by entries made on the books of Participants and Indirect Participants acting on behalf of Beneficial Owners.

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Beneficial Owners will not receive certificates representing their ownership interests in Trust Preferred Securities, except in the event that use of the book-entry system for the Trust Preferred Securities is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Trust Preferred Securities; DTC's records reflect only the identity of the Participants to whose accounts such Trust Preferred Securities are credited, which may or may not be the Beneficial Owners. The Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

So long as DTC, or its nominee, is the registered owner or holder of a Global Certificate, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Trust Preferred Securities represented thereby for all purposes under the Declaration and the Trust Preferred Securities. No beneficial owner of an interest in a Global Certificate will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Declaration.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Trust Preferred Securities (including the presentation of Trust Preferred Securities for exchange as described below) only at the direction of one or more Participants to whose account the DTC interests in the Global Certificates are credited and only in respect of such portion of the aggregate liquidation amount of Trust Preferred Securities as to which such

Participant or Participants has or have given such direction. Also, if there is a Trust Enforcement Event under the Trust Preferred Securities, DTC will exchange the Global Certificates for Certificated Securities, which it will distribute to its Participants in accordance with its customary procedures.

Conveyance of notices and other communications by DTC to Participants, by Participants to Indirect Participants, and by Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices in respect of the Trust Preferred Securities held in book-entry form will be sent to Cede & Co. If less than all of the Trust Preferred Securities are being redeemed, DTC will determine the amount of the interest of each Participant to be redeemed in accordance with its procedures.

Although voting with respect to the Trust Preferred Securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Trust Preferred Securities. Under its usual procedures, DTC would mail an Omnibus Proxy to the Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Participants to whose accounts the Trust Preferred Securities are allocated on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions on the Trust Preferred Securities held in book-entry form will be made to DTC in immediately available funds. DTC's practice is to credit Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices and will be the responsibility of such Participants and Indirect Participants and not of DTC, the Trust or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of any distributions to DTC is the responsibility of the Trust, disbursement of such payments to Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Participants and Indirect Participants.

Except as described, a Beneficial Owner of an interest in a Global Certificate will not be entitled to receive physical delivery of Trust Preferred Securities. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Trust Preferred Securities.

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Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among Participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Company nor the Trust will have any responsibility for the performance by DTC or its Participants or Indirect Participants under the rules and procedures governing DTC. DTC may discontinue providing its services as securities depository with respect to the Trust Preferred Securities at any time by giving notice to the Trust. Under such circumstances, in the event that a successor securities depository is not obtained, Trust Preferred Security certificates are required to be printed and delivered to the Property Trustee. Additionally, the Trust (with the consent of the Company) may decide to discontinue use of the system of book-entry transfers through DTC or any successor depository. In that event, certificates for the Trust Preferred Securities will be printed and delivered to the Property Trustee. In each of the above circumstances, the Company will appoint a paying agent with respect to the Trust Preferred Securities.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in the global Trust Preferred Securities as represented by a Global Certificate.

PAYMENT

Payments in respect of the Trust Preferred Securities represented by the Global Certificates shall be made to DTC, which shall credit the relevant accounts at DTC on the scheduled payment dates or, in the case of certificated securities, if any, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the register. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days written notice to the Regular Trustees. In the event that The Chase Manhattan Bank shall no longer be the Paying Agent, the Regular Trustees shall appoint a successor to act as Paying Agent (which shall be a bank or trust company).

REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

The Property Trustee will act as Registrar, Transfer Agent and Paying Agent for the Trust Preferred Securities.

Registration of transfers of Trust Preferred Securities will be effected

without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Trust or the Company may require) in respect of any tax or other government charges which may be imposed in relation to it.

The Trust will not be required to register or cause to be registered the transfer of Trust Preferred Securities after such Trust Preferred Securities have been called for redemption.

INFORMATION CONCERNING THE PROPERTY TRUSTEE

The Property Trustee, prior to the occurrence of a default with respect to the Trust Securities, undertakes to perform only such duties as are specifically set forth in the Declaration and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Declaration at the request of any holder of Trust Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of Trust Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their voting rights, direct the Property Trustee to take any action following a Trust Enforcement Event.

GOVERNING LAW

The Declaration and the Trust Preferred Securities will be governed by, and construed in accordance with, the internal laws of the State of Delaware.

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MISCELLANEOUS

The Regular Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act or characterized as other than a grantor trust for United States federal income tax purposes. In this connection, the Regular Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust or the Declaration that the Regular Trustees determine in their discretion to be necessary or desirable for such purposes as long as such action does not adversely affect the interests of the holders of the Trust Preferred Securities.

Holders of the Trust Preferred Securities have no preemptive rights.

DESCRIPTION OF THE TRUST GUARANTEE

Set forth below is a summary of information concerning the Trust Guarantee which will be executed and delivered by the Company for the benefit of the holders from time to time of Trust Preferred Securities. The summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Trust Guarantee, which is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The Trust Guarantee incorporates by reference the terms of, and will be qualified as an indenture under, the Trust Indenture Act. The Chase Manhattan Bank, as the Trust Guarantee Trustee, will hold the Trust Guarantee for the benefit of the holders of the Trust Preferred Securities and will act as indenture trustee for the purposes of compliance with the Trust Indenture Act.

GENERAL

Pursuant to the Trust Guarantee, the Company will irrevocably agree, on a subordinated basis and to the extent set forth therein, to pay in full to the holders of the Trust Preferred Securities (except to the extent paid by the Trust), as and when due, regardless of any defense, right of set off or counterclaim which the Trust may have or assert, the following payments (the "Trust Guarantee Payments"), without duplication: (i) any accumulated and unpaid distributions on the Trust Preferred Securities to the extent the Trust has funds available therefor, (ii) the Redemption Price with respect to any Trust Preferred Securities called for redemption by the Trust, to the extent the Trust has funds available therefor and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with the distribution of Partnership Preferred Securities to the holders of Trust Preferred Securities or the redemption of all of the Trust Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accumulated and unpaid distributions on the Trust Preferred Securities and (b) the amount of assets of the Trust remaining available for distribution to holders of Trust Preferred Securities upon the liquidation of the Trust. The Company's obligation to make a Trust Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of Trust Preferred Securities or by causing the Trust to pay such amounts to such holders.

The Trust Guarantee will be a guarantee on a subordinated basis with respect to the Trust Preferred Securities from the time of issuance of such Trust Preferred Securities but will only apply to any payment of distributions or Redemption Price, or to payments upon the dissolution, winding-up or termination

of the Trust, to the extent the Trust shall have funds available therefor. If the Partnership fails to declare distributions on Partnership Preferred Securities, the Trust would lack available funds for the payment of distributions or amounts payable on redemption of the Trust Preferred Securities or otherwise, and in such event holders of the Trust Preferred Securities would not be able to rely upon the Trust Guarantee for payment of such amounts. Instead, holders of the Trust Preferred Securities will have the remedies described herein under "Description of the Trust Preferred Securities -- Trust Enforcement Events", including the right to direct the Trust Guarantee Trustee to enforce the covenant restricting certain payments by the Company and Finance Subsidiaries. See "-- Covenants of the Company" below.

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The Guarantees, when taken together with the Company Debenture and the Company's obligations to pay all fees and expenses of the Trust and the Partnership, constitute a guarantee to the extent set forth herein by the Company of the distribution, redemption and liquidation payments payable to the holders of the Trust Preferred Securities. The Guarantees do not apply, however, to current distributions by the Partnership unless and until such distributions are declared by the Partnership out of funds legally available for payment or to liquidating distributions unless there are assets available for payment in the Partnership, each as more fully described under "Risk Factors -- Insufficient Income or Assets Available to Partnership".

COVENANTS OF THE COMPANY

The Company will covenant in the Trust Guarantee that, if (a) for any distribution period, full distributions on a cumulative basis on any Trust Preferred Securities have not been paid, (b) an Investment Event of Default by any Investment Affiliate in respect of any Affiliate Investment Instrument has occurred and is continuing or (c) the Company is in default of its obligations under the Trust Guarantee, the Partnership Guarantee or any Investment Guarantee, then, during such period (i) the Company shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock or comparable equity interest (except for (x) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, its capital stock, and conversions or exchanges of common stock of one class into common stock of another class, (y) redemptions or purchases of any rights pursuant to the Rights Agreement and the issuance of preferred stock pursuant to such rights and (z) purchases or acquisitions by the Company or its affiliates in connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such capital stock or comparable equity interest) and (ii) the Company shall not make, permit any Finance Subsidiary to make, or make any payments that would enable any Finance Subsidiary to make, any payment of any dividends on, any distribution with respect to, or any redemption, purchase or other acquisition of, or any liquidation payment with respect to, any preferred security or comparable equity interest of any Finance Subsidiary.

EVENTS OF DEFAULT; ENFORCEMENT OF TRUST GUARANTEE

An event of default under the Trust Guarantee will occur upon the failure of the Company to perform any of its payment or other obligations thereunder.

The holders of a majority in liquidation amount of the Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trust Guarantee Trustee or to direct the exercise of any trust or power conferred upon the Trust Guarantee Trustee under the Trust Guarantee. If the Trust Guarantee Trustee fails to enforce its rights under the Trust Guarantee after a holder of Trust Preferred Securities has made a written request, such holder may institute a legal proceeding directly against the Company to enforce the Trust Guarantee Trustee's rights under the Trust Guarantee, without first instituting a legal proceeding against the Trust, the Trust Guarantee Trustee or any other person or entity. In any event, if the Company has failed to make a guarantee payment under the Trust Guarantee, a holder of Trust Preferred Securities may directly institute a proceeding in such holder's own name against the Company for enforcement of the Trust Guarantee for such payment.

STATUS OF THE TRUST GUARANTEE; SUBORDINATION

The Trust Guarantee will constitute an unsecured obligation of the Company and will rank subordinate and junior in right of payment to all other liabilities of the Company and will rank PARI PASSU with the most senior preferred stock, if any, issued from time to time by the Company, with similar guarantees issued by the Company in connection with the \$275,000,000 aggregate liquidation amount of 7 3/4% Trust Originated Preferred Securities issued by Merrill Lynch Preferred Capital Trust I, and with any guarantee now or hereafter entered into by the Company in respect of any preferred stock of any other

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Finance Subsidiary. Accordingly, the rights of the holders of Trust Preferred Securities to receive payments under the Trust Guarantee will be subject to the rights of the holders of any obligations of the Company that are senior in

priority to the obligations under the Trust Guarantee. Furthermore, the holders of obligations of the Company that are senior to the obligations under the Trust Guarantee (including, but not limited to, obligations constituting Senior Indebtedness) will be entitled to the same rights upon payment default or dissolution, liquidation and reorganization in respect of the Trust Guarantee that inure to the holders of Senior Indebtedness as against the holders of the Company Debenture. The terms of the Trust Preferred Securities, provide that each holder of Trust Preferred Securities, by acceptance thereof, agrees to the subordination provisions and other terms of the Trust Guarantee.

The Trust Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may directly institute a legal proceeding against the Company to enforce its rights under the Trust Guarantee without instituting a legal proceeding against any other person or entity).

AMENDMENTS AND ASSIGNMENT

Except with respect to any changes that do not materially adversely affect the rights of holders of Trust Preferred Securities (in which case no vote will be required), the Trust Guarantee may be amended only with the prior approval of the holders of at least a majority in liquidation amount of all the outstanding Trust Preferred Securities. The manner of obtaining any such approval of holders of the Trust Preferred Securities will be as set forth under "Description of the Trust Preferred Securities -- Voting Rights". All guarantees and agreements contained in the Trust Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the Trust Preferred Securities then outstanding. Except in connection with permitted merger or consolidation of the Company with or into another entity or permitted sale, transfer or lease of the Company's assets to another entity in which the surviving corporation (if other than the Company) assumes the Company's obligations under the Trust Guarantee, the Company may not assign its rights or delegate its obligations under the Trust Guarantee without the prior approval of the holders of at least a majority of the aggregate stated liquidation amount of the Trust Preferred Securities then outstanding.

TERMINATION OF THE TRUST GUARANTEE

The Trust Guarantee will terminate as to each holder of Trust Preferred Securities upon (i) full payment of the Redemption Price of all Trust Preferred Securities, (ii) distribution of the Partnership Preferred Securities held by the Trust to the holders of the Trust Preferred Securities or (iii) full payment of the amounts payable in accordance with the Declaration upon liquidation of the Trust. The Trust Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of Trust Preferred Securities must restore payment of any sum paid under such Trust Preferred Securities or such Trust Guarantee.

INFORMATION CONCERNING THE TRUST GUARANTEE TRUSTEE

The Trust Guarantee Trustee, prior to the occurrence of a default with respect to the Trust Guarantee, undertakes to perform only such duties as are specifically set forth in the Trust Guarantee and, after default with respect to the Trust Guarantee, shall exercise the same degree of care as a prudent man would exercise in the conduct of his own affairs. Subject to such provision, the Trust Guarantee Trustee is under no obligation to exercise any of the powers vested in it by the Trust Guarantee at the request of any holder of Trust Preferred Securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred thereby.

GOVERNING LAW

The Guarantee will be governed by, and construed in accordance with, the internal laws of the State of New York.

DESCRIPTION OF THE PARTNERSHIP PREFERRED SECURITIES

GENERAL

All of the partnership interests in the Partnership, other than the Partnership Preferred Securities acquired by the Trust, are owned directly by the Company. Initially, the Company will be the sole General Partner of the Partnership. The Limited Partnership Agreement authorizes and creates the Partnership Preferred Securities, which represent limited partner interests in the Partnership. The limited partner interests represented by the Partnership Preferred Securities will have a preference with respect to distributions and amounts payable on redemption or liquidation over the General Partner's interest in the Partnership. Except as otherwise described herein or provided in the Limited Partnership Agreement, the Limited Partnership Agreement does not permit the issuance of any additional partnership interests, or the incurrence of any indebtedness by the Partnership.

The summary of certain material terms and provisions of the Partnership Preferred Securities set forth below does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Limited

Partnership Agreement, which is filed as an exhibit to the Registration Statement of which this Prospectus is a part, and the Partnership Act.

DISTRIBUTIONS

Holders of Partnership Preferred Securities will be entitled to receive cumulative cash distributions, if, as and when declared by the General Partner in its sole discretion out of assets of the Partnership legally available for payment. The distributions payable on each Partnership Preferred Security will be fixed at a rate per annum of % of the stated liquidation preference of \$25 per Partnership Preferred Security. Distributions not paid on the scheduled payment date will accumulate and compound quarterly at the rate per annum equal to %. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

Distributions on the Partnership Preferred Securities will be payable quarterly in arrears on March 30, June 30, September 30 and December 30 of each year, commencing March 30, 1997. If distributions are not declared and paid when scheduled, the accumulated distributions shall be paid to the holders of record of Partnership Preferred Securities as they appear on the books and records of the Partnership on the record date with respect to the payment date for the Partnership Preferred Securities.

The Partnership's earnings available for distribution to the holders of the Partnership Preferred Securities will be limited to payments made on the Affiliate Investment Instruments and Investment Guarantees and payments on Eligible Debt Securities in which the Partnership has invested from time to time. See "-- Partnership Investments". To the extent that the issuers (and, where applicable, the Company, as guarantor) of the securities in which the Partnership invests fail to make any payment in respect of such securities (or, if applicable, such guarantees), the Partnership will not have sufficient funds to pay and will not declare or pay distributions on the Partnership Preferred Securities, in which event the Partnership Guarantee will not apply to such distributions until the Partnership has sufficient funds available therefor. See "Description of the Partnership Guarantee". In addition, distributions on the Partnership Preferred Securities may be declared and paid only as determined in the sole discretion of the General Partner of the Partnership. If the Partnership fails to declare and pay distributions on the Partnership Preferred Securities out of funds legally available for distribution, the Trust will not have sufficient funds to make distributions on the Trust Preferred Securities, in which event the Trust Guarantee will not apply to such distributions until the Trust has sufficient funds available therefor. In addition, as described under "Risk Factors -- Insufficient Income or Assets Available to Partnership", the Partnership may not have sufficient funds to pay current or liquidating distributions on the Partnership Preferred Securities if (i) at any time that the Partnership is receiving current payments in respect of the securities held by the Partnership (including the Debentures), the General Partner, in its sole discretion, does not declare distributions on the Partnership Preferred Securities and the Partnership receives insufficient

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amounts to pay the additional compounded distributions that will accumulate in respect of the Partnership Preferred Securities, (ii) the Partnership reinvests the proceeds received in respect of the Debentures upon their retirement or at their maturities in Affiliate Investment Instruments that do not generate income in an amount that is sufficient to pay full distributions in respect of the Partnership Preferred Securities or (iii) the Partnership invests in equity or debt securities of Investment Affiliates that are not guaranteed by the Company and that cannot be liquidated by the Partnership for an amount sufficient to pay such distributions in full.

Distributions on the Partnership Preferred Securities will be payable to the holders thereof as they appear on the books and records of the Partnership on the relevant record dates, which, as long as the Trust Preferred Securities remain (or, in the event that the Trust is liquidated in connection with a Trust Special Event, as long as the Partnership Preferred Securities remain) in book-entry-only form, will be one Business Day prior to the relevant payment dates. In the event the Trust Preferred Securities (or in the event that the Trust is liquidated in connection with a Trust Special Event, the Partnership Preferred Securities) shall not continue to remain in book-entry only form, the relevant record dates shall be the 15th day of the month of the relevant payment dates. In the event that any date on which distributions are payable on the Partnership Preferred Securities is not a Business Day, then payment of the distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

PARTNERSHIP ENFORCEMENT EVENTS

If one or more of the following events shall occur and be continuing (each a "Partnership Enforcement Event"): (i) arrearages on distributions on the Partnership Preferred Securities shall exist for six consecutive quarterly distribution periods, (ii) the Company is in default on any of its obligations

under the Partnership Guarantee or any Investment Guarantee or (iii) an Investment Event of Default occurs and is continuing on any Affiliate Investment Instrument, then the Property Trustee, for so long as the Partnership Preferred Securities are held by the Property Trustee, will have the right, or holders of the Partnership Preferred Securities will be entitled by the vote of a majority in aggregate liquidation preference of such holders (a) under the Limited Partnership Agreement to enforce the terms of the Partnership Preferred Securities, including the right to appoint and authorize a special representative of the Partnership and the limited partners (a "Special Representative") to enforce (1) the Partnership's creditors' rights and other rights with respect to the Affiliate Investment Instruments and the Investment Guarantees, (2) the rights of the holders of the Partnership Preferred Securities under the Partnership Guarantee and (3) the rights of the holders of the Partnership Preferred Securities to receive distributions (only if and to the extent declared out of funds legally available therefor) on the Partnership Preferred Securities, and (b) under the Partnership Guarantee to enforce the terms of the Partnership Guarantee, including the right to enforce the covenant restricting certain payments by the Company and Finance Subsidiaries.

If the Special Representative fails to enforce its rights under the Affiliate Investment Instruments after a holder of Partnership Preferred Securities has made a written request, such holder of record of Partnership Preferred Securities may directly institute a legal proceeding against the Company to enforce the rights of the Special Representative and the Partnership under the Affiliate Investment Instruments without first instituting any legal proceeding against the Special Representative, the Partnership or any other person or entity. In any event, if a Partnership Enforcement Event has occurred and is continuing and such event is attributable to the failure of an Investment Affiliate to make any required payment when due on any Affiliate Investment Instrument, then a holder of Partnership Preferred Securities may on behalf of the Partnership directly institute a proceeding against such Investment Affiliate with respect to such Affiliate Investment Instrument for enforcement of payment. A holder of Partnership Preferred Securities may also bring a direct action against the Company to enforce such holder's right under the

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Partnership Guarantee. See "Description of the Partnership Guarantee -- Events of Default; Enforcement of Partnership Guarantee".

Under no circumstances, however, shall the Special Representative have authority to cause the General Partner to declare distributions on the Partnership Preferred Securities. As a result, although the Special Representative may be able to enforce the Partnership's creditors' rights to accelerate and receive payments in respect of the Affiliate Investment Instruments and the Investment Guarantees, the Partnership would be entitled to reinvest such payments in additional Affiliate Investment Instruments, subject to satisfying the reinvestment criteria described under "-- Partnership Investments", and Eligible Debt Securities, rather than declaring and making distributions on the Partnership Preferred Securities. The Special Representative shall not, by virtue of acting in such capacity, be admitted as a general partner in the Partnership or otherwise be deemed to be a general partner in the Partnership and shall have no liability for the debts, obligations or liabilities of the Partnership.

PARTNERSHIP INVESTMENTS

Approximately 99% of the proceeds from the issuance of the Partnership Preferred Securities and the General Partner's contemporaneous capital contribution (the "Initial Partnership Proceeds") will be used by the Partnership to purchase the Debentures and the remaining 1% of the Initial Partnership Proceeds will be used to purchase Eligible Debt Securities. The purchase of the Debentures by the Partnership will occur contemporaneously with the issuance of the Partnership Preferred Securities.

The initial Affiliate Investment Instruments purchased by the Partnership will consist of two or more debt instruments (the "Debentures"). The Company anticipates that approximately 85% of the Initial Partnership Proceeds will be used to purchase a Debenture of the Company (the "Company Debenture"), and approximately 14% of the Initial Partnership Proceeds will be used to purchase Debentures of one or more eligible controlled affiliates of the Company (the "Affiliate Debentures"). Each Debenture is expected to have a term of 20 years and to provide for interest payable on March 30, June 30, September 30 and December 30 of each year, commencing March 30, 1997, at market rates for such Debentures. The Debentures will be general unsecured debt obligations of the relevant issuer, except that the Company Debenture will rank subordinate and junior to all Senior Indebtedness of the Company.

The payment of interest on each of the Debentures may be deferred at any time, and from time to time, by the relevant issuer for a period not exceeding six consecutive quarters. If an issuer were to so defer the payment of interest, interest would continue to accrue and compound at the stated interest rate on such Debenture. The Debentures will contain covenants appropriate for unsecured debt securities issued or guaranteed by similar borrowers pursuant to a public offering or private placement under Rule 144A of the Securities Act of a comparable debt security, including a limitation on consolidation, merger, sale

or conveyance of assets. The Debentures will contain redemption provisions that correspond to the redemption provisions applicable to the Partnership Preferred Securities, including an option to redeem the Debentures by the relevant issuer, in whole or in part, from time to time, on or after March 30, 2007, and following the occurrence of a Partnership Special Event, in each case, in the same manner described under "-- Optional Redemption" and "-- Partnership Special Event Redemption". The Debentures, and any other Affiliate Investment Instruments that are debt instruments acquired by the Partnership in the future, will also contain customary events of default (the "Investment Events of Default"), including events of default for defaults in payments on such securities when due (provided that no default shall occur upon a valid deferral of an interest payment by an issuer), defaults in the performance of the relevant issuer's obligations under its Debenture or Affiliate Investment Instruments, as the case may be, and certain bankruptcy, insolvency or reorganization events (subject to customary exceptions and grace periods).

The payment of interest and principal when due and other payment terms of the Debentures (other than the Company Debenture), will be guaranteed to the extent described herein (each, an "Investment Guarantee") by the Company for the benefit of the holders of Partnership Preferred Securities. See "-- Investment Guarantees".

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Approximately 1% of the Initial Partnership Proceeds will be invested in Eligible Debt Securities. "Eligible Debt Securities" means cash or book-entry securities, negotiable instruments, or other securities of entities not affiliated with the Company which evidence any of the following: (a) any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or any certificate of deposit for any of the foregoing; (b) commercial paper issued pursuant to Section 3(a)(3) of the Securities Act and having, at the time of the investment or contractual commitment to invest therein, a rating from each of Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service, Inc. ("Moody's") in the highest investment rating category granted by such rating agency and having a maturity not in excess of nine months; (c) demand deposits, time deposits and certificates of deposit which are fully insured by the Federal Deposit Insurance Corporation ("FDIC"); (d) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the Government of the United States of America or any agency or instrumentality thereof, the obligations of which are backed by the full faith and credit of the United States of America, in either case entered into with a depository institution or trust company which is an Eligible Institution (as defined herein) and the deposits of which are insured by the FDIC; and (e) any other security which is identified as a permitted investment of a finance subsidiary pursuant to Rule 3a-5 under the 1940 Act at the time it is acquired by the Partnership.

"Eligible Institution" means (a) a depository institution organized under the laws of the United States or any one of the states thereof or the District of Columbia (or any domestic branch of a foreign bank), (1) (i) which has either (A) a long-term unsecured debt rating of AA or better by S&P and Aa or better by Moody's or (B) a short-term unsecured debt rating or a certificate of deposit rating of A-1+ by S&P and P-1 by Moody's and (ii) whose deposits are insured by the FDIC or (2) (i) the parent of which has a long-term or short-term unsecured debt rating which signifies investment grade and (ii) whose deposits are insured by the FDIC.

The Partnership may, from time to time and subject to the restrictions described below, reinvest payments received with respect to the Affiliate Investment Instruments (including the Debentures) and the Eligible Debt Securities in additional Affiliate Investment Instruments and Eligible Debt Securities. As of the date of this Prospectus, the Company, as the General Partner, does not intend to cause the Partnership to reinvest regularly scheduled, periodic payments of interest or dividends received by the Partnership in the manner described below, although there can be no assurance that the General Partner's intention in respect of such reinvestments will not change in the future.

The fairness of specific terms of all Affiliate Investment Instruments (including the Debentures) will be passed upon by a nationally recognized accounting firm, bank or investment banking firm that does not (and whose directors, officers, employees and affiliates do not) have a direct or indirect material equity interest in the Company or any of its subsidiaries (the "Independent Financial Advisor").

The Partnership may reinvest in additional Affiliate Investment Instruments only if certain procedures and criteria are satisfied with respect to such Affiliate Investment Instrument, including the satisfaction of the following conditions: (i) the Partnership did not hold debt or equity securities of the issuer of the proposed Affiliate Investment Instrument within the three-year period ending on the date of such proposed investment; (ii) there was never a default on any debt obligation of, or arrearages of dividends on preferred stock issued by, the issuer of the proposed Affiliate Investment Instrument that was

previously or is currently owned by the Partnership; (iii) the applicable terms and provisions with respect to the proposed Affiliate Investment Instrument have been determined by the Independent Financial Advisor to be at least as favorable as terms which could be obtained by the Partnership in a public offering or private placement under Rule 144A of the Securities Act of a comparable security issued by the relevant Investment Affiliate and guarantees, if any, included therein; and (iv) the requesting Investment Affiliate shall not be deemed to be an investment company by reason of Section 3(a) or 3(b) of the 1940 Act or is otherwise an eligible recipient of funds directly or indirectly from the Trust pursuant to an order issued by

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the Commission. The term "Investment Affiliate" means the Company or any corporation, partnership, limited liability company or other entity (other than the Partnership or the Trust) that is controlled by the Company. If the Partnership is unable to reinvest payments and proceeds from Affiliate Investment Instruments in additional Affiliate Investment Instruments meeting the above criteria, the Partnership may only invest such funds in Eligible Debt Securities (subject to restrictions of applicable law, including the 1940 Act).

INVESTMENT GUARANTEES

GENERAL

The Company will agree to execute and deliver an Investment Guarantee, on a subordinated basis, for the benefit of the holders of Partnership Preferred Securities with respect to each Debenture issued by an Investment Affiliate (other than the Company Debenture) to the extent set forth below. The Investment Guarantees shall be enforceable regardless of any defense, right of set-off or counterclaim that the Company may have or assert. The Investment Guarantees will be full and unconditional guarantees, to the extent set forth therein, with respect to the applicable Debentures from the time of issuance. To the extent that, as described above, the Partnership invests in additional Affiliate Investment Instruments, the determination as to whether such Affiliate Investment Instrument will contain an Investment Guarantee will be made at the date of its issuance and will be based, among other things, upon its approval by the Independent Financial Advisor in accordance with the reinvestment criteria described above.

The Investment Guarantees will constitute guarantees of payment and not of collection (that is, the guaranteed party may directly institute a legal proceeding against the Company to enforce its rights under the applicable Investment Guarantee without instituting a legal proceeding against any other person or entity). If no Special Representative has been appointed to enforce any Investment Guarantee, the General Partner has the right to enforce such Investment Guarantee on behalf of the holders of the Partnership Preferred Securities. The holders of not less than a majority in aggregate liquidation preference of the Partnership Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available in respect of any Investment Guarantee, including the giving of directions to the General Partner or the Special Representative, as the case may be. If the General Partner or the Special Representative fails to enforce any Investment Guarantee as above provided, any holder of Trust Preferred Securities may institute its own legal proceeding to enforce such Investment Guarantee. No Investment Guarantee will be discharged except by payment in full of all amounts guaranteed by such Investment Guarantee (without duplication of amounts theretofore paid by the relevant Investment Affiliate).

AMENDMENTS AND ASSIGNMENT

Except with respect to any changes that do not adversely affect the rights of holders of Partnership Preferred Securities (in which case no consent will be required), the Investment Guarantees may be amended only with the prior approval of the holders of not less than a majority in liquidation preference of the outstanding Partnership Preferred Securities, PROVIDED that for so long as the Property Trustee of the Trust is the holder of the Partnership Preferred Securities, such amendment will not be effective without the prior written approval of a majority in liquidation amount of the outstanding Trust Preferred Securities. All guarantees and agreements contained in the Investment Guarantees shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of Partnership Preferred Securities. Except in connection with any permitted merger or consolidation of the Company with or into another entity or any permitted sale, transfer or lease of the Company's assets to another entity in which the surviving corporation (if other than the Company) assumes the Company's obligations under the Investment Guarantees, the Company may not assign its rights or delegate its obligations under the Investment Guarantees without the prior approval of the holders of at

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least a majority of the aggregate stated liquidation preference of the Partnership Preferred Securities then outstanding.

STATUS OF THE INVESTMENT GUARANTEES

The Company's obligations under the Investment Guarantees will constitute unsecured obligations of the Company and will rank subordinate and junior in right of payment to all other liabilities of the Company and will rank PARI PASSU with the most senior preferred stock, if any, issued from time to time by the Company, with similar guarantees issued by the Company in connection with the \$275,000,000 aggregate liquidation amount of 7 3/4% Trust Originated Preferred Securities issued by Merrill Lynch Preferred Capital Trust I, and with any guarantee now or hereafter entered into by the Company in respect of any preferred stock of any other Finance Subsidiary. Accordingly, the rights of the holders of the Debentures to receive payments under the Investment Guarantees will be subject to the rights of the holders of any obligations that are senior in priority to the obligations under the Investment Guarantees. Furthermore, the holders of obligations of the Company that are senior to the obligations under the Investment Guarantees (including, but not limited to, obligations constituting Senior Indebtedness) will be entitled to the same rights upon payment default or dissolution, liquidation and reorganization in respect of the Investment Guarantees that inure to the holders of Senior Indebtedness as against the holders of the Company Debenture. The terms of the Debentures provide that each holder of Debentures, by acceptance thereof, agrees to the subordination provisions and other terms of the Investment Guarantees.

GOVERNING LAW

The Investment Guarantees will be governed by and construed in accordance with the internal laws of the State of New York.

OPTIONAL REDEMPTION

The Partnership Preferred Securities are redeemable, at the option of the General Partner, in whole or in part, from time to time, on or after March 30, 2007, upon not less than 30 nor more than 60 days notice, at an amount per Partnership Preferred Security equal to \$25 plus accumulated and unpaid distributions thereon. If the Partnership redeems Partnership Preferred Securities in accordance with the terms thereof, Trust Securities will be mandatorily redeemed at the Redemption Price. If a partial redemption would result in the delisting of the Trust Preferred Securities (or, if the Trust is liquidated in connection with a Trust Special Event, or if a partial redemption would result in the delisting of the Partnership Preferred Securities), the Partnership may only redeem the Partnership Preferred Securities in whole.

PARTNERSHIP SPECIAL EVENT REDEMPTION

If, at any time, a Partnership Tax Event or a Partnership Investment Company Event (each as hereinafter defined, and each a "Partnership Special Event") shall occur and be continuing, the General Partner shall, within 90 days following the occurrence of such Partnership Special Event, elect to either (i) redeem the Partnership Preferred Securities in whole (but not in part), upon not less than 30 or more than 60 days notice at the Redemption Price, PROVIDED that, if at the time there is available to the Partnership the opportunity to eliminate, within such 90-day period, the Partnership Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable such measure that in the sole judgment of the Company has or will cause no adverse effect on the Partnership, the Trust or the Company, the General Partner will pursue such measure in lieu of redemption; or (ii) cause the Partnership Preferred Securities to remain outstanding, PROVIDED that in the case of this clause (ii), the General Partner shall pay any and all costs and expenses incurred by or payable by the Partnership attributable to the Partnership Special Event.

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"Partnership Tax Event" means that the General Partner shall have requested and received an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that there has been a Tax Action which affects any of the events described in (i) through (iii) below and that there is more than an insubstantial risk that (i) the Partnership is, or will be, subject to United States federal income tax with respect to income accrued or received on the Affiliate Investment Instruments or the Eligible Debt Securities, (ii) the Partnership is, or will be, subject to more than a DE MINIMIS amount of other taxes, duties or other governmental charges or (iii) interest payable by an Investment Affiliate with respect to the Debenture issued by such Investment Affiliate to the Partnership is not, or will not be, deductible by such Investment Affiliate for United States federal income tax purposes.

"Partnership Investment Company Event" means that the General Partner shall have requested and received an opinion of nationally recognized independent legal counsel experienced in such matters to the effect that as a result of the occurrence on or after the date hereof of a Change in 1940 Act Law, the Partnership is or will be considered an "investment company" which is required to be registered under the 1940 Act.

REDEMPTION PROCEDURES

The Partnership may not redeem fewer than all the outstanding Partnership Preferred Securities unless all accumulated and unpaid distributions have been paid on all Partnership Preferred Securities for all quarterly distribution

periods terminating on or prior to the date of redemption.

If the Partnership gives a notice of redemption in respect of Partnership Preferred Securities (which notice will be irrevocable) then, by 12:00 noon, New York City time, on the redemption date, the Partnership (i) if the Partnership Preferred Securities are in book entry form with DTC, will deposit irrevocably with DTC funds sufficient to pay the applicable Redemption Price and will give DTC irrevocable instructions and authority to pay the Redemption Price in respect of the Partnership Preferred Securities held through DTC in global form or (ii) if the Partnership Preferred Securities are held in certificated form, will deposit with the paying agent for the Partnership Preferred Securities funds sufficient to pay such amount in respect of any Partnership Preferred Securities in certificated form and will give such paying agent irrevocable instructions and authority to pay such amounts to the holders of Partnership Preferred Securities upon surrender of their certificates. See "Description of the Trust Preferred Securities -- Book-Entry-Only Issuance -- The Depository Trust Company".

If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of holders of such Partnership Preferred Securities so called for redemption will cease, except the right of the holders of such Partnership Preferred Securities to receive the Redemption Price, but without interest on such Redemption Price. In the event that any date fixed for redemption of Partnership Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. In the event that payment of the Redemption Price in respect of Partnership Preferred Securities is improperly withheld or refused and not paid either by the Partnership or by the Company pursuant to the Partnership Guarantee described under "Description of the Partnership Guarantee," distributions on such Partnership Preferred Securities will continue to accumulate, from the original redemption date to the date of payment.

Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), the Company or any of its subsidiaries may at any time and from time to time purchase outstanding Partnership Preferred Securities by tender, in the open market or by private agreement.

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LIQUIDATION DISTRIBUTION UPON DISSOLUTION

In the event of any voluntary or involuntary dissolution, winding-up or termination of the Partnership, the holders of the Partnership Preferred Securities at the time will be entitled to receive out of the assets of the Partnership available for distribution to partners after satisfaction of liabilities of creditors as required by the Partnership Act, before any distribution of assets is made to the General Partner, an amount equal to, in the case of holders of Partnership Preferred Securities, the aggregate of the stated liquidation preference of \$25 per Partnership Preferred Security plus accumulated and unpaid distributions thereon to the date of payment (such amount being the "Partnership Liquidation Distribution").

Pursuant to the Limited Partnership Agreement, the Partnership shall be dissolved and its affairs shall be wound up: (i) upon the bankruptcy of the General Partner, (ii) upon the assignment by the General Partner of its entire interest in the Partnership when the assignee is not admitted to the Partnership as a general partner of the Partnership in accordance with the Limited Partnership Agreement, or the filing of a certificate of dissolution or its equivalent with respect to the General Partner, or the revocation of the General Partner's charter and the expiration of 90 days after the date of notice to the General Partner of revocation without a reinstatement of its charter, or if any other event occurs that causes the General Partner to cease to be a general partner of the Partnership under the Partnership Act, unless the business of the Partnership is continued in accordance with the Partnership Act, (iii) if the Partnership has redeemed or otherwise purchased all the Partnership Preferred Securities, (iv) upon the entry of a decree of judicial dissolution or (v) upon the written consent of all partners of the Partnership.

VOTING RIGHTS

Except as provided below and under "Description of the Partnership Guarantee -- Amendments and Assignment" and as otherwise required by law and the Limited Partnership Agreement, the holders of the Partnership Preferred Securities will have no voting rights.

Not later than 30 days after any Partnership Enforcement Event occurs, the General Partner will convene a meeting for the purpose of appointing a Special Representative. If the General Partner fails to convene such meeting within such 30-day period, the holders of 10% in liquidation preference of the outstanding Partnership Preferred Securities will be entitled to convene such meeting. The provisions of the Limited Partnership Agreement relating to the convening and conduct of the meetings of the partners will apply with respect to any such

meeting. In the event that, at any such meeting, holders of less than a majority in aggregate liquidation preference of Partnership Preferred Securities entitled to vote for the appointment of a Special Representative vote for such appointment, no Special Representative shall be appointed. Any Special Representative appointed shall cease to be a Special Representative of the Partnership and the limited partners if (1) the Partnership (or the Company pursuant to the Partnership Guarantee) shall have paid in full all accumulated and unpaid distributions on the Partnership Preferred Securities, (2) such Investment Event of Default, as the case may be, shall have been cured, and (3) the Company is in compliance with all its obligations under the Partnership Guarantee and the Company, in its capacity as the General Partner, shall continue the business of the Partnership without dissolution. Notwithstanding the appointment of any such Special Representative, the Company shall continue as General Partner and shall retain all rights under the Limited Partnership Agreement, including the right to declare, in its sole discretion, the payment of distributions on the Partnership Preferred Securities for which the failure of such declaration would not constitute a default under the Limited Partnership Agreement.

If any proposed amendment to the Limited Partnership Agreement provides for, or the General Partner otherwise proposes to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Partnership Preferred Securities, whether by way of amendment to the Limited Partnership Agreement or otherwise (including, without limitation, the authorization or issuance of any

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limited partner interests in the Partnership ranking, as to participation in the profits or distributions or in the assets of the Partnership, senior to the Partnership Preferred Securities), or (ii) the dissolution, winding-up or termination of the Partnership, other than (x) in connection with the occurrence of a Partnership Special Event or (y) as described under "Merger, Consolidation or Amalgamation of the Partnership" below, then the holders of outstanding Partnership Preferred Securities will be entitled to vote on such amendment or proposal of the General Partner (but not on any other amendment or proposal) as a class, and such amendment or proposal shall not be effective except with the approval of the holders of a majority in liquidation preference of such outstanding Partnership Preferred Securities having a right to vote on the matter; PROVIDED, HOWEVER, that if the Property Trustee on behalf of the Trust is the holder of the Partnership Preferred Securities, any such amendment or proposal not excepted by clauses (x) and (y) above shall not be effective without the prior or concurrent approval of the holders of a majority in liquidation amount of the outstanding Trust Preferred Securities having a right to vote on such matters.

The General Partner shall not (i) direct the time, method and place of conducting any proceeding for any remedy available, (ii) waive any Investment Event of Default that is waivable under the Affiliate Investment Instruments, (iii) exercise any right to rescind or annul a declaration that the principal of any Affiliate Investment Instruments which are debt instruments shall be due and payable, (iv) waive the breach of the covenant by the Company to restrict certain payments by the Company, or (v) consent to any amendment, modification or termination of any Affiliate Investment Instrument, where such consent shall be required from the investor, without, in each case, obtaining the prior approval of the holders of at least a majority in liquidation preference of the Partnership Preferred Securities; PROVIDED, HOWEVER, that if the Property Trustee on behalf of the Trust is the holder of the Partnership Preferred Securities, such waiver, consent or amendment or other action shall not be effective without the prior or concurrent approval of at least a majority in liquidation amount of the outstanding Trust Preferred Securities having a right to vote on such matters. The General Partner shall not revoke any action previously authorized or approved by a vote of the holders of the Partnership Preferred Securities without the approval of such revocation by a majority in liquidation preference of the outstanding Partnership Preferred Securities. The General Partner shall notify all holders of the Partnership Preferred Securities of any notice of an Investment Event of Default received with respect to any Affiliate Investment Instrument.

Any required approval of holders of Partnership Preferred Securities may be given at a separate meeting of holders of Partnership Preferred Securities convened for such purpose, at a meeting of all of the partners in the Partnership or pursuant to written consent. The Partnership will cause a notice of any meeting at which holders of Partnership Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of Partnership Preferred Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matters upon which written consent is sought and (iii) instruction for the delivery of proxies or consents.

No vote or consent of the holders of Partnership Preferred Securities will be required for the Partnership to redeem and cancel Partnership Preferred Securities in accordance with the Limited Partnership Agreement.

Notwithstanding that holders of Partnership Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Partnership Preferred Securities at such time that are beneficially owned by the Company or by any entity directly or indirectly controlled by, or under direct or indirect common control with, the Company, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding, except for Partnership Preferred Securities purchased or acquired by the Company or its affiliates in connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such Partnership Preferred Securities; PROVIDED, HOWEVER, that persons (other than

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affiliates of the Company) to whom the Company or any of its subsidiaries have pledged Partnership Preferred Securities may vote or consent with respect to such pledged Partnership Preferred Securities pursuant to the terms of such pledge.

Holders of the Partnership Preferred Securities will have no rights to remove or replace the General Partner.

MERGER, CONSOLIDATION OR AMALGAMATION OF THE PARTNERSHIP

The Partnership may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below. The Partnership may, without the consent of the holders of the Partnership Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States of America, provided that (i) such successor entity either (x) expressly assumes all of the obligations of the Partnership under the Partnership Preferred Securities or (y) substitutes for the Partnership Preferred Securities other securities having substantially the same terms as the Partnership Preferred Securities (the "Partnership Successor Securities") so long as the Partnership Successor Securities are not junior to any other equity securities of the successor entity, with respect to participation in the profits and distributions, and in the assets, of the successor entity, (ii) the Investment Affiliates expressly acknowledge such successor entity as the holder of the Affiliate Investment Instruments, (iii) the Partnership Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Partnership Preferred Securities, if so listed, are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (or, in the event that the Trust is liquidated in connection with a Trust Special Event, the Partnership Preferred Securities (including any Partnership Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or Partnership Preferred Securities (including any Partnership Successor Securities) in any material respect (other than, in the case of the Partnership Preferred Securities, with respect to any dilution of the holders' interest in the new resulting entity), (vi) such successor entity has a purpose substantially identical to that of the Partnership, (vii) prior to such merger, consolidation, amalgamation or replacement, the Company has received an opinion of nationally recognized independent counsel to the Partnership experienced in such matters to the effect that (A) such successor entity will be treated as a partnership for United States federal income tax purposes, (B) such merger, consolidation, amalgamation or replacement would not cause the Trust to be classified as an association taxable as a corporation for United States federal income tax purposes, (C) following such merger, consolidation, amalgamation or replacement, the Company and such successor entity will be in compliance with the 1940 Act without registering thereunder as an investment company, and (D) such merger, consolidation, amalgamation or replacement will not adversely affect the limited liability of the holders of the Partnership Preferred Securities and (viii) the Company guarantees the obligations of such successor entity under the Partnership Successor Securities at least to the extent provided by the Partnership Guarantee.

BOOK-ENTRY AND SETTLEMENT

If the Partnership Preferred Securities are distributed to holders of Trust Preferred Securities in connection with the involuntary or voluntary dissolution, winding-up or liquidation of the Trust as a result of the occurrence of a Trust Special Event, the Partnership Preferred Securities will be issued in the form of one or more global certificates (each a "Global Partnership Security") registered in the name of DTC as the depository or its nominee. For a description of DTC and the specific terms of the Depository arrangements, see "Description of the Trust Preferred Securities -- Book-Entry Only Issuance -- The

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Depository Trust Company". As of the date of this Prospectus, the description therein of DTC's book-entry system and DTC's practices as they relate to

purchases, transfers, notices and payments with respect to the Trust Preferred Securities apply in all material respects to any Partnership Preferred Securities represented by one or more Global Partnership Securities.

REGISTRAR, TRANSFER AGENT AND PAYING AGENT

The General Partner will act as registrar, transfer agent and paying agent for the Partnership Preferred Securities for so long as the Partnership Preferred Securities are held by the Trust or, if the Trust is liquidated in connection with a Trust Special Event, for so long as the Partnership Preferred Securities remain in book-entry only form. In the event the Partnership Preferred Securities are distributed in connection with a Trust Special Event and the book-entry system for the Partnership Preferred Securities is discontinued, it is anticipated that The Chase Manhattan Bank or one of its affiliates will act as registrar, transfer agent and paying agent for the Partnership Preferred Securities.

Registration of transfers of Partnership Preferred Securities will be effected without charge by or on behalf of the Partnership, but upon payment (with the giving of such indemnity as the Partnership or the General Partner may require) in respect of any tax or other governmental charges that may be imposed in relation to it.

The Partnership will not be required to register or cause to be registered the transfer of Partnership Preferred Securities after such Partnership Preferred Securities have been called for redemption.

MISCELLANEOUS

The General Partner is authorized and directed to conduct its affairs and to operate the Partnership in such a way that (i) the Partnership will not be deemed to be an "investment company" required to be registered under the 1940 Act or characterized as an association taxable as a corporation for United States federal income tax purposes, (ii) the Affiliate Investment Instruments that are debt instruments will be treated as indebtedness of the issuer of such debt instruments for United States federal income tax purposes and (iii) the Partnership will not be treated as an association or as a "publicly traded partnership" (within the meaning of Section 7704 of the Code) taxable as a corporation. In this connection, the General Partner is authorized to take any action, not inconsistent with applicable law, the certificate of limited partnership of the Partnership or the Limited Partnership Agreement, that the General Partner determines in its discretion to be necessary or desirable for such purposes as long as such action does not adversely affect the interests of the holders of the Partnership Preferred Securities.

DESCRIPTION OF THE PARTNERSHIP GUARANTEE

Set forth below is a summary of information concerning the Partnership Guarantee that will be executed and delivered by the Company for the benefit of the holders from time to time of Partnership Preferred Securities. The summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Partnership Guarantee, which is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The General Partner will hold the Partnership Guarantee for the benefit of the holders of the Partnership Preferred Securities.

GENERAL

Pursuant to the Partnership Guarantee, the Company will irrevocably agree, on a subordinated basis to the extent set forth therein, to pay in full to the holders of the Partnership Preferred Securities (without duplication of amounts theretofore paid by the Partnership), as and when due, regardless of any defense, right of set-off or counterclaim that the Partnership may have or assert, the following payments (the

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"Partnership Guarantee Payments"): (i) any accumulated and unpaid distributions that have theretofore been declared on the Partnership Preferred Securities out of funds legally available therefor, (ii) the redemption price with respect to any Partnership Preferred Securities called for redemption by the Partnership out of funds legally available therefor, and (iii) upon a liquidation of the Partnership, the lesser of (a) the aggregate of the liquidation preference and all accumulated and unpaid distributions on the Partnership Preferred Securities to the date of payment and (b) the amount of assets of the Partnership, after satisfaction of all liabilities, remaining available for distribution to holders of Partnership Preferred Securities in liquidation of the Partnership. The Company's obligation to make a Partnership Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of Partnership Preferred Securities or by causing the Partnership to pay such amounts to such holders.

The Partnership Guarantee will be a guarantee on a subordinated basis with respect to the Partnership Preferred Securities from the time of issuance of such Partnership Preferred Securities but will not apply to any payment of distributions or Redemption Price, or to payments upon the dissolution,

winding-up or termination of the Trust, except to the extent the Partnership shall have funds available therefor. If Investment Affiliates (including, where applicable, the Company, as guarantor) of the Affiliate Investment Instruments in which the Partnership invests fail to make any payment in respect of such securities (or, if applicable, guarantees), the Partnership may not declare or pay dividends on the Partnership Preferred Securities. In such event, holders of the Partnership Preferred Securities would not be able to rely upon the Partnership Guarantee for payment of such amounts. Instead, holders of the Partnership Preferred Securities will have the remedies described herein under "Description of the Partnership Preferred Securities -- Partnership Enforcement Events," including the right to direct the General Partner or the Special Representative, as the case may be, to enforce the covenant restricting certain payments by the Company and Finance Subsidiaries. See "-- Covenants of the Company" below.

The Guarantees, when taken together with the Company Debenture and the Company's obligations to pay all fees and expenses of the Trust and the Partnership, constitute a guarantee to the extent set forth herein by the Company of the distribution, redemption and liquidation payments payable to the holders of the Trust Preferred Securities. The Guarantees do not apply, however, to current distributions by the Partnership unless and until such distributions are declared by the Partnership out of funds legally available for payment or to liquidating distributions unless there are assets available for payment in the Partnership, each as more fully described under "Risk Factors--Insufficient Income or Assets Available to Partnership".

COVENANTS OF THE COMPANY

The Company will covenant in the Partnership Guarantee that if (a) for any distribution period, full distributions on a cumulative basis on any Partnership Preferred Securities have not been paid or declared and set apart for payment, (b) an Investment Event of Default by any Investment Affiliate in respect of any Affiliate Investment Instrument has occurred and is continuing or (c) the Company is in default of its obligations under the Trust Guarantee, the Partnership Guarantee or any Investment Guarantee, then, during such period (i) the Company shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock or comparable equity interest (except for (x) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, its capital stock, and conversions or exchanges of common stock of one class into common stock of another class, (y) redemptions or purchases of any rights pursuant to the Rights Agreement and the issuance of preferred stock pursuant to such rights and (z) purchases or acquisitions by the Company or its affiliates in connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such capital stock or comparable equity interest) and (ii) the Company shall not make, permit any Finance Subsidiary to make, or make any payments that would enable any Finance Subsidiary to make, any payment of any dividends on, any distribution with respect to, or any redemption, purchase or other

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acquisition of, or any liquidation payment with respect to, any preferred security or comparable equity interest of any Finance Subsidiary.

EVENTS OF DEFAULT; ENFORCEMENT OF PARTNERSHIP GUARANTEE

An event of default under the Partnership Guarantee will occur upon the failure of the Company to perform any of its payment or other obligations thereunder.

The holders of a majority in liquidation amount of the Partnership Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Special Representative in respect of the Partnership Guarantee or to direct the exercise of any trust or power conferred upon the Special Representative under the Partnership Guarantee. If the Special Representative fails to enforce its rights under the Partnership Guarantee, after a holder of Partnership Preferred Securities has made a written request, such holder of Partnership Preferred Securities may institute a legal proceeding directly against the Company to enforce the Special Representative's rights under the Partnership Guarantee without first instituting a legal proceeding against the Partnership, the Special Representative or any other person or entity. Notwithstanding the foregoing, if the Company has failed to make a guarantee payment, a holder of Partnership Preferred Securities may directly institute a proceeding against the Company for enforcement of the Partnership Guarantee for such payment.

STATUS OF THE PARTNERSHIP GUARANTEE; SUBORDINATION

The Partnership Guarantee will constitute an unsecured obligation of the Company and will rank subordinate and junior in right of payment to all other liabilities of the Company and will rank PARI PASSU with the most senior preferred stock issued from time to time by the Company, with similar guarantees issued by the Company in connection with the \$275,000,000 aggregate liquidation amount of 7 3/4% Trust Originated Preferred Securities issued by Merrill Lynch

Preferred Capital Trust I, and with any guarantee now or hereafter entered into by the Company in respect of any preferred stock of any other Finance Subsidiary. Accordingly, the rights of the holders of Partnership Preferred Securities to receive payments under the Partnership Guarantee will be subject to the rights of the holders of any obligations of the Company that are senior in priority to the obligations under the Partnership Guarantee. Furthermore, the holders of obligations of the Company that are senior to the obligations under the Partnership Guarantee (including, but not limited to, obligations constituting Senior Indebtedness) will be entitled to the same rights upon payment default or dissolution, liquidation and reorganization in respect of the Partnership Guarantee that inure to the holders of Senior Indebtedness as against the holders of the Company Debenture. The Limited Partnership Agreement provides that each holder of Partnership Preferred Securities, by acceptance thereof, agrees to the subordination provisions and other terms of the Partnership Guarantee.

The Partnership Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may directly institute a legal proceeding against the Company to enforce its rights under the Partnership Guarantee without instituting a legal proceeding against any other person or entity).

The Partnership Guarantee will be deposited with the General Partner to be held for the benefit of the holders of the Partnership Preferred Securities. In the event of the appointment of a Special Representative to, among other things, enforce the Partnership Guarantee, the Special Representative may take possession of the Partnership Guarantee for such purpose. If no Special Representative has been appointed to enforce the Partnership Guarantee, the General Partner has the right to enforce the Partnership Guarantee on behalf of the holders of the Partnership Preferred Securities.

AMENDMENTS AND ASSIGNMENT

Except with respect to any changes that do not adversely affect the rights of holders of Partnership Preferred Securities (in which case no consent will be required), the Partnership Guarantee may be amended only with the prior approval of the holders of not less than a majority in liquidation preference of

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the outstanding Partnership Preferred Securities. All guarantees and agreements contained in the Partnership Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the Partnership Preferred Securities then outstanding. Except in connection with any permitted merger or consolidation of the Company with or into another entity or any permitted sale, transfer or lease of the Company's assets to another entity in which the surviving corporation (if other than the Company) assumes the Company's obligations under the Partnership Guarantee, the Company may not assign its rights or delegate its obligations under the Partnership Guarantee without the prior approval of the holders of at least a majority of the aggregate stated liquidation preference of the Partnership Preferred Securities then outstanding.

TERMINATION OF THE PARTNERSHIP GUARANTEE

The Partnership Guarantee will terminate and be of no further force and effect as to the Partnership Preferred Securities upon (i) full payment of the redemption price of all Partnership Preferred Securities or (ii) full payment of the amounts payable in accordance with the Limited Partnership Agreement upon liquidation of the Partnership. The Partnership Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of Partnership Preferred Securities must in accordance with the Partnership Act restore payment of any sums paid under the Partnership Preferred Securities or the Partnership Guarantee. The Partnership Act provides that a limited partner of a limited partnership who wrongfully receives a distribution may be liable to the limited partnership for the amount of such distribution.

GOVERNING LAW

The Partnership Guarantee will be governed by and construed in accordance with the internal laws of the State of New York.

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CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

GENERAL

In the opinion of Brown & Wood LLP, tax counsel to the Company, the Trust and the Partnership ("Tax Counsel"), the following summary accurately describes the material United States federal income tax consequences that may be relevant to the purchase, ownership and disposition of Trust Preferred Securities. Unless otherwise stated, this summary deals only with Trust Preferred Securities held as capital assets by United States Persons (defined herein) who purchase the Trust Preferred Securities upon original issuance. As used herein, a "United States Person" means a person that is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or

under the laws of the United States or any political subdivision thereof, or an estate or trust as defined in section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code"). The tax treatment of a holder may vary depending on its particular situation. This summary does not address all the tax consequences that may be relevant to holders who may be subject to special tax treatment, such as banks, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, tax-exempt investors, or foreign investors. This summary does not include any description of any alternative minimum tax consequences or the tax laws of any state or local government or of any foreign government that may be applicable to the Trust Preferred Securities. This summary is based on the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis.

The Trust Preferred Securities are not being marketed to persons that are not United States Persons ("non-United States Persons") and, consequently, the following discussion does not discuss the tax consequences that might be relevant to non-United States Persons. Moreover, in order to protect the Trust and the Partnership from potential adverse consequences, non-United States Persons will be subject to withholding on distributions on the Trust Preferred Securities held by such non-United States Persons at a rate of 30%. In determining a holder's status, the United States entity otherwise required to withhold taxes may rely on an IRS form W-8, an IRS form W-9, or a holder's certification of its non-foreign status signed under penalty of perjury. NON-UNITED STATES PERSONS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TRUST PREFERRED SECURITIES.

Tax Counsel has advised that there is no authority directly on point dealing with securities such as the Trust Preferred Securities or transactions of the type described herein and that the opinions of Tax Counsel are not binding on the Internal Revenue Service ("IRS") or the courts, either of which could take a contrary position. No rulings have been or will be sought from the IRS. Accordingly, there can be no assurance that the IRS will not challenge the opinions expressed herein or that a court would not sustain such a challenge. Nevertheless, Tax Counsel has advised that it is of the view that, if challenged, the opinions expressed herein would be sustained by a court with jurisdiction in a properly presented case.

HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TRUST PREFERRED SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN, AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS. FOR A DISCUSSION OF THE POSSIBLE REDEMPTION OF THE TRUST PREFERRED SECURITIES OR REDEMPTION OF THE PARTNERSHIP PREFERRED SECURITIES UPON THE OCCURRENCE OF CERTAIN TAX EVENTS SEE "DESCRIPTION OF THE TRUST PREFERRED SECURITIES -- TRUST SPECIAL EVENT REDEMPTION OR DISTRIBUTION" AND "DESCRIPTION OF THE PARTNERSHIP PREFERRED SECURITIES -- PARTNERSHIP SPECIAL EVENT REDEMPTION" RESPECTIVELY.

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CLASSIFICATION OF THE TRUST

Tax Counsel is of the opinion that, under current law, and based on certain representations, facts and assumptions set forth in such opinion, the Trust will be classified for United States federal income tax purposes as a grantor trust and not as an association taxable as a corporation. Accordingly, for United States federal income tax purposes, each holder of Trust Preferred Securities will be considered the owner of an undivided interest in the Partnership Preferred Securities held by the Trust, and each holder will be required to include in its gross income its distributive share of income attributable to the Partnership, which generally will be equal to such holder's allocable share of amounts accrued on the Partnership Preferred Securities. Unless the Partnership invests in the stock of certain Investment Affiliates (for example, after repayment of the Debentures), no amount included in income with respect to the Trust Preferred Securities will be eligible for the corporate dividends-received deduction.

CLASSIFICATION OF THE PARTNERSHIP

Tax Counsel is of the opinion that, under current law, and based on certain representations, facts and assumptions set forth in such opinion, the Partnership will be classified for United States federal income tax purposes as a partnership and not as an association or publicly traded partnership taxable as a corporation.

Tax Counsel's opinion is based on certain factual assumptions relating to the organization and operation of the Partnership and is conditioned upon certain representations made by the General Partner and the Partnership as to factual matters, such as the organization and the operation of the Partnership and the type and frequency of investments made by the Partnership.

The General Partner has represented that it intends to operate the Partnership in a manner such that it will continue to constitute a partnership

for all future taxable periods in which any Partnership Preferred Securities remain outstanding. In particular, pursuant to the Limited Partnership Agreement, the General Partner is prohibited from taking any action that would cause the Partnership to constitute a "publicly traded partnership" taxable as a corporation under section 7704(a) of the Code. Accordingly, it is expected that the Partnership will continue to qualify as a partnership, and therefore will not constitute a publicly traded partnership taxable as a corporation, for all taxable years in which the Partnership Preferred Securities remain outstanding.

CLASSIFICATION OF THE DEBENTURES

The Partnership, the Company, the relevant Investment Affiliates and the holders of the Trust Securities (by acceptance of a beneficial interest in a Trust Security) will agree to treat the Debentures as indebtedness of the relevant issuer for all United States tax purposes. In connection with the issuance of the Debentures, Tax Counsel will issue its opinion that, under current law, and based on certain representations, facts and assumptions set forth in such opinion, the Debentures will be classified as indebtedness of the relevant issuer for United States federal income tax purposes.

INCOME AND DEDUCTIONS

A holder's distributive share of income attributable to the Partnership generally will be substantially equal to the amount of the cash distributions that accumulate with respect to the Trust Preferred Securities. Accordingly, if quarterly distributions on the Trust Preferred Securities are paid currently, the amount of income recognized by a holder during a taxable year generally will be substantially equal to the cash distributions received by the holder with respect to its Trust Preferred Securities.

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The nature and timing of the income that is allocated to holders of Trust Preferred Securities will, however, depend on the United States federal income tax characterization of the investments held by the Partnership during the period in question. Because the Partnership will be an accrual basis taxpayer for United States federal income tax purposes, income will accrue on the Trust Preferred Securities and will be allocated to holders of Trust Preferred Securities on a daily accrual basis, generally at a rate that is expected to be equal to (and that will not be greater than) the distribution rate on the Trust Preferred Securities, regardless of the holders' method of accounting. Actual cash distributions on the Trust Preferred Securities will not, however, be separately reported as taxable income to the holders at the time they are received.

If distributions on the Partnership Preferred Securities are not made currently, the corresponding distributions on the Trust Preferred Securities will not be made currently. Because the Partnership is an accrual basis taxpayer it can be expected that during a period in which interest payments on the Debentures or distributions on the Partnership Preferred Securities are deferred (for whatever reason), holders will generally recognize income in advance of their receipt of any cash distributions with respect to their Trust Preferred Securities. The amount of income that will be allocated to holders of Trust Preferred Securities during any such deferral period will equal their pro rata share of the amount of distributions accruing on the Partnership Preferred Securities during such deferral period.

The Partnership does not presently intend to make an election under Section 754 of the Code. Accordingly, a subsequent purchaser of Trust Preferred Securities will not be permitted to adjust the tax basis in his allocable share of the Partnership's assets so as to reflect any difference between his purchase price for the Trust Preferred Securities and his share of the Partnership's underlying tax basis in its assets. As a result, a holder of Trust Preferred Securities may be required to report a larger or smaller amount of income from holding the Trust Preferred Securities than would otherwise be appropriate based upon the holder's purchase price for the Trust Preferred Securities.

RECEIPT OF PARTNERSHIP PREFERRED SECURITIES UPON LIQUIDATION OF THE TRUST

Under certain circumstances, as described under the caption "Description of the Trust Preferred Securities -- Trust Special Event Redemption or Distribution", Partnership Preferred Securities may be distributed to holders of Trust Preferred Securities in exchange for their Trust Preferred Securities and in liquidation of the Trust. Unless the liquidation of the Trust occurs as a result of the Trust being subject to United States federal income tax with respect to income accrued or received on the Partnership Preferred Securities, such a distribution to holders would, for United States federal income tax purposes, be treated as a nontaxable event to each holder, each holder would receive an aggregate tax basis in the Partnership Preferred Securities equal to such holder's aggregate tax basis in its Trust Preferred Securities, and a holder's holding period in the Partnership Preferred Securities so received in liquidation of the Trust would include the period during which the Trust Preferred Securities were held by such holder. If, however, the liquidation of the Trust were to occur because the Trust is subject to United States federal income tax with respect to income accrued or received on the Partnership Preferred Securities, the distribution of Partnership Preferred Securities to

holders by the Trust would likely be a taxable event to each holder, and a holder would recognize gain or loss as if the holder had exchanged its Trust Preferred Securities for the Partnership Preferred Securities it received upon the liquidation of the Trust. Such gain or loss would be equal to the difference between the holder's aggregate tax basis in its Trust Preferred Securities surrendered in the exchange and the aggregate fair market value of the Partnership Preferred Securities received in the exchange.

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REDEMPTION OF TRUST PREFERRED SECURITIES FOR CASH

Under certain circumstances, as described under the caption "Description of the Trust Preferred Securities -- Optional Redemption", "Description of the Trust Preferred Securities -- Trust Special Event Redemption or Distribution" and "Description of the Partnership Preferred Securities -- Partnership Special Event Redemption", the General Partner may cause the Partnership to redeem the Partnership Preferred Securities for cash, in which event the Trust would use the proceeds of such redemption to redeem the Trust Preferred Securities. Under current law, such a redemption would constitute, for United States federal income tax purposes, a taxable disposition, and a holder would recognize gain or loss as if it sold the holder's proportionate interest in the redeemed Partnership Preferred Securities for an amount of cash equal to the proceeds received upon redemption. See "-- Disposition of Trust Preferred Securities".

DISPOSITION OF TRUST PREFERRED SECURITIES

A holder that sells Trust Preferred Securities will recognize gain or loss equal to the difference between the amount realized on the sale of the Trust Preferred Securities and the holder's adjusted tax basis in such Trust Preferred Securities. Such gain or loss will be a capital gain or loss and will be a long-term capital gain or loss if the Trust Preferred Securities have been held for more than one year at the time of the sale. A holder will be required to include accumulated but unpaid distributions on the Partnership Preferred Securities through the date of disposition in income as ordinary income, and to add such amount to the adjusted tax basis of its Trust Preferred Securities.

A holder's tax basis in its Trust Preferred Securities generally will equal (i) the amount paid by such holder for its Trust Preferred Securities, (ii) increased by the amount includible in income by such holder with respect to its Trust Preferred Securities, and (iii) reduced by the amount of cash or other property distributed to such holder with respect to its Trust Preferred Securities. A holder who acquires Trust Preferred Securities at different prices may be required to maintain a single aggregate adjusted tax basis in all of his Trust Preferred Securities and, upon sale or other disposition of some of such Trust Preferred Securities, to allocate a PRO RATA portion of such aggregate tax basis to the Trust Preferred Securities sold (rather than maintaining a separate tax basis in each Trust Preferred Security for purposes of computing gain or loss on a sale of that Trust Preferred Security).

OTHER PARTNERSHIP PROVISIONS

SECTION 708. Under Section 708 of the Code, the Partnership will be deemed to terminate for United States federal income tax purposes if 50% or more of the capital and profits interests in the Trust are sold or exchanged within a 12-month period. If such a deemed termination were to occur, the Partnership would be considered to have distributed its assets to the partners who would then be treated as having recontributed those assets to a new partnership. If any such constructive termination occurs, the General Partner does not intend to comply with certain technical requirements that might be applicable for various reasons including the likely lack of relevant data. As a result, the Partnership may be subject to certain tax penalties and may incur additional expenses, which would be the obligation of the General Partner. Proposed Treasury regulations, should they become effective, would mitigate some of the effects of a constructive termination.

SECTION 701. The Department of Treasury has promulgated regulations under Section 701 of the Code that permit it to recast a transaction or disregard a partnership if a partnership is "formed or availed of in connection with a transaction a principal purpose of which is to reduce substantially the present value of the partners' aggregate federal tax liability in a manner that is inconsistent with the intent of [the partnership provisions of the Code]" or to treat a partnership as an aggregate of its partners "as appropriate to carry out the purpose of any provision of the . . . Code or the [Treasury] regulations." The Partnership has been formed for, and will engage in, activities typical for partnerships. Although there is no

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precedent that applies to the transactions contemplated herein, Tax Counsel believes that the Partnership is not of the type intended to fall within the scope of these regulations.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Income on the Trust Preferred Securities will be reported to holders on an IRS Form 1099, which form should be mailed to holders of Trust Preferred

Securities by January 31 following each calendar year. Payments made on and proceeds from the sale of Trust Preferred Securities may be subject to a "back-up" withholding tax of 31% unless the holder complies with certain identification requirements. Any withheld amount generally will be allowed as a credit against the holder's United States federal income tax, provided the required information is timely filed with the IRS.

PROPOSED LEGISLATION

On March 19, 1996, as part of President Clinton's Fiscal 1997 Budget Proposal, the Treasury Department proposed legislation that would, among other things, deny the borrower an interest deduction with respect to certain types of debt instruments that are payable in stock of the issuer or a related party. The Proposed Legislation also would treat as equity for United States federal income tax purposes instruments with a maximum term of more than 20 years that are not shown as indebtedness on the consolidated balance sheet of the issuer. On March 29, 1996, Senate Finance Committee Chairman William V. Roth and House Ways and Means Committee Chairman Bill Archer issued a joint statement indicating their intent that certain legislative proposals initiated by the Clinton administration, including the Proposed Legislation, that may be adopted by either of the tax-writing committees of Congress, would have an effective date that is no earlier than the date of "appropriate Congressional action". In addition, subsequent to the publication of the Joint Statement, Senator Daniel Patrick Moynihan and Representatives Sam M. Gibbons and Charles B. Rangel wrote letters to Treasury Department officials concurring with the view expressed in the Joint Statement. If the principles contained in the Joint Statement and the Democrat Letters were followed and the Proposed Legislation were enacted, such legislation would not apply to the Debentures. There can be no assurances, however, that legislation enacted after the date hereof will not adversely affect the tax treatment of the Debentures, or whether such tax treatment would cause a Partnership Tax Event or a Trust Tax Event that may result in the redemption of the Partnership Preferred Securities and, consequently, the Trust Preferred Securities.

UNDERWRITING

Subject to the terms and conditions set forth in a purchase agreement (the "Purchase Agreement"), the Trust has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Dean Witter Reynolds Inc., A.G. Edwards & Sons, Inc., PaineWebber Incorporated, Prudential Securities Incorporated and Smith Barney Inc. are acting as representatives (the "Representatives"), has severally agreed to purchase the number of Trust Preferred Securities set forth opposite its name below. In the Purchase Agreement, the several Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all the Trust Preferred Securities offered hereby if any of the Trust Preferred Securities are purchased. In the event of default by an Underwriter, the Purchase Agreement provides that, in certain circumstances, the purchase commitments of the non-defaulting Underwriters may be increased or the Purchase Agreement may be terminated.

<TABLE>
<CAPTION>

UNDERWRITERS	NUMBER OF TRUST PREFERRED SECURITIES

<S>	<C>
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Dean Witter Reynolds Inc.....	
A.G. Edwards & Sons, Inc.....	
PaineWebber Incorporated.....	
Prudential Securities Incorporated.....	
Smith Barney Inc.....	
Total.....	----- 12,000,000 -----

</TABLE>

The Underwriters propose to offer the Trust Preferred Securities, in part, directly to the public at the initial public offering price set forth on the cover page of this Prospectus, and, in part, to certain securities dealers at such price less a concession of \$ per Trust Preferred Security; provided that, such concession for sales of 10,000 or more Trust Preferred Securities to any single purchaser will be \$ per Trust

Preferred Security. The Underwriters may allow, and such dealers may re-allow, a concession not in excess of \$ per Trust Preferred Security to certain brokers and dealers. After the Trust Preferred Securities are released for sale to the public, the offering price and other selling terms may from time to time be

varied by the Representatives.

In view of the fact that the proceeds of the sale of the Trust Preferred Securities will ultimately be used to purchase the investment instruments of the Company and its subsidiaries, the Purchase Agreement provides that the Company will pay as compensation ("Underwriters' Compensation") to the Underwriters, an amount in immediately available funds of \$ per Trust Preferred Security (or \$ in the aggregate) for the accounts of the several Underwriters; provided that, such compensation for sales of 10,000 or more Trust Preferred Securities to any single purchaser will be \$ per Trust Preferred Security. Therefore, to the extent of such sales, the actual amount of Underwriters' Compensation will be less than the aggregate amount specified in the preceding sentence.

Application will be made to list the Trust Preferred Securities on the New York Stock Exchange. Trading of the Trust Preferred Securities on the New York Stock Exchange is expected to commence within a 30-day period after the initial delivery of the Trust Preferred Securities. The Representatives have advised the Trust that they intend to make a market in the Trust Preferred Securities prior to the commencement of trading on the New York Stock Exchange. The Representatives will have no obligation to make a market in the Trust Preferred Securities, however, and may cease market making activities, if commenced, at any time.

Prior to this offering there has been no public market for the Trust Preferred Securities. In order to meet one of the requirements for listing the Trust Preferred Securities on the New York Stock Exchange, the Underwriters will undertake to sell lots of 100 or more Trust Preferred Securities to a minimum of 400 beneficial holders.

The Trust, the Company, and the Partnership have agreed to indemnify the Underwriters against, or contribute to payments that the Underwriters may be required to make in respect of, certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Because Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the Underwriters in the offering, is an affiliate of the Company and a member of the National Association of Dealers, Inc. ("NASD"), the offering of Trust Preferred Securities will be conducted pursuant to the Conduct Rules of the NASD. The Underwriters may not confirm sales to any discretionary account without the prior specific written approval of the customer.

LEGAL MATTERS

Certain matters of Delaware law relating to the legality of the Trust Preferred Securities, the validity of the Trust Agreement, the formation of the Trust and the Partnership and the legality under state law of the Trust Preferred Securities and the Partnership Preferred Securities are being passed upon by Skadden, Arps, Slate, Meagher & Flom (Delaware), special Delaware counsel to the Trust, the Partnership and the Company. The legality under state law of the Trust Guarantee, the Partnership Guarantee, the Company Debenture and the Investment Guarantees with respect to the Affiliate Debentures will be passed upon on behalf of the Trust, the Partnership and the Company by Brown & Wood LLP, New York, New York. The validity of the Trust Preferred Securities, the Partnership Preferred Securities and the Trust Guarantee and the Partnership Guarantee will be passed upon on behalf of the Underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, counsel to the Underwriters.

EXPERTS

The consolidated financial statements and related financial statement schedules of the Company and its subsidiaries included or incorporated by reference in the Company's 1995 Annual Report on Form 10-K, and incorporated by reference in this Prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports incorporated by reference herein. The information under the caption "Summary Financial Information" for each of the four years in the period ended December 29, 1995 included in this Prospectus and the Selected Financial Data under the captions "Operating Results",

"Financial Position" and "Common Share Data" for each of the five years in the period ended December 29, 1995 included in the 1995 Annual Report to Stockholders of the Company and incorporated by reference herein, has been derived from consolidated financial statements audited by Deloitte & Touche LLP, as set forth in their reports incorporated by reference herein. Such consolidated financial statements and related financial statement schedules, such Summary Financial Information and Selected Financial Data appearing or incorporated by reference in this Prospectus and the Registration Statement of which this Prospectus is a part, have been included or incorporated herein by reference in reliance upon such reports of Deloitte & Touche LLP given upon their authority as experts in accounting and auditing. The balance sheets of

Merrill Lynch Preferred Funding II, L.P. and Merrill Lynch Preferred Capital Trust II included in this Prospectus have also been audited by Deloitte & Touche LLP and have been included in reliance upon such reports of Deloitte & Touche LLP given upon their authority as experts in accounting and auditing.

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

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INDEPENDENT AUDITORS' REPORT

To the General Partner and Initial Limited Partner of
MERRILL LYNCH PREFERRED FUNDING II, L.P.

We have audited the accompanying balance sheet of Merrill Lynch Preferred Funding II, L.P. (the "Partnership") as of January 16, 1997. This balance sheet

is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Partnership as of January 16, 1997, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

January 21, 1997
New York, New York

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BALANCE SHEET OF
MERRILL LYNCH PREFERRED FUNDING II, L.P.

OPENING BALANCE SHEET
JANUARY 16, 1997

<u><TABLE></u>		<u><C></u>
Assets.....	\$	--

Partnership securities		
Limited partner interest.....	\$	85
General partner interest.....		15

	\$	100
Less: Receivables from partners for subscribed partnership interests.....		(100)

		--

</TABLE>

NOTES TO BALANCE SHEET OF MERRILL LYNCH PREFERRED FUNDING II, L.P.

Merrill Lynch Preferred Funding II, L.P. (the "Partnership") is a limited partnership that was formed under the Delaware Revised Uniform Limited Partnership Act on January 16, 1997 for the exclusive purposes of purchasing certain eligible debt instruments of Merrill Lynch & Co., Inc. (the "Company") and wholly owned subsidiaries of the Company (the "Affiliate Investment Instruments") with the proceeds from the sale of Partnership Preferred Securities (the "Partnership Preferred Securities") to Merrill Lynch Preferred Capital Trust II (the "Trust") and a capital contribution from the Company in exchange for the general partnership interest in the Partnership (collectively, the "Partnership Proceeds").

The Partnership Preferred Securities will be redeemable for cash, at the option of the Partnership, in whole or in part, from time to time, after March 30, 2007. Except as provided in the Limited Partnership Agreement and Partnership Preferred Securities Guarantee Agreement, and as otherwise provided by law, the holders of the Partnership Preferred Securities will have no voting rights.

The Partnership Proceeds will be used initially to purchase debt instruments from the Company and certain domestic wholly owned subsidiaries of the Company, retaining 1% in unaffiliated debt securities. The Partnership shall have a perpetual existence subject to certain termination events. The Company serves as the sole general partner of the Partnership. The Company, in its capacity as General Partner of the Partnership, has agreed to pay all fees and expenses related to the organization and operations of the Partnership (including any taxes, duties, assessments or government charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the Partnership) and the offering of the Partnership Preferred Securities and be responsible for all debts and other obligations of the Partnership (other than with respect to the Partnership Preferred Securities). The General Partner has agreed to indemnify certain officers and agents of the Partnership.

To the Trustees of
MERRILL LYNCH PREFERRED CAPITAL TRUST II

We have audited the accompanying balance sheet of Merrill Lynch Preferred Capital Trust II (the "Trust"), as of January 16, 1997. This balance sheet is the responsibility of the Trust's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of the Trust as of January 16, 1997, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

January 21, 1997
New York, New York

F-4
BALANCE SHEET OF
MERRILL LYNCH PREFERRED CAPITAL TRUST II

OPENING BALANCE SHEET
JANUARY 16, 1997

<TABLE>		
<S>	<C>	
Assets.....	\$	0
		--
Trust securities.....	\$	0
		--
		--
</TABLE>		

NOTES TO BALANCE SHEET OF MERRILL LYNCH PREFERRED CAPITAL TRUST II

Merrill Lynch Preferred Capital Trust II (the "Trust") is a statutory business trust formed on January 16, 1997 under the laws of the State of Delaware for the exclusive purposes of (i) issuing the Trust Originated Preferred Securities (the "Trust Preferred Securities") and the Trust Common Securities (together with the Trust Preferred Securities, the "Trust Securities") representing undivided beneficial ownership interests in the assets of the Trust, (ii) purchasing Partnership Preferred Securities (the "Partnership Preferred Securities") representing the limited partnership interests of Merrill Lynch Preferred Funding II, L.P. (the "Partnership") with the proceeds from the sale of the Trust Securities, and (iii) engaging in only those other activities necessary or incidental thereto. The Trust has a perpetual existence, subject to certain termination events as provided in the Declaration of Trust under which it was formed. Subsequent to January 16, 1997, the Trust intends to issue and sell its Trust Preferred Securities in a public offering and to issue and sell its Trust Common Securities to Merrill Lynch & Co., Inc. (the "Company"). No Trust Preferred Securities have been issued as of January 16, 1997.

The proceeds from the Trust's sale of the Trust Securities will be used to purchase the Partnership Preferred Securities from the Partnership. The Partnership Preferred Securities will be redeemable for cash, at the option of the Partnership, in whole or in part, from time to time, after March 30, 2007. Upon any redemption of the Partnership Preferred Securities, the Trust Preferred Securities will be redeemed, in whole or in part, as applicable. Holders of the Trust Preferred Securities will have limited voting rights and will not be entitled to vote to appoint, remove or replace, or to increase or decrease the number of, Trustees, which voting rights are vested exclusively in the holder of the Trust Common Securities.

The Company will be obligated to pay compensation to the underwriters of the offering of the Trust Preferred Securities. The Company will pay all fees and expenses related to the organization and operations of the Trust (including any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other domestic taxing authority upon the Trust) and the offering of the Trust Preferred Securities and be responsible for all debts and other obligations of the Trust (other than the Trust Securities). The Company has also agreed to indemnify the Trustees and certain other persons.

NO DEALER, SALESPERSON OR ANY OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE TRUST PREFERRED SECURITIES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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12,000,000
TRUST PREFERRED SECURITIES
MERRILL LYNCH PREFERRED
CAPITAL TRUST II
% TRUST ORIGINATED
PREFERRED SECURITIES-SM- ("TOPRS-SM-")
GUARANTEED TO THE EXTENT SET
FORTH HEREIN BY
MERRILL LYNCH & CO., INC.

PROSPECTUS

MERRILL LYNCH & CO.
DEAN WITTER REYNOLDS INC.
A.G. EDWARDS & SONS, INC.
PAINWEBBER INCORPORATED
PRUDENTIAL SECURITIES INCORPORATED
SMITH BARNEY INC.

FEBRUARY , 1997

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Set forth below are other expenses of issuance and distribution, all of which will be paid by the Company:

<TABLE> <S>	<C>
Securities and Exchange Commission Filing Fee.....	\$ 90,910
NASD Filing Fee.....	30,500
Printing and Distributing Registration Statement, Prospectus, and Miscellaneous Material.....	100,000
Accountant's Fee.....	75,000
Legal Fees and Expenses.....	250,000
New York Stock Exchange Listing Fee.....	72,300
Rating Agency Fees.....	25,000
Miscellaneous Expenses.....	56,290

Total.....	\$ 700,000

</TABLE>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the General Corporation Law of Delaware and the Company's Restated Certificate of Incorporation and By-Laws provide for the indemnification of directors and officers of the Company under certain circumstances, and on a case by case basis, against expenses reasonably incurred in connection with a civil or criminal action to which they were a party, or threatened to be made a party, by reason of being a director or officer. The Company's Restated Certificate of Incorporation and By-Laws provide for indemnity of directors and officers to the fullest extent permitted by law.

The Declaration of Trust of the Trust provides, to the fullest extent permitted by applicable law, for indemnity of the Regular Trustees, any Affiliate of any Regular Trustee, any officer, director, shareholder, member, partner, employee, representative or agent of any Regular Trustee, or any officer, director, shareholder, member, partner, employee, representative or agent of the Trust or its Affiliates (each a "Company Indemnified Person"), from and against losses and expenses incurred by such Company Indemnified Person in connection with any action, suit or proceeding, except that if such action, suit or proceeding is by or in the right of the Trust, the indemnity shall be limited to expenses of such Company Indemnified Person.

The Limited Partnership Agreement of the Partnership provides that to the fullest extent permitted by applicable law, the Partnership shall indemnify and hold harmless each of the General Partner, and any Special Representative, any Affiliate of the General Partner or any Special Representative, any officer, director, shareholder, member, partner, employee, representative or agent of the General Partner or any Special Representative, or any of their respective Affiliates, or any employee or agent of the Partnership or its Affiliates (each a "Partnership Indemnified Person"), from and against any loss, damage or claim incurred by such Partnership Indemnified Person by reason of any act or omission performed or omitted by such Partnership Indemnified Person in good faith on behalf of the Partnership and in a manner such Partnership Indemnified Person reasonably believed to be within the scope of authority conferred on such Partnership Indemnified Person by the Limited Partnership Agreement, except that no Partnership Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Partnership Indemnified Person by reason of gross negligence or willful misconduct with respect to such acts or omissions. The Limited Partnership Agreement also provides that, to the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Partnership Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the

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Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Partnership Indemnified Person to repay such amount if it shall be determined that the Partnership Indemnified Person is not entitled to be indemnified as authorized in the Limited Partnership Agreement.

The directors and officers of the Company and the Regular Trustees of the Trust are covered by insurance policies indemnifying them against certain liabilities, including certain liabilities arising under the Securities Act of 1933, as amended (the "Act"), which might be incurred by them in such capacities and against which they cannot be indemnified by the Company or the Trust. Any agents, dealers or underwriters who execute the agreement filed as Exhibit 1 of this Registration Statement will agree to indemnify the Company's directors and their officers and the Trustees who signed the Registration Statement against certain liabilities that may arise under the Securities Act with respect to information furnished to the Company or the Trust by or on behalf of any such indemnifying party.

ITEM 16. EXHIBITS.

<TABLE>
<CAPTION>

EXHIBIT
NO.

<C>	<S>
1.1	--Form of Purchase Agreement for the offering of the Preferred Securities being registered under this Registration Statement.
4.1*	--Certificate of Trust dated January 16, 1997, of Merrill Lynch Preferred Capital Trust II.
4.2	--Form of Amended and Restated Declaration of Trust, of Merrill Lynch Preferred Capital Trust II.
4.3*	--Certificate of Limited Partnership, dated as of January 16, 1997, of Merrill Lynch Preferred Funding II, L.P.
4.4	--Form of Amended and Restated Limited Partnership Agreement of Merrill Lynch Preferred Funding II, L.P.
4.5	--Form of Trust Preferred Securities Guarantee Agreement between Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, as guarantee trustee.
4.6	--Form of Partnership Preferred Securities Guarantee Agreement by Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, as guarantee trustee.
4.7	--Form of Subordinated Debenture Indenture between Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, as trustee (incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-3 (File No. 333-16603)).
4.8	--Form of Affiliate Debenture Guarantee Agreement by Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, as guarantee trustee.
4.9	--Form of Trust Preferred Security (to be included in Exhibit 4.2 above).
4.10	--Form of Partnership Preferred Security (to be included in Exhibit 4.5 above).
4.11	--Form of Subordinated Debenture.
5.1	--Opinion of Brown & Wood LLP.
5.2	--Opinion of Brown & Wood LLP.
5.3	--Opinion of Skadden, Arps, Slate, Meagher & Flom LLP.

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<TABLE>
<CAPTION>
EXHIBIT
NO.

<C>	<S>
12	--Computation of Ratio of Earnings to Fixed Charges of Merrill Lynch & Co., Inc. (incorporated by reference to Exhibit 12 to the Company's Registration Statement on Form S-3 (File No. 333-13649)).
15	--Letter of Deloitte & Touche LLP regarding unaudited interim financial information.
23.1	--Consents of Deloitte & Touche LLP.
23.2	--Consents of Brown & Wood LLP (to be contained in Exhibit Nos. 5.1 and 5.2).
23.3	--Consent of Skadden, Arps, Slate, Meagher & Flom LLP (to be contained in Exhibit No. 5.3).
24.1*	--Powers of Attorney.
25	--Form T-1, Statement of Eligibility Under the Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, under the Declaration of Trust (contained in Exhibit 4.2); Trust Preferred Securities Guarantee Agreement (contained in Exhibit 4.5); Subordinated Indenture (contained in Exhibit 4.7); and Affiliate Debenture Guarantee Agreements (contained in Exhibit 4.8).

* Previously filed.

ITEM 17. UNDERTAKINGS.

The undersigned registrants hereby undertake:

1. that for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form

of prospectus filed by the registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective;

2. that for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof; and

3. that for purposes of determining any liability under the Securities Act of 1933, each filing of the Company's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of a registrant pursuant to the foregoing provisions or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted against a registrant by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in The City of New York and State of New York on the 3rd day of February, 1997.

MERRILL LYNCH & CO., INC.

By /s/ JOSEPH T. WILLETT

Joseph T. Willett
(SENIOR VICE PRESIDENT AND CHIEF
FINANCIAL OFFICER)

Pursuant to the requirements of the Securities Act of 1933, this amendment to the Registration Statement has been signed below by the following persons in the capacities indicated on the 3rd day of February, 1997.

SIGNATURE	TITLE
* ----- (Daniel P. Tully)	Chairman of the Board and Director
* ----- (David H. Komansky)	Chief Executive Officer, President, Chief Operating Officer and Director
/s/ JOSEPH T. WILLETT ----- (Joseph T. Willett)	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
* ----- (Michael J. Castellano)	Senior Vice President and Controller (Principal Accounting Officer)
* ----- (Herbert M. Allison, Jr.)	Director

- ----- Director
(William O. Bourke)

*

- ----- Director
(W.H. Clark)

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<TABLE>
<CAPTION>

SIGNATURE TITLE

- -----

*

- ----- Director
(Jill K. Conway)

<C> <S>

*

- ----- Director
(Stephen L. Hammerman)

*

- ----- Director
(Earle H. Harbison, Jr.)

*

- ----- Director
(George B. Harvey)

*

- ----- Director
(William R. Hoover)

*

- ----- Director
(Robert P. Luciano)

*

- ----- Director
(David K. Newbigging)

*

- ----- Director
(Aulana L. Peters)

*

- ----- Director
(John J. Phelan, Jr.)

- ----- Director
(John L. Steffens)

*

- ----- Director
(William L. Weiss)

</TABLE>

*By: /s/ JOSEPH T. WILLETT

Joseph T. Willett
(ATTORNEY-IN-FACT)

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, on the 3rd day of February, 1997.

MERRILL LYNCH PREFERRED FUNDING II, L.P.

By: MERRILL LYNCH & CO., INC.,
as General Partner

By: /s/ THERESA LANG

Name: Theresa Lang
Title: Senior Vice President and Treasurer

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this amendment to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, on the 3rd day of February, 1997.

MERRILL LYNCH PREFERRED CAPITAL TRUST II

By: /s/ THERESA LANG

 Name: Theresa Lang
 Title: Regular Trustee

By: /s/ STANLEY SCHAEFER

 Name: Stanley Schaefer
 Title: Regular Trustee

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1.1	--Form of Purchase Agreement for the offering of the Preferred Securities being registered under this Registration Statement.	
4.1*	--Certificate of Trust dated January 16, 1997, of Merrill Lynch Preferred Capital Trust II.	
4.2	--Form of Amended and Restated Declaration of Trust, of Merrill Lynch Preferred Capital Trust II.	
4.3*	--Certificate of Limited Partnership, dated as of January 16, 1997, of Merrill Lynch Preferred Funding II, L.P.	
4.4	--Form of Amended and Restated Limited Partnership Agreement of Merrill Lynch Preferred Funding II, L.P.	
4.5	--Form of Trust Preferred Securities Guarantee Agreement between Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, as guarantee trustee.	
4.6	--Form of Partnership Preferred Securities Guarantee Agreement by Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, as guarantee trustee.	
4.7	--Form of Subordinated Debenture Indenture between Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, as trustee (incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-3 (File No. 333-16603)).	
4.8	--Form of Affiliate Debenture Guarantee Agreement by Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, as guarantee trustee.	
4.9	--Form of Trust Preferred Security (to be included in Exhibit 4.2 above).	
4.10	--Form of Partnership Preferred Security (to be included in Exhibit 4.5 above).	
4.11	--Form of Subordinated Debenture.	
5.1	--Opinion of Brown & Wood LLP.	
5.2	--Opinion of Brown & Wood LLP.	
5.3	--Opinion of Skadden, Arps, Slate, Meagher & Flom LLP.	
12	--Computation of Ratio of Earnings to Fixed Charges of Merrill Lynch & Co., Inc. (incorporated by reference to Exhibit 12 to the Company's Registration Statement on Form S-3 (File No. 333-13649)).	
15	--Letter of Deloitte & Touche LLP regarding unaudited interim financial information.	
23.1	--Consents of Deloitte & Touche LLP.	
23.2	--Consents of Brown & Wood LLP (to be contained in Exhibit Nos. 5.1 and 5.2).	
23.3	--Consent of Skadden, Arps, Slate, Meagher & Flom LLP (to be contained in Exhibit No. 5.3).	

24.1* --Powers of Attorney.

25 --Form T-1, Statement of Eligibility Under the Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, under the Declaration of Trust (contained in Exhibit 4.2); Trust Preferred Securities Guarantee Agreement (contained in Exhibit 4.5); Subordinated Indenture (contained in Exhibit 4.7); and Affiliate Debenture Guarantee Agreements (contained in Exhibit 4.8).

</TABLE>

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* Previously filed.

MERRILL LYNCH & CO., INC.
(a Delaware corporation)

MERRILL LYNCH PREFERRED FUNDING II, L.P.
(a Delaware limited partnership)

MERRILL LYNCH PREFERRED CAPITAL TRUST II
(a Delaware business trust)

_____ % Trust Originated Preferred Securities (SM) ("TOPrS (SM)")

PURCHASE AGREEMENT

Dated: February __, 1997

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MERRILL LYNCH & CO., INC.
(a Delaware corporation)

MERRILL LYNCH PREFERRED FUNDING II, L.P.
(a Delaware limited partnership)

MERRILL LYNCH PREFERRED CAPITAL TRUST II
(a Delaware business trust)

12,000,000 Trust Preferred Securities

_____ % Trust Originated Preferred Securities (SM) ("TOPrS (SM)")
(Liquidation Amount of \$25 per Preferred Security)

PURCHASE AGREEMENT

February __, 1997

Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
as Representatives of the several Underwriters

c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
North Tower
World Financial Center
New York, New York 10281-1209

Ladies and Gentlemen:

Merrill Lynch Preferred Capital Trust II (the "Trust"), a statutory business trust organized under the Business Trust Act (the "Delaware Trust Act") of the State of Delaware (Chapter 38, Title 12, of the Delaware Code, 12 Del. C. ss.ss. 3801 et seq.), Merrill Lynch Preferred Funding II, L.P. (the "Partnership"), a limited partnership organized under the Revised Uniform Limited Partnership Act (the "Delaware Partnership Act") of the State of

- -----
(SM) "Trust Originated Preferred Securities" and "TOPrS" are service marks of Merrill Lynch & Co., Inc.

Delaware (Chapter 17, Title 6, of the Delaware Code, 6 Del. C. ss.ss. 17101 et seq.), and Merrill Lynch & Co., Inc., a Delaware corporation (the "Company" and, together with the Trust and the Partnership, the "Offerors"), confirm their agreement (the "Agreement") with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and each of the other Underwriters named in Schedule A hereto (collectively, the "Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch and _____, are acting as representatives (in such capacity, they shall hereinafter be referred to as the "Representatives"), with respect to the issue and sale by the Trust and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of ___ % Trust Originated Preferred Securities (liquidation amount of \$25 per preferred security) representing preferred undivided beneficial ownership interests in the assets of the Trust ("TOPrS" or the "Trust Preferred Securities") set forth in said Schedule A. The Company will own all the common securities (the "Trust Common Securities" and, together with the Trust Partnership Securities, the "Trust Securities"), representing undivided beneficial ownership interests in the assets of the Trust. The Trust Preferred Securities and the Trust Common Securities will be issued pursuant to the amended and restated declaration of trust of the Trust, dated as of February __,

1997 (the "Declaration"), among the Company, as Sponsor, Theresa Lang and Stanley Schaefer, as regular trustees (the "Regular Trustees"), The Chase Manhattan Bank, a national banking association, as institutional trustee (the "Property Trustee") and Chase Manhattan Bank Delaware, a Delaware corporation, as Delaware trustee (the "Delaware Trustee" and, together with the Regular Trustees and the Property Trustee, the "Issuer Trustees"), and the holders from time to time of undivided beneficial interests in the assets of the Trust. The Trust Preferred Securities will be guaranteed by the Company, to the extent set forth in the Prospectus with respect to distributions and payments upon liquidation, redemption and otherwise pursuant to the Trust Preferred Securities Guarantee Agreement (the "Trust Guarantee"), dated as of February __, 1997, between the Company and The Chase Manhattan Bank, as trustee (the "Guarantee Trustee").

The proceeds from the sale of the Trust Securities will be used by the Trust to purchase partnership preferred securities ("Partnership Preferred Securities"), representing all of the limited partner interests of the Partnership. All of the general partner interests will be owned by the Company, which initially shall be sole general partner (in such capacity, the "General Partner"). The Partnership Preferred Securities will be issued pursuant to an amended and restated agreement of limited partnership, dated as of February __, 1997 (the "Partnership Agreement"), among the Company, as general partner, and Merrill

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Lynch Group, Inc., as initial limited partner, and such other persons who become limited partners thereto, and will be guaranteed by the Company, to the extent set forth in the Prospectus, with respect to distributions and payments upon liquidation and redemption pursuant to the Partnership Guarantee Agreement (the "Partnership Guarantee" and, together with the Trust Guarantee, the "Guarantees"). The Trust Preferred Securities and the related Trust Guarantee, together with the Partnership Preferred Securities and the related Partnership Guarantee, are referred to herein as the "Offered Securities."

The Partnership will use the proceeds from the sale of the Partnership Preferred Securities and the capital contribution of the General Partner to acquire, among other things, (i) a subordinated debenture (the "Company Debenture") of the Company and (ii) senior debentures of one or more wholly-owned subsidiaries of the Company (the "Investment Subsidiaries", and together with the Company, the "Investment Affiliates"). The debentures to be issued by the Investment Subsidiaries (collectively, the "Subsidiary Debentures" and, together with the Company Debenture, the "Debentures") are to be fully and unconditionally guaranteed by the Company (the "Investment Guarantees"). Each of the Debentures shall be issued pursuant to an indenture (each an "Indenture"), to be dated as of February __, 1997, among the applicable Investment Affiliate, The Chase Manhattan Bank, as trustee (the "Debt Trustee"), and with respect to the Debentures issued by the Investment Subsidiaries, the Company, as guarantor (the "Debenture Guarantor").

The Offerors understand that the Underwriters propose to make a public offering of the Offered Securities as soon as the Representatives deem advisable after this Agreement has been executed and delivered and the Declaration, Trust Guarantee, Indenture relating to the Company Debenture and the Investment Guarantees have been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act").

The Offerors have filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-20137) covering the registration under the Securities Act of 1933, as amended (the "1933 Act"), of (i) the Trust Preferred Securities, (ii) the Trust Guarantee, (iii) the Partnership Preferred Securities, (iv) the Partnership Guarantee, (v) the Company Debenture and (vi) the Investment Guarantees. Promptly after execution and delivery of this Agreement, the Offerors will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in

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accordance with the provisions of Rule 434 and Rule 424(b). The information included in such prospectus or in such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each prospectus used before such registration statement became effective, and any prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a

"preliminary prospectus". Such registration statement, including the exhibits thereto, schedules thereto, if any, and the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement". Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement", and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final prospectus, including the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, in the form first furnished to the Underwriters for use in connection with the offering of the Securities is herein called the "Prospectus". If Rule 434 is relied on, the term "Prospectus" shall refer to the preliminary prospectus dated December 5, 1996 together with the Term Sheet and all references in this Agreement to the date of the Prospectus shall mean the date of the Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

All references in this Agreement to financial statements and schedules and other information which are "contained", "included" or "stated" in the Registration Statement, any preliminary prospectus or the Prospectus (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which are incorporated by reference in the Registration Statement, any preliminary prospectus or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934, as amended (the "1934 Act") which is incorporated by reference in the

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Registration Statement, such preliminary prospectus or the Prospectus, as the case may be.

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company represents and warrants to each Underwriter as of the date hereof, and as of the Closing Time referred to in Section 2(b) hereof, and agrees with each underwriter, as follows:

(i) Compliance with Registration Requirements. The Offerors meet the requirements for use of Form S-3 under the 1933 Act. Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time, the Registration Statement, any Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the 1939 Act and the rules and regulations of the Commission under the 1939 Act (the "1939 Act Regulations"), and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. At the date of the Prospectus and at the Closing Time, the Prospectus and any amendments or supplements thereto did not and will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Offerors will comply with the requirements of Rule 434. The representations and warranties in this subsection shall not apply to (A) statements in or omissions from the Registration Statement or Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any Underwriter through Merrill Lynch expressly for use in the Registration Statement or Prospectus or (B) that part of the Registration Statement that constitutes the Statement of Eligibility on Form T-1 (the "Form T-1") under the 1939 Act of a trustee.

Each preliminary prospectus and the prospectus filed as part of the Registration Statement as originally filed or as part

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of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Incorporated Documents. The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus, at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission thereunder (the "1934 Act Regulations"), and, when read together with the other information in the Prospectus, at the time the Registration Statement became effective, at the time the Prospectus was issued and at the Closing Time, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(iii) Independent Accountants. The accountants who certified the financial statements and any supporting Schedules thereto included in the Registration Statement and the Prospectus are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iv) Financial Statements. The financial statements of the Company included in the Registration Statement and the Prospectus, together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statements of consolidated earnings, consolidated stockholders' equity and consolidated cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement present fairly in accordance with GAAP the information of the Company required to be stated therein. The selected financial data and the summary financial information included in the Registration Statement and the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements incorporated by reference in the Registration Statement and the Prospectus.

(v) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change in

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the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those arising in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise and (C) except for regular quarterly dividends on its outstanding common stock, par value \$1.331/3 per share, of the Company and regular dividends on its outstanding preferred stock in amounts per share that are consistent with the terms of such preferred stock, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(vi) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not result in a Material Adverse Effect.

(vii) Good Standing of Subsidiaries. Each subsidiary of the Company which is a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the 1933 Act (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each Subsidiary has been duly authorized and

validly issued and is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; and none of the outstanding shares of capital stock of any Subsidiary was issued in violation of preemptive or similar rights of any securityholder of such Subsidiary. The only subsidiaries of the

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Company are (A) the subsidiaries listed in Exhibit 21 to the Annual Report on Form 10-K of the Company filed with the Commission under Section 13 of the 1934 Act and (B) certain other subsidiaries which, considered in the aggregate as a single subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the 1933 Act.

(viii) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Offerors.

(ix) Authorization of the Debentures and Indentures. Each Indenture has been duly authorized, and at the Closing Time, will have been duly executed and delivered by the applicable Investment Affiliate and, when duly executed and delivered by the Debt Trustee, will constitute a valid and binding agreement of such Investment Affiliate enforceable against such Investment Affiliate in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) (the "Bankruptcy Exceptions"). The Indenture of the Company has been duly qualified under the 1939 Act. The Debentures have been duly authorized for issuance and sale pursuant to this Agreement and, at the Closing Time, will have been duly executed by the applicable Investment Affiliate and, when authenticated, issued and delivered in the manner provided for in the applicable Indenture and delivered against payment of the purchase price therefor as provided in this Agreement, will constitute valid and legally binding obligations of such Investment Affiliate, enforceable against such Investment Affiliate in accordance with their terms, except as the enforcement thereof may be limited by the Bankruptcy Exceptions.

(x) Authorization of Investment Guarantees. The Investment Guarantees have been duly authorized and, at the Closing Time, will have been duly executed and delivered by the Debenture Guarantor, and, when authenticated in the manner provided in the Investment Guarantee, will constitute a valid and binding obligation of the Debenture Guarantor, enforceable against the Debenture Guarantor in accordance with its terms, except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions. The Investment Guarantees have been duly qualified under the 1939 Act.

(xi) Due Authorization of Additional Agreements. Each of the Trust Guarantee, Partnership Guarantee and Investment Guarantees (the "Transaction Documents") and the Debentures and Indentures has been duly authorized, executed and delivered by the applicable Investment Affiliate, and each agreement

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constitutes a valid and binding agreement of the applicable Investment Affiliate, except as enforcement thereof may be limited by the Bankruptcy Exceptions.

(xii) Description of Additional Agreements. The Offered Securities and the Declaration, the Partnership Agreement, the Trust Guarantee and the Partnership Guarantee will conform in all material respects to the respective statements relating thereto contained in the Prospectus and will be in substantially the respective forms filed or incorporated by reference, as the case may be, as exhibits to the Registration Statement.

(xiii) Absence of Defaults and Conflicts. Neither the Company nor any of its subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, "Agreements and Instruments"), except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of the Transaction Documents by the Company, the Debentures and the Indentures by the Company or the applicable Investment Subsidiary, as the case may be, and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the transactions contemplated hereby or thereby or in the Registration Statement and the Prospectus and the consummation of the transactions contemplated herein and in the Registration Statement and the Prospectus (including the issuance and sale of the Offered Securities and the use of the proceeds from the sale of the Offered Securities as described in the Prospectus under the caption "Use of

Proceeds") and compliance by the Company with its obligations hereunder and thereunder do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or a default or Repayment Event (as defined below) under or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary of the Company pursuant to, the Agreements and Instruments (except for such conflicts, breaches, defaults, events, liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any Subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition

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which gives the holder of any note, debenture or other evidence of indebtedness of the Company or any of its subsidiaries (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

(xiv) Absence of Labor Dispute. No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, which may reasonably be expected to result in a Material Adverse Effect.

(xv) Absence of Proceedings. There is not any action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any of its subsidiaries, which is required to be disclosed in the Registration Statement and the Prospectus (other than as stated therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the assets, properties, or operations thereof or the consummation of the transactions contemplated in the Transaction Documents and the Debentures and the Indentures or the performance by the Company and the applicable Investment Affiliate, respectively, of their obligations hereunder and thereunder; and the aggregate of all pending legal or governmental proceedings to which the Company or any of its subsidiaries is a party or of which any of their respective assets, property, or operations is the subject which are not described in the Registration Statement and the Prospectus, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xvi) Exhibits. There are no contracts or documents which are of a character required to be described in the Registration Statement, the Prospectus or the documents incorporated by reference therein or to be filed as exhibits thereto which have not been so described and filed as required.

(xvii) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations under this Agreement, in connection with the offering, issuance or sale of the Offered Securities hereunder or the consummation of the transactions contemplated under this Agreement, or the due execution, delivery or performance of any Indenture except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws.

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(xviii) Possession of Intellectual Property. The Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate trademarks, service marks, trade names and other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, except where the failure to own or possess or the lack of ability to acquire such Intellectual Property, singly or in the aggregate, would not result in a Material Adverse Effect, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xix) Possession of Licenses and Permits. The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure to so

possess such Governmental Licenses would not, singly or in the aggregate, have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except where the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xx) Title to Property. The Company and its subsidiaries have good and marketable title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind, except such as (A) are described in the Registration Statement and the Prospectus or (B) do not, singly or in the aggregate, materially affect the value of such property, do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries and do not, singly or in the aggregate have a Material Adverse Effect; and all of the leases and subleases

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material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any of its subsidiaries holds properties described in the Prospectus, are in full force and effect, except where the failure of such leases or subleases to be in full force and effect would not have a Material Adverse Effect, and neither the Company nor any subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xxi) Rating of Securities. Subsequent to the execution and delivery of this Agreement and prior to the Closing Time (i) no downgrading shall have occurred in the rating accorded the Trust Preferred Securities or the Company's senior long-term debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g) (2) under the Act and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of the Trust Preferred Securities or any of the Company's debt securities.

(xxii) Investment Company Act. The Company is not, and upon the issuance and sale of the Trust Preferred Securities as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus will not be, an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xxiii) Authorization of Trust Guarantee. The Trust Guarantee has been duly authorized by the Company and, when validly executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Trust Guarantee by the Guarantee Trustee, will constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions; the Trust Guarantee will conform to all statements relating thereto contained in the Prospectus; and the Trust Preferred Guarantee Agreement, at the Closing Time, will have been duly qualified under the 1939 Act.

(xxiv) Authorization of Partnership Guarantee. The Partnership Guarantee has been duly authorized by the Company and, when validly executed and delivered by the Company will constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms

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except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions.

(b) Officers' Certificates. Any certificate signed by any officer of the Company or any of its subsidiaries and delivered to any Underwriter or to counsel for the Underwriters in connection with the offering of the Underwritten Securities shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby on the date of such certificate and, unless subsequently amended or supplemented, at each Representation Date subsequent thereto.

(c) Representations and Warranties by the Trust, Partnership and Company. The Offerors, jointly and severally, represent and warrant to each Underwriter as of the date hereof, and as of the Closing Time referred to in Section 2(b) herein, as follows:

(i) Good Standing of Trust. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Trust Act with the power and authority to own property and to conduct its business as described in the Registration Statement and Prospectus and to enter into and perform its obligations under this Agreement, the Trust Preferred Securities, the Trust Common Securities and the Declaration; the Trust is duly qualified to transact business as a foreign business trust and is in good standing in any other jurisdiction in which such qualification is necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect on the Trust; the Trust is not a party to or otherwise bound by any agreement other than those described in the Prospectus; and the Trust is and will be treated as a consolidated subsidiary of the Company pursuant to generally accepted accounting principles.

(ii) Authorization of Declaration. The Declaration has been duly authorized by the Company and, at the Closing Time, will have been duly executed and delivered by the Company, as Sponsor, and the Trustees, and assuming due authorization, execution and delivery of the Declaration by the Property Trustee, the Declaration will, at the Closing Time, be a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions, and will conform to all statements relating thereto in the Prospectus; and at the Closing Time, the Declaration will have been duly qualified under the 1939 Act.

(iii) Authorization of Trust Common Securities. The Trust Common Securities have been duly authorized by the Declaration and, when issued and delivered by the Trust to the Company against payment therefor as described in the Registration

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Statement and Prospectus, will be validly issued and (subject to the terms of the Declaration) fully paid undivided beneficial interests in the assets of the Trust and will conform to all statements relating thereto contained in the Prospectus; the issuance of the Trust Common Securities is not subject to preemptive or other similar rights; and at the Closing Time all of the issued and outstanding Trust Common Securities of the Trust will be directly owned by the Company free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(iv) Authorization of Trust Preferred Securities. The Trust Preferred Securities have been duly authorized by the Declaration and, when issued and delivered against payment of the consideration set forth in this Agreement, will be validly issued and (subject to the terms of the Declaration) fully paid and nonassessable undivided beneficial interests in the Trust, will be entitled to the benefits of the Declaration and will conform to all statements relating thereto contained in the Prospectus; the issuance of the Trust Preferred Securities is not subject to preemptive or other similar rights; and (subject to the terms of the Declaration) holders of Trust Preferred Securities will be entitled to the same limitation of personal liability under Delaware law as extended to stockholders of private corporations for profit.

(v) Regular Trustees. Each of the Regular Trustees of the Trust is an employee of the Company; the Declaration has been duly executed and delivered by the Regular Trustees and is a valid and binding obligation of each Regular Trustee, enforceable against such Regular Trustee in accordance with its terms except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions.

(vi) Good Standing of the Partnership. The Partnership has been duly formed and is validly existing in good standing as a limited partnership under the Delaware Partnership Act with the power and authority to own property and to conduct its business as described in the Registration Statement and Prospectus and to enter into and perform its obligations under this Agreement, the Partnership Preferred Securities and the Partnership Agreement; the Partnership is duly qualified to transact business as a foreign limited partnership and is in good standing in any other jurisdiction in which such qualification is necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect on the Partnership; the Partnership is not a party to or otherwise bound by any agreement other than those described in the Prospectus; and the Partnership is and will be treated as a consolidated subsidiary of the Company pursuant to generally accepted accounting principles.

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(vii) Authorization of Partnership Agreement. The Partnership

Agreement has been duly authorized by the Company as general partner and, on the Closing Date, will have been duly executed and delivered by the Company, and will be a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions, and will conform to the description thereof in the Prospectus.

(viii) Authorization of Partnership Preferred Securities. The Partnership Preferred Securities have been duly authorized by the Partnership Agreement and, when issued and delivered pursuant to the Partnership Agreement against payment of the consideration set forth therein, will be duly issued and fully paid and not subject to assessment for additional capital contributions, will be entitled to the benefits of the Partnership Agreement and will conform to the description thereof in the Prospectus; the issuance of the Partnership Preferred Securities is not subject to preemptive or other similar rights; assuming that the holders of Partnership Preferred Securities in their capacities as such do not participate in the control of the business of the Company, the holders of the Partnership Preferred Securities, in their capacities as such, will have no liability in excess of their obligations to make payments provided for in the Limited Partnership Agreement (subject to the obligation of a holder of Partnership Preferred Securities to repay any funds distributed to it).

(ix) General Partner Status. The Company is the sole general partner of the Partnership.

(x) Investment Company Act. Neither the Trust nor the Partnership is and, after giving effect to the offering and sale of the Trust Preferred Securities and the application of the proceeds thereof as described in the Prospectus, neither will be an "investment company" under the 1940 Act.

(xi) Absence of Conflicts. The Trust is not in violation of the Declaration or its certificate of trust filed with the State of Delaware, dated January 16, 1997 (the "Certificate of Trust"); the Partnership is not in violation of the Partnership Agreement or the certificate of limited partnership, dated January 16, 1997 (the "Certificate of Partnership"); and the execution, delivery and performance of applicable Transaction Documents by the Partnership and the Trust and the consummation of the transactions contemplated herein and therein and compliance by the Partnership and the Trust with their respective obligations hereunder and thereunder have been duly authorized by all necessary action on the part of the Partnership and the Trust and do not and will not result in any violation of the Declaration or Certificate of Trust or the

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Partnership Agreement or the Certificate of Partnership and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust or the Partnership under any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or the Partnership of their respective properties.

(xii) Absence of Further Requirements. No authorization, approval, consent or order of any court or governmental authority or agency is necessary in connection with the issuance, offer and sale of the Trust Securities and the Partnership Preferred Securities, the consummation of the transactions contemplated by this Agreement by the Partnership or the Trust, or the execution, delivery, and performance by the Partnership or the Trust of the applicable Transaction Documents, except such as may be required under the 1933 Act or the 1933 Act Regulations, the 1934 Act or the 1934 Act Regulations or state securities laws and the qualification of the Declaration and the Trust Guarantee under the 1939 Act.

(xiii) Absence of Proceedings. Except as disclosed in the Prospectus, there is no action, suit or proceeding before or by any government, governmental instrumentality or court, domestic or foreign, now pending or, to the knowledge of the Trust or the Partnership, threatened against or affecting the Trust or the Partnership that is required to be disclosed in the Prospectus or that would result in any material adverse change in the condition (financial or otherwise), earnings or business affairs of the Trust or the Company and its subsidiaries, taken as a whole, or that would materially and adversely affect the properties or assets of the Trust or the Partnership, or that could adversely affect the consummation of the transactions contemplated in this Agreement.

SECTION 2. Sale and Delivery to Underwriters; Closing.

(a) Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Trust agrees to sell to each Underwriter, severally and not jointly, and each

Underwriter, severally and not jointly, agrees to purchase from the Trust, at the initial public offering price set forth in Schedule B, the number of Trust Preferred Securities set forth in Schedule A opposite the name of such Underwriter, plus any additional number of Trust Preferred Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

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(b) Payment. Payment of the purchase price for, and delivery of certificates for, the Trust Preferred Securities shall be made at the offices of (i) Brown & Wood LLP, or at such other place as shall be agreed upon by the Representatives and the Company, at 9:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives and the Company (such time and date of payment and delivery being herein called "Closing Time").

Payment shall be made to the Trust by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to such persons designated by the Representatives for the respective accounts of the Underwriters of a certificate in global form for the Trust Preferred Securities to be purchased by them. It is understood that each Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Trust Preferred Securities which it has agreed to purchase. Merrill Lynch, individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Trust Preferred Securities to be purchased by any Underwriter whose funds have not been received by the Closing Time, but such payment shall not relieve such Underwriter from its obligations hereunder.

The purchase price per Trust Preferred Security to be paid by the several Underwriters for the Trust Preferred Securities shall be an amount equal to the initial public offering price as set forth in Schedule B. The initial public offering price per Trust Preferred Security shall be a fixed price to be determined by agreement between the Representatives and the Offerors. The initial public offering price and the purchase price, when so determined, shall be set forth in Schedule B.

As compensation to the Underwriters for their commitments hereunder and in view of the fact that the proceeds of the sale of the Trust Preferred Securities will ultimately be used to purchase the Debentures of the Company and the Investment Subsidiaries, the Company hereby agrees to pay at Closing Time to the Representatives, for the accounts of the several Underwriters, a commission per Trust Preferred Security set forth on Schedule B.

At the Closing Time, the Company will pay, or cause to be paid, the commission payable at such time to the Underwriters under Section 2 hereof by wire transfer of immediately available

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funds to a bank account designated by Merrill Lynch, Pierce, Fenner & Smith Incorporated for the account of the Underwriters.

(c) Denominations; Registration. Certificates for the Trust Preferred Securities shall be in such denominations and registered in such names as the Representatives may request in writing at least two full business days before the Closing Time. The Trust Preferred Securities will be made available for examination and packaging by the Representatives in The City of New York not later than 9:00 A.M. (Eastern time) on one business day prior to the Closing Time.

SECTION 3. Covenants of the Offerors. The Offerors covenant with each Underwriter as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Offerors, subject to Section 3(b), will comply with the requirements of Rule 430A or Rule 434, as applicable, and will notify the Representatives immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Offered Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Offerors will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps they deem necessary to ascertain promptly whether the form of prospectus

transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. During the period when the Underwriters are required to deliver a prospectus with respect to the Offered Securities, the Offerors will give the Representatives notice of their intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectus, whether pursuant to the 1933 Act, the 1934 Act or otherwise, will furnish the Representatives with copies of any such documents

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reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representatives or counsel for the Underwriters shall reasonably object.

(c) Delivery of Registration Statements. The Offerors have furnished or will deliver to the Representatives and counsel for the Underwriters, without charge, conformed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) and conformed copies of all consents and certificates of experts, and will also deliver to the Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) Delivery of Prospectuses. The Offerors have delivered to each Underwriter, without charge, as many copies of each preliminary prospectus as such Underwriter reasonably requested, and the Offerors hereby consent to the use of such copies for purposes permitted by the 1933 Act. The Offerors will furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Offerors will comply with the 1933 Act and the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations and the 1939 Act and the 1939 Act Regulations with respect to the offer of the Offered Securities so as to permit the completion of the distribution of the Trust Preferred Securities as contemplated in this Agreement and in the Prospectus. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Trust Preferred Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters and for the Company, to amend the Registration Statement or amend or supplement the Prospectus in order that the Prospectus will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing

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at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and the Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the Underwriters, to qualify the Offered Securities for offering and sale under the applicable securities laws of such states and other jurisdictions as the Representatives may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it

is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Offered Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(g) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Use of Proceeds. The Company will use or cause to be used the net proceeds received by and from the sale of the Offered Securities in the manner specified in the Prospectus under "Use of Proceeds".

(i) Listing. The Company will use its best efforts to effect the listing of the Trust Preferred Securities on the New York Stock Exchange.

(j) Reporting Requirements. The Company, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed

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with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

SECTION 4. Payment of Expenses.

(a) Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of this Agreement, the Declaration, the Partnership Agreement, and the Indentures and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Trust Preferred Securities to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Offered Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectus and any amendments or supplements thereto, (vii) the copying of the Agreement Among Underwriters (viii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (ix) the fees and expenses of the Property Trustee, the Regular Trustees, the Delaware Trustee and the Trust Guarantee Trustee, including the fees and disbursements of counsel for the Trustees in connection with the Indentures, the Investment Guarantees and the Debentures, (x) any fees payable in connection with the rating of the Trust Preferred Securities, and (xi) the fees and expenses incurred in connection with the listing of the Offered Securities on the New York Stock Exchange; provided, however that the Underwriters shall reimburse the Company for certain expenses incurred in connection with the transactions contemplated by this Agreement as may be agreed upon in writing.

(b) Termination of Agreement. If this Agreement is terminated by the Representatives in accordance with the provisions of Section 5 or Section 9(a) (i) hereof, the Company shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

SECTION 5. Conditions of Underwriters' Obligations. The obligations of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Offerors contained in Section 1 hereof or in certificates of any

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officer of the Company, the Trust, the Partnership or any subsidiary of the Company delivered pursuant to the provisions hereof, to the performance by the Offerors of their covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration

Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) Opinion of Counsel for Company. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of (i) Brown & Wood LLP, counsel to the Company, the Trust and the Partnership, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters to the effect set forth in Exhibit A hereto and (ii) Skadden, Arps, Slate, Meagher & Flom (Delaware), special Delaware counsel to the Company, the Trust, and the Partnership, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for the Company and each of the Underwriters to the effect set forth in Exhibit B hereto. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(c) Opinion of Counsel for Underwriters. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters in form and substance satisfactory to the Underwriters. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Representatives. Such counsel may also state that, insofar as

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such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(d) Opinion of Counsel for the Property Trustee. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Seward & Kissel, counsel for the Property Trustee in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letters for each of the other Underwriters to the effect set forth in Exhibit C hereto and to such further effect as counsel to the Underwriters may reasonably request.

(e) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectus except as stated therein, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries taken as a whole, whether or not arising in the ordinary course of business, and the Representatives shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct in all material respects with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(f) Accountant's Comfort Letter. At the time of the execution of this Agreement, the Representatives shall have received from Deloitte & Touche LLP, a letter dated such date, in form and substance satisfactory to the Representatives, together with signed or reproduced copies of such letter for each of the other Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus in a form acceptable to the Representatives.

(g) Bring-down Comfort Letter. At Closing Time, the Representatives shall have received from Deloitte & Touche LLP a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to

subsection (f) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(h) Maintenance of Rating. At Closing Time, the Trust Preferred Securities shall be rated at least "aa3" by Moody's Investors Service Inc. and "A" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. and the Company shall have delivered to the Representatives a letter dated on or prior to the Closing Time, from each such rating agency, or other evidence satisfactory to the Representatives, confirming that the Trust Preferred Securities have such ratings; and since the date of this Agreement, there shall not have occurred a downgrading in the rating assigned to the Trust Preferred Securities or the Company's debt securities by any "nationally recognized statistical rating agency," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the 1933 Act, and no such organization shall have publicly announced that it has under surveillance or review, its rating of the Trust Preferred Securities or any of the Company's debt securities.

(i) Approval of Listing. At Closing Time, the Trust Preferred Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(j) Additional Documents. At Closing Time, counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(k) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representatives by notice to the Company at any time at or prior to Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

(l) No Objection. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

SECTION 6. Indemnification.

(a) Indemnification of Underwriters. The Offerors agree jointly and severally to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including, subject to Section 6(c) hereof, the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Offerors by any Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if

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applicable, or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(b) Indemnification of Offerors, Directors and Officers. Each Underwriter severally agrees to indemnify and hold harmless the Offerors, directors of the Company, the General Partner of the Partnership, the Issuer Trustees of the Trust, each of the officers of the Offerors who signed the Registration Statement, and each person, if any, who controls any of the Offerors within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(c) Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of

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which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for reasonable fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

SECTION 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Offeror on the one

hand and the Underwriters on the other hand from the offering of the Trust Preferred Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Offerors on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Offerors on the one hand and the Underwriters on the other hand in connection with the offering of the Trust Preferred Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Trust Preferred Securities pursuant to this Agreement (before deducting expenses but after deducting the total underwriting commission received by the Underwriters) received by the Offerors

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and the total underwriting commission received by the Underwriters, in each case as set forth on the cover of the Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet, bear to the aggregate initial public offering price of the Trust Preferred Securities as set forth on such cover.

The relative fault of the Offerors on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Offerors or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Offerors and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Trust Preferred Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Underwriter, and each director of the Company, the General Partner of the Partnership, the Issuer Trustees of the Trust, each officer of the Offerors who signed

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the Registration Statement, and each person, if any, who controls any of the Offerors within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the principal amount of Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Offerors or any of its subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by or on behalf of the Offerors, and shall survive delivery of the Trust Preferred Securities to the Underwriters.

SECTION 9. Termination of Agreement.

(a) Termination; General. The Representatives may terminate this Agreement, by notice to the Company, at any time at or prior to Closing Time (i)

if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectus any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs or business prospects of the Company and its subsidiaries taken as a whole, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representatives, impracticable to market the Trust Preferred Securities or to enforce contracts for the sale of the Trust Preferred Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York State authorities.

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(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at Closing Time to purchase the Trust Preferred Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

- (a) if the number of Defaulted Securities does not exceed 10% of the aggregate number of the Securities to be purchased hereunder, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters; or
- (b) if the number of Defaulted Securities exceeds 10% of the aggregate number of the Securities to be purchased hereunder, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representatives or the Company shall have the right to postpone Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 10.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representatives at North Tower, World Financial Center, New York, New York 10281-1201, attention of Office of IBK

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Counsel; and notice to the Offerors shall be directed to it at 100 Church Street, 12th Floor, New York, New York 10080-6512, attention of the Secretary with a copy to the Treasurer at World Financial Center, South Tower, 225 Liberty Street, New York, New York 10080-0736.

SECTION 12. Parties. This Agreement shall inure to the benefit of and be binding upon the Underwriters and the Offerors and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters and the Offerors and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in

respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters and the Offerors and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Trust Preferred Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 14. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

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If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters and the Offerors in accordance with its terms.

Very truly yours,

MERRILL LYNCH & CO., INC.

By: _____
 Name:
 Title:

MERRILL LYNCH PREFERRED
 FUNDING II, L.P.

By: MERRILL LYNCH & CO., INC.,
 as General Partner

By: _____
 Name:
 Title:

MERRILL LYNCH PREFERRED
 CAPITAL TRUST II

By: _____
 Name:
 Title: Regular Trustee

CONFIRMED AND ACCEPTED, as of the date first above written:

MERRILL LYNCH & CO.
 MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
 INCORPORATED

By: _____
 Authorized Signatory

For themselves and as Representatives of the other Underwriters named in Schedule A hereto.

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SCHEDULE A

Name of Underwriter - - - - -	Number of Trust Preferred Securities -----
Merrill Lynch, Pierce, Fenner & Smith Incorporated	_____
Total	_____

SCHEDULE B

1. The initial public offering price per security for the Trust Preferred Securities, determined as provided in said Section 2, shall be \$25.00.

2. The purchase price per security for the Trust Preferred Securities to be paid by the several Underwriters shall be \$25.00, being an amount equal to the initial public offering price set forth above.

3. The compensation per Trust Preferred Security to be paid by the Company to the several Underwriters in respect of their commitments hereunder shall be \$_____ ; provided, however, that the compensation per Trust Preferred Security for sales of 10,000 or more Trust Preferred Securities to a single purchaser shall be \$_____.

Schedule A-2

EXHIBIT A

FORM OF OPINION OF BROWN & WOOD LLP
COMPANY COUNSEL TO BE DELIVERED
PURSUANT TO SECTION 5(b)

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware.

2. The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under the Purchase Agreement.

3. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or be in good standing would not result in a Material Adverse Effect (as defined in Section 1(a)(v) of the Purchase Agreement).

4. Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in the State of New York; all of the issued and outstanding capital stock of MLPF&S has been duly authorized and validly issued, is fully paid and non-assessable and, to the best of our knowledge, is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of MLPF&S was issued in violation of preemptive or other similar rights of any securityholder of MLPF&S.

5. The Purchase Agreement has been duly authorized, executed and delivered by the Company.

6. Each Indenture has been duly authorized, executed, and delivered by the applicable Investment Affiliate and, in the case of the Subsidiary Debentures, the Debenture Guarantor and, when duly authorized, executed and delivered by the Debt Trustee, will constitute a valid and legally binding obligation of such Investment Affiliate and, in the case of the Subsidiary Debentures, the Debenture Guarantor, enforceable against such Investment Affiliate and, in the case of the Subsidiary Debentures, the Debenture Guarantor, in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar

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laws relating to or affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether the enforcement is considered in a proceeding in equity or at law). The Indenture in respect of the Company Debentures has been duly qualified under the 1939 Act.

(i) The Debentures have been duly authorized, executed and delivered by the applicable Investment Affiliate and, when duly authenticated by the Debt Trustee and upon payment and delivery as described in the Purchase Agreement will constitute valid and legally binding obligations of such Investment Affiliate enforceable against such Investment Affiliate in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether the enforcement is considered in a proceeding in equity or at law).

(ii) The Investment Guarantees in respect of each of the Subsidiary

Debentures have been duly authorized, executed and issued by the Debenture Guarantor and, when duly authorized, executed and delivered by the Debt Trustee and upon payment and delivery as described in the Purchase Agreement will constitute valid and legally binding obligations of the Debenture Guarantor enforceable against the Debenture Guarantor in accordance with their terms except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether the enforcement is considered in a proceeding in equity or at law). The Investment Guarantee has been duly qualified under the 1939 Act.

(iii) The Trust Preferred Securities Guarantee Agreement has been duly authorized, executed and delivered by the Company and assuming due authorization, execution and delivery by the Guarantee Trustee, will constitute a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether the enforcement is considered in a proceeding in equity or at law). The Trust Preferred Securities Guarantee Agreement has been duly qualified under the 1939 Act.

(iv) The Partnership Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating

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to or affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether the enforcement is considered in a proceeding in equity or at law).

(v) The Declaration has been duly authorized, executed and delivered by the Company and has been duly qualified under the 1939 Act.

(vi) The Partnership Agreement has been duly authorized, executed and delivered by the Company.

(vii) No consent, approval, authorization, order, registration or qualification of or with any Federal or New York governmental agency or body or any Delaware governmental agency or body acting pursuant to the Delaware General Corporation Law or, to our knowledge, any Federal or New York court or any Delaware court acting pursuant to the Delaware General Corporation Law is required for the issue and sale by the Offerors of the Offered Securities, the issuance by the Investment Affiliates of the Debentures, the issuance of the Investment Guarantees, the Partnership Guarantee and the Trust Guarantee by the Company and the compliance by the Offerors with all of the provisions of the Purchase Agreement, except for (a) the registration under the 1933 Act and the 1934 Act of the Offered Securities and (b) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Trust Preferred Securities and the Trust Preferred Securities Guarantee by the Underwriters.

(viii) The statements made in the Prospectus under the captions "Merrill Lynch Preferred Capital Trust II", "Merrill Lynch Preferred Funding II, L.P.", "Description of Trust Preferred Securities", "Description of Trust Guarantee", "Description of Partnership Preferred Securities", and "Description of the Partnership Guarantee", insofar as such statements purport to constitute summaries of the terms of the Offered Securities, constitute accurate summaries of the terms of the Offered Securities.

(ix) We hereby confirm (a) our opinions set forth in the Prospectus under the caption "Certain Federal Income Tax Considerations" and (b) that, subject to the qualifications set forth therein, the discussion set forth in the Prospectus under such caption is an accurate summary of the United States federal income tax matters described therein.

(x) The Registration Statement has been declared effective under the 1933 Act. Any required filing of the Prospectus pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); and to the best of our knowledge, no stop order suspending the effectiveness

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of the Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been initiated or are pending or threatened by the Commission.

(xi) Neither the Trust nor the Partnership is required to be registered as an "investment company" under the 1940 Act.

(xii) Each of the Company and the Investment Subsidiaries is not, and after giving effect to the offering and sale of the Trust Preferred Securities and the application of the net proceeds therefrom as described in the Prospectus will not be, an "investment company" as such term is defined in the 1940 Act.

We have participated in conferences with officers and representatives of the Company, representatives of the independent accountants of the Company and the Underwriters at which the contents of the Registration Statement and Prospectus and related matters were discussed and, although we are not passing upon or assuming responsibility for the accuracy, completeness or fairness of the statements contained or incorporated by reference in the Registration Statement and Prospectus and have made no independent check or verification thereof, on the basis of the foregoing, nothing has come to our attention that would lead us to believe that the Registration Statement or any post-effective amendment thereto (except for financial statements and schedules and other financial data included or incorporated by reference therein or omitted therefrom and the Form T-1s, as to which we make no statement), at the time the Registration Statement or any post-effective amendment thereto (including the filing of the Company's Annual Report on Form 10-K with the Commission) became effective or at the date of the applicable Terms Agreement, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus or any amendment or supplement thereto (except for financial statements and schedules and other financial data included or incorporated therein or omitted therefrom, as to which we make no statement), at the time the Prospectus was issued, at the time any such amended or supplemented prospectus was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may rely, as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on certificates of responsible officers of the Company and public officials. In addition, such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United States and the General Corporation Law of the State

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of Delaware, upon the opinions of counsel satisfactory to the Representatives.

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EXHIBIT B

FORM OF OPINION OF SKADDEN, ARPS, SLATE, MEAGHER & FLOM
(Delaware)

SPECIAL DELAWARE COUNSEL TO THE COMPANY, THE TRUST,
AND THE PARTNERSHIP TO BE DELIVERED
PURSUANT TO SECTION 5(b).

(i) The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Trust Act with the power and authority to own property and to conduct its business as described in the Registration Statement and Prospectus and to enter into and perform its obligations under each of the Purchase Agreement, the Trust Preferred Securities, the Trust Common Securities and the Declaration; the Trust is duly qualified to transact business as a foreign company and is in good standing in any other jurisdiction in which such qualification and good standing is necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect on the Trust; the Trust is not a party to or otherwise bound by any agreement other than those described in the Prospectus.

(ii) The Trust Common Securities have been duly authorized by the Declaration and, when issued and delivered by the Trust to the Company against payment therefor as described in the Registration Statement and Prospectus, will be validly issued and (subject to the terms of the Declaration) fully paid undivided beneficial interests in the assets of the Trust and will conform to all statements relating thereto contained in the Prospectus; the issuance of the Trust Common Securities is not subject to preemptive or other similar rights.

(iii) The Trust Preferred Securities have been duly authorized by the Declaration and, when issued and delivered against payment of the consideration as set forth in the Purchase Agreement, will be validly issued and (subject to the terms of the Declaration) fully paid and non-assessable undivided beneficial interests in the Trust, will be entitled to the benefits of

the Declaration and will conform to all statements relating thereto contained in the Prospectus; under the Declaration or Delaware law the Trust Preferred Securities are not subject to preemptive or other similar rights; and holders of Trust Preferred Securities will be entitled to the same limitation of personal liability under Delaware law as extended to stockholders of private corporations for profit.

(iv) The Partnership has been duly created and is validly existing in good standing as a limited partnership under the Delaware Partnership Act with the power and authority to own property and to conduct its business as described in the Registration Statement and Prospectus and to enter into and perform its obligations under each of the Purchase Agreement, the

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Partnership Preferred Securities and the Partnership Agreement; the Partnership is duly qualified to transact business as a foreign company and is in good standing in any other jurisdiction in which such qualification is necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect on the Partnership; the Partnership is not a party to or otherwise bound by any agreement other than those described in the Prospectus.

(v) The Partnership Preferred Securities have been duly authorized and, when issued and delivered pursuant to the Partnership Agreement against payment of the consideration set forth therein, will represent valid partnership interests in the Partnership will be entitled to the benefits of the Partnership Agreement and will conform to the description thereof in the Prospectus; the issuance of the Partnership Preferred Securities is not subject to preemptive or other similar rights; assuming that the holders of Partnership Preferred Securities in their capacities as such do not participate in the control of the business of the Partnership, the holders of the Partnership Preferred Securities, in their capacities as such, will have no liability to third parties in excess of their obligations to make payments provided for in the Limited Partnership Agreement; to our knowledge, there are no provisions in the Partnership Agreement which would permit the holders of Partnership Preferred Securities in their capacities as such to participate in the control of the business of the Partnership.

(vi) Assuming the Declaration has been duly authorized by the Company, the Declaration has been duly executed and delivered by the Company and the Trustees, and assuming due authorization, execution and delivery of the Declaration by the Institutional Trustee, the Declaration constitutes a valid and binding obligation of the Company and the Regular Trustees, enforceable against the Company and the Regular Trustees in accordance with its terms, except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions and conforms to all statements relating thereto in the Prospectus.

(vii) Assuming the Partnership Agreement has been duly authorized by the Company, the Partnership Agreement has been duly executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforcement thereof may be limited by the Bankruptcy Exceptions and conforms to the description thereof in the Prospectus.

(viii) The execution, delivery and performance of the Transaction Documents by the Offerors and the consummation of the transactions contemplated herein and therein and compliance by the Offerors with their respective obligations do not and will not result in any violation of the Declaration or Certificate of Trust or the Partnership Agreement or the Certificate of

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Partnership and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust or the Partnership under (A) any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument in each case governed by Delaware law to which the Trust or the Partnership is a party or by which they may be bound or to which any of their properties may be subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise), earnings, business affairs or business prospects of the Company subsidiaries taken as a whole or (B) any existing applicable law, rule, regulation, judgment, order or decree of any Delaware government, governmental instrumentality or court, domestic or foreign, or any Delaware regulatory body or administrative agency or other governmental body having jurisdiction over the Offerors of their respective properties.

(ix) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Delaware court or Delaware governmental authority or agency (other than as may be required under the securities or blue sky laws of the state of Delaware, as to which we need

express no opinion) is necessary or required in connection with the due authorization, execution and delivery of the Purchase Agreement or the due execution, delivery or performance of the Transaction Documents by the Offerors or for the offering, issuance, sale or delivery of the Offered Securities.

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EXHIBIT C

FORM OF OPINION OF SEWARD & KISSEL
COUNSEL FOR THE PROPERTY TRUSTEE TO BE
DELIVERED PURSUANT TO SECTION 5(d)

(i) The Chase Manhattan Bank is a national banking association with trust powers, is duly organized, is validly existing and is in good standing under the laws of the United States with all necessary power and authority to execute, deliver and to carry out and perform its obligations under the terms of the Declaration and each of the Trust Preferred Guarantees.

(ii) Chase Manhattan Bank Delaware is a Delaware banking corporation with trust powers, is duly organized, is validly existing and is in good standing under the laws of the State of Delaware with all necessary power and authority to execute, deliver and to carry out and perform its obligations under the terms of the Declaration.

(iii) The execution, delivery and performance by the Property Trustee and the Delaware Trustee of the Declaration and the execution, delivery and performance by the Guarantee Trustee of the Trust Preferred Guarantee have been duly authorized by all necessary corporate action on the part of the Institutional Trustee and the Delaware Trustee, in the case of the Declaration, and the Guarantee Trustee, in the case of the Trust Preferred Guarantee. The Declaration and the Trust Preferred Guarantee have been duly executed and delivered by the Property Trustee and the Delaware Trustee, in the case of the Declaration, and the Guarantee Trustee, in the case of the Trust Preferred Guarantee, and constitute the legal, valid and binding obligations of the Property Trustee and the Delaware Trustee, in the case of the Declaration, and the Guarantee Trustee, in the case of the Trust Preferred Guarantee, enforceable against the Property Trustee and the Delaware Trustee, in the case of the Declaration, and the Guarantee Trustee, in the case of the Trust Preferred Guarantee, in accordance with their terms, except as enforcement thereof may be limited by the Bankruptcy Exceptions.

(iv) The execution, delivery and performance of the Declaration and the Trust Preferred Guarantee by the Property Trustee and the Delaware Trustee, in the case of the Declaration, and the Guarantee Trustee, in the case of the Trust Preferred Guarantee, do not conflict with or constitute a breach of the Articles of Organization or Bylaws of the Property Trustee or the Delaware Trustee, in the case of the Declaration, or the Guarantee Trustee.

(v) No consent, approval or authorization of, or registration with or notice to, any Illinois, Delaware or federal banking authority is required for the execution, delivery or performance by the Property Trustee or the Delaware Trustee of

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the Declaration or by the Guarantee Trustee of the Trust Preferred Guarantee.

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AMENDED AND RESTATED
DECLARATION OF TRUST
OF
MERRILL LYNCH PREFERRED CAPITAL TRUST II

Dated as of February , 1997

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CROSS-REFERENCE TABLE*

Section of Trust Indenture Act of 1939, as amended -----	Section of Declaration -----
310 (a)	6.3 (a)
310 (c)	Inapplicable
311 (c)	Inapplicable
312 (a)	2.2 (a)
312 (b)	2.2 (b)
313	2.3
314 (a)	2.4
314 (b)	Inapplicable
314 (c)	2.5
314 (d)	Inapplicable
314 (f)	Inapplicable
315 (a)	3.9 (b)
315 (c)	3.9 (a)
315 (d)	3.9 (a)
316 (a)	Annex I
316 (c)	3.6 (e)

* This Cross-Reference Table does not constitute part of the Declaration and shall not affect the interpretation of any of its terms or provisions.

AMENDED AND RESTATED
DECLARATION OF TRUST

OF

MERRILL LYNCH PREFERRED CAPITAL TRUST II

February , 1997

AMENDED AND RESTATED DECLARATION OF TRUST (the "Declaration") dated and effective as of February __, 1997, by the Trustees (as defined herein), by the Sponsor (as defined herein) and by the Holders, from time to time, of undivided beneficial interests in the Trust to be issued pursuant to this Declaration;

WHEREAS, certain of the Trustees and the Sponsor established MERRILL LYNCH PREFERRED CAPITAL TRUST II (the "Business Trust"), a trust under the Delaware Business Trust Act (the "Trust Act"), pursuant to a Declaration of Trust dated as of January 16, 1997 (the "Original Declaration") and a Certificate of Trust filed with the Secretary of State of the State of Delaware on January 16, 1997, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in the Partnership Preferred Securities;

WHEREAS, as of the date hereof, no interests in the Trust have been issued; and

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration.

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a business trust under the Business Trust Act and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the Holders, from time to time, of the securities representing undivided beneficial ownership interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I
INTERPRETATION AND DEFINITIONS

SECTION 1.1 Definitions.

Unless the context otherwise requires:

(a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections and Annexes and Exhibits are to Articles and Sections of and Annexes and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires;

(f) a reference to the singular includes the plural and vice versa; and

(g) a term used in this Agreement and not otherwise defined herein shall have the meaning ascribed to such term in the Partnership Agreement.

"Affiliate" has the same meaning as given to that term in Rule 405 under the Securities Act of 1933, as amended, or any successor rule thereunder.

"Affiliate Investment Instruments" has the meaning set forth in Section 7.1 of the Limited Partnership Agreement.

"Authorized Officer" of a Person means any Person that is authorized to bind such Person.

"Book Entry Interest" means a beneficial interest in a Global

Certificate, ownership and transfers of which shall be maintained and made through book entries by a Clearing Agency as set forth in Section 10.4 of this Declaration.

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"Business Day" means any day other than a day on which banking institutions in The City of New York are authorized or required by law to close.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. Section 3801 et seq., as it may be amended from time to time, or any successor legislation.

"Certificate" means a Trust Common Security Certificate or a Trust Preferred Security Certificate.

"Change in 1940 Act Law" means, as a result of the occurrence on or after the date of the issuance of the Trust Preferred Securities of a change in law or regulation or a change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, the Trust is or will be considered an "investment company" which is required to be registered under the 1940 Act.

"Clearing Agency" means an organization registered as a "Clearing Agency" pursuant to Section 17A of the Exchange Act that is acting as depository for the Trust Preferred Securities and in whose name or in the name of a nominee of that organization shall be registered a Global Certificate and which shall undertake to effect book entry transfers and pledges of beneficial interests in the Trust Preferred Securities.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Clearing Agency effects book entry transfers and pledges of interest in securities deposited with the Clearing Agency.

"Closing Date" means February , 1997.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation.

"Commission" means the United States Securities and Exchange Commission.

"Common Security Holder of the Trust" means the Company in its capacity as Holder of the Trust Common Security.

"Company" means Merrill Lynch & Co., Inc.

"Company Indemnified Person" means (a) any Regular Trustee; (b) any Affiliate of any Regular Trustee; (c) any officers, directors, shareholders, members, partners, employees,

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representatives or agents of any Regular Trustee; or (d) any officer, director, shareholder, member, partner, employee, representative or agent of the Trust or its Affiliates.

"Compounded Distributions" has the meaning set forth in Section 7.1(a) of this Declaration.

"Corporate Trust Office" means the principal corporate trust office of the Property Trustee in the Borough of Manhattan, the City of New York, which office at the date hereof is called the Global Trust Services Office and is located at 450 West 33rd Street, 15th Floor, New York, New York 10001.

"Covered Person" means: (a) any officer, director, shareholder, partner, member, representative, employee or agent of (i) the Trust or (ii) the Trust's Affiliates; and (b) any Holder of Trust Securities.

"Definitive Trust Preferred Security Certificates" has the meaning set forth in Section 10.4 of this Declaration.

"Delaware Trustee" has the meaning set forth in Section 6.2 of this Declaration.

"Distribution" has the meaning set forth in Section 7.1(a) of this Declaration.

"DTC" means The Depository Trust Company, the initial Clearing Agency.

"Exchange Act" means the Securities Exchange Act of 1934, as amended

from time to time, or any successor legislation.

"Fiduciary Indemnified Person" has the meaning set forth in Section 11.4(b) of this Declaration.

"Fiscal Period" has the meaning set forth in Section 1.1 of the Limited Partnership Agreement.

"Fiscal Year" has the meaning set forth in Section 12.1 of this Declaration.

"General Partner" means Merrill Lynch & Co., Inc., in its capacity as the general partner of the Partnership, its permitted successors, or any successor general partner in the Partnership admitted as such pursuant to the Limited Partnership Agreement.

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"Global Certificate" has the meaning set forth in Section 10.4 of this Declaration.

"Holder" means a Person in whose name a Certificate representing a Trust Security is registered, such Person being a beneficial owner within the meaning of the Business Trust Act.

"Indemnified Person" means a Company Indemnified Person or a Fiduciary Indemnified Person.

"Initial Debentures" has the meaning set forth in Section 7.1(b) of the Limited Partnership Agreement.

"Investment Affiliate" means the Company or any corporation, partnership, limited liability company or other entity (other than the Partnership or the Trust) that (i) is controlled by the Company and (ii) is not an investment company by reason of Section 3(a) or 3(b) of the 1940 Act or is otherwise an eligible recipient of funds directly or indirectly from the Trust pursuant to an order issued by the Securities and Exchange Commission.

"Investment Company" means an investment company as defined in the 1940 Act.

"Investment Guarantee" means any guarantee on a subordinated basis by the Company with respect to (1) payment of interest, principal and other payment terms of Affiliate Investment Instruments that are debt securities of an Investment Affiliate and (2) the payment of dividends, distributions and other payment terms of Affiliate Investment Instruments that are preferred or preference stock of an Investment Affiliate when, as and if declared by such Investment Affiliate.

"Legal Action" has the meaning set forth in Section 3.6(h) of this Declaration.

"Limited Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of Merrill Lynch Preferred Funding II, L.P. dated as of February __, 1997.

"List of Holders" has the meaning set forth in Section 2.2(a) of this Declaration.

"Majority in liquidation amount of the Trust Securities" means, except as provided in the terms of the Trust Preferred Securities or by the Trust Indenture Act, Holder(s) of outstanding Trust Securities voting together as a single class or, as the context may require, Holders of outstanding Trust Preferred Securities or Holders of outstanding Trust Common

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Securities voting separately as a class, who are the record owners of more than 50% of the aggregate liquidation amount of all outstanding Trust Securities of the relevant class.

"Ministerial Action" means, a ministerial action (such as filing a form or making an election or pursuing some other similar reasonable measure) which in the sole judgment of the Company has or will cause no adverse effect on the Trust, the Partnership, the Company or the holders of the Trust Securities and will involve no material cost.

"Nasdaq" means the National Association of Securities Dealers Automated Quotation System.

"1940 Act" means the Investment Company Act of 1940, as amended from time to time, or any successor legislation.

"Officers' Certificate" means, with respect to any Person (who is not an individual), a certificate signed by the Chairman of the Board, the President, a Vice President or the Treasurer, and by an Assistant Treasurer, the Secretary or an Assistant Secretary of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Declaration shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Partnership" means Merrill Lynch Preferred Funding II, L.P., a Delaware limited partnership formed pursuant to the Limited Partnership Agreement.

"Partnership Enforcement Event" has the meaning set forth in Section 6.2(h) (i) of the Limited Partnership Agreement.

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"Partnership Guarantee" means the Partnership Guarantee Agreement dated as of February __, 1997, by the Company in favor of the Partnership Preferred Security Holders with respect to the Partnership Preferred Securities, as amended or supplemented from time to time.

"Partnership Preferred Securities" has the meaning set forth in Section 1.1 of the Limited Partnership Agreement.

"Partnership Special Event" has the meaning set forth in Section 1.1 of the Limited Partnership Agreement.

"Payment Amount" has the meaning set forth in Section 7.1(a) of this Declaration.

"Paying Agent" has the meaning set forth in Section 3.8(g) of this Declaration.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Security Beneficial Owner" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, or each case in accordance with the rules of such Clearing Agency).

"Property Account" has the meaning set forth in Section 3.8(c) of this Declaration.

"Property Trustee" means the Trustee meeting the eligibility requirements set forth in Section 6.3 of this Declaration.

"Pro Rata" means, in reference to any distributions on or redemptions of Trust Securities or the distribution of Partnership Preferred Securities or any other payment with respect to Trust Securities in connection with a Trust Special Event or liquidation of the Trust, pro rata to each Holder of Trust Securities according to the aggregate liquidation amount of the Trust Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Trust Securities outstanding.

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"Quorum" means a majority of the Regular Trustees or, if there are only two Regular Trustees, both of them.

"Redemption Price" has the meaning set forth in Section 8.2(a) of

this Declaration.

"Regular Trustee" has the meaning set forth in Section 6.1 of this Declaration.

"Related Party" means, with respect to the Sponsor, any direct or indirect wholly owned subsidiary of the Sponsor or any Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Responsible Officer" means, with respect to the Trust Preferred Guarantee Trustee, the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president (whether or not designated by a number or a word or words added before or after the title "vice president"), the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, or any other officer of the Trust Preferred Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Rule 3a-5" means Rule 3a-5 under the 1940 Act.

"Securities Act" means the Securities Act of 1933, as amended from time to time, or any successor legislation.

"Special Representative" has the meaning set forth in Section 6.2(h)(i) of the Limited Partnership Agreement.

"Sponsor" means the Company or any successor entity in a merger, consolidation or amalgamation, in its capacity as sponsor of the Trust.

"Successor Delaware Trustee" has the meaning set forth in Section 6.7(b) of this Declaration.

"Successor Entity" has the meaning set forth in Section 3.15 of this Declaration.

"Successor Property Trustee" has the meaning set forth in Section 6.7(b) of this Declaration.

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"Successor Trust Securities" has the meaning set forth in Section 3.15 of this Declaration.

"Super Majority" has the meaning set forth in Section 2.6(a)(ii) of this Declaration.

"Tax Action" means (a) an amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) a judicial decision interpreting, applying or clarifying such laws or regulations, (c) an administrative pronouncement or action that represents an official position (including a clarification of an official position) of the governmental authority or regulatory body making such administrative pronouncement or taking such action, or (d) a threatened challenge asserted in connection with an audit of the Company or any of its subsidiaries, the Partnership, or the Trust, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Debentures, the Partnership Preferred Securities, or the Trust Preferred Securities, which amendment or change is adopted or which decision, pronouncement or proposed change is announced or which action, clarification or challenge occurs on or after the date of the prospectus related to the issuance of the Trust Preferred Securities.

"10% in liquidation amount of the Trust Securities" means, except as provided in the terms of the Trust Preferred Securities or by the Trust Indenture Act, Holder(s) of outstanding Trust Securities voting together as a single class or, as the context may require, Holders of outstanding Trust Preferred Securities or Holders of outstanding Trust Common Securities voting separately as a class, who are the record owners of 10% or more of the aggregate liquidation amount of all outstanding Trust Securities of the relevant class.

"Treasury Regulations" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury Department, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trust Common Security" has the meaning set forth in Section 8.1 of this Declaration.

"Trust Common Security Certificate" means a definitive certificate in fully registered form representing a Common Security substantially in the form of Exhibit A-2.

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"Trust Common Securities Guarantee" means the Trust Common Securities Guarantee Agreement dated as of February __, 1997, entered into by the Company, as Guarantor, for the benefit of the holders of the Trust Common Securities.

"Trust Dissolution Tax Opinion" means an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that there has been a Trust Tax Event.

"Trust Enforcement Event" means the occurrence, at any time, of (i) arrearages on distributions on the Trust Preferred Securities that shall exist for six consecutive quarterly distribution periods, (ii) a default by the Company in respect of any of its obligations under the Trust Guarantee or (iii) a Partnership Enforcement Event (as defined in the Limited Partnership Agreement).

"Trust Guarantees" means the Trust Common Securities Guarantee and The Trust Preferred Securities Guarantee, collectively.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended from time to time, or any successor legislation.

"Trust Investment Company Event" means that the Company shall have requested and received and shall have delivered to the Regular Trustees an opinion of nationally recognized independent legal counsel experienced in such matters to the effect that as a result of a Change in 1940 Act Law, the Trust is or will be considered an "investment company" which is required to be registered under the 1940 Act.

"Trust Liquidation" has the meaning set forth in Section 9.2(a) of this Declaration.

"Trust Preferred Securities Guarantee" has the meaning set forth in Section 1.1 of the Limited Partnership Agreement.

"Trust Liquidation Distribution" has the meaning set forth in Section 9.2(a) of this Declaration.

"Trust Preferred Security" has the meaning set forth in Section 8.1(a) of this Declaration.

"Trust Preferred Security Beneficial Owner" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency

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Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"Trust Preferred Security Certificate" means a certificate representing a Preferred Security substantially in the form of Exhibit A-1.

"Trust Redemption Tax Opinion" means an opinion of nationally recognized independent tax counsel experienced in such matters that there has been a Trust Tax Event, and following such Trust Tax Event there is more than an insubstantial risk that interest payable by one or more of the Investment Affiliates with respect to the Debentures is not, or will not be, deductible by such Investment Affiliate for United States federal income tax purposes even if the Partnership Preferred Securities were distributed to the Holders of the Trust Securities in liquidation of such Holders' interests in the Trust.

"Trust Securities" means the Trust Common Securities and the Trust Preferred Securities.

"Trust Special Event" means a Trust Tax Event or a Trust Investment Company Event.

"Trust Tax Event" means that there has been a Tax Action which relates to any of the items described in (i) through (iii) below, and that there is more than an insubstantial risk that (i) the Trust is, or will be subject to United States federal income tax with respect to income accrued or received on the Partnership Preferred Securities, (ii) the Trust is, or will be, subject to more than a de minimis amount of other taxes, duties or other governmental charges or (iii) interest payable by one or more of the Investment Affiliates

with respect to the Debentures is not, or will not be, deductible by such Investment Affiliate for United States federal income tax purposes.

"Trustee" or "Trustees" means each Person who has signed this Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

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ARTICLE II
TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application.

(a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

(c) If and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(d) The application of the Trust Indenture Act to this Declaration shall not affect the nature of the Trust Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

SECTION 2.2 Lists of Holders of Trust Securities.

(a) Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Property Trustee (i) within 14 days after each record date for payment of Distributions, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Holders of the Trust Securities ("List of Holders") as of such record date, provided, that neither the Sponsor nor the Regular Trustees on behalf of the Trust shall be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Property Trustee by the Sponsor and the Regular Trustees on behalf of the Trust, and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Property Trustee. The Property Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity), provided, that the Property Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Property Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

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SECTION 2.3 Reports by the Property Trustee.

Within 60 days after May 15 of each year commencing May 15, 1997, the Property Trustee shall provide to the Holders of the Trust Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Property Trustee.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as are required by Section 314 of the Trust Indenture Act (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5 Evidence of Compliance with Conditions Precedent.

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6 Trust Enforcement Events; Waiver.

(a) The Holders of a Majority in liquidation amount of Trust Preferred Securities may, by vote, on behalf of the Holders of all of the Trust Preferred Securities, waive any past Trust Enforcement Event in respect of the Trust Preferred Securities and its consequences, provided, that if the underlying event of default or Partnership Enforcement Event:

(i) is not waivable under the Trust Preferred Securities Guarantee or the Limited Partnership Agreement, the Trust Enforcement Event under this Declaration shall also not be waivable; or

(ii) requires the consent or vote of the Holders of greater than a Majority in liquidation amount of the Trust Preferred Securities to be waived under the Trust Preferred

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Securities Guarantee or the Partnership Preferred Securities to be waived under the Limited Partnership Agreement (a "Super Majority"),

the Trust Enforcement Event under this Declaration may only be waived by the vote of the Holders of at least the relevant Super Majority in liquidation amount of the Trust Preferred Securities.

The foregoing provisions of this Section 2.6(a) shall be in lieu of Section 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Trust Securities, as permitted by the Trust Indenture Act. Upon such waiver, any such default shall cease to exist, and any Trust Enforcement Event with respect to the Trust Preferred Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Trust Enforcement Event with respect to the Trust Preferred Securities or impair any right consequent thereon. Any waiver by the Holders of the Trust Preferred Securities of Trust Enforcement Events with respect to the Trust Preferred Securities shall also be deemed to constitute a waiver by the Holders of the Trust Common Securities of any such Trust Enforcement Event with respect to the Trust Common Securities for all purposes of this Declaration without any further act, vote, or consent of the Holders of the Trust Common Securities.

(b) The Holders of a Majority in liquidation amount of the Trust Common Securities may, by vote, on behalf of the Holders of all of the Trust Common Securities, waive any past Trust Enforcement Event with respect to the Trust Common Securities and its consequences, provided, that if the underlying event of default or Partnership Enforcement Event:

(i) is not waivable under the Trust Common Securities Guarantee or the Limited Partnership Agreement, except where the Holders of the Trust Common Securities are deemed to have waived such Trust Enforcement Event under this Declaration as provided below in this Section 2.6(b), the Trust Enforcement Event under this Declaration shall also not be waivable; or

(ii) requires the consent or vote of the Holders of a Super Majority to be waived, except where the Holders of the Trust Common Securities are deemed to have waived such Trust Enforcement Event under the Declaration as provided below in this Section 2.6(b), the Trust Enforcement Event under this Declaration may only be waived by the vote of the

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Holders of at least the relevant Super Majority in liquidation amount of the Trust Common Securities;

provided, further, each Holder of Trust Common Securities will be deemed to have waived any such Trust Enforcement Event and all Trust Enforcement Events with respect to the Trust Common Securities and its consequences if all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated, and until such Trust Enforcement Events have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the Holders of the Trust Preferred Securities and only the Holders of the Trust Preferred Securities will have the right to direct the Property Trustee in accordance with the terms of the Trust Securities. The foregoing provisions of this Section 2.6(b) shall be in lieu of Sections 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act and such Sections 316(a)(1)(A) and 316(a)(1)(B) of the Trust Indenture Act are hereby expressly excluded from this Declaration and the Trust Securities, as permitted by the Trust Indenture Act. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Trust Enforcement Event with respect to the Trust Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Trust Enforcement

Event with respect to the Trust Common Securities or impair any right consequent thereon.

(c) A waiver of Partnership Enforcement Events under the Limited Partnership Agreement by the Property Trustee at the direction of the Holders of the Trust Preferred Securities constitutes a waiver of the corresponding Trust Enforcement Event under this Declaration. The foregoing provisions of this Section 2.6(c) shall be in lieu of Section 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Declaration and the Trust Securities, as permitted by the Trust Indenture Act.

SECTION 2.7 Trust Enforcement Event; Notice.

The Property Trustee shall, within 90 days after the occurrence of a Trust Enforcement Event, transmit by mail, first class postage prepaid, to the Holders of the Trust Securities, notices of all defaults with respect to the Trust Securities actually known to a Responsible Officer of the Property Trustee, unless such defaults have been cured before the giving of such notice (the term "defaults" for the purposes of this Section 2.7 being hereby defined to be defaults as defined in the Trust Guarantees or the Limited Partnership Agreement, not including

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any periods of grace provided for therein and irrespective of the giving of any notice provided therein); provided, that except for a default in the payment of principal of (or premium, if any) or interest on any of the Affiliate Investment Instruments or in the payment of any sinking fund installment established for the Affiliate Investment Instruments, the Property Trustee shall be fully protected in withholding such notice if and so long as a Responsible Officer of the Property Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Trust Securities.

ARTICLE III ORGANIZATION

SECTION 3.1 Name.

The Trust is named "Merrill Lynch Preferred Capital Trust II," as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of Trust Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

SECTION 3.2 Office.

The address of the principal office of the Trust is c/o Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281. On ten Business Days written notice to the Holders of Trust Securities, the Regular Trustees may designate another principal office.

SECTION 3.3 Purpose.

The exclusive purposes and functions of the Trust are (a) to issue the Trust Securities, (b) investing the proceeds from such sale of the Trust Securities to acquire the Partnership Preferred Securities, and (c) except as otherwise limited herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, mortgage or pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified for United States federal income tax purposes as a grantor trust.

SECTION 3.4 Authority.

Subject to the limitations provided in this Declaration and to the specific duties of the Property Trustee, the Regular

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Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Property Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

SECTION 3.5 Title to Property of the Trust.

Except as provided in Section 3.8 with respect to the Partnership Preferred Securities and the Property Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial ownership interest in the assets of the Trust.

SECTION 3.6 Powers and Duties of the Regular Trustees.

The Regular Trustees shall have the exclusive power, duty and authority to cause the Trust to engage in the following activities:

(a) to issue and sell the Trust Preferred Securities and the Trust Common Securities in accordance with this Declaration; provided, however, that the Trust may issue no more than one series of Trust Preferred Securities and no more than one series of Trust Common Securities, and, provided, further, that there shall be no interests in the Trust other than the Trust Securities, and the issuance of Trust Securities shall be limited to a one-time, simultaneous issuance of both Trust Preferred Securities and Trust Common Securities on the Closing Date;

(b) in connection with the issue and sale of the Trust Preferred Securities, at the direction of the Sponsor, to:

(i) execute and file with the Commission the registration statement on Form S-3 prepared by the Sponsor, including any amendments thereto, pertaining to the Trust Preferred Securities;

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(ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Trust Preferred Securities in any State in which the Sponsor has determined to qualify or register such Trust Preferred Securities for sale;

(iii) execute and file an application, prepared by the Sponsor, to the New York Stock Exchange, Inc. or any other national stock exchange or the Nasdaq National Market System for listing upon notice of issuance of any Trust Preferred Securities;

(iv) execute and file with the Commission a registration statement, including any amendments thereto, prepared by the Sponsor, relating to the registration of the Trust Preferred Securities, the Partnership Preferred Securities, the Trust Preferred Securities Guarantee and the Partnership Guarantee under Section 12(b) of the Exchange Act; and

(v) execute and enter into an underwriting agreement providing for the sale of the Trust Preferred Securities and perform the duties and obligations of the Trust thereunder;

(c) to acquire the Partnership Preferred Securities with the proceeds of the sale of the Trust Preferred Securities and the Trust Common Securities; provided, however, that the Regular Trustees shall cause legal title to the Partnership Preferred Securities to be held of record in the name of the Property Trustee for the benefit of the Holders of the Trust Preferred Securities and the Holders of Trust Common Securities;

(d) to give the Sponsor and the Property Trustee prompt written notice of the occurrence of a Trust Special Event; provided, that the Regular Trustees shall consult with the Sponsor and the Property Trustee before taking or refraining from taking any Ministerial Action in relation to a Trust Special Event;

(e) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of Section 316(c) of the Trust Indenture Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Trust Preferred Securities;

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ties and Holders of Trust Common Securities as to such actions and applicable record dates;

(f) to give prompt written notice to the Holders of the Trust Securities of any notice received from the Partnership of the General Partner's election not to make a current, quarterly distribution on the

Partnership Preferred Securities under the Limited Partnership Agreement;

(g) to take all actions and perform such duties as may be required of the Regular Trustees pursuant to the terms of the Trust Securities;

(h) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(f), the Property Trustee has the exclusive power to bring such Legal Action;

(i) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(j) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

(k) to give the certificate required by Section 314(a)(4) of the Trust Indenture Act to the Property Trustee, which certificate may be executed by any Regular Trustee;

(l) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(m) to act as, or appoint another Person to act as, registrar and transfer agent for the Trust Securities;

(n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;

(o) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the

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Holders of the Trust Preferred Securities or to enable the Trust to effect the purposes for which the Trust was created;

(p) to take any action, or to take no action, not inconsistent with this Declaration or with applicable law, that the Regular Trustees determine in their discretion to be necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, including, but not limited to:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the 1940 Act; and

(ii) taking no action which would be reasonably likely to cause the Trust to be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes;

provided, that such action does not adversely affect the interests of Holders; and

(q) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust.

The Regular Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Regular Trustees shall not take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Regular Trustees shall have none of the powers or the authority of the Property Trustee set forth in Section 3.8.

Any expenses incurred by the Regular Trustees pursuant to this Section 3.6 shall be reimbursed by the Partnership pursuant to Section 9.1 of the Limited Partnership Agreement.

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SECTION 3.7 Prohibition of Actions by the Trust and the Trustees.

(a) The Trust shall not, and the Trustees (including the Property

Trustee) shall cause the Trust not to, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees (including the Property Trustee) shall cause the Trust not to:

- (i) invest any proceeds received by the Trust from holding the Partnership Preferred Securities, but shall distribute all such proceeds to Holders of Trust Securities pursuant to the terms of this Declaration and of the Trust Securities;
- (ii) acquire any assets other than as expressly provided herein;
- (iii) possess Trust property for other than a Trust purpose;
- (iv) make any loans or incur any indebtedness or acquire any securities other than the Partnership Preferred Securities;
- (v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Trust Securities in any way whatsoever;
- (vi) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Trust Securities;
- (vii) other than as set forth herein, (A) cause the Special Representative to direct the time, method and place of conducting any proceeding for any remedy available to the Special Representative or exercising any trust or power conferred upon the Special Representative with respect to the Partnership Preferred Securities, the Affiliate Investment Instruments, and the Investment Guarantees, (B) cause the Special Representative to waive any past default that is waivable under the Limited Partnership Agreement, the Affiliate Investment Instruments or the Investment Guarantees, (C) cause the Special Representative to exercise any right to rescind or annul any declaration that the principal of, or other amounts in respect of, any Affiliate Investment Instrument is due and payable or (D) consent to any amendment, modification or termination of the Limited Partnership

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Agreement or the Partnership Preferred Securities where such consent shall be required; and

- (viii) other than in connection with the liquidation of the Trust pursuant to a Trust Special Event or upon redemption of all the Trust Securities, file a certificate of cancellation of the Trust.

SECTION 3.8 Powers and Duties of the Property Trustee.

(a) The legal title to the Partnership Preferred Securities shall be owned by and held of record in the name of the Property Trustee in trust for the benefit of the Holders of the Trust Securities. The right, title and interest of the Property Trustee to the Partnership Preferred Securities shall vest automatically in each Person who may hereafter be appointed as Property Trustee in accordance with Section 6.7. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Partnership Preferred Securities have been executed and delivered.

(b) The Property Trustee shall not transfer its right, title and interest in the Partnership Preferred Securities to the Regular Trustees or to the Delaware Trustee (if the Property Trustee does not also act as Delaware Trustee).

(c) The Property Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Property Account") in the name of and under the exclusive control of the Property Trustee on behalf of the Holders of the Trust Securities and, upon the receipt of payments of funds made in respect of the Partnership Preferred Securities held by the Property Trustee, deposit such funds into the Property Account and make payments to the Holders of the Trust Preferred Securities and Holders of the Trust Common Securities from the Property Account in accordance with Section 7.1. Funds in the Property Account shall be held uninvested until disbursed in accordance with this Declaration. The Property Account shall be an account that is maintained with a banking institution (including the Property Trustee if it qualifies hereunder) authorized to exercise corporate trust powers and having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal or state authority;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect the redemption of the

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Trust Preferred Securities and the Trust Common Securities to the extent the Partnership Preferred Securities are redeemed; and

(iii) upon written notice of distribution issued by the Regular Trustees in accordance with the terms of the Trust Securities, engage in such ministerial activities as shall be necessary or appropriate to effect the distribution of the Partnership Preferred Securities to Holders of Trust Securities upon the occurrence of a Trust Special Event.

(d) The Property Trustee shall take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of the Trust Securities.

(e) The Property Trustee shall take any Legal Action which arises out of or in connection with a Trust Enforcement Event of which a Responsible Officer of the Property Trustee has actual knowledge or the Property Trustee's duties and obligations under this Declaration or the Trust Indenture Act.

(f) The Property Trustee shall have the legal power to exercise all of the rights, powers and privileges of a Holder of Partnership Preferred Securities and, if a Trust Enforcement Event occurs and is continuing, the Property Trustee shall, for the benefit of Holders of the Trust Securities, enforce its rights as Holder of the Partnership Preferred Securities subject to the rights of the Holders pursuant to the terms of such Trust Securities.

(g) The Property Trustee may authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Trust Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Property Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Property Trustee.

(h) The Property Trustee shall continue to serve as a Trustee until either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Trust Securities pursuant to the terms of the Trust Securities; or

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(ii) a Successor Property Trustee has been appointed and has accepted that appointment in accordance with Section 6.7.

(i) Subject to this Section 3.8, the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Regular Trustees set forth in Section 3.6.

The Property Trustee must exercise the powers set forth in this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Property Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

SECTION 3.9 Certain Duties and Responsibilities of the Property Trustee.

(a) The Property Trustee, before the occurrence of any Trust Enforcement Event and after the curing or waiver of all Trust Enforcement Events that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and no implied covenants shall be read into this Declaration against the Property Trustee. In case a Trust Enforcement Event has occurred (that has not been cured or waived pursuant to Section 2.6) of which a Responsible Officer of the Property Trustee has actual knowledge, the Property Trustee shall exercise such of the rights and powers vested in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Declaration shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of a Trust Enforcement Event and after the curing or waiving of all such Trust Enforcement Events that may have occurred:

(A) the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Declaration and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Property

(B) in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Declaration; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(iii) subject to the requirement of the Property Trustee receiving a tax opinion as set forth in Section 8.4(d) or 8.5(c), as the case may be, the Property Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Trust Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Declaration;

(iv) no provision of this Declaration shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or protection from such liability is not reasonably assured to it under the terms of this Declaration or indemnity reasonably satisfactory to the Property Trustee against such risk or liability is not reasonably assured to it;

(v) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Partnership Preferred Securities and the Property Account shall be to deal with such property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limita-

tions on liability afforded to the Property Trustee under this Declaration and the Trust Indenture Act;

(vi) the Property Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Partnership Preferred Securities or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Property Account maintained by the Property Trustee pursuant to Section 3.8(c) (i) and except to the extent otherwise required by law; and

(viii) the Property Trustee shall not be responsible for monitoring the compliance by the Regular Trustees or the Sponsor with their respective duties under this Declaration, nor shall the Property Trustee be liable for any default or misconduct of the Regular Trustees or the Sponsor.

SECTION 3.10 Certain Rights of Property Trustee.

(a) Subject to the provisions of Section 3.9:

(i) the Property Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Sponsor or the Regular Trustees acting on behalf of the Trust contemplated by this Declaration shall be sufficiently evidenced by an Officers' Certificate;

(iii) whenever in the administration of this Declaration, the Property Trustee shall deem it desirable that a matter be proved or

established before taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Regular Trustees;

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(iv) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;

(v) the Property Trustee may consult with counsel or other experts and the advice or opinion of such counsel and experts with respect to legal matters or advice within the scope of such experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion; such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees. The Property Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction;

(vi) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any Holder, unless (a) such Holder shall have provided to the Property Trustee security and indemnity, reasonably satisfactory to the Property Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Property Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Property Trustee and (b) the Property Trustee has obtained the legal opinions, if any, required by Section 8.4(d) or 8.5(c), as the case may be, of this Agreement; provided, that, nothing contained in this Section 3.10(a)(vi) shall be taken to relieve the Property Trustee, upon the occurrence of a Trust Enforcement Event, of its obligation to exercise the rights and powers vested in it by this Declaration;

(vii) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Property Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(viii) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder

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either directly or by or through agents, custodians, nominees or attorneys and the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(ix) any action taken by the Property Trustee or its agents hereunder shall bind the Trust and the Holders of the Trust Securities, and the signature of the Property Trustee or its agents alone shall be sufficient and effective to perform any such action and no third party shall be required to inquire as to the authority of the Property Trustee to so act or as to its compliance with any of the terms and provisions of this Declaration, both of which shall be conclusively evidenced by the Property Trustee's or its agent's taking such action;

(x) whenever in the administration of this Declaration the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (i) may request instructions from the Holders of the Trust Securities which instructions may only be given by the Holders of the same proportion in liquidation amount of the Trust Securities as would be entitled to direct the Property Trustee under the terms of the Trust Securities in respect of such remedy, right or action, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be fully protected in conclusively relying on or acting in or accordance with such instructions; provided, however, that the Property Trustee shall not be required to take any action unless it shall have obtained such legal opinions, if any, required by Sections 8.4(d) or 8.5(c), as the case may be, of this Agreement; and

(xi) except as otherwise expressly provided by this Declaration, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Declaration.

(b) No provision of this Declaration shall be deemed to impose any duty or obligation on the Property Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority

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available to the Property Trustee shall be construed to be a duty.

SECTION 3.11 Delaware Trustee.

Notwithstanding any provision of this Declaration other than Section 6.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Regular Trustees or the Property Trustee described in this Declaration. Except as set forth in Section 6.2, the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

SECTION 3.12 Execution of Documents.

Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act, any Regular Trustee is authorized to execute on behalf of the Trust any documents that the Regular Trustees have the power and authority to cause the Trust to execute pursuant to Section 3.6; provided, that the registration statement referred to in Section 3.6(b)(i), including any amendments thereto, shall be signed by or on behalf of a majority of the Regular Trustees.

SECTION 3.13 Not Responsible for Recitals or Issuance of Trust Securities.

The recitals contained in this Declaration and the Trust Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Trust Securities.

SECTION 3.14 Duration of Trust.

The Trust, unless terminated pursuant to the provisions of Article VIII hereof, shall have perpetual existence.

SECTION 3.15 Mergers.

(a) The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any Person, except as described in Section 3.15(b) and (c).

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(b) The Trust may, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the Holders of the Trust Securities, the Delaware Trustee or the Property Trustee, consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to a trust organized as such under the laws of any State of the United States; provided, that:

(i) if the Trust is not the survivor, such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Trust Securities; or

(B) substitutes for the Trust Preferred Securities other securities having substantially the same terms as the Trust Preferred Securities (the "Successor Trust Securities") so long as the Successor Trust Securities rank the same as the Trust Preferred Securities rank with respect to Distributions, assets and payments upon liquidation, redemption and otherwise;

(ii) the Company expressly acknowledges a trustee of the Successor Entity that possesses the same powers and duties as the Property Trustee as the Holder of the Partnership Preferred Securities;

(iii) the Successor Trust Securities are listed, or any Successor Trust Securities will be listed upon notification of issuance, on any national securities exchange or with another organization on which the Trust Preferred Securities are then listed or quoted;

(iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Trust Preferred Securities (including any Successor Trust Securities) to be downgraded by any nationally recognized statistical rating organization;

(v) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Trust Preferred Securities (including any Successor Trust Securities) in any material respect;

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(vi) such Successor Entity has a purpose identical to that of the Trust;

(vii) the Company guarantees the obligations of such Successor Entity under the Successor Trust Securities at least to the extent provided by the Trust Guarantees; and

(viii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Sponsor has received an opinion of a nationally recognized independent counsel to the Trust experienced in such matters to the effect that:

(A) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease will not adversely affect the rights, preferences and privileges of the Holders of the Trust Preferred Securities (including any Successor Trust Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the new entity);

(B) following such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, neither the Trust nor the Successor Entity will be required to register as an Investment Company under the 1940 Act;

(C) following such merger, consolidation, amalgamation or replacement, the Trust (or the Successor Entity) will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes; and

(D) following such merger, consolidation, amalgamation or replacement, the Partnership will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

(c) Notwithstanding Section 3.15(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Trust Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or Successor Entity or the Partnership to be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

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ARTICLE IV
SPONSOR

SECTION 4.1 Responsibilities of the Sponsor.

In connection with the issue and sale of the Trust Preferred Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

(a) to prepare for filing by the Trust with the Commission a registration statement on Form S-3 in relation to the Trust Preferred Securities, including any amendments thereto;

(b) to determine the States in which to take appropriate action to

qualify or register for sale all or part of the Trust Preferred Securities and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States;

(c) to prepare for filing by the Trust an application to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market System for listing upon notice of issuance of any Trust Preferred Securities, Partnership Preferred Securities, the Trust Preferred Securities Guarantee and the Partnership Guarantee;

(d) to prepare for filing by the Trust with the Commission a registration statement relating to the registration of the Trust Preferred Securities, the Partnership Preferred Securities, the Trust Preferred Securities Guarantee, and the Partnership Guarantee under Section 12(b) of the Exchange Act, including any amendments thereto; and

(e) to negotiate the terms of an underwriting agreement and any pricing agreement providing for the sale of the Trust Preferred Securities.

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SECTION 4.2 Indemnification and Expenses of the Trustee

The Partnership agrees, and to the extent the Partnership fails to do so, the Sponsor agrees to indemnify the Property Trustee and the Delaware Trustee for, and to hold each of them harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Property Trustee or the Delaware Trustee, as the case may be, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending either of them against any claim or liability in connection with the exercise or performance of any of their respective powers or duties hereunder; the provisions of this Section 4.2 shall survive the resignation or removal of the Delaware Trustee or the Property Trustee or the termination of this Declaration.

ARTICLE V TRUST COMMON SECURITIES HOLDER

SECTION 5.1 Company's Purchase of Trust Common Securities.

On the Closing Date the Company will purchase all of the Trust Common Securities issued by the Trust, for an amount at least equal to 3% of the capital of the Trust, at the same time as the Trust Preferred Securities are sold.

SECTION 5.2 Covenants of the Trust Common Securities Holder.

For so long as the Trust Preferred Securities remain outstanding, the Company will covenant (i) to maintain directly 100 percent ownership of the Trust Common Securities, (ii) to cause the Trust to remain a statutory business trust and not to voluntarily dissolve, wind up, liquidate, or be terminated, except as permitted by this Declaration, (iii) to use its commercially reasonable efforts to ensure that the Trust will not be an investment company for purposes of the 1940 Act, and (iv) to take no action which would be reasonably likely to cause the Trust to be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

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ARTICLE VI TRUSTEES

SECTION 6.1 Number of Trustees.

The number of Trustees initially shall be four (4), and:

(a) at any time before the issuance of any Trust Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Trust Securities, the number of Trustees may be increased or decreased by vote of the Holders of a Majority in liquidation amount of the Trust Common Securities voting as a class at a meeting of the Holders of the Trust Common Securities;

provided, however, that the number of Trustees shall in no event be less than three (3); provided, further, that (1) if required by the Business Trust Act, one Trustee is the Delaware Trustee; (2) there shall be at least one Trustee who is an employee or officer of, or is affiliated with the Company (each, a "Regular Trustee"); and (3) one Trustee shall be the Property Trustee for so long as this Declaration is required to qualify as an indenture under the Trust Indenture Act, and such Property Trustee may also serve as Delaware Trustee if it meets the applicable requirements.

SECTION 6.2 Delaware Trustee.

If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be:

- (a) a natural person who is a resident of the State of Delaware; or
- (b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law,

provided, that if the Property Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Property Trustee may also be the Delaware Trustee (in which case Section 3.11 shall have no application).

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SECTION 6.3 Property Trustee; Eligibility.

(a) There shall at all times be one Trustee (the "Property Trustee") which shall act as Property Trustee which shall:

- (i) not be an Affiliate of the Sponsor; and
- (ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 6.3(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Property Trustee shall cease to be eligible to so act under Section 6.3(a), the Property Trustee shall immediately resign in the manner and with the effect set forth in Section 6.7(c).

(c) If the Property Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Property Trustee and the Holder of the Trust Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Trust Guarantee shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

(e) The initial Property Trustee shall be:

The Chase Manhattan Bank

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SECTION 6.4 Qualifications of Regular Trustees and Delaware Trustee Generally.

Each Regular Trustee and the Delaware Trustee (unless the Property Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

SECTION 6.5 Regular Trustees.

The initial Regular Trustees shall be:

(a) Except as expressly set forth in this Declaration and except if a meeting of the Regular Trustees is called with respect to any matter over which the Regular Trustees have power to act, any power of the Regular Trustees may be exercised by, or with the consent of, any one such Regular Trustee.

(b) Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act or applicable law, any Regular Trustee is authorized to execute on behalf of the Trust any documents which the Regular Trustees have the power and authority to cause the Trust to execute pursuant to Section 3.6, provided, that the registration statement referred to in Section 3.6(b) (i), including any amendments thereto, shall be signed by or on behalf of a majority of the Regular Trustees.

SECTION 6.6 Delaware Trustee.

The initial Delaware Trustee shall be:

Chase Manhattan Bank Delaware

SECTION 6.7 Appointment, Removal and Resignation of Trustees.

(a) Subject to Section 6.7(b), Trustees may be appointed or removed without cause at any time:

(i) until the issuance of any Trust Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of any Trust Securities, by vote of the Holders of a Majority in liquidation amount of

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the Trust Common Securities voting as a class at a meeting of the Holders of the Trust Common Securities.

(b) (i) The Trustee that acts as Property Trustee shall not be removed in accordance with Section 6.7(a) until a successor Trustee possessing the qualifications to act as Property Trustee under Section 6.3 (a "Successor Property Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Property Trustee and delivered to the Regular Trustees and the Sponsor; and

(ii) the Trustee that acts as Delaware Trustee shall not be removed in accordance with Section 6.7(a) until a successor Trustee possessing the qualifications to act as Delaware Trustee under Sections 6.2 and 6.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees and the Sponsor.

(c) A Trustee appointed to office shall hold office until his successor shall have been appointed or until his death, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

(i) No such resignation of the Trustee that acts as the Property Trustee shall be effective:

(A) until a Successor Property Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Property Trustee and delivered to the Trust, the Sponsor and the resigning Property Trustee; or

(B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the Holders of the Trust Securities; and

(ii) no such resignation of the Trustee that acts as the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

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(d) The Holders of the Trust Common Securities shall use their best efforts to promptly appoint a Successor Delaware Trustee or Successor Property

Trustee, as the case may be, if the Property Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 6.7.

(e) If no Successor Property Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 6.7 within 60 days after delivery to the Sponsor and the Trust of an instrument of resignation, the resigning Property Trustee or Delaware Trustee, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Property Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be.

(f) No Property Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Property Trustee or successor Delaware Trustee, as the case may be.

SECTION 6.8 Vacancies among Trustees.

If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 6.1, or if the number of Trustees is increased pursuant to Section 6.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by the Regular Trustees or, if there are more than two, a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 6.7.

SECTION 6.9 Effect of Vacancies.

The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Regular Trustees shall occur, until such vacancy is filled by the appointment of a Regular Trustee in accordance with Section 6.7, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

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SECTION 6.10 Meetings.

If there is more than one Regular Trustee, meetings of the Regular Trustees shall be held from time to time upon the call of any Regular Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in-person meetings of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Regular Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter; provided, that a Quorum is present, or without a meeting by the unanimous written consent of the Regular Trustees. Notwithstanding the foregoing, any and all actions of the Regular Trustees may be taken by the unanimous written consent of all Regular Trustees.

SECTION 6.11 Delegation of Power.

(a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6, including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) the Regular Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 6.12 Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Property Trustee or the Delaware Trustee, as the case may be, may be merged or converted or with which either may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Property Trustee or the Delaware Trustee, as the case may be, shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Property Trustee or the Delaware Trustee, as the case may be, shall be the successor of the Property Trustee or the Delaware Trustee, as the case may be, hereunder; provided, that such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

ARTICLE VII
DISTRIBUTIONS

SECTION 7.1 Distributions.

(a) Holders of Trust Securities shall be entitled to receive cumulative cash distributions at the rate per annum of ___% of the stated liquidation amount of \$25 per Trust Security, calculated on the basis of a 360-day year consisting of twelve 30-day months. For any period shorter than a full 90-day quarter, distributions will be computed on the basis of the actual number of days elapsed in such 90-day quarter. Distributions shall be made on the Trust Preferred Securities and the Trust Common Securities on a Pro Rata basis. Distributions on the Trust Securities shall, from the date of original issue, accumulate and be cumulative and shall be payable quarterly only to the extent that the Trust has funds available for the payment of such Distributions in the Property Account. Distributions not paid on the scheduled payment date will accumulate and compound quarterly at the rate of ___% per annum ("Compounded Distributions"). "Distributions" shall mean ordinary cumulative distributions in respect of each Fiscal Period together with any Compounded Distributions. If and to the extent that the Partnership makes a distribution on the Partnership Preferred Securities held by the Property Trustee or the Company makes a payment under the Partnership Guarantee (the amount of any such partnership distribution, including any compounded partnership distributions, or guarantee payment being a "Payment Amount"), the Trust shall and the Property Trustee is directed, to the extent funds are available for that purpose, to make a Pro Rata Distribution of the Payment Amount to Holders.

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(b) Distributions on the Trust Securities will be cumulative, will accumulate from the date of initial issuance and will be payable quarterly in arrears on each March 30, June 30, September 30 and December 30, commencing March 30, 1997, when, as and if available for payment, by the Property Trustee, except as otherwise described below. If Distributions are not paid when scheduled, the accumulated Distributions shall be paid to the Holders of record of Trust Securities as they appear on the books and records of the Trust on the record date as determined under Section 7.1(d) below.

(c) Amounts available to the Trust for distribution to the Holders of the Trust Securities will be limited to payments received by the Trust from the Partnership on the Partnership Preferred Securities or from the Company on the Partnership Guarantees paid by the Company to the Trust. If the Property Trustee, as the holder of the Partnership Preferred Securities for the benefit of the Holders of the Trust Securities, receives notice of any determination by the Partnership not to pay distributions on such Partnership Preferred Securities, the Property Trustee shall give notice of such determination to the Holders.

(d) Distributions on the Trust Securities will be payable to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates, which relevant record dates, as long as the Trust Preferred Securities remain in book-entry only form, will be one Business Day prior to the relevant payment dates. Such distributions will be paid through the Property Trustee who will hold amounts received in respect of the Partnership Preferred Securities in the Property Account for the benefit of the Holders of the Trust Securities. In the event that the Trust Preferred Securities do not remain in book-entry only form, the relevant record dates shall be the 15th day of the month of the relevant payment dates. In the event that any date on which distributions are payable on the Trust Securities is not a Business Day, payment of the distribution payable on such date will be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

ARTICLE VIII
ISSUANCE OF TRUST SECURITIES

SECTION 8.1 Designation and General Provisions Regarding Trust Securities.

(a) The Regular Trustees shall on behalf of the Trust issue one class of preferred securities representing undivided beneficial ownership interests in the assets of the Trust and one class of common securities representing undivided beneficial ownership interests in the assets of the Trust as follows:

(i) Trust Preferred Securities. 12,000,000 Trust Preferred Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of three hundred million dollars (\$300,000,000) and a liquidation amount with respect to the assets of the Trust of \$25 per preferred security, are hereby designated for the purpose of identification only as ___% Trust Originated Preferred Securities (SM) (1) (the "Trust Preferred Securities"). The Trust Preferred Security Certificates evidencing the Trust Preferred Securities shall be substantially in the form of Exhibit A-1 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Trust Preferred Securities are listed.

(ii) Trust Common Securities. Trust Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of _____ dollars (\$_____) and a liquidation amount with respect to the assets of the Trust of \$25 per common security, are hereby designated for the purposes of identification only as ___% Trust Common Securities (the "Trust Common Securities" and, together with the Trust Preferred Securities, the "Trust Securities"). The Trust Common Security Certificates evidencing the Trust Common Securities shall be substantially in the form of Exhibit A-2 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

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(1) "Trust Originated Preferred Securities" and "TOPrS" are service marks of Merrill Lynch & Co., Inc.

(b) Except as provided in Section 9.2(b) of this Declaration, the Trust Preferred Securities rank pari passu and payment thereon shall be made Pro Rata with the Trust Common Securities. The Trust shall issue no securities or other interests in the assets of the Trust other than the Trust Preferred Securities and the Trust Common Securities.

(c) Any Regular Trustee shall sign the Trust Securities for the Trust by manual or facsimile signature. In case any Regular Trustee of the Trust who shall have signed any of the Trust Securities shall cease to be a Regular Trustee before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Regular Trustee; and any Certificate may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Trust Security, shall be the Regular Trustees of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such a Regular Trustee. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation of any stock exchange on which Trust Securities may be listed, or to conform to usage.

A Trust Security shall not be valid until authenticated by the manual signature of an authorized officer of the Property Trustee. Such signature shall be conclusive evidence that the Trust Security has been authenticated under this Declaration.

Upon a written order of the Trust signed by one Regular Trustee, the Property Trustee shall authenticate the Trust Securities for original issue. The aggregate number of Trust Securities outstanding at any time shall not exceed the number set forth in the Terms of the Trust Securities.

The Property Trustee may appoint an authenticating agent acceptable to the Trust to authenticate Trust Securities. An authenticating agent may authenticate Trust Preferred Securities whenever the Property Trustee may do so. Each reference in this Declaration to authentication by the Property Trustee includes authentication by such agent. An authenticating agent has the same

rights as the Property Trustee to deal with the Sponsor or an Affiliate of the Sponsor.

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(d) The consideration received by the Trust for the issuance of the Trust Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(e) Upon issuance of the Trust Securities as provided in this Declaration, the Trust Securities so issued shall be deemed to be validly issued, fully paid and non-assessable, subject to Section 11.1 with respect to the Trust Common Securities.

(f) Every Person, by virtue of having become a Holder or a Trust Preferred Security Beneficial Owner in accordance with the terms of this Declaration, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration.

SECTION 8.2 Redemption of Trust Securities.

(a) Upon a purchase of the Partnership Preferred Securities by the Partnership upon redemption or otherwise, the proceeds from such purchase shall be simultaneously applied Pro Rata to redeem Trust Securities having an aggregate liquidation amount equal to the Partnership Preferred Securities so purchased or redeemed at an amount equal to \$25 per Partnership Preferred Security plus an amount equal to accumulated and unpaid Distributions, including any Compounded Distributions thereon through the date of the redemption or such lesser amount as shall be received by the Trust in respect of the Partnership Preferred Securities so purchased or redeemed (the "Redemption Price"). Holders will be given not less than 30 nor more than 60 days notice of such redemption.

(b) If fewer than all the outstanding Trust Securities are to be so redeemed, the Trust Common Securities and the Trust Preferred Securities will be redeemed Pro Rata and the Trust Preferred Securities to be redeemed will be redeemed as described in Section 8.3 below; provided, that fewer than all of the outstanding Trust Preferred Securities may not be redeemed unless all accumulated and unpaid Distributions have been paid on all Trust Preferred Securities for all quarterly distribution periods terminating on or prior to the date of redemption.

(c) If, at any time, a Trust Special Event shall occur and be continuing, the Regular Trustees shall, unless the Partnership Preferred Securities are redeemed in the limited circumstances described below, within 90 days following the occurrence of such Trust Special Event elect to either (i) dissolve the Trust upon not less than 30 nor more than 60 days

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notice with the result that, after satisfaction of creditors, if any, of the Trust, Partnership Preferred Securities would be distributed on a Pro Rata basis to the Holders of the Trust Preferred Securities and the Trust Common Securities in liquidation of such Holders' interests in the Trust; provided, however, that if at the time there is available to the Trust the opportunity to eliminate, within such 90-day period, the Trust Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure which in the sole judgment of the Sponsor has or will cause no adverse effect on the Trust, the Partnership, the Sponsor or the Holders of the Trust Securities and will involve no material cost, the Trust will pursue such measure in lieu of dissolution or (ii) cause the Trust Preferred Securities to remain outstanding; provided, that in the case of this clause (ii), the Sponsor shall pay any and all expenses incurred by or payable by the Trust attributable to the Trust Special Event. Furthermore, if in the case of the occurrence of a Trust Tax Event, the Regular Trustees have received a Trust Redemption Tax Opinion, then the General Partner shall have the right, within 90 days following the occurrence of such Trust Tax Event, to elect to cause the Partnership to redeem the Partnership Preferred Securities in whole (but not in part) for cash upon not less than 30 nor more than 60 days notice and promptly following such redemption, the Trust Securities will be redeemed by the Trust at the Redemption Price.

(d) If the Partnership Preferred Securities are distributed to the Holders of the Trust Preferred Securities, the Sponsor will use its best efforts to cause the Partnership Preferred Securities to be listed on the New York Stock Exchange or on such other national securities exchange or similar organization as the Trust Preferred Securities are then listed or quoted.

(e) On the date fixed for any distribution of Partnership Preferred Securities, upon dissolution of the Trust, (i) the Trust Preferred Securities and the Trust Common Securities will no longer be deemed to be outstanding and (ii) certificates representing Trust Securities will be deemed to represent the Partnership Preferred Securities having a liquidation preference equal to the

stated liquidation amount of such Trust Securities until such certificates are presented to the Sponsor or its agent for transfer or reissuance.

SECTION 8.3 Redemption Procedures.

(a) Notice of any redemption of, or notice of distribution of Partnership Preferred Securities in exchange for,

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the Trust Securities (a "Redemption/Distribution Notice") will be given by the Trust by mail to each Holder of Trust Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Partnership Preferred Securities. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this Section 8.3, a Redemption/ Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Trust Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Trust Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/ Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(b) In the event that fewer than all the outstanding Trust Securities are to be redeemed, the Trust Securities to be redeemed shall be redeemed Pro Rata from each Holder of Trust Securities, provided, that in respect of Preferred Securities registered in the name of and held of record by DTC or its nominee (or any successor Clearing Agency or its nominee) or any nominee, the distribution of the proceeds of such redemption will be made to each Clearing Agency Participant (or Person on whose behalf such nominee holds such securities) in accordance with the procedures applied by such agency or nominee. In the event that the Trust Securities do not remain in book-entry only form and fewer than all of the outstanding Trust Securities are to be redeemed, the Trust Securities shall be redeemed Pro Rata or pursuant to the rules of any securities exchange on which the Trust Securities are listed.

(c) If Trust Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, which notice may only be issued if the Partnership Preferred Securities are redeemed as set out in this Section 8.3 (which notice will be irrevocable), then (A) while the Trust Preferred Securities are in book-entry only form, by 12:00 noon, New York City time, on the redemption date, the Property Trustee will deposit irrevocably with the DTC or its nominee (or successor Clearing Agency or its nominee) funds sufficient to pay the applicable Redemption Price with respect to the Trust Preferred Securities and will give the DTC irrevocable instructions and authority to pay the Redemption Price to the Holders of the Trust Preferred Securities, and (B) with respect to Trust Preferred Securities issued in definitive form and Trust Common Securities, the Property Trustee will pay the relevant Redemption Price to the Holders of

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such Trust Securities by check mailed to the address of the relevant Holder appearing on the books and records of the Trust on the redemption date. If a Redemption/Distribution Notice shall have been given and funds deposited as required, if applicable, then immediately prior to the close of business on the date of such deposit, or on the redemption date, as applicable, distributions will cease to accumulate on the Trust Securities so called for redemption and all rights of Holders of such Trust Securities will cease, except the right of the Holders of such Trust Securities to receive the Redemption Price, but without interest on such Redemption Price. If any date fixed for redemption of Trust Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of the amount payable subject to such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Trust Securities is improperly withheld or refused and not paid either by the Property Trustee or by the Sponsor as guarantor pursuant to the relevant Trust Guarantee, Distributions on such Trust Securities will continue to accumulate at the then applicable rate from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price. For these purposes, the applicable Redemption Price shall not include Distributions which are being paid to Holders who were Holders on a relevant record date. Upon satisfaction of the foregoing conditions, then immediately prior to the close of business on the date of such deposit or payment, all rights of Holders of such Trust Preferred Securities so called for redemption will cease, except the right of the Holders to have received the Redemption Price, but without interest on such Redemption Price, and from and after the date fixed for redemption, such Trust Preferred

Securities will not accumulate distributions or bear interest.

Neither the Regular Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Trust Securities that have been called for redemption.

(d) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), the Company or its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the open market or by private agreement.

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SECTION 8.4 Voting Rights of Trust Preferred Securities.

(a) Except as provided under Sections 6.1(b) and this Article VIII and as otherwise required by the Business Trust Act, the Trust Indenture Act and other applicable law, the Holders of the Trust Preferred Securities will have no voting rights.

(b) Subject to the requirement of the Property Trustee obtaining a tax opinion in certain circumstances set forth in Section 8.4(d) below, the Holders of a Majority in liquidation amount of the Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee, as Holder of the Partnership Preferred Securities, to (i) exercise the remedies available to it under the Limited Partnership Agreement as a Holder of the Partnership Preferred Securities, including the right to direct the Special Representative of the Partnership as elected by the Holders of the Partnership Preferred Securities in accordance with the Limited Partnership Agreement (A) to enforce the Partnership's creditors rights and other rights with respect to the Affiliate Investment Instruments and any Investment Guarantees, (B) to enforce the rights of the Holders of the Partnership Preferred Securities under the Partnership Guarantee, and (C) to enforce the rights of the Holders of the Partnership Preferred Securities to receive distributions (if and to the extent such distributions have been declared out of funds legally available therefor by the General Partner in its sole discretion) on the Partnership Preferred Securities or (ii) consent to any amendment, modification, or termination of the Limited Partnership Agreement or the Partnership Preferred Securities where such consent shall be required; provided, however, that where a consent or action under the Limited Partnership Agreement would require the consent or act of the Holders of more than a majority of the aggregate liquidation preference of Partnership Preferred Securities affected thereby, only the Holders of the percentage of the aggregate stated liquidation amount of the Trust Preferred Securities which is at least equal to the percentage of aggregate liquidation preference required under the Limited Partnership Agreement may direct the Property Trustee to give such consent or take such action.

(c) If the Property Trustee fails to enforce its rights under the Partnership Preferred Securities after a Holder of record of Trust Preferred Securities has made a written request, such Holder of record of Trust Preferred Securities may institute a legal proceeding directly against the General Partner

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or the Special Representative, to enforce the Property Trustee's rights under the Limited Partnership Agreement without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, if a Trust Enforcement Event has occurred and is continuing and such event is attributable to the failure of an Investment Affiliate to make any required payment when due on any Affiliate Investment Instrument, then a Holder of Trust Preferred Securities may directly institute a proceeding against such Investment Affiliate for enforcement of payment with respect to such Affiliate Investment Instrument.

(d) The Property Trustee shall notify all Holders of the Trust Preferred Securities of any notice of any Partnership Enforcement Event received from the General Partner with respect to the Partnership Preferred Securities and the Affiliate Investment Instruments. Such notice shall state that such Partnership Enforcement Event also constitutes a Trust Enforcement Event. Except with respect to directing the time, method, and place of conducting a proceeding for a remedy, the Property Trustee shall be under no obligation to take any of the actions described in clause 8.4(b) (i) and (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for United States federal income tax purposes and that after such action each Holder will continue to be treated as owning an undivided beneficial ownership interest in the Partnership Preferred Securities.

(e) In the event the consent of the Property Trustee, as the Holder

of the Partnership Preferred Securities, is required under the Limited Partnership Agreement with respect to any amendment, modification or termination of the Limited Partnership Agreement, the Property Trustee shall request the direction of the Holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Trust Securities voting together as a single class; provided, however, that where a consent under the Limited Partnership Agreement would require the consent of the Holders of more than a majority of the aggregate liquidation preference of the Partnership Preferred Securities, the Property Trustee may only give such consent at the direction of the Holders of at least the same proportion in aggregate stated liquidation amount of the Trust Securities. The Property Trustee shall not take any such action in accordance with the directions of the Holders of the Trust Securities unless the Property Trustee has obtained an opinion of tax counsel to the effect that, as a result of such action, the Trust will not

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be classified as other than a grantor trust for United States federal income tax purposes.

(f) A waiver of a Partnership Enforcement Event with respect to the Partnership Preferred Securities will constitute a waiver of the corresponding Trust Enforcement Event.

(g) Any required approval or direction of Holders of Trust Preferred Securities may be given at a separate meeting of Holders of Trust Preferred Securities convened for such purpose, at a meeting of all of the Holders of Trust Securities or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Trust Preferred Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents.

(h) No vote or consent of the Holders of Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute Partnership Preferred Securities in accordance with the Declaration.

(i) Notwithstanding that Holders of Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Securities that are beneficially owned at such time by the Company or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Company, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Trust Securities were not outstanding, except for Trust Preferred Securities purchased or acquired by the Company or its affiliates in connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such Trust Securities; provided, however, that persons (other than affiliates of the Company) to whom the Company or any of its subsidiaries have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities pursuant to the terms of such pledge.

(j) Holders of the Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may

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be appointed, removed or replaced solely by the Company, as the Holder of all of the Trust Common Securities.

SECTION 8.5 Voting Rights of Trust Common Securities.

(a) Except as provided under this Section 8.5 or as otherwise required by the Business Trust Act, the Trust Indenture Act or other applicable law or provided by the Declaration, the Holders of the Trust Common Securities will have no voting rights.

(b) The Holders of the Trust Common Securities are entitled, in accordance with Article V of the Declaration, to vote to appoint, remove or replace any Trustee or to increase or decrease the number of Trustees.

(c) Subject to Section 2.6 of the Declaration and only after all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived, or otherwise eliminated and subject to the requirement of the Property Trustee obtaining a tax opinion in certain circumstances set forth

in this paragraph (c), the Holders of a Majority in liquidation amount of the Trust Common Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or direct the exercise of any trust or power conferred upon the Property Trustee under the Declaration, including the right to direct the Property Trustee, as Holder of the Partnership Preferred Securities, to (i) exercise the remedies available to it under the Limited Partnership Agreement as a Holder of the Partnership Preferred Securities, including the right to direct the Special Representative of the Partnership as elected by the Holders of the Partnership Preferred Securities in accordance with the Limited Partnership Agreement (A) to enforce the Partnership's creditors rights and other rights with respect to the Affiliate Investment Instruments and any Investment Guarantees, (B) to enforce the rights of the Holders of the Partnership Preferred Securities under the Partnership Guarantee, and (C) to enforce the rights of the Holders of the Partnership Preferred Securities to receive distributions (if and to the extent such distributions have been declared out of funds legally available therefor by the General Partner in its sole discretion) on the Partnership Preferred Securities or (ii) consent to any amendment, modification, or termination of the Limited Partnership Agreement or the Partnership Preferred Securities where such consent shall be required; provided, however, that where a consent or action under the Limited Partnership Agreement would require the consent or act of the Holders of more than a majority of the aggregate liquidation preference of Partnership Preferred Securities affected thereby, only the Holders

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of the percentage of the aggregate stated liquidation amount of the Trust Common Securities which is at least equal to the percentage required under the Limited Partnership Agreement may direct the Property Trustee to give such consent or take such action. Except with respect to directing the time, method, and place of conducting a proceeding for a remedy, the Property Trustee shall be under no obligation to take any of the actions described in clause 8.5(c)(i) and (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that, as a result of such action, for United States federal income tax purposes the Trust will not fail to be classified as a grantor trust and each Holder will be treated as owning an undivided beneficial ownership interest in the Partnership Preferred Securities.

(d) If the Property Trustee fails to enforce its rights under the Partnership Preferred Securities after a Holder of record of Trust Common Securities has made a written request, such Holder of record of Trust Common Securities may directly institute a legal proceeding directly against the Company, as General Partner of the Partnership or the Special Representative, to enforce the Property Trustee's rights under the Partnership Preferred Securities without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, if a Trust Enforcement Event has occurred and is continuing and such event is attributable to the failure of an Investment Affiliate to make any required payment when due on any Affiliate Investment Instrument, then a Holder of Trust Common Securities may directly institute a proceeding against such Investment Affiliate for enforcement of payment with respect to such Affiliate Investment Instrument.

(e) A waiver of a Partnership Enforcement Event with respect to the Partnership Preferred Securities will constitute a waiver of the corresponding Trust Enforcement Event.

(f) Any required approval or direction of Holders of Trust Common Securities may be given at a separate meeting of Holders of Trust Common Securities convened for such purpose, at a meeting of all of the Holders of Trust Securities or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Trust Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Trust Common Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to

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vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents.

(g) No vote or consent of the Holders of the Trust Common Securities shall be required for the Trust to redeem and cancel Trust Common Securities or to distribute Partnership Preferred Securities in accordance with the Declaration and the terms of the Trust Securities.

SECTION 8.6 Paying Agent.

In the event that the Trust Preferred Securities are not in book-entry only form, the Trust shall maintain in the Borough of Manhattan, City of New York, State of New York, an office or agency where the Trust Preferred

Securities may be presented for payment ("Paying Agent"). The Trust may appoint the Paying Agent and may appoint one or more additional paying agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent. The Trust may change any Paying Agent without prior notice to any Holder. The Trust shall notify the Property Trustee of the name and address of any Paying Agent not a party to this Declaration. If the Trust fails to appoint or maintain another entity as Paying Agent, the Property Trustee shall act as such. The Trust or any of its Affiliates may act as Paying Agent. The Chase Manhattan Bank shall initially act as Paying Agent for the Trust Preferred Securities and the Trust Common Securities.

SECTION 8.7 Listing

The Sponsor shall use its best efforts to cause the Trust Preferred Securities to be listed for quotation on the New York Stock Exchange.

SECTION 8.8 Acceptance of Guarantee and Agreements, Limited Partnership Agreement.

Each Holder of Trust Preferred Securities and Trust Common Securities, by the acceptance thereof, agrees to the provisions of the applicable Trust Guarantee, the Partnership Guarantee, and the Investment Guarantee, respectively, including the subordination provisions therein.

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ARTICLE IX TERMINATION AND LIQUIDATION OF THE TRUST

SECTION 9.1 Termination of Trust.

(a) The Trust shall terminate:

(i) upon the bankruptcy of the Holder of Trust Common Securities or the Sponsor;

(ii) upon the filing of a certificate of dissolution or its equivalent with respect to the Sponsor, the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of at least a Majority in Liquidation Amount of the Trust Securities, voting together as a single class, to file such certificate of cancellation, or the revocation of the Sponsor's charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(iii) upon the entry of a decree of judicial dissolution of the Sponsor or the Trust;

(iv) when all of the Trust Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Trust Securities;

(v) upon the election of the Regular Trustees, following the occurrence and continuation of a Trust Special Event, pursuant to which the Trust shall have been dissolved in accordance with the terms of the Trust Securities and all of the Partnership Preferred Securities shall have been distributed to the Holders of Trust Securities in exchange for all of the Trust Securities; or

(vi) before the issuance of any Trust Securities, with the consent of all of the Regular Trustees and the Sponsor.

(b) As soon as is practicable after the occurrence of an event referred to in Section 9.1(a), the Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware.

(c) The provisions of Section 3.9 and Article XI shall survive the termination of the Trust.

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SECTION 9.2 Liquidation Distribution Upon Termination and Dissolution of the Trust.

(a) In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Trust (each a "Trust Liquidation"), the Holders of the Trust Preferred Securities on the date of the Trust Liquidation will be entitled to receive, out of the assets of the Trust available for distribution to Holders of Trust Securities after satisfaction of

the Trusts' liabilities and creditors, distributions in cash or other immediately available funds in an amount equal to the aggregate of the stated liquidation amount of \$25 per Trust Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Trust Liquidation Distribution"), unless, in connection with such Trust Liquidation, Partnership Preferred Securities shall be distributed on a Pro Rata basis to the Holders of the Trust Securities in exchange for such Trust Securities.

(b) If, upon any such Trust Liquidation, the Trust Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Trust Liquidation Distribution, then the amounts payable directly by the Trust on the Trust Securities shall be paid on a Pro Rata basis. The Holders of the Trust Common Securities will be entitled to receive distributions upon any such Trust Liquidation Pro Rata with the Holders of the Trust Preferred Securities except that if the Company is in default on any of its obligations under the Trust Preferred Securities Guarantee, the Partnership Guarantee, or any Investment Guarantee, or any Investment Event of Default has occurred and is continuing with respect to an Affiliate Investment Instrument, the Trust Preferred Securities shall have a preference over the Trust Common Securities with regard to such distributions as provided below. Such preference is effectuated by the Holder of the Trust Common Securities hereby agreeing to provide limited recourse guarantees as follows: (i) to the Holders of the Trust Preferred Securities, of the Company's obligations under the Trust Preferred Securities Guarantee; (ii) to the Trust and the Holders of the Trust Preferred Securities, of the Company's obligations under the Partnership Guarantee; and (iii) to the Partnership and the Holders of the Trust Preferred Securities, of the Company's obligations under any Investment Guarantee and/or the obligations of any Investment Affiliate under an Affiliate Investment Instrument. In the case of the limited recourse guarantee given by the Holder of the Trust Common Securities to the Partnership and the Holder of the Trust Preferred Securities in respect of the Company's obligations under any Investment Guarantee and/or any Investment Affiliate's obligations under an Affiliate Investment

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Instrument, (i) the Trust Common Securities Holder will be deemed to have pledged the amount due in respect of its Trust Common Securities upon a liquidation of the Trust to the Partnership and the Holders of Trust Preferred Securities; (ii) the Trust Common Securities Holder will be deemed to have paid such amount to the Partnership in respect of such defaulted Investment Guarantee and/or Affiliate Investment Instrument, as the case may be; (iii) the Partnership will be deemed to have paid such amount to the Trust; and (iv) the Property Trustee is hereby authorized to distribute such amount to the Holders of Trust Preferred Securities (on a pro rata basis among such Trust Preferred Securities Holders) in respect of the Trust Common Securities Holder's pledge of such amounts to such Trust Preferred Securities Holders. In the case of a limited recourse guarantee given by the Holder of the Trust Common Securities to the Trust and the Holders of the Trust Preferred Securities in respect of the Company's obligations under the Partnership Guarantee, (i) the Holder of the Trust Common Securities will be deemed to have pledged the amount due in respect of its Trust Common Securities upon a liquidation of the Trust to the Trust and the Holders of the Trust Preferred Securities; (ii) the Holder of the Trust Common Securities will be deemed to have paid such amount to the Trust in respect of its obligations under the Partnership Guarantee; and (iii) the Property Trustee is hereby authorized to distribute such amount to the Holders of the Trust Preferred Securities (on a pro rata basis among such Trust Preferred Securities Holders) in respect of the Trust Common Securities Holder's pledge of such amount to such Trust Preferred Securities Holders.

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ARTICLE X
TRANSFER OF INTERESTS

SECTION 10.1 Transfer of Trust Securities.

(a) Trust Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Trust Securities. Any transfer or purported transfer of any Trust Security not made in accordance with this Declaration shall be null and void.

(b) Subject to this Article X, Trust Preferred Securities shall be freely transferable.

SECTION 10.2 Transfer of Certificates.

The Regular Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may require) in respect of any tax or other government charges that may be imposed in relation to it. Upon surrender for registration of transfer of any

Certificate, the Regular Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Certificate shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration.

SECTION 10.3 Deemed Security Holders.

The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole Holder of such Certificate and of the Trust Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Trust Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

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SECTION 10.4 Book Entry Interests.

Unless otherwise specified in the terms of the Trust Preferred Securities, the Trust Preferred Securities Certificates, on original issuance, will be issued in the form of one or more fully registered, global Trust Preferred Security Certificates (each a "Global Certificate"), to be delivered to DTC, the initial Clearing Agency, by, or on behalf of, the Trust. Such Global Certificates shall initially be registered on the books and records of the Trust in the name of Cede & Co., the nominee of DTC, and no Trust Preferred Security Beneficial Owner will receive a definitive Trust Preferred Security Certificate representing such Trust Preferred Security Beneficial Owner's interests in such Global Certificates, except as provided in Section 10.7. Unless and until definitive, fully registered Trust Preferred Security Certificates (the "Definitive Trust Preferred Security Certificates") have been issued to the Trust Preferred Security Beneficial Owners pursuant to Section 10.7:

(a) the provisions of this Section 10.4 shall be in full force and effect;

(b) the Trust and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Declaration (including the payment of Distributions on the Global Certificates and receiving approvals, votes or consents hereunder) as the Holder of the Trust Preferred Securities and the sole Holder of the Global Certificates and shall have no obligation to the Trust Preferred Security Beneficial Owners;

(c) to the extent that the provisions of this Section 10.4 conflict with any other provisions of this Declaration, the provisions of this Section 10.4 shall control; and

(d) the rights of the Trust Preferred Security Beneficial Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Trust Preferred Security Beneficial Owners and the Clearing Agency and/or the Clearing Agency Participants and the Clearing Agency shall receive and transmit payments of Distributions on the Global Certificates to such Clearing Agency Participants. The Clearing Agency will make book entry transfers among the Clearing Agency Participants; provided, that solely for the purposes of determining whether the Holders of the requisite amount of Trust Preferred Securities have voted on any matter provided for in this Declaration, so long as Definitive Trust Preferred Security Certificates have not been issued,

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the Trustees may conclusively rely on, and shall be fully protected in relying on, any written instrument (including a proxy) delivered to the Trustees by the Clearing Agency setting forth the Trust Preferred Security Beneficial Owners' votes or assigning the right to vote on any matter to any other Persons either in whole or in part.

SECTION 10.5 Notices to Clearing Agency.

Whenever a notice or other communication to the Trust Preferred Security Holders is required under this Declaration, unless and until Definitive Trust Preferred Security Certificates shall have been issued to the Trust Preferred Security Beneficial Owners pursuant to Section 10.7, the Regular

Trustees shall give all such notices and communications specified herein to be given to the Trust Preferred Security Holders to the Clearing Agency, and shall have no notice obligations to the Trust Preferred Security Beneficial Owners.

SECTION 10.6 Appointment of Successor Clearing Agency.

If any Clearing Agency elects to discontinue its services as securities depository with respect to the Trust Preferred Securities, the Regular Trustees may, in their sole discretion, appoint a successor Clearing Agency with respect to such Trust Preferred Securities.

SECTION 10.7 Definitive Trust Preferred Security Certificates.

If:

(a) a Clearing Agency elects to discontinue its services as securities depository with respect to the Trust Preferred Securities and a successor Clearing Agency is not appointed within 90 days after such discontinuance pursuant to Section 10.6 or

(b) the Regular Trustees elect after consultation with the Sponsor to terminate the book entry system through the Clearing Agency with respect to the Trust Preferred Securities,

(c) there is a Trust Enforcement Event,

then:

(d) Definitive Trust Preferred Security Certificates shall be prepared by the Regular Trustees on behalf of the Trust with respect to such Trust Preferred Securities; and

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(e) upon surrender of the Global Certificates by the Clearing Agency, accompanied by registration instructions, the Regular Trustees shall cause Definitive Trust Preferred Security Certificates to be delivered to Trust Preferred Security Beneficial Owners in accordance with the instructions of the Clearing Agency. Neither the Trustees nor the Trust shall be liable for any delay in delivery of such instructions and each of them may conclusively rely on and shall be fully protected in relying on, said instructions of the Clearing Agency. The Definitive Trust Preferred Security Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which Trust Preferred Securities may be listed, or to conform to usage.

SECTION 10.8 Mutilated, Destroyed, Lost or Stolen Certificates.

If:

(a) any mutilated Certificates should be surrendered to the Regular Trustees, or if the Regular Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and

(b) there shall be delivered to the Regular Trustees such security or indemnity as may be required by them to keep each of them harmless,

then, in the absence of notice that such Certificate shall have been acquired by a bona fide purchaser, any Regular Trustee on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 10.8, the Regular Trustees may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Trust Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

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SECTION 11.1 Liability.

(a) Except as expressly set forth in this Declaration, the Trust Guarantees and the terms of the Trust Securities, the Sponsor and the Trustees shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Trust Securities which shall be made solely from assets of the Trust; and

(ii) required to pay to the Trust or to any Holder of Trust Securities any deficit upon dissolution of the Trust or otherwise.

(b) Notwithstanding any other provision herein, the Holder of the Trust Common Securities, by entering into this Agreement, agrees that it shall be liable directly to any creditor or claimant of or against the Trust for the entire amount of all of the debts and obligations of the Trust (other than obligations to the Holders of Trust Securities in their capacities as Holders) to the extent not satisfied out of the Trust's assets as if the Holder of the Trust Common Securities were the General Partner of a limited partnership organized under the Delaware Revised Uniform Limited Partnership Act.

(c) Pursuant to Section 3803(a) of the Business Trust Act, the Holders of the Trust Preferred Securities shall be entitled to the same limitation of personal liability extended to shareholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

SECTION 11.2 Exculpation.

(a) No Company Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Company Indemnified Person in good faith on behalf of the Trust and in a manner such Company Indemnified Person reasonably believed to be within the scope of the authority conferred on such Company Indemnified Person by this Declaration or by law, except that a Company Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Company Indemnified Person's gross negligence (or, in the case of the

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Property Trustee, negligence) or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Trust Securities might properly be paid.

SECTION 11.3 Fiduciary Duty.

(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Property Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between an Indemnified Person and any Covered Person; or

(ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Trust Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person,

so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

SECTION 11.4 Indemnification.

(a) (i) To the fullest extent permitted by applicable law, the Sponsor shall indemnify and hold harmless any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Company Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Sponsor shall indemnify, to the fullest extent permitted by law, any Company Indemnified Person who was or

is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) To the extent that a Company Indemnified Person shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 11.4(a), or in defense of any claim, issue or matter therein, he shall be indemnified, to the fullest extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(iv) Any indemnification under paragraphs (i) and (ii) of this Section 11.4(a) (unless ordered by a court) shall be made by the Sponsor only as authorized in the specific case upon a determination that indemnification of the Company Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the Regular Trustees by a majority vote of a quorum consisting of such Regular Trustees who were not parties to such action, suit or proceeding,

(2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion, or (3) by the Holder of the Trust Common Securities.

(v) Expenses (including attorneys' fees) incurred by a Company Indemnified Person in defending a civil, criminal, administrative or investigative action, suit or proceeding

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referred to in paragraphs (i) and (ii) of this Section 11.4(a) shall be paid by the Sponsor in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Company Indemnified Person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Sponsor as authorized in this Section 11.4(a). Notwithstanding the foregoing, no advance shall be made by the Sponsor if a determination is reasonably and promptly made (i) by the Regular Trustees by a majority vote of a quorum of disinterested Regular Trustees, (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion or (iii) the Holder of the Trust Common Securities, that, based upon the facts known to the Regular Trustees, counsel or the Holder of the Trust Common Securities at the time such determination is made, such Company Indemnified Person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Trust, or, with respect to any criminal proceeding, that such Company Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Regular Trustees, independent legal counsel or Holder of the Trust Common Securities reasonably determine that such person deliberately breached his duty to the Trust or Holders of Trust Common Securities.

(vi) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Section 11.4(a) shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of shareholders or disinterested directors of the Sponsor or Holders of the Trust Preferred Securities or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Section 11.4(a) shall be deemed to be provided by a contract between the Sponsor and each Company Indemnified Person who serves in such capacity at any time while this Section 11.4(a) is in effect. Any repeal or modification of this Section 11.4(a) shall not affect any rights or obligations then existing.

(vii) The Sponsor or the Trust may purchase and maintain insurance on behalf of any person who is or was a Company Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Spon-

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sor would have the power to indemnify him against such liability under the provisions of this Section 11.4(a).

(viii) For purposes of this Section 11.4(a), references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 11.4(a) with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

(ix) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 11.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Company Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a person.

(b) The Sponsor agrees to indemnify the (i) Property Trustee, (ii) the Delaware Trustee, (iii) any Affiliate of the Property Trustee and the Delaware Trustee, and (iv) any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the Property Trustee and the Delaware Trustee (each of the Persons in (i) through (iv) being referred to as a "Fiduciary Indemnified Person") for, and to hold each Fiduciary Indemnified Person harmless against, any loss, damage, claim, liability or expense including taxes (other than taxes based on the income of

the Trustee) incurred without negligence or bad faith on the part of the Trustee arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 11.4(b) shall survive the satisfaction and discharge of this Declaration.

SECTION 11.5 Outside Businesses.

Any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee may engage in or possess an interest in other business ventures of any nature or description, indepen-

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dently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Trust Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee, nor the Property Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Property Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depository for, trustee or agent for, or act on any committee or body of Holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE XII ACCOUNTING

SECTION 12.1 Fiscal Year.

The fiscal year ("Fiscal Year") of the Trust shall be the calendar year.

SECTION 12.2 Certain Accounting Matters.

(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year of the Trust by a firm of independent certified public accountants selected by the Regular Trustees.

(b) Within 60 days after May 15 of each year commencing May 15, 1997, the Property Trustee shall provide to the Holders of the Trust Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act.

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The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

(c) The Regular Trustees shall cause to be duly prepared and delivered to each of the Holders of Trust Securities, any annual United States federal income tax information statement, required by the Code, containing such information with regard to the Trust Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(d) The Regular Trustees shall cause to be duly prepared and filed with the appropriate taxing authority, an annual United States federal income tax return, on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority.

SECTION 12.3 Banking.

The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Partnership Preferred Securities held by the Property Trustee shall be made directly to the Property Account and no other funds of the Trust shall be deposited in the Property Account. The sole signatories for such accounts shall be designated by the Regular Trustees; provided, however, that the Property Trustee shall designate the signatories for the Property Account.

SECTION 12.4 Withholding.

The Trust and the Regular Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Regular Trustees shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority

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with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Trust may reduce subsequent Distributions by the amount of such withholding. Notwithstanding anything herein to the contrary, the Trust and the Regular Trustees shall, absent receipt of an opinion of nationally recognized tax counsel to the contrary, withhold thirty percent (30%) (or such other rate as may be imposed as a result of an amendment to the Code or such lower rate as may be imposed under an applicable income tax treaty) on the gross amount of any Distributions on Trust Preferred Securities held by a Holder that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code.

ARTICLE XIII
AMENDMENTS AND MEETINGS

SECTION 13.1 Amendments.

(a) Except as otherwise provided in this Declaration or by any applicable terms of the Trust Securities, this Declaration may only be amended by a written instrument approved and executed by:

(i) the Regular Trustees (or, if there are more than two Regular Trustees, a majority of the Regular Trustees);

(ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee; and

(iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee.

(b) No amendment shall be made, and any such purported amendment shall be void and ineffective:

(i) unless, in the case of any proposed amendment, the Property Trustee shall have first received an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities);

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(ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee shall have first received an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and

(iii) to the extent the result of such amendment would be to:

(A) cause the Trust to fail to continue to be classified for purposes of United States federal income taxation as a grantor

trust;

(B) cause the Partnership to be classified for purposes of United States federal income tax as an association or publicly traded partnership taxable as a corporation;

(C) reduce or otherwise adversely affect the powers of the Property Trustee in contravention of the Trust Indenture Act; or

(D) cause the Trust to be deemed to be an Investment Company required to be registered under the 1940 Act.

(c) In the event the consent of the Property Trustee, as the Holder of the Partnership Preferred Securities is required under the Limited Partnership Agreement with respect to any amendment, modification or termination of the Limited Partnership Agreement or the Partnership Preferred Securities the Property Trustee shall request the direction of the Holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Trust Securities voting together as a single class; provided, however, that where a consent under the Limited Partnership Agreement would require the consent of a Super Majority of the Holders of Partnership Preferred Securities the Property Trustee may only give such consent at the direction of the Holders of at least the proportion in liquidation amount of the Trust Securities which the relevant Super Majority represents of the aggregate liquidation preference of the Partnership Preferred Securities outstanding; provided, further, that the Property Trustee shall not be obligated to take any action in accordance with the directions of the Holders of the Trust Securities under this Section 13.1(c) unless the Property Trustee has obtained an

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opinion of independent tax counsel to the effect that for United States federal income tax purposes the Trust will continue to be classified as a grantor trust after consummation of such action and each Holder will be treated as owning an undivided beneficial ownership interest in the Partnership Preferred Securities.

(d) At such time after the Trust has issued any Trust Securities that remain outstanding, any amendment that would (I) adversely affect the powers, preferences or special rights of the Trust Securities or (II) provide for the dissolution, winding-up or termination of the Trust other than pursuant to the terms of this Declaration, may be effected only with the approval of the Holders of at least a Majority in liquidation amount of the Trust Securities affected thereby; provided, that if any amendment or proposal referred to in clause (I) hereof would adversely affect only the Trust Preferred Securities or the Trust Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Trust Securities;

(e) Section 11.1(c) and this Section 13.1 shall not be amended without the consent of all of the Holders of the Trust Securities;

(f) Article IV shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Trust Common Securities and;

(g) The rights of the Holders of the Trust Common Securities under Article V to increase or decrease the number of, and appoint and remove, Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Trust Common Securities; and

(h) Notwithstanding Section 13.1(c), this Declaration may be amended without the consent of the Holders of the Trust Securities:

(i) to cure any ambiguity;

(ii) to correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;

(iii) to add to the covenants, restrictions or obligations of the Sponsor;

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(iv) to conform to any change in the 1940 Act or written change in interpretation or application of the rules and regulations promulgated thereunder by any legislative body, court, government agency or regulatory authority;

(v) to conform to any change in the Trust Indenture Act or written

change in interpretation or application of the rules and regulations promulgated thereunder by any legislative body, court, government agency or regulatory authority; and

(vi) to modify, eliminate and add to any provision of this Declaration to such extent as may be necessary;

provided, that such amendments do not have a material adverse effect on the rights, preferences or privileges of the Holders.

SECTION 13.2 Meetings of the Holders of Trust Securities;
Action by Written Consent.

(a) Meetings of the Holders of any class of Trust Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Trust Securities) to consider and act on any matter on which Holders of such class of Trust Securities are entitled to act under the terms of this Declaration, the terms of the Trust Securities, the Limited Partnership Agreement, the rules of any stock exchange on which the Trust Preferred Securities are listed or admitted for trading, the Business Trust Act or other applicable law. The Regular Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 10% in liquidation amount of such class of Trust Securities. Such direction shall be given by delivering to the Regular Trustees one or more notices in a writing stating that the signing Holders of Trust Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Trust Securities calling a meeting shall specify in writing the Certificates held by the Holders of Trust Securities exercising the right to call a meeting and only those Trust Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Trust Securities, the following provisions shall apply to meetings of Holders of Trust Securities:

(i) notice of any such meeting shall be given to all the Holders of Trust Securities having a right to vote

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thereat at least 7 days and not more than 60 days before the date of such meeting. Any action that may be taken at a meeting of the Holders of Trust Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Trust Securities owning not less than the minimum amount of Trust Securities in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Trust Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Trust Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to the Holder for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees;

(ii) each Holder of a Trust Security may authorize any Person to act for it by proxy on all matters in which a Holder of Trust Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Trust Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Trust Securities were shareholders of a Delaware corporation;

(iii) each meeting of the Holders of the Trust Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate; and

(iv) unless the Business Trust Act, this Declaration, the terms of the Trust Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Trust Preferred Securities are then listed for trading, otherwise provides, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Trust Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Trust Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum require-

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ments, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIV
REPRESENTATIONS OF PROPERTY TRUSTEE
AND DELAWARE TRUSTEE

SECTION 14.1 Representations and Warranties of Property Trustee.

The Trustee that acts as initial Property Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Property Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Property Trustee's acceptance of its appointment as Property Trustee that:

(a) The Property Trustee is a New York banking corporation with trust powers, duly organized, validly existing and in good standing under the laws of New York, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, the Declaration;

(b) The execution, delivery and performance by the Property Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Property Trustee. The Declaration has been duly executed and delivered by the Property Trustee and constitutes a legal, valid and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(c) The execution, delivery and performance of the Declaration by the Property Trustee does not conflict with or constitute a breach of the Articles of Organization or By-laws of the Property Trustee;

(d) No consent, approval or authorization of, or registration with or notice to, any State or Federal banking authority is required for the execution, delivery or performance by the Property Trustee of this Declaration; and

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(e) The Property Trustee, pursuant to this Declaration, shall hold legal title to, and a valid ownership interest on behalf of the Holders of the Trust Securities, in the Partnership Preferred Securities and agrees that, except as expressly provided or contemplated by this Agreement, it will not create, incur or assume, or suffer to exist any mortgage, pledge, hypothecation, encumbrance, lien or other charge or security interest upon the Partnership Preferred Securities.

SECTION 14.2 Representations and Warranties of Delaware Trustee.

The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee that:

(a) The Delaware Trustee is a Delaware corporation with, duly organized, validly existing and in good standing under the laws of the State of Delaware, with power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, the Declaration;

(b) The Delaware Trustee has been authorized to perform its obligations under the Certificate of Trust and the Declaration. The Declaration, under Delaware law, constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(c) No consent, approval or authorization of, or registration with or notice to, any State or Federal banking authority is required for the execution, delivery or performance by the Delaware Trustee of the Declaration; and

(d) The Delaware Trustee is an entity which has its principal place of business in the State of Delaware.

ARTICLE XV
MISCELLANEOUS

SECTION 15.1 Notices.

All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by registered or certified mail, as follows:

(a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Trust Securities):

MERRILL LYNCH PREFERRED CAPITAL TRUST II
c/o Merrill Lynch & Co., Inc.
World Financial Center
South Tower
225 Liberty Street
New York, New York 10080-6105
Attention: Treasurer

(b) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as the Delaware Trustee may give notice of to the other Trustees):

Chase Manhattan Bank Delaware
1201 Market Street
Wilmington, Delaware 19801
Attention: John J. Cashin
Senior Trust Officer

(c) if given to the Property Trustee, at its Corporate Trust Office to the attention of James Heaney, Vice President (or such other address as the Property Trustee may give notice of to the Holders of the Trust Securities and the other Trustee)

(d) if given to the Holder of the Trust Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Trust Common Securities may give notice of to the Trust):

MERRILL LYNCH PREFERRED CAPITAL TRUST II
c/o Merrill Lynch & Co., Inc.
World Financial Center
South Tower
225 Liberty Street
New York, New York 10080-6105
Attention: Treasurer

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 15.2 Governing Law.

This Declaration and the rights of the parties hereunder shall be governed by and construed in accordance with the internal laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

SECTION 15.3 Intention of the Parties.

It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted to further this intention of the parties.

SECTION 15.4 Headings.

Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

SECTION 15.5 Successors and Assigns

Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

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SECTION 15.6 Partial Enforceability.

If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 15.7 Counterparts.

This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees and a duly authorized officer of the Sponsor to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

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IN WITNESS WHEREOF, each of the undersigned has caused these presents to be executed as of the day and year first above written.

Theresa Lang, as Regular Trustee

Stanley Schaefer, as Regular Trustee

CHASE MANHATTAN BANK DELAWARE,
as Delaware Trustee

By: _____
Name: John H. Cashin
Title: Senior Trust Officer

THE CHASE MANHATTAN BANK,
as Property Trustee

By: _____
Name: James Heaney
Title: Vice President

MERRILL LYNCH & CO., INC.,
as Sponsor

By: _____
Name: Theresa Lang
Title: Senior Vice President and
Treasurer

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FORM OF PREFERRED SECURITY CERTIFICATE

This Trust Preferred Security is a Global Certificate within the meaning of the Declaration hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Trust Preferred Security is exchangeable for Trust Preferred Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Declaration and no transfer of this Trust Preferred Security (other than a transfer of this Trust Preferred Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Trust Preferred Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York), a New York corporation, to the Trust or its agent for registration of transfer, exchange or payment, and any Trust Preferred Security issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of the Depository and any payment hereon is made to Cede & Co. or such other entity as is requested by an authorized representative of the Depository, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Trust Preferred Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

_____ agent to transfer this Trust Preferred Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: _____

Signature: _____
(Sign exactly as your name appears on the other side of this Trust Preferred Security Certificate)

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TP-1 []

CUSIP NO. _____

Certificate Evidencing Trust Preferred Securities

of

MERRILL LYNCH PREFERRED CAPITAL TRUST II

% Trust Preferred Securities
(liquidation amount \$25 per Trust Preferred Security)

MERRILL LYNCH PREFERRED CAPITAL TRUST II, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that Cede & Co. (the "Holder") is the registered owner of _____ preferred securities of the Trust representing undivided beneficial ownership interests in the assets of the Trust designated the ___% Trust Preferred Securities (liquidation amount \$25 per Trust Preferred Security) (the "Trust Preferred

Securities"). The Trust Preferred Securities are freely transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, powers, privileges, restrictions, preferences and other terms and provisions of the Trust Preferred Securities represented hereby are set forth in, issued under and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust dated as of February , 1997, as the same may be amended from time to time (the "Declaration"). Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Trust Preferred Securities Guarantee to the extent provided therein. Each Holder of a Trust Preferred Security, by acceptance of this Certificate and each Certificate owner, by acquisition of a beneficial interest in a Certificate, agrees to treat the Debentures, and any other Affiliate Investment Instruments that are treated as debt instruments by the relevant Investment Affiliate and by the Partnership, as indebtedness for United States federal income tax purposes. The Sponsor will provide a copy of the Declaration, the Trust Preferred Securities Guarantee and the Limited Partnership Agreement to a Holder without charge upon written request to the Trust at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

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IN WITNESS WHEREOF, the Trust has executed this certificate this th day of February, 1997.

MERRILL LYNCH PREFERRED CAPITAL TRUST II

Name: Theresa Lang,
as Regular Trustee

(See reverse for additional terms)

A1-3

CERTIFICATE OF AUTHENTICATION

This is the Trust Preferred Security described in the within-mentioned Declaration.

THE CHASE MANHATTAN BANK,
as Trustee

By: _____
Authorized Signatory

A1-4

[FORM OF REVERSE OF SECURITY]

Holders of Trust Preferred Securities shall be entitled to receive cumulative cash distributions at a rate per annum of ___% of the stated liquidation amount of \$25 per Trust Preferred Security. Distributions on the Trust Preferred Securities shall, from the date of original issue, accumulate and be cumulative and shall be payable quarterly only to the extent that the Trust has funds available for the payment of such distributions in the Property Account. Distributions not paid on the scheduled payment date will accumulate and compound quarterly (to the extent permitted by applicable law) at the rate of ___% per annum. The term "Distributions" as used herein shall mean ordinary cumulative distributions in respect of each Fiscal Period together with any such Compounded Distributions. Amounts available to the Trust for distribution to the holders of the Trust Preferred Securities will be limited to payments received by the Trust from the Partnership on the Partnership Preferred Securities or

from the Company on the Partnership Guarantee. Distributions on the Partnership Preferred Securities will be paid only if, as and when declared in the sole discretion of the Company, as the General Partner of the Partnership. If and to the extent that the Partnership makes a distribution on the Partnership Preferred Securities held by the Property Trustee or the Company makes a payment under the Partnership Guarantee (the amount of any such partnership distribution, including any compounded partnership distributions or guarantee payment being a "Payment Amount"), the Trust shall and the Property Trustee is directed, to the extent funds are available for that purpose, to make a Pro Rata Distribution of the Payment Amount to Holders.

The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period on the basis of the actual number of days elapsed in a 90-day quarter.

Except as otherwise described herein, distributions on the Trust Preferred Securities will be cumulative, will accumulate from the date of initial issuance and will be payable quarterly in arrears, on March 30, June 30, September 30 and December 30 of each year, commencing on March 30, 1997, if, as and when available for payment by the Property Trustee. If the Trust Preferred Securities (or, if the Trust is liquidated, the Partnership Preferred Securities) are in book-entry-only form, Distributions will be payable to the Holders of record of Trust Preferred Securities as they appear on the books and records of the Trust on the relevant record dates, which will be one Business Day prior to the relevant payment dates. If the Trust Preferred

A1-5

Securities (or, if the Trust is liquidated, the Partnership Preferred Securities) do not remain in book-entry-only form, the relevant record dates shall be the 15th day of the month of the relevant payment dates. In the event that any date on which distributions are payable is not a Business Day, payment of such Distribution shall be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, with the same force and effect as if made on such date. Payments of accumulated Distributions will be payable to Holders of record of Trust Preferred Securities as they appear on the books and records of the Trust on the record date with respect to the payment date for the Trust Preferred Securities which corresponds to the payment date fixed by the Partnership with respect to the payment of cumulative distributions on the Partnership Preferred Securities.

The Trust Preferred Securities shall be redeemable as provided in the Declaration.

A1-6

EXHIBIT A-2

FORM OF COMMON SECURITY CERTIFICATE

CS-1 []

Certificate Evidencing Trust Common Securities

of

MERRILL LYNCH PREFERRED CAPITAL TRUST II

% Trust Common Securities
(liquidation amount \$25 per Trust Common Security)

MERRILL LYNCH PREFERRED CAPITAL TRUST II, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that Merrill Lynch & Co., Inc., a Delaware corporation (the "Holder") is the registered owner of _____ common securities of the Trust representing undivided beneficial ownership interests in the assets of the Trust designated the ___% Trust Common Securities (liquidation amount \$25 per Trust Common Security) (the "Trust Common Securities"). The designation, rights, powers, privileges, restrictions, preferences and other terms and provisions of the Trust Common Securities represented hereby are set forth in, issued under and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust dated as of February __, 1997, as the same may be amended from time to time (the "Declaration"). Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is

entitled to the benefits of the Trust Common Securities Guarantee to the extent provided therein. Each Holder of a Trust Common Security, by acceptance of this Certificate, agrees to treat the Debentures, and any other Affiliate Investment Instruments that are treated as debt instruments by the relevant Investment Affiliate and by the Partnership, as indebtedness for United States federal income tax purposes. The Sponsor will provide a copy of the Declaration, the Trust Common Securities Guarantee and the Limited Partnership Agreement to a Holder without charge upon written request to the Sponsor at its principal place of business. THE TRUST COMMON SECURITIES ARE TRANSFERABLE ON THE BOOKS AND RECORDS OF THE TRUST ONLY IN ACCORDANCE WITH THE TERMS OF THE DECLARATION.

Upon receipt of this certificate, the Sponsor is bound by the Declaration and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, the Trust has executed this certificate this th day of February, 1997.

MERRILL LYNCH PREFERRED CAPITAL TRUST II

Theresa Lang,
as Regular Trustee

(See reverse for additional terms)

A2-2

CERTIFICATE OF AUTHENTICATION

This is the Trust Common Security described in the within-mentioned Declaration.

THE CHASE MANHATTAN BANK,
as Trustee

By: _____
Authorized Signatory

A2-3

[FORM OF REVERSE OF SECURITY]

Holders of Trust Common Securities shall be entitled to receive cumulative cash distributions at a rate per annum of ___% of the stated liquidation amount of \$25 per Trust Common Security. Distributions on the Trust Common Securities shall, from the date of original issue, accumulate and be cumulative and shall be payable quarterly only to the extent that the Trust has funds available for the payment of such distributions in the Property Account. Distributions not paid on the scheduled payment date will accumulate and compound quarterly (to the extent permitted by applicable law) at the rate of ___% per annum. The term "Distributions" as used herein shall mean ordinary cumulative distributions in respect of each Fiscal Period together with any such Compounded Distributions. Amounts available to the Trust for distribution to the holders of the Trust Common Securities will be limited to payments received by the Trust from the Partnership on the Partnership Preferred Securities or from the Company on the Partnership Guarantee. Distributions on the Partnership Preferred Securities will be paid only if, as and when declared in the sole discretion of the Company, as the General Partner of the Partnership. If and to the extent that the Partnership makes a distribution on the Partnership Preferred Securities held by the Property Trustee or the Company makes a payment under the Partnership Guarantee (the amount of any such partnership distribution, including any compounded partnership distributions or guarantee payment being a "Payment Amount"), the Trust shall and the Property Trustee is directed, to the extent funds are available for that purpose, to make a Pro Rata Distribution of the Payment Amount to Holders.

The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of

twelve 30-day months, and for any period shorter than a full quarterly Distribution period on the basis of the actual number of days elapsed in a 90-day quarter.

Except as otherwise described herein, distributions on the Trust Common Securities will be cumulative, will accumulate from the date of initial issuance and will be payable quarterly in arrears, on March 30, June 30, September 30 and December 30 of each year, commencing on March 30, 1997 if, as and when available for payment by the Property Trustee. Distributions will be payable to the Holders of record of Trust Common Securities as they appear

A2-4

on the books and records of the Trust on the relevant record dates, which will be one Business Day prior to the relevant payment dates. In the event that any date on which distributions are payable is not a Business Day, payment of the Distribution shall be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Payments of accumulated Distributions will be payable to Holders of record of Trust Common Securities as they appear on the books and records of the Trust on the record date with respect to the payment date for the Trust Common Securities which corresponds to the payment date fixed by the Partnership with respect to the payment of cumulative distributions on the Partnership Preferred Securities.

The Trust Common Securities shall be redeemable as provided in the Declaration.

A2-5

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Trust Common Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints _____

_____ agent to transfer this Trust Common Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: _____

Signature: _____
(Sign exactly as your name appears on the other side of this Trust Common Security Certificate)

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AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

MERRILL LYNCH PREFERRED FUNDING II, L.P.

Dated as of February __, 1997

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AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP

OF

MERRILL LYNCH PREFERRED FUNDING II, L.P.

February __, 1997

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of Merrill Lynch Preferred Funding II, L.P., a Delaware limited partnership (the "Partnership"), dated as of February __, 1997, among Merrill Lynch & Co., Inc., a Delaware corporation (the "Company"), as the general partner, Merrill Lynch Group, Inc., a Delaware corporation, as the initial limited partner (the "Initial Limited Partner") and such other Persons (as defined herein) who become Limited Partners (as defined herein) as provided herein.

WHEREAS, the Company and the Initial Limited Partner entered into an Agreement of Limited Partnership of Merrill Lynch Preferred Funding II, L.P. dated as of January 16, 1997 (the "Original Partnership Agreement"), and the Partners (as defined herein) desire to continue the Partnership under the Act (as defined herein) and to amend and restate the Original Partnership Agreement in its entirety;

WHEREAS, the Certificate of Limited Partnership of the Partnership was filed with the Office of the Secretary of State of the State of Delaware on January 16, 1997;

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to amend and restate the Original Partnership Agreement as follows:

ARTICLE I
DEFINED TERMS

Section 1.1 DEFINITIONS. Unless the context otherwise requires, the terms defined in this Article I shall, for the purposes of this Agreement, have the meanings herein specified. Terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed to such terms in the Declaration.

"Act" means the Delaware Revised Uniform Limited Partnership Act, Del. Code Ann. tit. 6, ss. 17-101 et seq., as amended from time to time.

"Affiliate" has the meaning set forth in Section 1.1 of the Declaration.

"Affiliate Investment Instruments" has the meaning set forth in Section 7.1 of this Agreement.

"Agreement" means this Amended and Restated Agreement of Limited Partnership, as it may be amended or supplemented from time to time.

"Beneficiaries" has the meaning set forth in Section 11.3 of this Agreement.

"Book-Entry Interest" means a beneficial interest in the L.P. Certificates, ownership and transfers of which shall be maintained and made through book entries of a Clearing Agency as set forth in Section 12.4 of this Agreement.

"Business Day" means any day other than a day on which banking institutions in The City of New York are authorized or required by law to close.

"Capital Account" has the meaning set forth in Section 3.3 of this Agreement.

"Certificate" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware on January 16, 1997, as it may be amended and restated from time to time.

"Change in 1940 Act Law" has the meaning set forth in Section 1.1 of the Declaration.

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"Closing Date" has the meaning set forth in Section 1.1 of the Declaration.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation.

"Company" means Merrill Lynch & Co., Inc., a Delaware corporation.

"Compounded Distributions" has the meaning set forth in Section 6.2 of this Agreement.

"Declaration" means the Amended and Restated Declaration of Trust by and among the Company, as Sponsor, the Property Trustee, the Delaware Trustee, and the Regular Trustees, dated as of February __, 1997.

"Definitive L.P. Certificates" has the meaning set forth in Section 12.4(a) of this Agreement.

"Delaware Partnership Act" means the Revised Uniform Limited Partnership Act of the State of Delaware (6 Del. C. ss. 17-101, et seq.).

"Delaware Trustee" has the meaning set forth in Section 6.2 of the Declaration.

"Distribution Payment Date" has the meaning set forth in Section 6.2(b) (ii) of this Agreement.

"Distributions" means the cumulative cash distributions payable by the Partnership with respect to the Interests represented by the Partnership Preferred Securities, which amounts will accumulate on the \$25 liquidation preference of each Partnership Preferred Security from the Closing Date and are payable quarterly in arrears in accordance with Sections 5.1 and 6.2(b) of this Agreement.

"DTC" means the Depository Trust Company, the initial Clearing Agency.

"Eligible Debt Securities" means cash or book-entry securities, negotiable instruments, or other securities of entities not affiliated with the Company represented by instruments in registered form which evidence

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any of the following: (a) any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or any certificate of deposit for any of the foregoing; (b) commercial paper issued pursuant to Section 3(a) (3) of the Securities Act of 1933 (the "Securities Act") and having, at the time of the investment or contractual commitment to invest therein, a rating from each of S&P and Moody's in the highest rating category granted by such rating agency and having a maturity not in excess of nine months; (c) demand deposits, time deposits and certificates of deposit which are fully insured by the FDIC, in no case having a maturity greater than nine months; (d) repurchase obligations, having a maturity of no greater than nine months; with respect to any security that is a direct obligation of, or fully guaranteed by, the Government of the United States of America or any agency or instrumentality thereof, the obligations of which are backed by the full faith and credit of the United States of America, in either case entered into with a depository institution or trust company which is an Eligible Institution and the deposits of which are insured by the FDIC; and (e) any other security which is identified as a permitted investment of a finance subsidiary pursuant to Rule 3a-5 under the 1940 Act at the time it is acquired by the Partnership.

"Eligible Institution" means a depository institution organized under the laws of the United States of America or any one of the states thereof or the District of Columbia (or any domestic branch of a foreign bank), (1) (i) which has either (A) a long-term unsecured debt rating of AA or better by S&P and Aa or better by Moody's or (B) a short-term unsecured debt rating or a certificate of deposit rating of A-1+ or better by S&P and P-1 or better by Moody's and (ii) whose deposits are insured by the FDIC or (2) (i) the parent of

which has a long-term or short-term unsecured debt rating which signifies investment grade and (ii) whose deposits are insured by the FDIC.

"FDIC" means the Federal Deposit Insurance Corporation or any successor thereto.

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"Finance Subsidiary" means any wholly-owned subsidiary of the Company the principal purpose of which is to raise capital for the Company by issuing securities that are guaranteed by the Company and the proceeds of which are loaned to or invested in the Company or one or more of its affiliates.

"Fiscal Period" means each calendar quarter.

"Fiscal Year" means the calendar year.

"General Partner" means Merrill Lynch & Co., Inc., in its capacity as the general partner of the Partnership, its permitted successors, or any successor general partner in the Partnership admitted as such pursuant to the terms of this Agreement.

"General Partner Capital Contribution" means the contribution by the General Partner to the Partnership made contemporaneous with the issuance of the Partnership Preferred Securities.

"General Partner Interest" means the Interest of the General Partner in the Partnership.

"Holder" or "Partnership Preferred Security Holder" means a Limited Partner in whose name an L.P. Certificate representing Partnership Preferred Securities is registered.

"Indentures" means the Indentures between the Company or certain of its subsidiaries, as the case may be, and The Chase Manhattan Bank, as Indenture Trustee, dated as of December 17, 1996, forms of which are attached hereto as Exhibits A and B, respectively.

"Independent Financial Adviser" shall mean a nationally recognized accounting firm, bank or investment banking firm which shall be designated by the Company and which firm does not (and whose directors, officers, employees and affiliates do not) have a direct or indirect material equity interest in the Company or any of its subsidiaries.

"Initial Affiliate Debentures" has the meaning set forth in Section 7.1(b) of this Agreement.

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"Initial Company Debenture" has the meaning set forth in Section 7.1(b) of this Agreement.

"Initial Debentures" means collectively, the Initial Company Debenture and the Initial Affiliate Debentures.

"Initial Limited Partner" means Merrill Lynch Group, Inc., a Delaware corporation.

"Initial Partnership Proceeds" means the aggregate proceeds received by the Partnership from the sale of the Partnership Preferred Securities and the General Partner Capital Contribution.

"Interest" means the entire ownership interest of a Partner in the Partnership at any particular time, including, without limitation, its interest in the capital, profits, and losses of, and distributions from, the Partnership.

"Investment Affiliate" means the Company or any corporation, partnership, limited liability company or other entity (other than the Partnership or the Trust) that (i) is controlled by the Company and (ii) is not an investment company by reason of Section 3(a) or 3(b) of the 1940 Act or is otherwise an eligible recipient of funds directly or indirectly from the Trust pursuant to an order issued by the Securities and Exchange Commission.

"Investment Event of Default" means an event of default under any Affiliate Investment Instrument that is a debt instrument or the breach by an Investment Affiliate of its obligations under any Affiliate Investment Instrument that is an equity instrument.

"Investment Guarantee" has the meaning specified in Section 1.1 of the Declaration.

"Investment Offer" has the meaning specified in Section 7.2(b) of this Agreement.

"Limited Partner" means any Person who is admitted to the Partnership as a limited partner pursuant to the terms of this Agreement, in such Person's capacity as a limited partner of the Partnership.

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"Liquidator" has the meaning specified in Section 13.3 of this Agreement.

"L.P. Certificate" means a certificate substantially in the form attached hereto as Annex A, evidencing the Partnership Preferred Securities held by a Limited Partner.

"Majority in Liquidation Preference" means Holder(s) of Partnership Preferred Securities who are the record owners of Partnership Preferred Securities whose aggregate liquidation preferences represent more than 50% of the aggregate liquidation preference of all Partnership Preferred Securities then outstanding.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Net Income" and "Net Loss", respectively, for any Fiscal Period mean the income and loss, respectively, of the Partnership for such Fiscal Period as determined in accordance with the method of accounting followed by the Partnership for United States federal income tax purposes, including, for all purposes, the net income, if any, from the Affiliate Investment Instruments, Eligible Debt Securities and any income exempt from tax and any noncapital, nondeductible expenditures of the Partnership which are described in the Code.

"1940 Act" has the meaning set forth in Section 1.1 of the Declaration.

"Original Partnership Agreement" has the meaning set forth in the recitals to this Agreement.

"Partners" means the General Partner and the Limited Partners, collectively, where no distinction is required by the context in which the term is used.

"Partnership Covered Person" means any Partner, any Affiliate of a Partner or any officers, directors, shareholders, partners, members, employees, representatives or agents of a Partner or its respective Affiliates, or any employee or agent of the Partnership or its Affiliates or any Special Representative.

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"Partnership Enforcement Event" has the meaning set forth in Section 6.2(h) (i) of this Agreement.

"Partnership Guarantee" means the Partnership Guarantee Agreement dated as of February __, 1997 by the Company in favor of the Partnership Preferred Security Holders with respect to the Partnership Preferred Securities, as amended or supplemented from time to time.

"Partnership Indemnified Person" means the General Partner, any Special Representative, any Affiliate of the General Partner or any Special Representative or any officers, directors, shareholders, members, partners, employees, representatives or agents of the General Partner or any Special Representative, or any of their respective Affiliates, or any employee or agent of the Partnership or its Affiliates.

"Partnership Investment Company Event" means that the General Partner shall have requested and received an opinion of nationally recognized independent legal counsel experienced in such matters to the effect that as a result of the occurrence on or after the date hereof of a Change in 1940 Act Law, the Partnership is or will be considered an "investment company" which is required to be registered under the 1940 Act.

"Partnership Liquidation Distribution" has the meaning set forth in Section 6.2(g) of this Agreement.

"Partnership Preferred Securities" represent the Interests of Limited Partners and have the preference and designation set forth in Section 6.2(a) of this Agreement.

"Partnership Preferred Securities Purchase Agreement" means the partnership purchase agreement between the Trust and the Partnership providing for the purchase of the Partnership Preferred Securities.

"Partnership Preferred Security Owner" means, with respect to a Book

Entry Interest, a Person who is the beneficial owner of such Book Entry Interest as reflected on the books of DTC, or on the books of a Person maintaining an account with DTC (directly as a participant or as an indirect participant, in each case in accordance with the rules of DTC or such participant).

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"Partnership Special Event" means either a Partnership Tax Event or a Partnership Investment Company Event.

"Partnership Successor Securities" has the meaning set forth in Section 11.11 of this Agreement.

"Partnership Tax Event" means that the General Partner shall have requested and received an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that there has been a Tax Action which affects any of the events described in (i) through (iii) below and that there is more than an insubstantial risk that (i) the Partnership is, or will be, subject to United States federal income tax with respect to income accrued or received on the Affiliate Investment Instruments or the Eligible Debt Securities, (ii) the Partnership is, or will be, subject to more than a de minimis amount of other taxes, duties or other governmental charges or (iii) interest payable by an Investment Affiliate with respect to the Initial Debentures is not, or will not be, deductible by such Investment Affiliate for United States federal income tax purposes.

"Paying Agent" shall have the meaning set forth in Section 12.5 of this Agreement.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Power of Attorney" means the Power of Attorney granted pursuant to Section 15.2 of this Agreement.

"Property Trustee" has the meaning set forth in Section 1.1 of the Declaration.

"Purchase Agreement" means the Purchase Agreement dated February __, 1997 among the Company, the Trust, the Partnership and Merrill, Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the other underwriters named in Schedule A thereto.

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"Record Date" means (i) as long as the Trust Preferred Securities remain (or, in the event that the Trust is liquidated in connection with a Trust Special Event, as long as the Partnership Preferred Securities remain) in book-entry only form, one Business Day prior to the relevant payment dates and (ii) in the event that the Trust Preferred Securities (or in the event that the Trust is liquidated in connection with a Trust Special Event, the Partnership Preferred Securities) shall not continue to remain in book-entry only form, the 15th day of the month of the relevant payment date.

"Redemption Notice" has the meaning set forth in Section 6.2(e) of this Agreement.

"Redemption Price" has the meaning set forth in Section 6.2(c) of this Agreement.

"Registrar" has the meaning set forth in Section 12.5 of this Agreement.

"Regular Trustees" has the meaning set forth in Section 1.1 of the Declaration.

"Reinvestment Criteria" has the meaning specified in Section 7.2(c) of this Agreement.

"S&P" means Standard & Poor's Ratings Services or any successor thereof.

"Special Representative" has the meaning set forth in Section 6.2(h) (i) of this Agreement.

"Tax Action" has the meaning set forth in Section 1.1 of the Declaration.

"Tax Matters Partner" means the General Partner designated as such in Section 11.10 of this Agreement.

"10% in Liquidation Preference" means Holder(s) of the Partnership Preferred Securities voting together as a single class representing 10% of the aggregate liquidation amount of the Partnership Preferred Securities.

"Treasury Regulations" has the meaning set forth in Section 1.1 of the Declaration.

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"Trust" means the Merrill Lynch Preferred Capital Trust II, a Delaware business trust, formed under the Declaration.

"Trust Common Securities" has the meaning specified in Section 8.1 of the Declaration.

"Trust Common Securities Guarantee" means the Trust Common Securities Guarantee Agreement dated as of February __, 1997, entered into by the Company, as Guarantor, for the benefit of the holders of the Trust Common Securities.

"Trust Preferred Securities" has the meaning specified in Section 8.1 of the Declaration.

"Trust Preferred Securities Guarantee" means the Trust Preferred Securities Guarantee Agreement dated as of February __, 1997, entered into by the Company, as Guarantor, for the benefit of the holders of the Trust Preferred Securities.

ARTICLE II

CONTINUATION OF THE PARTNERSHIP; ADMISSION OF PARTNERSHIP PREFERRED SECURITIES HOLDERS; WITHDRAWAL OF INITIAL LIMITED PARTNER

Section 2.1 CONTINUATION OF THE PARTNERSHIP. The parties hereto agree to continue the Partnership in accordance with the terms of this Agreement. The General Partner, for itself and as agent for the Limited Partners, shall make every reasonable effort to assure that all certificates and documents are properly executed and shall accomplish all filing, recording, publishing and other acts necessary or appropriate for compliance with all the requirements for the continuation of the Partnership as a limited partnership under the Act and under all other laws of the State of Delaware or such other jurisdictions in which the General Partner determines that the Partnership may conduct activities. The rights and duties of the Partners shall be as provided herein and, subject to the terms hereof, under the Act.

Section 2.2 NAME. The name of the Partnership is "Merrill Lynch Preferred Funding II, L.P.", as such

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name may be modified from time to time by the General Partner following written notice to the Limited Partners.

Section 2.3 PURPOSES OF THE PARTNERSHIP. The purposes of the Partnership are (a) to issue limited partnership interests in the Partnership in the form of Partnership Preferred Securities, (b) to receive the General Partner Capital Contribution, (c) to use substantially all of the Initial Partnership Proceeds to purchase, as an investment, the Initial Debentures, (d) to invest, at all times, an amount equal to at least 1% of the Initial Partnership Proceeds in Eligible Debt Securities, (e) to receive interest and other payments on the Affiliate Investment Instruments and the Eligible Debt Securities held by the Partnership from time to time, (f) to make Distributions on the Partnership Preferred Securities and distributions on the General Partner Interest if, as and when declared by the General Partner in its sole discretion, (g) subject to the restrictions and conditions contained in this Agreement, to make additional investments in Affiliate Investment Instruments and Eligible Debt Securities and to dispose of any such investments and (h) except as otherwise limited herein, to enter into, make and perform all contracts and other undertakings, and engage in those activities and transactions as the General Partner may reasonably deem necessary or advisable for the carrying out of the foregoing purposes of the Partnership. The Partnership may not engage in any other activities or operations except as contemplated by the preceding sentence.

Section 2.4 TERM. The term of the Partnership shall commence upon the filing of the Certificate in the Office of the Secretary of State of the State of Delaware and shall continue until the Partnership is dissolved in accordance with the provisions of this Agreement.

Section 2.5 REGISTERED AGENT AND OFFICE. The Partnership's registered agent and office in Delaware shall be CT Corporation, Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. At any time, the General

Partner may designate another registered agent and/or registered office.

Section 2.6 PRINCIPAL PLACE OF ACTIVITY. The principal place of activity of the Partnership shall be

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c/o Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281. Upon ten days' written notice to the Partners, the General Partner may change the location of the Partnership's principal place of activity, provided that such change has no material adverse effect upon any Partner.

Section 2.7 NAME AND ADDRESS OF GENERAL PARTNER. The name and address of the General Partner are as follows:

Merrill Lynch & Co., Inc.
World Financial Center
South Tower
225 Liberty Street
New York, New York 10080-6105
Attention: Treasurer

The General Partner may change its name or address from time to time, in which event the General Partner shall promptly notify the Limited Partners of any such change.

Section 2.8 QUALIFICATION TO CONDUCT ACTIVITIES. The General Partner shall cause the Partnership to become qualified, formed or registered under the applicable qualification, fictitious name or similar laws of any jurisdiction in which the Partnership conducts activities.

Section 2.9 ADMISSION OF HOLDERS OF PARTNERSHIP PREFERRED SECURITIES; WITHDRAWAL OF INITIAL LIMITED PARTNER.

(a) Without execution of this Agreement, upon the receipt of an L.P. Certificate by a Person, whether by purchase, gift, devise or other valid transfer, which receipt shall be deemed to constitute a request by such Person that the books and records of the Partnership reflect such Person's admission as a Limited Partner, such Person shall be admitted to the Partnership as a Limited Partner and shall become bound by this Agreement.

(b) Following the first admission of a Partnership Preferred Security Holder to the Partnership as a Limited Partner, the Initial Limited Partner shall withdraw from the Partnership and shall receive the return of its capital contribution without interest or deduction.

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(c) The name and mailing address of each Partner and the amount contributed by such Partner to the capital of the Partnership shall be listed on the books and records of the Partnership. The General Partner shall be required to update the books and records from time to time as necessary to accurately reflect such information.

ARTICLE III
CAPITAL CONTRIBUTIONS; REPRESENTATION OF
PARTNERSHIP PREFERRED SECURITY HOLDER'S INTEREST;
CAPITAL ACCOUNTS

Section 3.1 CAPITAL CONTRIBUTIONS.

(a) The General Partner has, prior to the date hereof, contributed an aggregate of \$15.00 to the capital of the Partnership, which amount is equal to at least 15% of the total capital contributions to the Partnership, after taking into account the contribution of the Initial Limited Partner referred to in Section 3.1(b). Contemporaneous with the issuance of the Partnership Preferred Securities, the General Partner shall make the General Partner Capital Contribution. The General Partner shall, from time to time, make such additional capital contributions as are necessary to maintain at all times a positive Capital Account balance equal to at least one percent (1%) of the aggregate positive Capital Account balances of all Partners at the end of such period.

(b) The Initial Limited Partner has, prior to the date hereof, contributed the amount of \$85.00 to the capital of the Partnership, which amount shall be returned to the Initial Limited Partner as contemplated by Section 2.9(b).

(c) On the Closing Date, the Trust shall, in exchange for a definitive L.P. Certificate, contribute to the capital of the Partnership on behalf of the Trust an amount in cash equal to the gross proceeds from the sale of the Trust Preferred Securities and the Trust Common Securities (such amount

being a capital contribution to the Partnership). On such date, immediately following the withdrawal of the Initial Limited Partner, the Trust shall be the sole Limited Partner.

(d) No Limited Partner shall at any time be required to make any additional capital contributions to the Partnership, except as may be required by law.

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Section 3.2 PARTNERSHIP PREFERRED SECURITY HOLDER'S INTEREST REPRESENTED BY PARTNERSHIP PREFERRED SECURITIES. A Partnership Preferred Security Holder's Interest shall be represented by the Partnership Preferred Securities held by or on behalf of such Partner. Each Partnership Preferred Security Holder's respective ownership of Partnership Preferred Securities shall be set forth on the books and records of the Partnership. Each Partner hereby agrees that its Interest in the Partnership shall for all purposes be personal property. No Partner shall have an interest in specific Partnership property.

Section 3.3 CAPITAL ACCOUNTS.

(a) Establishment and Maintenance of Capital Accounts. The Partnership shall establish and maintain a separate account (the "Capital Account") for each Partner. The initial balance of the Capital Account for each Partner shall be the amount as set out opposite the name of each of the Partners on Schedule 1 attached hereto. The Capital Account of each Partner shall be increased by (i) the dollar amount of any additional contributions made by such Partner and (ii) allocations to such Partner of income and gain (including income exempt from tax). The Capital Account of each Partner shall be decreased by (i) the dollar amount of any distributions made to such Partner, and (ii) allocations to such Partner of loss and deduction (including noncapital, nondeductible expenditures not deductible in computing the Partnership's income or loss for United States federal income tax purposes).

(b) Compliance with Regulations. Notwithstanding any other provision of this Agreement to the contrary, the provisions of Section 3.3(a) hereof regarding the maintenance of Capital Accounts shall be construed so as to comply with the Treasury Regulations promulgated under section 704 of the Code. The General Partner, in its sole discretion, is authorized to modify such provisions to the minimum extent necessary to comply with such Treasury Regulations.

Section 3.4 INTEREST ON CAPITAL CONTRIBUTIONS. Except as provided herein, no Partner shall be entitled to interest on or with respect to any capital contribution to the Partnership.

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Section 3.5 WITHDRAWAL AND RETURN OF CAPITAL CONTRIBUTIONS. Subject to Section 3.1(b) hereof, no Partner shall be entitled to withdraw any part of such Partner's capital contribution to the Partnership. No Partner shall be entitled to receive any distributions from the Partnership, except as provided in this Agreement.

ARTICLE IV ALLOCATIONS

Section 4.1 PROFITS AND LOSSES. After giving effect to the special allocation provisions set forth in Section 4.2 which special allocations shall take precedence over any allocations made pursuant to this Section 4.1,

(a) the Partnership's Net Income for each Fiscal Period of the Partnership shall be allocated as follows:

(i) First, to each Holder of a Partnership Preferred Security in an amount equal to the excess, if any, of (x) all Net Losses, if any, allocated to each such Holder from the date of issuance of the Partnership Preferred Security through and including the close of such Fiscal Period pursuant to Section 4.1(b)(ii) below over (y) the amount of Net Income, if any, allocated to each such Holder pursuant to this Section 4.1(a)(i) in all prior Fiscal Periods.

(ii) Second, to the Holders of the Partnership Preferred Securities, an amount of Net Income equal to the excess of (x) the Distributions accumulated on the Partnership Preferred Securities from the date of their issuance through and including the last day of such Fiscal Period, including any Compounded Distributions payable with respect thereto, over (y) the amount of Net Income allocated to the Holders of the Partnership Preferred Securities pursuant to this Section 4.1(a)(ii) in all prior Fiscal Periods. Amounts allocated to all Partnership Preferred Security Holders shall be allocated among such Holders in proportion to the number of Partnership Preferred Securities held by such Holders.

(iii) Any remaining Net Income shall be allocated to the General Partner.

(b) The Partnership's Net Loss for any Fiscal Period shall be allocated as follows:

(i) First, to the General Partner until the balance of the General Partner's Capital Account is reduced to zero, provided, however, that the aggregate amount of Net Losses allocated to the General Partner pursuant to this Section 4.1(b) (i) shall not exceed the sum of 14% of the total capital contributions of all Partners plus the aggregate Net Income allocated to the General Partner pursuant to this Section 4.1.

(ii) Second, among the Holders in proportion to their respective aggregate Capital Account balances, until the Capital Account balances of such Holders are reduced to zero.

(iii) Any remaining Net Loss shall be allocated to the General Partner.

(c) DAILY DETERMINATION. For purposes of determining the profits, losses or any other items allocable to any period, profits, losses and any such other items shall be determined on a daily basis, unless the General Partner determines that another method is permissible under Section 704 of the Code and the Treasury Regulations promulgated thereunder. Unless otherwise specified, such profits, losses or other items shall be determined for each Fiscal Period.

Section 4.2 SPECIAL ALLOCATION.

(a) All expenditures that are (i) incurred by, or on behalf of, the Partnership and (ii) paid, or otherwise reimbursed, by the General Partner out of its own funds shall be allocated entirely to the General Partner.

(b) In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Section 1.704-1(b) (2) (ii) (d) (4), (5) or (6), items of the Partnership's income (including gross income) shall be specially allocated to such Partner in a manner sufficient to eliminate

the deficit, if any, in the balance of the Capital Account of such Partner as quickly as possible. The foregoing is intended to be a "qualified income offset" provision as described in Treasury Regulation Section 1.704-1(b) (2) (ii) (d) and shall be interpreted and applied in all respects in accordance with such Treasury Regulation.

(c) SECTION 704 COMPLIANCE. While this Agreement does not specifically provide for certain provisions required by Treasury Regulation Sections 1.704-1(b) and 1.704-2 because those provisions apply to transactions that are not expected to occur as regards the Partnership, the Partners intend that the allocations under Section 4.1 conform to Treasury Regulations Sections 1.704-1(b) and 1.704-2 (including, without limitation, the minimum gain chargeback, chargeback of partner nonrecourse debt minimum gain and partner nonrecourse debt provisions of such Treasury Regulations), and, to the extent necessary due to the occurrence of unexpected events, the General Partner shall make such changes in the allocations under Section 4.1 as it believes are reasonably necessary to meet the requirements of such Treasury Regulations.

(d) ADJUSTMENT OF ALLOCATIONS. If the allocations set forth in this Article IV are adjusted by the Internal Revenue Service and the Tax Matters Partner agrees to such adjustments, such allocations shall be amended to the minimum extent necessary to conform with such adjustments.

(e) ADDITIONAL ALLOCATIONS. Notwithstanding the foregoing, if, upon the final dissolution and termination of the Partnership and after taking into account all allocations of Net Income and Net Losses (and other tax items) under this Article IV, the distributions to be made in accordance with the positive Capital Account balances would result in a distribution that would be different from a distribution under Article XIII, then gross items of income and gain (and other tax items) for the taxable year of the final dissolution and termination (and, to the extent permitted under section 761(c) of the Code, gross items of income and gain, and other tax items, for the immediately preceding taxable year) shall be allocated to the Partners to increase or decrease their respective Capital Account balances so that the

final distribution will occur in the same manner as a distribution under Section 13.4.

(f) GENERAL PARTNER ALLOCATIONS. Notwithstanding any provision of this Agreement to the contrary, the interest of the General Partner in each item of Partnership income, gain, loss, deduction, or credit shall, at all times during the existence of the Partnership, be equal to at least (A) at any time that the aggregate capital contributions to the Partnership are equal to or less than \$50,000,000, one percent (1%) of each such item and (B) at any time that the aggregate capital contributions to the Partnership are greater than \$50,000,000, at least a percentage equal to the product of (i) one percent (1%) and (ii) a fraction (not exceeding 1 and not less than 0.2), the numerator of which is \$50,000,000 and the denominator of which is the lesser of (x) the aggregate Capital Account balances of the Capital Accounts of all Partners at such time and (y) the aggregate capital contributions to the Partnership of all Partners at such time.

Section 4.3 WITHHOLDING. The Partnership shall comply with withholding requirements under Federal, state and local law and shall remit amounts withheld to and file required forms with applicable jurisdictions. To the extent that the Partnership is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Partner, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Partner. In the event of any claimed over-withholding, Partners shall be limited to an action against the applicable jurisdiction. If the amount withheld was not withheld from actual distributions, the Partnership may reduce subsequent distributions by the amount of such withholding. Each Partner agrees to furnish the Partnership with any representations and forms as shall reasonably be requested by the Partnership to assist it in determining the extent of, and in fulfilling, its withholding obligations.

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ARTICLE V DISTRIBUTIONS

Section 5.1 DISTRIBUTIONS. Limited Partners shall receive periodic Distributions and Compounded Distributions, if any, redemption payments and liquidation distributions in accordance with the terms of the Partnership Preferred Securities set forth in Article VI. The General Partner shall in its sole discretion determine whether and when Distributions shall be payable; provided, however, that if the General Partner shall determine a Distribution will not be paid on a scheduled Distribution Payment Date, the General Partner shall give notice of its determination not to pay such Distribution to Limited Partners of record as of the Record Date for the payment of such Distribution; provided, further, however, that the General Partner shall not declare distributions, and no distributions shall be payable by the Partnership to the General Partner in respect of its General Partner Interest unless all accumulated and unpaid Distributions, including any Compounded Distributions, have been paid in full for all prior Fiscal Periods. Subject to the immediately preceding sentence, to the extent that the aggregate payments of interest (or dividends) received by the Partnership in respect of Affiliate Investment Instruments and Eligible Debt Securities for each Fiscal Period exceed the amount of Distributions, including any Compounded Distributions, paid on the Partnership Preferred Securities for such Fiscal Period, the General Partner, in its sole discretion may declare and distribute such excess funds to the General Partner in respect of its General Partner Interest.

Section 5.2 LIMITATIONS ON DISTRIBUTIONS. The Partnership shall not make a Distribution to any Partner on account of such Partner's Interest if such Distribution would violate Section 17-607 of the Act or other applicable law.

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ARTICLE VI ISSUANCE OF PARTNERSHIP PREFERRED SECURITIES

Section 6.1 GENERAL PROVISIONS REGARDING PARTNERSHIP PREFERRED SECURITIES.

(a) There is hereby authorized for issuance and sale Partnership Preferred Securities having an aggregate liquidation preference not greater than \$_____ and having the designation, annual distribution rate, liquidation preference, redemption terms, and other powers, preferences and special rights and limitations set forth in this Article VI.

(b) The payment of Distributions (including payments of distributions by the Partnership in liquidation or on redemption in respect of Partnership Preferred Securities) shall be guaranteed by the Company pursuant to and to the extent set forth in the Partnership Guarantee. The Partnership Preferred Security Holders hereby authorize the General Partner to hold the Guarantee on behalf of the Partnership Preferred Security Holders. In the event of an appointment of a Special Representative pursuant to Section 6.2(i), among other things, to enforce the Partnership Guarantee, the Special Representative may take possession of the Partnership Guarantee for such purpose. If no Special

Representative has been appointed to enforce the Partnership Guarantee, the General Partner has the right to enforce the Partnership Guarantee on behalf of the Partnership Preferred Security Holders. The Partnership Preferred Security Holders, by acceptance of such Partnership Preferred Securities, acknowledge and agree to the subordination provisions in, and other terms of, the Partnership Guarantee.

(c) The Partnership may not issue any interests in the Partnership other than the Partnership Preferred Securities and the General Partner Interest, provided that the Partnership may accept consideration for additional capital contributions from the General Partner with respect to the General Partner Interest. All Partnership Preferred Securities shall rank senior to all other interests in the Partnership in respect of the right to receive Distributions. All Partnership Preferred Securities redeemed, purchased or otherwise acquired by the Partnership shall be canceled. The Part-

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nership Preferred Securities will be issued in registered form only.

(d) No Holder shall be entitled as a matter of right to subscribe for or purchase, or have any preemptive right with respect to, any part of any new or additional limited partnership interests, or of securities convertible into any Partnership Preferred Securities or other limited partnership interests, whether now or hereafter authorized and whether issued for cash or other consideration or by way of a distribution.

(e) Any of the Partnership Preferred Securities that are owned by the Company or by any entity directly or indirectly controlled by, or under direct or indirect common control with, the Company, shall not be entitled to vote or consent with respect to any Partnership Preferred Security owned by it, and shall, for purposes of such vote or consent, be treated as if they were not outstanding except for Partnership Preferred Securities purchased or acquired by the Company or its affiliates in connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such Partnership Preferred Securities; provided, however, that persons (other than affiliates of the Company) to whom the Company or any of its subsidiaries have pledged Partnership Preferred Securities may vote or consent with respect to such pledged Partnership Preferred Securities under any of the circumstances described in Section 6.2.

Section 6.2 PARTNERSHIP PREFERRED SECURITIES.

(a) DESIGNATION. A total of _____ Partnership Preferred Securities, liquidation preference \$25 per Partnership Preferred Security, are hereby designated as "___% Partnership Preferred Securities".

(b) DISTRIBUTIONS. (i) Partnership Preferred Security Holders shall be entitled to receive cumulative Distributions and Compounded Distributions (as defined below) (if any), if, as and when declared by the General Partner, in its sole discretion, out of the assets of the Partnership legally available therefor, at a rate per annum of ___% of the stated liquidation preference of \$25 per Partnership Preferred Security, calculated on the

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basis of a 360-day year consisting of twelve 30-day months. For any period shorter than a full 90-day quarter, Distributions will be computed on the basis of the actual number of days elapsed in such 90-day quarter. Such Distributions shall, from the date of original issue, accumulate and be cumulative and shall be payable quarterly, when, if, and as declared by the General Partner on the dates specified in Section 6.2(b)(ii) below. Distributions and Compounded Distributions (as defined below) (if any) on the Partnership Preferred Securities shall be cumulative from the Closing Date. Distributions not paid on the scheduled Distribution Payment Date will accumulate and compound quarterly at the rate of ___% per annum ("Compounded Distributions"). In the event that any date on which Distributions are payable on the Partnership Preferred Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(ii) Distributions on the Partnership Preferred Securities will be payable quarterly in arrears if, as and when, declared by the General Partner on March 30, June 30, September 30 and December 30 of each year, commencing on March 30, 1997 (each a "Distribution Payment Date").

Distributions will be payable to the Holders as they appear on the books and records of the Partnership on the relevant Record Date. If the Trust or the Property Trustee is the Holder of the Partnership Preferred Securities,

all Distributions of cash shall be made by wire transfer of same day funds to such Holder by 10:00 a.m., New York City time, on the applicable Distribution Payment Date. Distributions payable on any Partnership Preferred Securities that are not punctually paid on any Distribution Payment Date will cease to be payable to the Person in whose name such Partnership Preferred Securities are registered on the relevant record date, and such Distribution will instead be payable to the Person in whose name such Partnership Preferred Securities are registered on the special record date or other specified

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date for payment of such defaulted or accumulated Distribution.

(c) OPTIONAL REDEMPTION. Partnership Preferred Securities shall be redeemable at the option of the General Partner, in whole or in part, from time to time, on or after March 30, 2007, upon not less than 30 nor more than 60 days notice, at an amount per Partnership Preferred Securities equal to \$25 plus accumulated and unpaid Distributions thereon, including any Compounded Distributions (the "Redemption Price"). The Partnership may not redeem the Partnership Preferred Securities in part unless all accumulated and unpaid Distributions, including any Compounded Distributions, have been paid in full on all Partnership Preferred Securities for all Fiscal Periods terminating on or prior to the date of redemption. If a partial redemption of the Partnership Preferred Securities would result in the delisting of the Trust Preferred Securities (or, if the Trust is liquidated in connection with a Trust Special Event, or if a partial redemption would result in the delisting of the Partnership Preferred Securities), the Partnership may only redeem the Partnership Preferred Securities in whole but not in part.

(d) SPECIAL EVENT REDEMPTIONS. (i) If, at any time, a Partnership Special Event shall occur and be continuing, the General Partner shall, within 90 days following the occurrence of such Partnership Special Event, elect to either (i) redeem the Partnership Preferred Securities in whole (but not in part), upon not less than 30 or more than 60 days notice at the Redemption Price, provided that if at the time there is available to the Partnership the opportunity to eliminate, within such 90-day period, the Partnership Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that in the sole judgment of the General Partner has or will cause no adverse effect on the Partnership, the Trust, or the Company, the General Partner will pursue such measure in lieu of redemption; or (ii) cause the Partnership Preferred Securities to remain outstanding, provided that in the case of this clause (ii), the General Partner shall pay any and all costs and expenses incurred by or payable by the Partnership which are attributable to the Partnership Special Event.

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(e) REDEMPTION PROCEDURES. (i) Notice of any redemption of Partnership Preferred Securities (a "Redemption Notice") will be given by the Partnership by mail to each Holder of Partnership Preferred Securities to be redeemed not fewer than 30 nor more than 60 days before the date fixed for redemption. For purposes of the calculation of the date of redemption and the dates on which notices are given pursuant to this Section 6.2(e)(i), a Redemption Notice shall be deemed to be given on the day such notice is first mailed, by first-class mail, postage prepaid, to Holders of Partnership Preferred Securities. Each Redemption Notice shall be addressed to the Holders of Partnership Preferred Securities at the address of each such Holder appearing in the books and records of the Partnership. No defect in the Redemption Notice or in the mailing thereof with respect to any Holder shall affect the validity of the redemption proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Partnership Preferred Securities are to be redeemed, the Partnership Preferred Securities to be redeemed shall be redeemed pro rata provided, that, in the event Partnership Preferred Securities are held in book-entry only form by DTC or its nominee (or any successor Clearing Agency or its nominee), DTC will reduce, in accordance with DTC's customary procedures, the amount of the interest of each Clearing Agency Participant in the Partnership Preferred Securities to be redeemed; provided, that if, as a result of such pro rata redemption, Holders would hold fractional interests in the Partnership Preferred Securities, the General Partner may adjust the amount of the interest of each Holder to be redeemed to avoid such fractional interests.

(iii) If the Partnership gives a Redemption Notice (which notice will be irrevocable), then by 12:00 noon, New York City time, on the redemption date, the Partnership (A) if the Partnership Preferred Securities are in book-entry only form with DTC, will deposit irrevocably with DTC funds sufficient to pay the applicable Redemption Price and will give DTC irrevocable instructions and authority to pay the Redemption Price in respect of the Partnership Preferred Securities held through DTC in global form or (B) if the Partnership Preferred Securities are held in certificated form, will deposit with the Paying Agent, funds sufficient to pay

the applicable Redemption Price of the amount of any such Partnership Preferred Securities and will give to the Paying Agent irrevocable instructions and authority to pay such amounts to the Holders of Partnership Preferred Securities, upon surrender of their certificates, by check, mailed to the address of the relevant Holder appearing on the books and records of the Partnership on the redemption date; provided, however, that for so long as the Trust or the Property Trustee of the Trust shall hold the Partnership Preferred Securities, payment of cash shall be made by wire in same day funds to the Holder by 12:00 Noon, New York City time, on the redemption date. For these purposes, the applicable Redemption Price shall not include Distributions which are being paid to Holders who were Holders on a relevant record date. Upon satisfaction of the foregoing conditions, then immediately prior to the close of business on the date of such deposit or payment, all rights of Holders of such Partnership Preferred Securities so called for redemption will cease, except the right of the Holders to receive the Redemption Price, but without interest on such Redemption Price, and from and after the date fixed for redemption, such Partnership Preferred Securities will not accumulate Distributions or bear interest.

In the event that any date fixed for redemption of Partnership Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding Business Day (and without any interest in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day in each case, with the same force and effect as if made on such date fixed for redemption. In the event that payment of the Redemption Price is improperly withheld or refused and not paid by either the Partnership or the Company pursuant to the Partnership Guarantee, Distributions on the Partnership Preferred Securities called for Redemption will continue to accumulate, to the extent that payment of such interest is legally available, from the original redemption date until the Redemption Price is actually paid.

The Partnership shall not be required to register or cause to be registered the transfer of any Partnership Preferred Securities which have been called for redemption.

(f) COMPANY PURCHASES. Subject to the provisions of this Section 6.2 and applicable law (including, without limitation, Federal securities laws), if Partnership Preferred Securities have been distributed to the Holders (as defined in the Declaration) of Trust Preferred Securities, the Company or any of its subsidiaries may at any time and from time to time purchase outstanding Partnership Preferred Securities by tender, in the open market, or by private agreement.

(g) LIQUIDATION DISTRIBUTION UPON DISSOLUTION. In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Partnership, the Holders of Partnership Preferred Securities at the time outstanding will be entitled to receive out of the assets of the Partnership such amount as is determined in accordance with Section 13.4 (the "Partnership Liquidation Distribution") payable in cash.

(h) VOTING RIGHTS.

(i) SPECIAL REPRESENTATIVE. (1) If one or more of the following events shall occur and be continuing (each a "Partnership Enforcement Event"): (i) arrearages on distributions on the Partnership Preferred Securities shall exist for six consecutive quarterly distribution periods, (ii) the Company is in default on any of its obligations under the Partnership Guarantee or (iii) an Investment Event of Default on any Affiliate Investment Instrument or a default under any Investment Guarantee, as the case may be, occurs and is continuing then the Property Trustee, for so long as the Partnership Preferred Securities are held by the Property Trustee, will have the right, or the Holders of the Partnership Preferred Securities, upon the affirmative vote of at least a Majority in Liquidation Preference of the Partnership Preferred Securities, shall have the right, to the exclusion of the General Partner, (a) to appoint and authorize a special representative of the Partnership and the Limited Partners (a "Special Representative") to enforce (1) to the maximum extent permitted by applicable law, the Partnership's creditors' rights and other rights with respect to the Affiliate Investment Instruments and the Investment Guarantees, (2) the rights of the Holders of the Partnership Preferred Securities under the Partnership Guarantee, and (3) the rights of the Holders of the Partnership Preferred Securities to receive Distri-

butions (only if, and to the extent, declared by the General Partner, in its sole discretion, out of funds legally available therefor) on the Partnership

Preferred Securities, and (b) under the Partnership Guarantee to enforce the terms of the Partnership Guarantee, including the right to enforce the covenant restricting certain payments of the Company and Finance Subsidiaries. Under no circumstances, however, shall the Special Representative have authority to cause the General Partner to declare Distributions on the Partnership Preferred Securities nor to have any authority concerning the selection of Partnership Investments. When the Special Representative acts to enforce the Partnership's creditors' rights and other rights with respect to the Affiliate Investment Instruments and the Investment Guarantees, the Special Representative acts as an agent of the Partnership. When the Special Representative acts to enforce the rights of the Holders of the Partnership Preferred Securities under the Partnership Guarantee or their rights to receive Distributions on the Partnership Preferred Securities, the Special Representative acts as an agent of the Holders of the Partnership Preferred Securities. In addition, the Special Representative shall not, by virtue of acting in such capacity, be admitted as a general or limited partner in the Partnership or otherwise be deemed to be a general or limited partner in the Partnership and shall have no liability for the debts, obligations, or liabilities of the Partnership.

(2) In furtherance of the foregoing, and without limiting the powers of any Special Representative so appointed and to avoid any doubt concerning the powers of the Special Representative, any Special Representative, in its own name, in the name of the Partnership, in the name of the Limited Partners, or otherwise, may institute, or cause to be instituted, a proceeding, including, without limitation, any suit in equity, an action at law or other judicial or administrative proceeding, to enforce on behalf of the Partnership the Partnership's rights directly against the Company or any other obligor in connection with its obligations to the Partnership, and may prosecute such proceeding to judgment or final decree, and enforce the same against the Company or any other obligor in connection with such obligations and collect, out of the property, wherever situated, of the Company or any such other obligor upon such obligations, the monies adjudged or decreed to be payable in the

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manner provided by law. The General Partner agrees to execute and deliver such documents as may be necessary, appropriate or convenient for the Special Representative to enforce the foregoing rights and obligations on behalf and in the name of the Partnership.

(3) If the Special Representative fails to enforce its rights under the Affiliate Investment Instruments after a holder of Partnership Preferred Securities has made a written request, such holder of record of Partnership Preferred Securities may to the fullest extent permitted by law directly institute a legal proceeding against the Company to enforce the rights of the Special Representative and the Partnership under the Affiliate Investment Instruments without first instituting any legal proceeding against the Special Representative, the Partnership or any other person or entity. In any event, if a Partnership Enforcement Event has occurred and is continuing and such event is attributable to the failure of an Investment Affiliate to make any required payment when due on any Affiliate Investment Instrument, then a holder of Partnership Preferred Securities may to the fullest extent permitted by law on behalf of the Partnership directly institute a proceeding against such Investment Affiliate with respect to such Affiliate Investment Instrument for enforcement of payment. In addition, the Partnership acknowledges that, for so long as the Trust holds any Partnership Preferred Securities, if the Special Representative fails to enforce its rights on behalf of the Partnership under the Affiliate Investment Instruments after a holder of Trust Securities has made a written request, a holder of record of Trust Securities may to the fullest extent permitted by law on behalf of the Partnership directly institute a legal proceeding against the Investment Affiliates under the Affiliate Investment Instruments, without first instituting any legal proceeding against the Property Trustee, the Trust, the Special Representative or the Partnership. In any event, for so long as the Trust is the holder of any Partnership Preferred Securities, if a Trust Enforcement Event has occurred and is continuing and such event is attributable to the failure of an Investment Affiliate to make any required payment when due on any Affiliate Investment Instrument or the failure of the Company to make any required payment when due on any Investment Guarantee, then the Partnership acknowledges that a holder of Trust Securities may to the full-

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est extent permitted by law on behalf of the Partnership directly institute a proceeding against such Investment Affiliate with respect to such Affiliate Investment Instrument or against the Company with respect to any such Investment Guarantee, in each case for enforcement of payment. Under no circumstances shall the Special Representative, any holder of Partnership Preferred Securities or any holder of Trust Preferred Securities have authority to cause the General Partner to declare distributions on the Partnership Preferred Securities.

(4) For purposes of determining whether the Partnership has deferred payment of Distributions for six (6) consecutive quarters, Distributions shall be deemed to remain in arrears, notwithstanding any payments in respect thereof,

until full cumulative Distributions, including Compounded Distributions, have been or contemporaneously are paid with respect to all quarterly Distribution periods terminating on or prior to the date of payment of such full cumulative Distributions. Not later than 30 days after such right to appoint a Special Representative arises, the General Partner will convene a meeting for election of a Special Representative. If the General Partner fails to convene such meeting within such 30-day period, the Holders of not less than 10% in Liquidation Preference of the Outstanding Partnership Preferred Securities will be entitled to convene such meeting. The provisions of Section 14.3 relating to the convening and conduct of meetings of the Partners will apply with respect to any such meeting. In the event that, at any such meeting, Holders of less than a Majority in Liquidation Preference of Partnership Preferred Securities entitled to vote for the appointment of a Special Representative vote for such appointment, no Special Representative shall be appointed. Any Special Representative appointed shall cease to be a Special Representative of the Partnership and/or the Limited Partners if (x) the Partnership (or the Company pursuant to the Partnership Guarantee) shall have paid in full all accumulated and unpaid Distributions on the Partnership Preferred Securities, (y) the relevant Investment Event of Default shall have been cured, and (z) the Company is in compliance with all its obligations under the Partnership Guarantee, and the Company, in its capacity as the General Partner, shall continue the activities of the Partnership without dissolution. Notwithstanding the appointment of any such Special Representative, the Company

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shall continue as General Partner and shall retain all rights under this Agreement, including the right to determine whether to declare, in its sole discretion, the payment of Distributions on the Partnership Preferred Securities.

(ii) CERTAIN AMENDMENTS; WAIVER. (1) If any proposed amendment of this Agreement provides for, or the General Partner otherwise proposes to effect, (x) any action that would adversely affect the powers, preferences or special rights of the Holders of the Partnership Preferred Securities, whether by way of amendment of this Agreement or otherwise (including, without limitation, the authorization or issuance of any limited partnership interests in the Partnership ranking, as to participation in profits or distributions, or in the assets of the Partnership, senior to the Partnership Preferred Securities); or (y) the dissolution, winding-up or termination of the Partnership, other than (1) in connection with the occurrence of a Partnership Special Event or (2) as described under Sections 11.11 and 13.2 of this Agreement, then the Holders of outstanding Partnership Preferred Securities will be entitled to vote on such amendment or proposal of the General Partner (but not on any other amendment or proposal) as a class and such amendment or proposal shall not be effective except with the approval of Holders of a Majority in Liquidation Preference of such outstanding Partnership Preferred Securities having a right to vote on the matter; provided, however, that if the Property Trustee on behalf of the Trust is the Holder of the Partnership Preferred Securities, any such amendment or proposal not excepted by (1) or (2) above shall not be effective without the prior or concurrent approval of the Holders of a majority in liquidation preference of the outstanding Trust Preferred Securities having a right to vote on such matters; provided, further, that no such approval shall be required if the dissolution, winding-up or termination of the Partnership is proposed or initiated upon the initiation of proceedings, or after proceedings have been initiated, for the dissolution, winding-up, liquidation or termination of the Company.

(2) The Holders of a Majority in Liquidation Preference of Partnership Preferred Securities may, by vote, on behalf of the Holders of all of the Partnership Preferred Securities, waive any past Partnership Enforcement Event with respect to the Partnership Preferred

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Securities and its consequences; provided, that if the underlying Investment Event of Default:

- (A) is not waivable under the related Affiliate Investment Instrument, such Partnership Enforcement Event shall also not be waivable; or
- (B) requires the consent or vote of the Holders of greater than a majority in principal amount or liquidation preference of the Affiliate Investment Instruments (a "Super Majority") to be waived under the related Affiliate Investment Instrument, the Partnership Enforcement Event may only be waived by the vote of the Holders of the relevant Super Majority in liquidation preference of the Partnership Preferred Securities.

Upon such waiver, any such Partnership Enforcement Event shall cease to exist, and shall be deemed to have been cured, for every purpose of this Agreement, but no such waiver shall extend to any subsequent or other Partnership Enforcement Event or impair any right consequent thereon.

(3) A waiver of an Investment Event of Default by the Special Representative, acting at the direction of the Holders of the Partnership Preferred Securities, constitutes a waiver of the corresponding Partnership Enforcement Event.

(iii) GENERAL VOTING. (1) The General Partner shall not (i) direct the time, method and place of conducting any proceeding for any remedy available, (ii) waive any Investment Event of Default that is waivable under the Affiliate Investment Instruments, (iii) exercise any right to rescind or annul a declaration that the principal of any Affiliate Investment Instruments that are debt instruments shall be due and payable, (iv) waive the breach of the covenant by the Company in the Partnership Guarantee to restrict certain payments by the Company, or (v) consent to any amendment, modification or termination of any Affiliate Investment Instrument, where such consent shall be required from the investor, without, in each case, obtaining the prior approval of the Holders of at least a Majority in Liquidation Preference of the Partnership Preferred Securities; provided, howev-

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er, that if the Property Trustee on behalf of the Trust is the Holder of the Partnership Preferred Securities, such waiver, consent or amendment or other action shall not be effective without the prior or concurrent approval of at least a majority in liquidation amount of the outstanding Trust Preferred Securities having a right to vote on such matters. The General Partner shall not revoke any action previously authorized or approved by a vote of the Holders of the Partnership Preferred Securities without the approval of a Majority in Liquidation Preference of the Partnership Preferred Securities. The General Partner shall notify all Holders of the Partnership Preferred Securities of any notice of an Investment Event of Default received with respect to any Affiliate Investment Instrument.

(2) Any required approval of Holders of Partnership Preferred Securities may be given at a separate meeting of such Holders convened for such purpose or pursuant to written consent. The General Partner will cause a notice of any meeting at which Holders of Partnership Preferred Securities are entitled to vote, or of any matter upon which the action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Partnership Preferred Securities. Each such notice will include a statement setting forth (x) the date of such meeting or the date by which such action is to be taken, (y) a description of any matter proposed for adoption at such meeting on which such Holders are entitled to vote or of such matters upon which written consent is sought and (z) instructions for the delivery of proxies or consents. No vote or consent of the Holders of Partnership Preferred Securities will be required for the Partnership to redeem and cancel Partnership Preferred Securities in accordance with this Agreement.

(3) Notwithstanding that Holders of Partnership Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Partnership Preferred Securities at such time that are beneficially owned by the Company or by any entity directly or indirectly controlled by, or under direct or indirect common control with, the Company, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding, except for Partnership Preferred Securities purchased or acquired by the Company or its affiliates in

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connection with transactions effected by or for the account of customers of the Company or any of its subsidiaries or in connection with the distribution or trading of such Partnership Preferred Securities; provided, however, that persons (other than affiliates of the Company) to whom the Company or any of its subsidiaries have pledged Partnership Preferred Securities may vote or consent with respect to such pledged Partnership Preferred Securities pursuant to the terms of such pledge.

(4) Holders of the Partnership Preferred Securities shall have no rights to remove or replace the General Partner.

(5) Holders of Partnership Preferred Securities shall have no preemptive rights.

ARTICLE VII PARTNERSHIP INVESTMENTS

Section 7.1 INITIAL AFFILIATE INVESTMENT INSTRUMENTS.

(a) All Partnership funds will be invested in the securities of Investment Affiliates (the "Affiliate Investment Instruments") and Eligible Debt Securities. No more than 99% of the Initial Partnership Proceeds will be used by the Partnership to purchase the Initial Debentures meeting the criteria set

forth in this Section 7.1. The remaining funds from the Initial Partnership Proceeds will be used to purchase Eligible Debt Securities in accordance with the terms of this Agreement.

(b) The Partnership shall apply approximately 99% of the Initial Partnership Proceeds to purchase (1) a debt instrument of the Company (the "Initial Company Debenture") and (2) debt instruments of one or more eligible controlled affiliates of the Company (such debt instruments collectively referred to as the "Initial Affiliate Debentures"). The Initial Company Debenture and the Initial Affiliate Debentures are collectively referred to as the "Initial Debentures". The Partnership may purchase the Initial Debentures only upon receipt of an opinion of the Independent Financial Advisor to the effect that (i) if such Initial Debentures were to be rated, at least one Rating Agency would rate all the

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Initial Debentures investment grade at the time such Initial Debentures are purchased by the Partnership, (ii) the Company and each Investment Affiliate which is a subsidiary of the Company would have been capable of issuing and selling debt instruments with the same terms and conditions as the applicable Initial Debentures to unrelated third party investors, (iii) the terms and conditions of the Initial Debentures are consistent with the terms and conditions of a public offering or a private placement pursuant to Rule 144A under the Securities Act of 1933 of such Initial Debentures and are no more favorable to the relevant Investment Affiliate than could have been obtained by such Investment Affiliate from unrelated third party investors pursuant to such a public offering or private placement of such Initial Debentures. On the Closing Date, the Partnership shall invest at least 1% of such Initial Partnership Proceeds in Eligible Debt Securities. The terms of the Initial Debentures will be as set forth in the Indentures attached hereto as Exhibits A and B.

Section 7.2 REINVESTMENT OF PAYMENTS RECEIVED BY THE PARTNERSHIP.

(a) The Partnership must at all times invest an amount equal to at least 1% of the Initial Partnership Proceeds in Eligible Debt Securities.

(b) The Partnership may reinvest any payments it receives in respect of its investments in (i) Eligible Debt Securities without limitation or (ii) additional Affiliate Investment Instruments but only upon (A) the acceptance of a written offer setting forth the terms and conditions on which an Investment Affiliate would be willing to issue an Affiliate Investment Instrument to the Partnership (an "Investment Offer") and (B) the receipt of an opinion of the Independent Financial Advisor that the terms of such Affiliate Investment Instrument set forth in such Investment Offer satisfy the Reinvestment Criteria (as defined below).

(c) If the Independent Financial Advisor determines that the terms of an Affiliate Investment Instrument (as set forth in the Investment Offer) do not satisfy the Reinvestment Criteria, the Partnership shall be prohibited from making any investment in such Affiliate Investment Instrument.

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(d) Each Affiliate Investment Instrument shall satisfy the following criteria (the "Reinvestment Criteria"): (i) the economic terms of each Affiliate Investment Instrument shall be no less favorable to the Partnership than terms that would otherwise be obtainable through a public offering or private placement under Rule 144A of the Securities Act of 1933 of securities by the requesting Investment Affiliate and the other terms and conditions of each Affiliate Reinvestment Instrument are substantially similar to the terms and conditions of similar securities and guarantees, if any, included therein, that are offered to the public in a public offering or private placement under Rule 144A of the Securities Act of 1933 of such securities; (ii) the Partnership shall not have held any Affiliate Investment Instruments of the Investment Affiliate submitting the Investment Offer within the three-year period ending on the date of the Investment Offer; (iii) there shall not have been a default on any debt obligation of the Investment Affiliate submitting the Investment Offer that was owned by the Partnership; (iv) no dividend arrearages shall have existed on any preferred stock of the Investment Affiliate submitting the Investment Offer that was owned by the Partnership; and (v) the Investment Affiliate submitting the Investment Offer shall not be deemed to be an investment company by reason of Section 3(a) or 3(b) of the 1940 Act or is otherwise an eligible recipient of funds directly or indirectly from the Trust pursuant to an order issued by the Securities and Exchange Commission.

(e) Any payments received by the Partnership in respect of its investments that are not invested in additional Affiliate Investment Instruments, may be reinvested only in Eligible Debt Securities (subject to restrictions of applicable law, including the 1940 Act).

ARTICLE VIII
BOOKS OF ACCOUNT, RECORDS AND REPORTS

Section 8.1 BOOKS AND RECORDS.

(a) Proper and complete records and books of account of the Partnership shall be kept by the General Partner, in which shall be entered fully and accurately all transactions and other matters relative to the Partnership's investments. The books and records of the Partnership, together with a certified copy of this Agreement and of the Certificate, shall at all times be maintained at the principal office of the General Partner and shall be open to the inspection and examination of the Partners or their duly authorized representatives for any proper purpose reasonably related to its Interest during reasonable business hours.

(b) Notwithstanding any other provision of this Agreement to the contrary, the General Partner may, to the maximum extent permitted by applicable law, keep confidential from the Partners any information with respect to the Partnership, the disclosure of which the General Partner reasonably believes is not in the best interests of the Partnership, or is adverse to the interests of the Partnership, or which the Partnership or the General Partner is required by law or by an agreement with any Person to keep confidential.

(c) (i) For so long as the Partnership Preferred Securities are held by the Property Trustee on behalf of the Trust, within one month after the close of each Fiscal Year, the General Partner shall transmit to each Partner a statement indicating such Partner's share of each item of Partnership income, gain, loss, deduction or credit, for United States federal income tax purposes, for such Fiscal Year.

(ii) In the event that the Partnership Preferred Securities are no longer held by the Property Trustee on behalf of the Trust, as soon as reasonably possible after the close of the Fiscal Year, the General Partner shall transmit to each Partner the statement referred to in Section 8.1(c)(i) hereof.

Section 8.2 ACCOUNTING METHOD. For both financial and tax reporting purposes, the books and

records of the Partnership shall be kept on the accrual method of accounting applied on a consistent basis and shall reflect all Partnership transactions.

Section 8.3 ANNUAL AUDIT. As soon as practical after the end of each Fiscal Year, but not later than 90 days after such end, the financial statements of the Partnership shall be audited by a firm of independent certified public accountants selected by the General Partner in accordance with applicable law. The cost of such audits will be an expense of the Partnership and shall be paid by the General Partner.

ARTICLE IX
PAYMENT OF EXPENSES

Section 9.1 PAYMENT OF TRUST EXPENSES AND PARTNERSHIP TAXES. Since the Trust is being formed solely to facilitate a direct investment in the Partnership Preferred Securities, the Partnership hereby agrees, at any time while the Property Trustee is the Holder of any Partnership Preferred Securities, to pay all the expenses of the Trust, including, but not limited to, any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed on the Trust by the United States, or any other domestic taxing authority, so that the net amounts received and retained by the Trust and the Property Trustee after paying such expenses will be equal to the amounts the Trust and the Property Trustee would have received had no such costs or expenses been incurred by or imposed on the Trust. The General Partner shall be liable for, and shall pay all such expenses solely out of its own funds. In addition, if the Partnership is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other domestic taxing authority, then, in any case, the General Partner will pay such taxes, duties, assessments or other governmental charges out of its own funds.

Section 9.2 PAYMENT OF OTHER PARTNERSHIP EXPENSES. In connection with the offering, sale and issuance of the Partnership Preferred Securities by the Partnership, the General Partner shall:

(a) pay all costs and expenses of the Partnership (including, but not limited to, costs and expenses relating to the organization of the

Partnership, the offering, sale and issuance of the Partnership Preferred Securities (including commissions to the underwriters in connection therewith) the fees and expenses of the Special Representatives (if any), and the costs and expenses relating to the operation of the Partnership, including, without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses; and

(b) be primarily and fully liable for any indemnification obligations arising with respect to this Agreement.

ARTICLE X
POWERS, RIGHTS AND DUTIES
OF THE LIMITED PARTNERS

Section 10.1 LIMITATIONS. The Limited Partners shall not participate in the management or control of the Partnership's investment activity, property or other assets, nor shall the Limited Partners engage in any activities for the Partnership, nor shall the Limited Partners have the power to act for or bind the Partnership, such powers being vested solely and exclusively in the General Partner (and, upon appointment, and to the extent set forth herein, the Special Representative). The Limited Partners shall have such rights as are set forth herein and in the Partnership Guarantee. The Limited Partners shall have no interest in the properties or assets of the General Partner, or any equity therein, or in any proceeds of any sales thereof (which sales shall not be restricted in any respect), by virtue of acquiring or owning an Interest in the Partnership.

Section 10.2 LIABILITY. Subject to the provisions of the Act, no Limited Partner shall be liable for the repayment, satisfaction or discharge of any debts or other obligations of the Partnership in excess of the Capital Account balance of such Limited Partner.

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Section 10.3 PRIORITY. No Limited Partner shall have priority over any other Limited Partner as to Partnership allocations or distributions.

ARTICLE XI
POWERS, RIGHTS AND DUTIES
OF THE GENERAL PARTNER

Section 11.1 AUTHORITY. Subject to the provisions of Section 6.2(h)(i) with respect to the Special Representative, the General Partner shall have exclusive and complete authority and discretion to manage the operations and affairs of the Partnership and to make all decisions regarding the investment activity of the Partnership. Any action taken by the General Partner shall constitute the act of and serve to bind the Partnership. In dealing with the General Partner acting on behalf of the Partnership no Person shall be required to inquire into the authority of the General Partner to bind the Partnership. Persons dealing with the Partnership are entitled to rely conclusively on the power and authority of the General Partner as set forth in this Agreement.

Section 11.2 POWERS AND DUTIES OF GENERAL PARTNER. (a) Subject to the provisions of Section 6.2(h)(i) with respect to the Special Representative, the General Partner shall have all rights and powers of a general partner under the Act, and shall have all authority, rights and powers in the management of the Partnership's investment activity to do any and all other acts and things necessary, proper, convenient or advisable to effectuate the purposes of this Agreement, including by way of illustration but not by way of limitation, the following:

(i) to secure the necessary goods and services required in performing the General Partner's duties for the Partnership;

(ii) to exercise all powers of the Partnership, on behalf of the Partnership, in connection with enforcing the Partnership's rights under the Affiliate Investment Instruments and the Partnership Guarantee;

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(iii) to issue Partnership Preferred Securities and to admit Limited Partners in connection therewith in accordance with this Agreement;

(iv) to act as registrar and transfer agent for the Partnership Preferred Securities or designate an entity to act as registrar and transfer agent;

(v) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including with respect to Distributions and voting rights and to make determinations as to the payment of Distributions, and make or cause to be made all other required payments to Holders of the Partnership Preferred Securities and to the General Partner;

(vi) to open, maintain and close bank accounts and to draw checks and other orders for the payment of money;

(vii) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Partnership;

(viii) to deposit, withdraw, invest, pay, retain and distribute the Partnership's funds in a manner consistent with the provisions of this Agreement;

(ix) to take all action that may be necessary or appropriate for the preservation and the continuation of the Partnership's valid existence, rights, franchises and privileges as a limited partnership under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Limited Partners or to enable the Partnership to invest in the Affiliate Investment Instruments and Eligible Debt Securities;

(x) to take all action not inconsistent with applicable law, the Certificate or this Agreement, that the General Partner or, upon appointment pursuant to Section 6.2(h) (i), the Special Representative

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determines in its sole discretion to be necessary or desirable to ensure, as long as such action does not adversely affect the interests of the Partnership Preferred Security Holders, or cause (i) the Partnership to be deemed to be an "investment company" required to be registered under the 1940 Act, (ii) any Initial Debenture (or any subsequent Affiliate Investment Instrument that is intended to be classified as debt) to not be treated as indebtedness for United States federal income tax purposes, or (iii) the Partnership to be treated as an association, or as a publicly traded partnership, taxable as a corporation;

(xi) to cause the Partnership to enter into and perform the Purchase Agreement and the Partnership Preferred Securities Purchase Agreement and to purchase Eligible Debt Securities and Affiliate Investment Instruments, as the case may be, without any further act, vote or approval of any Partner; and

(xii) to execute and deliver any and all documents or instruments, perform all duties and powers and do all things for and on behalf of the Partnership in all matters necessary or desirable or incidental to the foregoing.

(b) For so long as any Partnership Preferred Securities remain outstanding, the General Partner covenants and agrees (i) subject to Section 12.1(b) hereof, to remain the sole general partner of the Partnership and to maintain directly 100% ownership of the General Partner's interest in the Partnership, which interest will at all times represent at least 1% of the total capital of the Partnership, (ii) to cause the Partnership to remain a limited partnership and not to voluntarily dissolve, liquidate, wind-up or be terminated, except as permitted by the Limited Partnership Agreement and (iii) to use its commercially reasonable efforts to ensure that the Partnership will not be (A) an "investment company" for purposes of the 1940 Act or (B) an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes.

Section 11.3 OBLIGATIONS AND EXPENSES PAYABLE BY GENERAL PARTNER.

(a) The General Partner hereby as-

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sumes and shall be liable for the debts, obligations and liabilities of the Partnership, including, but not limited to, any liabilities arising under the Securities Act or the Exchange Act and all costs and expenses relating to the investment by the Partnership in any Affiliate Investment Instruments (but not any losses related to any non-payment with respect to such investments), and agrees to pay to each Person to whom the Partnership is now or hereafter becomes indebted or liable (the "Beneficiaries"), whether such indebtedness, obligations or liabilities arise in contract, tort or otherwise (excluding payment obligations of the Company to Holders of the Partnership Preferred Securities in such Holders' capacities as Holders of such Partnership Preferred Securities, such obligations being separately guaranteed under the Partnership Guarantee), the full payment of such indebtedness and any and all liabilities, when and as

due. This Agreement is intended to be for the benefit of and to be enforceable by all such Beneficiaries whether or not such Beneficiaries have received notice hereof.

(b) The General Partner agrees to pay and be responsible for:

(i) all costs and expenses of the Partnership including, but not limited to, costs and expenses relating to the organization of the Partnership, the offering, sale and issuance of Partnership Preferred Securities, the costs and expenses relating to the operation of the Partnership (including without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agents, duplicating, travel and telephone and other telecommunications expenses) and costs and expenses incurred in connection with the acquisition, financing, and disposition of the Partnership's assets; and

(ii) any and all taxes (other than Federal, state and local withholding taxes) and all liabilities, costs and expenses with respect to such taxes of the Partnership.

Section 11.4 LIABILITY. Except as expressly set forth in this Agreement or in the Guarantee Agreements, (a) the General Partner shall not be personally

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liable for the return of any portion of the capital contributions (or any return thereon) of the Limited Partners; (b) the return of such capital contributions (or any return thereon) shall be made solely from assets of the Partnership; and (c) the General Partner shall not be required to pay to the Partnership or to any Limited Partner any deficit in any Limited Partner's Capital Account upon dissolution, winding up or otherwise. Other than as expressly provided in this Agreement or under the Act, no Limited Partner shall have the right to demand or receive property other than cash for its respective Interest in the Partnership. The General Partner shall be liable to an unlimited extent for the debts and other obligations of the Partnership.

Section 11.5 OUTSIDE ACTIVITIES. Any Partner or Affiliate thereof may engage in or possess an interest in other ventures of any nature or description, independently or with others, similar or dissimilar to the activities of the Partnership, and the Partnership and the Partners shall have no rights by virtue of this Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the activities of the Partnership, shall not be deemed wrongful or improper. No Partner or Affiliate thereof shall be obligated to present any particular investment opportunity to the Partnership even if such opportunity is of a character that, if presented to the Partnership, could be taken by the Partnership, and any Partner or Affiliate thereof shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment opportunity.

Section 11.6 LIMITS ON GENERAL PARTNER'S POWERS. Anything in this Agreement to the contrary notwithstanding, the General Partner shall not cause or permit the Partnership to:

(i) acquire any assets other than as expressly provided herein;

(ii) do any act which would make it impractical or impossible to carry on the ordinary activity of the Partnership as set forth in Section 2.3;

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(iii) possess Partnership property for other than a Partnership purpose;

(iv) admit a Person as a Partner, except as expressly provided in this Agreement;

(v) make any advances of funds to the General Partner or its Affiliates, other than such as represented by the Affiliate Investment Instruments;

(vi) perform any act that would subject any Limited Partner to liability as a general partner in any jurisdiction;

(vii) engage in any activity that is not consistent with the purposes of the Partnership, as set forth in Section 2.3;

(viii) without the written consent of the Holders of 66-2/3% in liquidation preference of the Partnership Preferred Securities, have an order for relief entered with respect to the Partnership or commence a

voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of the Partnership's property, or make any assignment for the benefit of creditors of the Partnership; or

(ix) borrow money or become liable for the borrowings of any third party or to engage in any financial or other trade or business.

Section 11.7 EXCULPATION. (a) No Partnership Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Partnership or any Partnership Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Partnership Indemnified Person in good faith on behalf of the Partnership and in a manner such Partnership Indemnified Person reasonably believed to be within the scope of the authority conferred on such Partnership Indemnified Person by this Agreement or by law,

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except that a Partnership Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Partnership Indemnified Person's gross negligence or willful misconduct with respect to such acts or omissions.

(b) A Partnership Indemnified Person shall be fully protected in relying in good faith upon the records of the Partnership and upon such information, opinions, reports or statements presented to the Partnership by any Person as to matters the Partnership Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Partnership, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which distributions to Partners might properly be paid.

Section 11.8 FIDUCIARY DUTY. (a) To the extent that, at law or in equity, a Partnership Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to any other Partnership Covered Person, a Partnership Indemnified Person acting under this Agreement shall not be liable to the Partnership or to any other Partnership Covered Person for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Partnership Indemnified Person otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Partnership Indemnified Person.

(b) Unless otherwise expressly provided herein, (i) whenever a conflict of interest exists or arises between Partnership Covered Persons, or (ii) whether this Agreement or any other agreement contemplated herein or therein provides that a Partnership Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Partnership or any Partner, the Partnership Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the

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benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Partnership Indemnified Person, the resolution, action or term so made, taken or provided by the Partnership Indemnified Person shall not constitute a breach of this Agreement or any other agreement contemplated herein or of any duty or obligation of the Partnership Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Agreement a Partnership Indemnified Person is permitted or required to make a decision (i) in its "discretion" or under a grant of similar authority, the Partnership Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interest, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Partnership or any other Person, or (ii) in its "good faith" or under another express standard, the Partnership Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or by applicable law.

Section 11.9 INDEMNIFICATION. (a) To the fullest extent permitted by applicable law, the Partnership shall indemnify and hold harmless each Partnership Indemnified Person from and against any loss, damage or claim incurred by such Partnership Indemnified Person by reason of any act or omission performed or omitted by such Partnership Indemnified Person in good faith on behalf of the Partnership and in a manner such Partnership Indemnified Person

reasonably believed to be within the scope of authority conferred on such Partnership Indemnified Person by this Agreement, except that no Partnership Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Partnership Indemnified Person by reason of gross negligence or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 11.9 shall be provided out of and to the extent of Partnership assets only, and no Partnership Covered Person shall have any personal liability on account thereof.

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(b) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Partnership Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Partnership Indemnified Person to repay such amount if it shall be determined that the Partnership Indemnified Person is not entitled to be indemnified as authorized in Section 11.9(a).

Section 11.10 TAX MATTERS

(a) For purposes of section 6231(a)(7) of the Code, the "Tax Matters Partner" shall be the Company as long as it remains the general partner of the Partnership. The Tax Matters Partner shall keep the Limited Partners fully informed of any inquiry, examination or proceeding.

(b) Neither the Partnership, nor the Tax Matters Partner on behalf of the Partnership, shall make an election under section 754 of the Code.

(c) The General Partner and the Partnership Preferred Security Holders acknowledge that they intend, for United States federal income tax purposes, that the Partnership shall be treated as a "partnership" (other than a publicly traded partnership taxable as a corporation) and that the General Partner and the Partnership Preferred Security Holders shall be treated as "partners" of the Partnership.

(d) The General Partner shall retain, at the expense of the Partnership and at its sole discretion, a nationally recognized firm of certified public accountants which shall prepare all United States federal, state, local or other tax and information returns of the Partnership, as required by law, and the Schedule K-1's or any successor or similar forms or schedules.

Section 11.11 CONSOLIDATION, MERGER OR SALE OF ASSETS. The Partnership may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as

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permitted pursuant to this Section 11.11. The Partnership may, without the consent of the Holders of the Partnership Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States of America, provided that (i) such successor entity either (x) expressly assumes all of the obligations of the Partnership under the Partnership Preferred Securities or (y) substitutes for the Partnership Preferred Securities other securities having substantially the same terms as the Partnership Preferred Securities (the "Partnership Successor Securities") so long as the Partnership Successor Securities are not junior to any other equity securities of the successor entity, with respect to participation in the profits and distributions, and in the assets, of the successor entity, (ii) the Investment Affiliates expressly acknowledge such successor entity as the holder of the Affiliate Investment Instruments, (iii) the Partnership Preferred Securities continue to be or any Partnership Successor Securities are or will be listed, upon notification of issuance, on any national securities exchange or other organization on which the Partnership Preferred Securities, if so listed, are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (or, in the event that the Trust is liquidated in connection with a Trust Special Event, the Partnership Preferred Securities (including any Partnership Successor Securities)) to be downgraded by any nationally recognized statistical securities rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or the Holders of the Partnership Preferred Securities (including any Partnership Successor Securities) in any material respect (other than, in the case of the Partnership Preferred Securities, with respect to any dilution of the Holders' interest in the new resulting entity), (vi) such successor entity has a purpose substantially identical to that of the Partnership, (vii) prior to such merger, consolidation, amalgamation or replacement, the Company has received an opinion of nationally recognized independent counsel to the Partnership experienced in such matters to

the effect that (A) such successor entity will be treated as a "partnership" for United States federal income tax purposes and

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not as an association or a publicly traded partnership taxable as a corporation, (B) such merger, consolidation, amalgamation or replacement will not cause the Trust to be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes, (C) following such merger, consolidation, amalgamation or replacement, the Company and such successor entity will be in compliance with the 1940 Act without registering thereunder as an investment company, and (D) such merger, consolidation, amalgamation or replacement will not adversely affect the limited liability of the Holders of the Partnership Preferred Securities and (viii) the Company guarantees the obligations of such successor entity under the Partnership Successor Securities at least to the extent provided by the Partnership Guarantee.

ARTICLE XII
TRANSFERS OF INTERESTS BY PARTNERS

Section 12.1 TRANSFER OF INTERESTS.

(a) Partnership Preferred Securities shall be freely transferable by a Holder.

(b) Except as provided in the next sentence, the General Partner may not assign or transfer its Interest in the Partnership in whole or in part unless, prior to such assignment or transfer, the General Partner has obtained the consent of the Holders of not less than 66- 2/3% in Liquidation Preference of the Partnership Preferred Securities. The General Partner may assign or transfer its Interest in the Partnership without such consent to an entity that is the survivor of a merger or consolidation of the General Partner in a transaction that meets the requirements of Section 11.11 and only if prior to such assignment or transfer the Company has received an opinion of nationally recognized independent tax counsel to the Partnership experienced in such matters to the effect that after such assignment or transfer the Partnership will continue to be treated as a partnership for United States federal income tax purposes and will not be treated as an association or a publicly traded partnership taxable as a corporation. The General Partner may transfer its Interest to a wholly-owned direct or indirect subsidiary of the Company provided

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that (i) such entity expressly accepts such transfer of the obligations as General Partner and (ii) prior to such transfer, the Company has received an opinion of nationally recognized independent counsel to the Partnership experienced in such matters to the effect that (A) the Partnership will be treated as a partnership for United States federal income tax purposes, (B) such transfer would not cause the Trust to be classified as an association taxable as a corporation for United States federal income tax purposes, (C) following such transfer, the Company and such successor entity will be in compliance with the 1940 Act without registering thereunder as an investment company, and (D) such transfer will not adversely affect the limited liability of the holders of the Partnership Preferred Securities. "Permitted Successor" shall mean an entity that is an assignee or transferee of the Interest of the General Partner as permitted by this Section 12.1(b). The admission of a Permitted Successor as a general partner of the Partnership shall be effective upon the filing of an amendment to the Certificate with the Secretary of State of the State of Delaware which indicates that the Permitted Successor has been admitted as a general partner of the Partnership. If the General Partner assigns its entire Interest, the General Partner shall cease to be a general partner of the Partnership simultaneously with the admission of the Permitted Successor as a general partner of the Partnership. Any such Permitted Successor is hereby authorized to and shall continue the business of the Partnership without dissolution.

(c) Except as provided above, no Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Agreement. Any transfer or purported transfer of any Interest not made in accordance with this Agreement shall be null and void.

Section 12.2 TRANSFER OF L.P. CERTIFICATES. The General Partner shall provide for the registration of L.P. Certificates and of transfers of L.P. Certificates. Upon surrender for registration of transfer of any L.P. Certificate, the General Partner shall cause one or more new L.P. Certificates to be issued in the name of the designated transferee or transferees. Every L.P. Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form

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satisfactory to the General Partner duly executed by the Partnership Preferred Security Holder or his or her attorney duly authorized in writing. Each L.P. Certificate surrendered for registration of transfer shall be cancelled by the General Partner. A transferee of an L.P. Certificate shall be admitted to the Partnership as a Limited Partner, shall become bound by this Agreement and shall be entitled to the rights and subject to the obligations of a Partnership Preferred Security Holder hereunder upon the receipt by the transferee of an L.P. Certificate, which receipt shall be deemed to constitute a request by such transferee that the books and records of the Partnership reflect such transferee's admission as a limited partner. The transferor of an L.P. Certificate, in whole, shall cease to be a Limited Partner at the time that the transferee of such L.P. Certificate is admitted to the Partnership as a Limited Partner in accordance with this Section 12.2.

Section 12.3 DEFINITIVE L.P. CERTIFICATES; PERSONS DEEMED PARTNERSHIP PREFERRED SECURITY HOLDERS. (a) DEFINITIVE L.P. CERTIFICATES. Unless and until the Partnership issues a global L.P. Certificate pursuant to Section 12.4(a), the Partnership shall only issue definitive L.P. Certificates to the Partnership Preferred Security Holders. (b) The Partnership may treat the Person in whose name any L.P. Certificate shall be registered on the books and records of the Partnership as the sole holder of such L.P. Certificate and of the Partnership Preferred Securities represented by such L.P. Certificate for purposes of receiving Distributions and for all other purposes whatsoever (including without limitation, tax returns and information reports) and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such L.P. Certificate or in the Partnership Preferred Securities represented by such L.P. Certificate on the part of any other Person, whether or not the Partnership shall have actual or other notice thereof.

Section 12.4 BOOK ENTRY PROVISIONS.

(a) General. The provisions of this Section 12.4 shall apply only in the event that the Partnership Preferred Securities are distributed to the Holders of Trust Securities in connection with the involuntary or voluntary dissolution, winding up or liquidation of the

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Trust as a result of the occurrence of a Trust Special Event. Upon the occurrence of such event, a global L.P. Certificate representing the Book-Entry Interests shall be delivered to DTC, the initial Clearing Agency, by, or on behalf of, the Partnership and any previously issued and still outstanding definitive L.P. Certificates shall be of no further force and effect. The global L.P. Certificate shall initially be registered on the books and records of the Partnership in the name of Cede & Co., the nominee of DTC, and no Holder of a Partnership Preferred Security will receive a new definitive L.P. Certificate representing such Holder's interests in such L.P. Certificate, except as provided in Section 12.4(c). In connection with the involuntary or voluntary dissolution, winding up or liquidation of the Trust as a result of the occurrence of a Trust Special Event, Cede & Co., the nominee of DTC, shall automatically be admitted to the Partnership as a Limited Partner. Receipt of the global L.P. Certificate shall be deemed to constitute a request by Cede & Co., the nominee of DTC, that the books and records of the Partnership reflect its admission as a Limited Partner. Unless and until new definitive, fully registered L.P. Certificates (the "Definitive L.P. Certificates") have been issued to the Partnership Preferred Security Owners pursuant to Section 12.4(c):

- (i) The provisions of this Section shall be in full force and effect;
- (ii) The Partnership, the General Partner and any Special Representative shall be entitled to deal with the Clearing Agency for all purposes of this Agreement (including the payment of Distributions, Redemption Price and liquidation proceeds on the L.P. Certificates and receiving approvals, votes or consents hereunder) as the Partnership Preferred Security Holder and the sole holder of the L.P. Certificates and shall have no obligation to the Partnership Preferred Security Owners;
- (iii) None of the Partnership, the Trust, the General Partner, any Special Representative or any agents of any of the foregoing shall have any liability or responsibility for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global L.P. Certificate for such beneficial ownership interests

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or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests; and

- (iv) Except as provided in Section 12.4(c) below, the Partnership Preferred Security Owners will not be entitled to receive physical delivery of the Partnership Preferred Securities in definitive form and

will not be considered Holders thereof for any purpose under this Agreement, and no global L.P. Certificate representing Partnership Preferred Securities shall be exchangeable, except for another global L.P. Certificate of like denomination and tenor to be registered in the name of DTC or Cede & Co., or to a successor Depository or its nominee. Accordingly, each Partnership Preferred Security Owner must rely on the procedures of DTC or if such person is not a Participant, on the procedures of the Participant through which such person owns its interest to exercise any rights of a Holder under the Agreement.

(b) NOTICES TO CLEARING AGENCY. Whenever a notice or other communication to the Partnership Preferred Security Holders is required under this Agreement, unless and until Definitive L.P. Certificates shall have been issued to the Partnership Preferred Security Owners pursuant to Section 12.4(c), the General Partner and any Special Representative shall give all such notices and communications specified herein to be given to the Partnership Preferred Security Holders to the Clearing Agency, and shall have no obligations to the Partnership Preferred Security Owners.

(c) DEFINITIVE L.P. CERTIFICATES. Definitive L.P. Certificates shall be prepared by the Partnership and exchangeable for the global L.P. Certificate or L.P. Certificates if and only if (i) the Depository notifies the Company that it is unwilling or unable to continue its services as a securities depository and no successor depository shall have been appointed, (ii) the Depository, at any time, ceases to be a clearing agency registered under the Exchange Act at such time as the Depository is required to be so registered to act as such depository and no successor depository shall have been appointed, or (iii) the Company, in its sole discretion, determines that such global L.P. Certificate shall be so

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exchangeable. Upon surrender of the global L.P. Certificate or L.P. Certificates representing the Book-Entry Interests by the Clearing Agency, accompanied by registration instructions, the General Partner shall cause Definitive L.P. Certificates to be delivered to Partnership Preferred Security Owners in accordance with the instructions of the Clearing Agency. Neither the General Partner nor the Partnership shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Any Person receiving a Definitive L.P. Certificate in accordance with this Section 12.4 shall be admitted to the Partnership as a Limited Partner upon receipt of such Definitive L.P. Certificate and shall be registered on the books and records of the Partnership as a Partnership Preferred Security Holder. The Clearing Agency or the nominee of the Clearing Agency, as the case may be, shall cease to be a Limited Partner under this Section 12.4(c) at the time that at least one additional Person is admitted to the Partnership as a Limited Partner in accordance herewith. The Definitive L.P. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as may be required by any national securities exchange on which Partnership Preferred Securities may be listed and is reasonably acceptable to the General Partner, as evidenced by its execution thereof.

Section 12.5 REGISTRAR, TRANSFER AGENT AND PAYING AGENT.

(a) The General Partner will act as Registrar, Transfer Agent and Paying Agent for the Partnership Preferred Securities for so long as the Partnership Preferred Securities are held by the Trust or, if the Trust is liquidated in connection with a Trust Special Event, for so long as the Partnership Preferred Securities remain in book-entry only form.

(b) Except in such case where the General Partner shall act as Registrar or Paying Agent pursuant to Section 12.5(a) hereof, the Partnership shall maintain in the Borough of Manhattan, City of New York, State of New York (i) an office or agency where Partnership Preferred Securities may be presented for registration of transfer or for exchange ("Registrar") and (ii) an office or agency where Partnership Preferred Securities may be

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presented for payment ("Paying Agent"). The Registrar shall keep a register of the Partnership Preferred Securities and of their transfer and exchange. The Partnership may appoint the Registrar and the Paying Agent and may appoint one or more co-registrars and one or more additional paying agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent. The Partnership may change any Paying Agent, Registrar or co-registrar without prior notice to any Holder. If the Partnership fails to appoint or maintain another entity as Registrar or Paying Agent, the General Partner shall act as such.

(c) Registration of transfers of Partnership Preferred Securities shall be effected without charge by or on behalf of the Partnership, but upon payment (with the giving of such indemnity as the Partnership or the General Partner may require) in respect of any tax or other governmental charges that

may be imposed.

(d) The Partnership will not be required to register or cause to be registered the transfer of Partnership Preferred Securities after such Partnership Preferred Securities have been called for redemption.

ARTICLE XIII
WITHDRAWAL, DISSOLUTION;
LIQUIDATION AND DISTRIBUTION OF ASSETS

Section 13.1 WITHDRAWAL OF PARTNERS. The General Partner shall not at any time retire or withdraw from the Partnership except as otherwise permitted hereunder. If the General Partner retires or withdraws in contravention of this Section 13.1, it shall indemnify, defend and hold harmless the Partnership and the other Partners from and against any losses, expenses, judgments, fines, settlements or damages suffered or incurred by the Partnership or such other Partners arising out of or resulting from such retirement or withdrawal.

Section 13.2 DISSOLUTION OF THE PARTNERSHIP.

(a) The Partnership shall not be dissolved by the admission of Partners in accordance with the terms of this Agreement. The death, withdrawal, bankruptcy or dissolution of a Limited Partner, or the occurrence of

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any other event which terminates the Interest of a Limited Partner in the Partnership, shall not, in and of itself, cause the Partnership to be dissolved and its affairs wound up. To the fullest extent permitted by applicable law, upon the occurrence of any such event, the General Partner may, without any further act, vote on approval of any Partner, admit any Person to the Partnership as an additional or substitute limited partner in the Partnership, which admission shall be effective as of the date of the occurrence of such event, and the business of the Partnership shall be continued without dissolution.

(b) The Partnership shall be dissolved and its affairs shall be wound up upon the earliest to occur of any of the following events:

(i) upon the bankruptcy or insolvency of the General Partner;

(ii) upon the assignment by the General Partner of its entire interest in the Partnership when the assignee is not admitted to the Partnership as a general partner of the Partnership in accordance with this Agreement, or the filing of a certificate of dissolution or its equivalent with respect to the General Partner, or the revocation of the General Partner's charter and the expiration of 90 days after the date of notice to the General Partner of revocation without a reinstatement of its charter, or if any other event occurs that causes the General Partner to cease to be a general partner of the Partnership under the Delaware Partnership Act, unless the business of the Partnership is continued in accordance with the Delaware Partnership Act;

(iii) the Partnership has redeemed or otherwise purchased all of the Partnership Preferred Securities;

(iv) upon the entry of a decree of judicial dissolution under Section 17-802 of the Act; or

(v) the written consent of all Partners.

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(c) Upon dissolution of the Partnership, the Liquidator shall promptly notify the Partners of such dissolution.

Section 13.3 LIQUIDATION.

(a) In the event of the dissolution of the Partnership for any reason, the General Partner (or, if the Partnership is dissolved pursuant to Section 13.2(b)(i) or (ii), then a liquidating agent appointed by Holders of not less than 66 2/3% in Liquidation Preference of the Partnership Preferred Securities (the General Partner or such Person so appointed is hereinafter referred to as the "Liquidator")) shall commence to wind up the affairs of the Partnership and to liquidate the Partnership's assets; provided, however, that a reasonable time shall be allowed for the orderly liquidation of the assets of the Partnership and the satisfaction of liabilities to creditors so as to enable the Partners to minimize the normal losses attendant upon liquidation. The Partners shall continue to share all income, losses and distributions during the period of liquidation in accordance with Articles IV and V. Subject to the provisions of this Article XIII, the Liquidator shall have full right and unlimited discretion to determine the time, manner and terms of any sale or

sales of Partnership property pursuant to such liquidation, giving due regard to the activity and condition of the relevant market and general financial and economic conditions.

(b) The Liquidator shall have all of the rights and powers with respect to the assets and liabilities of the Partnership in connection with the liquidation and termination of the Partnership that the General Partner would have with respect to the assets and liabilities of the Partnership during the term of the Partnership, and the Liquidator is hereby expressly authorized and empowered to execute any and all documents necessary or desirable to effectuate the liquidation and termination of the Partnership and the transfer of any assets.

(c) Notwithstanding the foregoing, a Liquidator that is not a General Partner shall not, by virtue of acting in such capacity, be deemed a Partner in this Partnership and shall not have any of the economic interests in the Partnership of a Partner; and such Liquidator may be compensated for its services to the Partnership at

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normal customary and competitive rates for its services to the Partnership as reasonably determined by all the Limited Partners.

Section 13.4 DISTRIBUTION IN LIQUIDATION. The proceeds of liquidation shall be applied in the following order of priority (and without regard to the non-mandatory provisions of Section 17-804 of the Act):

(i) first, to creditors of the Partnership, including Partners who are creditors, to the extent otherwise permitted by law, in satisfaction of the liabilities of the Partnership (whether by payment or the making of reasonable provisions for payment thereof), other than liabilities for distributions (including Distributions) to Partners;

(ii) second, following any allocations required under Section 4.2(e) of the Agreement, to the Limited Partners, an amount equal to the aggregate liquidation preference of their Partnership Preferred Securities, plus the amount of Distributions (including any Compounded Distributions) that are accumulated and unpaid as of the date of such liquidating distribution; and

(iii) thereafter, to the General Partner.

Section 13.5 RIGHTS OF LIMITED PARTNERS. Each Limited Partner shall look solely to the assets of the Partnership for all distributions with respect to the Partnership and such Partner's capital contribution (including returns thereof), and such Partner's share of profits or losses thereof, and shall have no recourse therefor (upon dissolution or otherwise) against the General Partner, except under the Partnership Guarantee. No Partner shall have any right to demand or receive property other than cash upon dissolution and termination of the Partnership.

Section 13.6 TERMINATION. The Partnership shall terminate when all of the assets of the Partnership shall have been disposed of and the assets shall have been distributed as provided in Section 13.4 and the Liquidator has executed and caused to be filed a certificate of cancellation of the Partnership.

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ARTICLE XIV AMENDMENTS AND MEETINGS

Section 14.1 AMENDMENTS. Except as provided by Section 3.3(b) and Section 6.2(i), this Agreement may be amended by, and only by, a written instrument executed by the General Partner without the consent of any Limited Partner; provided, however, that no amendment shall be made, and any such purported amendment shall be void and ineffective, to the extent the result thereof would be to (A) cause the Partnership to be treated for United States federal income tax purposes as an association or a publicly traded partnership taxable as a corporation, (B) require the Partnership to register under the 1940 Act or (C) materially adversely affect the rights, privileges or preferences of the Partnership Preferred Securities. Notwithstanding any provision to the contrary, in the event of (i) a liquidation of the Trust for any reason or (ii) any other distribution which effectively causes Partnership Preferred Securities to be distributed to Holders of Trust Preferred Securities, the General Partner may amend this Agreement without the consent of the Limited Partners to provide for (A) orderly dissemination, purchase, sale, exchange and replacement of such Partnership Preferred Securities, (B) all other matters to the extent required by or desirable under then applicable law and (C) such other matters reasonably incidental or related thereto; provided, however, that no such amendment may materially adversely affect the rights, privileges, or preferences of the Partnership Preferred Securities without the consent of a majority in interest

of the Partners so effected.

Section 14.2 AMENDMENT OF CERTIFICATE. In the event this Agreement shall be amended pursuant to Section 14.1, the General Partner shall amend the Certificate to reflect such change if it deems such amendment of the Certificate to be necessary or appropriate.

Section 14.3 MEETINGS OF PARTNERS.

(a) Meetings of the Limited Partners who are Holders may be called at any time by the General Partner to consider and act on any matter on which Limited Partners are entitled to act under the terms of this Agreement or the Act. The General Partner shall call a meeting of Holders if directed to do so by Holders of no less

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than 10% in Liquidation Preference as permitted by this Agreement. Such direction shall be given by delivering to the General Partner a request in writing stating that the signing Limited Partners desire to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Limited Partners calling a meeting shall specify in writing the L.P. Certificates held by the Limited Partners exercising the right to call a meeting and only those specified Interests shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met. Except to the extent otherwise provided in this Agreement, the following provisions shall apply to meetings of Partners.

(b) Notice of any such meeting shall be given to all Limited Partners having a right to vote thereat not less than seven Business Days nor more than 60 days prior to the date of such meeting. Each such notice shall set forth the date, time and place of the meeting, a description of any matter on which Holders are entitled to vote and instructions for the delivery of proxies or written consents.

(c) Any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if a consent in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum Interests that would be necessary to authorize or take such action at a meeting in which all Limited Partners having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Limited Partners entitled to vote who have not consented in writing. The General Partner may provide that any written ballot submitted to the Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within a specified time.

(d) Each Partner may authorize any Person to act for it by proxy on all matters as to which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at

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the pleasure of the Partner executing it. Except as otherwise provided herein, or pursuant to Section 14.3(f), all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Partnership were a Delaware corporation and the Limited Partners were stockholders of a Delaware corporation.

(e) Each meeting of Partners shall be conducted by the General Partner or by such other Person that the General Partner may designate.

(f) The General Partner may establish all other reasonable procedures relating to meetings of Limited Partners or the giving of written consents, in addition to those expressly provided, including notice of time, place or purpose of any meeting at which any matter is to be voted on by any Partners, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XV
MISCELLANEOUS

Section 15.1 NOTICES. All notices provided for in this Agreement shall be in writing, and shall be delivered or mailed by first class or registered or certified mail or, with respect to the Partnership and General Partner, telecopied, as follows:

(a) if given to the Partnership, in care of the General Partner at the Partnership's mailing address set forth below:

Merrill Lynch & Co., Inc.
World Financial Center
South Tower
225 Liberty Street
New York, New York 10080-6105
Attention: Treasurer

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(b) if given to the General Partner, at its mailing address set forth below:

Merrill Lynch & Co., Inc.
World Financial Center
South Tower
225 Liberty Street
New York, New York 10080-6105
Attention: Treasurer

(c) if given to any other Partner at the address set forth on the books and records of the Partnership.

Section 15.2 POWER OF ATTORNEY. Each Holder of a Partnership Preferred Security does hereby constitute and appoint the General Partner, and if applicable, any Special Representative appointed pursuant to Section 6.2(h)(i) of this Agreement, as its true and lawful representative and attorney-in-fact, in its name, place and stead to make, execute, sign, deliver and file (a) any amendment of the Certificate required because of an amendment of this Agreement or in order to effect any change in the Partnership, (b) this Agreement, (c) any amendments to this Agreement and (d) all such other instruments, documents and certificates which from time to time may be required by the laws of the United States of America, the State of Delaware or any other jurisdiction, or any political subdivision or agency thereof, to effectuate, implement and continue the valid and subsisting existence of the Partnership or to dissolve the Partnership for any other purpose consistent with this Agreement and the transactions contemplated hereby.

The power of attorney granted hereby is coupled with an interest and shall (a) survive and not be affected by the subsequent death, incapacity, disability, dissolution, termination, or bankruptcy of the Holder granting the same or the transfer of all or any portion of such Holder's Interest and (b) extend to such Holder's successors, assigns and legal representatives.

Section 15.3 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement among the parties. It supersedes any prior agreement or understandings among them, and it may not be modified or amended in any manner other than as set forth herein.

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Section 15.4 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE AND ALL RIGHTS AND REMEDIES SHALL BE GOVERNED BY SUCH LAWS WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

Section 15.5 EFFECT. Except as herein otherwise specifically provided, this Agreement shall be binding upon and inure to the benefit of the parties and their legal representatives, successors and assigns.

Section 15.6 PRONOUNS AND NUMBER. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in either the masculine, feminine or neuter shall include the masculine, feminine and neuter.

Section 15.7 CAPTIONS. Captions, headings, and subheadings contained in this Agreement are included for convenience and identification purposes only and in no way define, limit or extend the scope or intent of this Agreement or any provision herein.

Section 15.8 PARTIAL ENFORCEABILITY. If any provision of this Agreement, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 15.9 COUNTERPARTS. This Agreement may contain more than one counterpart of the signature page and this Agreement may be executed by the affixing of the signature of each of the Partners to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers

had signed a single signature page.

Section 15.10 WAIVER OF PARTITION. Each Partner hereby irrevocably waives any and all rights (if any) that such Partner may have to maintain any action for partition of any of the Partnership's property.

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Section 15.11 REMEDIES. The failure of any party to seek redress for violation of, or to insist upon the strict performance of, any provision of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above stated.

GENERAL PARTNER:

MERRILL LYNCH & CO., INC.
a Delaware corporation

By: _____
Name: Theresa Lang
Title: Senior Vice President
and Treasurer

INITIAL LIMITED PARTNER:

MERRILL LYNCH GROUP, INC.
a Delaware corporation

By: _____
Name: Theresa Lang
Title: President

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SCHEDULE 1

S-1

ANNEX A

FORM OF L.P. CERTIFICATE

[IF THE PARTNERSHIP PREFERRED SECURITY IS TO BE A GLOBAL CERTIFICATE INSERT: This Partnership Preferred Security is a Global Certificate within the meaning of the Partnership Agreement hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Partnership Preferred Security is exchangeable for Partnership Preferred Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Partnership Agreement and no transfer of this Partnership Preferred Security (other than a transfer of this Partnership Preferred Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Partnership Preferred Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York), a New York corporation, to the Partnership or its agent for registration of transfer, exchange or payment, and any Partnership Preferred Security issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of the Depository and any payment hereon is made to Cede & Co. or such other entity as is requested by an authorized representative of the Depository, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

PS-1

[]

Certificate Evidencing Partnership Preferred Securities
of

MERRILL LYNCH PREFERRED FUNDING II, L.P.

% Partnership Preferred Securities
(liquidation preference \$25 per Partnership Preferred Security)

MERRILL LYNCH PREFERRED FUNDING II, L.P., a limited partnership formed under the laws of the State of Delaware (the "Partnership"), hereby certifies that The Chase Manhattan Bank, a property trustee pursuant to the Amended and Restated Declaration of Trust of Merrill Lynch Preferred Capital Trust II, dated as of February __, 1997 (the "Holder") is the registered owner of preferred securities of the Partnership representing limited partner interests in the Partnership designated the __% Partnership Preferred Securities (liquidation preference \$25 per Partnership Preferred Security) (the "Partnership Preferred Securities"). The Partnership Preferred Securities are freely transferable on the books and records of the Partnership, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, powers, privileges, restrictions, preferences and other terms and provisions of the Partnership Preferred Securities represented hereby are set forth in, issued under and shall in all respects be subject to the provisions of the Amended and Restated Agreement of Limited Partnership dated as of February __, 1997, as the same may be amended from time to time (the "Partnership Agreement"). Capitalized terms used herein but not defined shall have the meaning given them in the Partnership Agreement. The Holder is entitled to the benefits of the Partnership Guarantee to the extent provided therein. The Partnership will provide a copy of the Partnership Agreement and the Partnership Guarantee to a Holder without charge upon written request to the Partnership at its principal place of business.

Upon receipt of this certificate, the Holder is admitted to the Partnership as a Limited Partner, is bound by the Partnership Agreement and is entitled to the benefits thereunder. Each Holder of a Partnership Preferred Security, by acceptance of this Certificate and each Certificate owner, by acquisition of a beneficial interest in a Certificate, agrees to treat the Debentures, and any other Affiliate Investment Instruments that are treated as debt instruments by the relevant Investment Affiliate and by the Partnership, as indebtedness for United States federal income tax purposes.

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IN WITNESS WHEREOF, the Partnership has executed this certificate
this th day of February, 1997.

MERRILL LYNCH PREFERRED FUNDING II, L.P.

By: MERRILL LYNCH & CO., INC.,
as General Partner

By: _____
Name: Theresa Lang
Title: Senior Vice President
and Treasurer

(See reverse for additional terms)

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[FORM OF REVERSE OF SECURITY]

Distributions payable on each Partnership Preferred Security will be fixed at a rate per annum of % of the stated liquidation preference of \$25 per Partnership Preferred Security. Distributions not paid on the scheduled payment date will accumulate and compound quarterly (to the extent permitted by applicable law) at the rate of % per annum. The term "Distributions" as used herein shall mean ordinary cumulative distributions in respect of each Fiscal Period together with any such Compounded Distributions. Distributions on the Partnership Preferred Securities will only be made to the extent that the Partnership has funds legally available for the payment of such distributions. Amounts available to the Partnership for Distribution to the holders of the Partnership Preferred Securities will be limited to payments received by the Partnership from the Company and certain wholly owned subsidiaries on the

Initial Debentures and Affiliate Investment Instruments or from the Company on the Partnership Guarantee or on the Eligible Debt Securities. Distributions on the Partnership Preferred Securities will be paid only if, as and when declared in the sole discretion of the Company, as the General Partner of the Partnership. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period on the basis of the actual number of days elapsed in a 90-day quarter.

Except as otherwise described herein, Distributions on the Partnership Preferred Securities will be cumulative, will accumulate from the date of initial issuance and will be payable quarterly in arrears, on March 30, June 30, September 30 and December 30 of each year, commencing on March 30, 1997, if, as and when declared by the General Partner in its sole discretion. If the Trust Preferred Securities (or, if the Trust is liquidated, the Partnership Preferred Securities) are in book-entry-only form, Distributions will be payable to the Holders of record of Partnership Preferred Securities as they appear on the books and records of the Partnership on the relevant record dates, which will be one Business Day prior to the relevant payment dates. If the Trust or the Property Trustee is the Holder of the Partnership Preferred Securities, all Distributions of cash shall be made by wire transfer of same day funds to such Holder by 10:00 a.m., New York City time, on the applicable Distribution Payment Date. Distributions payable on any Partnership Preferred Securities that are not punctually paid on any Distribution Payment Date will cease to be payable to the Person in whose name such Partnership Preferred Securities are registered on the relevant record date, and

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such Distribution will instead be payable to the Person in whose name such Partnership Preferred Securities are registered on the special record date or other specified date for payment of such defaulted or accumulated Distribution. If the Trust Preferred Securities (or, if the Trust is liquidated, the Partnership Preferred Securities) are not in book-entry-only form, the relevant record dates shall be the 15th day of the month of the relevant payment dates. In the event that any date on which Distributions are payable is not a Business Day, payment of such Distribution shall be made on the next succeeding day which is a Business Day (without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

The Partnership Preferred Securities shall be redeemable as provided in the Partnership Agreement.

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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Partnership Preferred Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

_____ agent to transfer this Partnership Preferred Security Certificate on the books of the Partnership. The agent may substitute another to act for him or her.

Date: _____

Signature: _____
(Sign exactly as your name appears on the other side of this Partnership Preferred Security Certificate)

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TRUST PREFERRED SECURITIES GUARANTEE AGREEMENT

Merrill Lynch Preferred Capital Trust II

Dated as of February __, 1997

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TRUST PREFERRED SECURITIES GUARANTEE AGREEMENT

This TRUST PREFERRED SECURITIES GUARANTEE AGREEMENT (the "Trust Preferred Securities Guarantee"), dated as of February __, 1997, is executed and delivered by Merrill Lynch & Co., Inc., a Delaware corporation (the "Guarantor"), and The Chase Manhattan Bank, a national banking association, as trustee (the "Trust Preferred Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Trust Preferred Securities (as defined herein) of Merrill Lynch Preferred Capital Trust II, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of February __, 1997, among the trustees of the Issuer named therein, Merrill Lynch & Co., Inc., as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof 12,000,000 Trust Originated Preferred Securities, having an aggregate liquidation amount of \$300,000,000, designated the __% Trust Originated Preferred Securities (the "Trust Preferred Securities");

WHEREAS, as incentive for the Holders to purchase the Trust Preferred Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Trust Preferred Securities Guarantee, to pay to the Holders of the Trust Preferred Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein and;

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Trust Common Securities Guarantee"), with substantially identical terms to this Trust Preferred Securities Guarantee for the benefit of the holders of the Trust Common Securities (as defined herein), except that if the Guarantor is in default on any of its obligations under the Trust Preferred Securities Guarantee, the Partnership Guarantee, or any Investment Guarantee, or any default has occurred and is continuing with respect to an Affiliate Investment Instrument, the rights of holders of the Trust Common Securities to receive Guarantee Payments under the Trust Common Securities Guarantee are subordinated, to the extent and in the manner set forth in the Trust Common Securities Guarantee, to the rights of Holders of Trust Preferred Securities to receive Guarantee Payments under this Trust Preferred Securities Guarantee.

NOW, THEREFORE, in consideration of the purchase by each Holder of Trust Preferred Securities, which purchase the Guarantor hereby acknowledges shall benefit the Guarantor, the

Guarantor executes and delivers this Trust Preferred Securities Guarantee for the benefit of the Holders.

ARTICLE I
DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions and Interpretation

In this Trust Preferred Securities Guarantee, unless the context otherwise requires:

- (a) Capitalized terms used in this Trust Preferred Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

- (b) Capitalized terms used in this Trust Preferred Securities Guarantee but not otherwise defined herein shall have the meanings assigned to them in the Declaration or the Partnership Agreement, as the case may be.
- (c) a term defined anywhere in this Trust Preferred Securities Guarantee has the same meaning throughout;
- (d) all references to "the Trust Preferred Securities Guarantee" or "this Trust Preferred Securities Guarantee" are to this Trust Preferred Securities Guarantee as modified, supplemented or amended from time to time;
- (e) all references in this Trust Preferred Securities Guarantee to Articles and Sections are to Articles and Sections of this Trust Preferred Securities Guarantee, unless otherwise specified;
- (f) a term defined in the Trust Indenture Act has the same meaning when used in this Trust Preferred Securities Guarantee, unless otherwise defined in this Trust Preferred Securities Guarantee or unless the context otherwise requires; and
- (g) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 under the Securities Act of 1933, as amended, or any successor rule thereunder.

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"Business Day" means any day other than a day on which banking institutions in The City of New York are authorized or required by law to close.

"Corporate Trust Office" means the principal trust office of the Trust Preferred Guarantee Trustee in the Borough of Manhattan, The City of New York, which office at the date hereof is located at 450 West 33rd Street, 15th Floor, New York, New York 10001.

"Covered Person" means any Holder or beneficial owner of Trust Preferred Securities.

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Trust Preferred Securities Guarantee.

"Finance Subsidiary" means any wholly-owned subsidiary of the Guarantor the principal purpose of which is to raise capital for the Guarantor by issuing securities that are guaranteed by the Guarantor and the proceeds of which are loaned to or invested in the Guarantor or one or more of its affiliates.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Trust Preferred Securities, to the extent not paid or made by the Issuer: (i) any accumulated and unpaid Distributions (as defined in the Declaration) that are required to be paid on such Trust Preferred Securities, to the extent the Issuer has funds legally available therefor at such time, (ii) the redemption price, including all accumulated and unpaid Distributions to the date of redemption (the "Redemption Price"), to the extent the Issuer has funds legally available therefor at such time, with respect to any Trust Preferred Securities called for redemption by the Issuer, and (iii) upon a voluntary or involuntary termination or liquidation of the Issuer (other than in connection with the distribution of Partnership Preferred Securities to the Holders in exchange for Trust Preferred Securities as provided in the Declaration or the redemption of all of the Trust Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accumulated and unpaid Distributions on the Trust Preferred Securities to the date of payment, to the extent the Issuer has funds legally available therefor, and (b) the amount of assets of the Issuer, after satisfaction of all liabilities, remaining available for distribution to Holders in liquidation of the Issuer (in either case, the "Liquidation Distribution").

"Holder" shall mean any holder, as registered on the books and records of the Issuer of any Trust Preferred Securities; provided, however, that, in determining whether the holders of the requisite percentage of Trust Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder"

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shall not apply to Trust Preferred Securities beneficially owned by the

Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Trust Preferred Guarantee Trustee, any Affiliate of the Trust Preferred Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Trust Preferred Guarantee Trustee.

"Majority in liquidation amount of the Trust Preferred Securities" means, except as provided by the Trust Indenture Act, a vote by Holder(s) of Trust Preferred Securities, voting separately as a class, of more than 50% of the aggregate liquidation amount (including the amount that would be paid on redemption, liquidation or otherwise, plus accumulated and unpaid Distributions to the date upon which the voting percentages are determined) of all Trust Preferred Securities.

"Officers' Certificate" means, with respect to any Person, a certificate signed by the Chairman of the Board, the President, a Vice President or the Treasurer, and by an Assistant Treasurer, the Secretary or an Assistant Secretary of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Preferred Securities Guarantee shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definition relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Partnership" means Merrill Lynch Preferred Funding II, L.P.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of February __, 1997, among Merrill Lynch & Co., Inc., a Delaware corporation, as general partner, Merrill Lynch Group, Inc.,

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Delaware corporation, as initial limited partner and such other persons who become limited partners as provided therein.

"Partnership Preferred Securities" means those securities representing limited partnership interests in the Partnership.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Responsible Officer" means, with respect to the Trust Preferred Guarantee Trustee, the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president (whether or not designated by a number or a word or words added before or after the title "vice president"), the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, or any other officer of the Trust Preferred Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Rights Agreement" means the Rights Agreement dated as of December 16, 1987 between the Guarantor and The Chase Manhattan Bank (successor by merger to Manufacturers Hanover Trust Guarantor), or any successor to such Rights Agreement.

"Senior Indebtedness" means any payment in respect of indebtedness of the Guarantor for money borrowed, except for any such indebtedness that is by its terms subordinated to or pari passu with the debt instrument of the Guarantor purchased by the Partnership (the "Company Debenture"), as the case may be.

"Successor Trust Preferred Guarantee Trustee" means a successor

Trust Preferred Guarantee Trustee possessing the qualifications to act as Trust Preferred Guarantee Trustee under Section 4.1.

"Trust Common Securities" means the securities representing common undivided beneficial interests in the assets of the Issuer.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

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"Trust Preferred Guarantee Trustee" means The Chase Manhattan Bank, a national banking association, until a Successor Trust Preferred Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Trust Preferred Securities Guarantee and thereafter means each such Successor Trust Preferred Guarantee Trustee.

"Trust Securities" means the Trust Common Securities together with the Trust Preferred Securities.

ARTICLE II TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application

(a) This Trust Preferred Securities Guarantee is subject to the provisions of the Trust Indenture Act that are required to be part of this Trust Preferred Securities Guarantee and shall, to the extent applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this Trust Preferred Securities Guarantee limits, qualifies or conflicts with the duties imposed by Section 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

SECTION 2.2 Lists of Holders of Securities

(a) The Trust Guarantee Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of Trust Preferred Securities. If the Trust Guarantee Trustee is not the Registrar, the Guarantor shall furnish to the Trust Guarantee Trustee semi-annually on or before June 15 and December 15 in each year, and at such other times as the Trust Guarantee Trustee may request in writing, a list, in such form and as of such date as the Trust Guarantee Trustee may require, containing all the information in the possession or control of the Registrar, the Guarantor or any of its Paying Agents other than the Trust Guarantee Trustee as to the names and addresses of Holders of Trust Preferred Securities. If there are unregistered securities outstanding, even if the Trust Guarantee Trustee is the Registrar, the Guarantor shall furnish to the Trust Guarantee Trustee such a list containing such information with respect to Holders of such unregistered securities only.

(b) The Trust Preferred Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and Section 312(b) of the Trust Indenture Act.

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SECTION 2.3 Reports by the Trust Preferred Guarantee Trustee

Within 60 days after May 15 of each year, commencing May 15, 1997, the Trust Preferred Guarantee Trustee shall provide to the Holders of the Trust Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Trust Preferred Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Trust Preferred Guarantee Trustee

The Guarantor shall provide to the Trust Preferred Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5 Evidence of Compliance with Conditions Precedent

The Guarantor shall provide to the Trust Preferred Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Preferred Securities Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or

opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6 Events of Default; Waiver

The Holders of a Majority in liquidation amount of Trust Preferred Securities may, by vote, on behalf of the Holders of all of the Trust Preferred Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Trust Preferred Securities Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.7 Event of Default; Notice

(a) The Trust Preferred Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Trust Preferred Securities, notices of all Events of Default actually known to a Responsible Officer of the Trust Preferred Guarantee Trustee, unless such defaults have been cured before the giving of such notice, provided, that, except in the case of

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default in any Guarantee Payment, the Trust Preferred Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Trust Preferred Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Trust Preferred Securities Trust Preferred Securities.

(b) The Trust Preferred Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless the Trust Preferred Guarantee Trustee shall have received written notice, or a Responsible Officer of the Trust Preferred Guarantee Trustee charged with the administration of the Declaration shall have obtained actual knowledge, of such Event of Default.

SECTION 2.8 Conflicting Interests

The Declaration shall be deemed to be specifically described in this Trust Preferred Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III POWERS, DUTIES AND RIGHTS OF TRUST PREFERRED GUARANTEE TRUSTEE

SECTION 3.1 Powers and Duties of the Trust Preferred Guarantee Trustee

(a) This Trust Preferred Securities Guarantee shall be held by the Trust Preferred Guarantee Trustee for the benefit of the Holders of the Trust Preferred Securities, and the Trust Preferred Guarantee Trustee shall not transfer this Trust Preferred Securities Guarantee to any Person except a Holder of Trust Preferred Securities exercising his or her rights pursuant to Section 5.4(b) or to a Successor Trust Preferred Guarantee Trustee on acceptance by such Successor Trust Preferred Guarantee Trustee of its appointment to act as Successor Trust Preferred Guarantee Trustee. The right, title and interest of the Trust Preferred Guarantee Trustee shall automatically vest in any Successor Trust Preferred Guarantee Trustee, and such vesting and succession of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Trust Preferred Guarantee Trustee.

(b) If an Event of Default actually known to a Responsible Officer of the Trust Preferred Guarantee Trustee has occurred and is continuing, the Trust Preferred Guarantee Trustee shall enforce this Trust Preferred Securities Guarantee for the benefit of the Holders of the Trust Preferred Securities.

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(c) The Trust Preferred Guarantee Trustee, before the occurrence of any Event of Default and after the curing or waiver of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Trust Preferred Securities Guarantee, and no implied covenants shall be read into this Trust Preferred Securities Guarantee against the Trust Preferred Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6) and is actually known to a Responsible Officer of the Trust Preferred Guarantee Trustee, the Trust Preferred Guarantee Trustee shall exercise such of the rights and powers vested in it by this Trust Preferred Securities Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person

would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Trust Preferred Securities Guarantee shall be construed to relieve the Trust Preferred Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Trust Preferred Guarantee Trustee shall be determined solely by the express provisions of this Trust Preferred Securities Guarantee, and the Trust Preferred Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Preferred Securities Guarantee, and no implied covenants or obligations shall be read into this Trust Preferred Securities Guarantee against the Trust Preferred Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Trust Preferred Guarantee Trustee, the Trust Preferred Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trust Preferred Guarantee Trustee and conforming to the requirements of this Trust Preferred Securities Guarantee; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trust Preferred Guarantee Trustee, the Trust Preferred Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Trust Preferred Securities Guarantee;

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(ii) the Trust Preferred Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trust Preferred Guarantee Trustee, unless it shall be proved that the Trust Preferred Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Trust Preferred Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a Majority in liquidation amount of the Trust Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Trust Preferred Guarantee Trustee, or exercising any trust or power conferred upon the Trust Preferred Guarantee Trustee under this Trust Preferred Securities Guarantee; and

(iv) no provision of this Trust Preferred Securities Guarantee shall require the Trust Preferred Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Trust Preferred Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not assured to it under the terms of this Trust Preferred Securities Guarantee or indemnity, reasonably satisfactory to the Trust Preferred Guarantee Trustee, against such risk or liability is not reasonably assured to it.

SECTION 3.2 Certain Rights of Trust Preferred Guarantee Trustee

(a) Subject to the provisions of Section 3.1:

(i) The Trust Preferred Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Trust Preferred Securities Guarantee shall be sufficiently evidenced by an Officers' Certificate.

(iii) Whenever, in the administration of this Trust Preferred Securities Guarantee, the Trust Preferred Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any

action hereunder, the Trust Preferred Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor.

(iv) The Trust Preferred Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any rerecording, refiling or registration thereof).

(v) The Trust Preferred Guarantee Trustee may consult with counsel of its selection, and the advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees. The Trust Preferred Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Trust Preferred Securities Guarantee from any court of competent jurisdiction.

(vi) The Trust Preferred Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Preferred Securities Guarantee at the request or direction of any Holder, unless such Holder shall have provided to the Trust Preferred Guarantee Trustee such security and indemnity, reasonably satisfactory to the Trust Preferred Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Preferred Guarantee Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Trust Preferred Guarantee Trustee; provided that, nothing contained in this Section 3.2(a)(vi) shall be taken to relieve the Trust Preferred Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Trust Preferred Securities Guarantee.

(vii) The Trust Preferred Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trust Preferred Guarantee Trustee, in its discretion, may make

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such further inquiry or investigation into such facts or matters as it may see fit.

(viii) The Trust Preferred Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys, and the Trust Preferred Guarantee Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(ix) Any action taken by the Trust Preferred Guarantee Trustee or its agents hereunder shall bind the Holders of the Trust Preferred Securities, and the signature of the Trust Preferred Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Trust Preferred Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Trust Preferred Securities Guarantee, both of which shall be conclusively evidenced by the Trust Preferred Guarantee Trustee or its agent taking such action.

(x) Whenever in the administration of this Trust Preferred Securities Guarantee the Trust Preferred Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Trust Preferred Guarantee Trustee (i) may request instructions from the Holders of a Majority in liquidation amount of the Trust Preferred Securities, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be fully protected in conclusively relying on or acting in accordance with such instructions.

(xi) The Trust Preferred Guarantee Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith, without negligence, and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Trust Preferred Securities Guarantee.

(b) No provision of this Trust Preferred Securities Guarantee shall be deemed to impose any duty or obligation on the Trust Preferred Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Trust Preferred Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority

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available to the Trust Preferred Guarantee Trustee shall be construed to be a duty.

SECTION 3.3. Not Responsible for Recitals or Issuance of Trust Preferred Securities Guarantee

The recitals contained in this Trust Preferred Securities Guarantee shall be taken as the statements of the Guarantor, and the Trust Preferred Guarantee Trustee does not assume any responsibility for their correctness. The Trust Preferred Guarantee Trustee makes no representation as to the validity or sufficiency of this Trust Preferred Securities Guarantee.

ARTICLE IV
TRUST PREFERRED GUARANTEE TRUSTEE

SECTION 4.1 Trust Preferred Guarantee Trustee; Eligibility

(a) There shall at all times be a Trust Preferred Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Trust Preferred Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Trust Preferred Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Trust Preferred Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Trust Preferred

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Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 4.2 Appointment, Removal and Resignation of Trust Preferred Guarantee Trustee

(a) Subject to Section 4.2(b), the Trust Preferred Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor except during an Event of Default.

(b) The Trust Preferred Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Trust Preferred Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Trust Preferred Guarantee Trustee and delivered to the Guarantor.

(c) The Trust Preferred Guarantee Trustee shall hold office until a Successor Trust Preferred Guarantee Trustee shall have been appointed or until its removal or resignation. The Trust Preferred Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument

in writing executed by the Trust Preferred Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Trust Preferred Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Trust Preferred Guarantee Trustee and delivered to the Guarantor and the resigning Trust Preferred Guarantee Trustee.

(d) If no Successor Trust Preferred Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery of an instrument of removal or resignation, the Trust Preferred Guarantee Trustee resigning or being removed may petition any court of competent jurisdiction for appointment of a Successor Trust Preferred Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Trust Preferred Guarantee Trustee.

(e) No Trust Preferred Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Trust Preferred Guarantee Trustee.

(f) Upon termination of this Trust Preferred Securities Guarantee or removal or resignation of the Trust Preferred Guarantee Trustee pursuant to this Section 4.2, the Guarantor shall pay to the Trust Preferred Guarantee Trustee all amounts due to the Trust Preferred Guarantee Trustee accumulated to the date of such termination, removal or resignation.

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ARTICLE V
GUARANTEE

SECTION 5.1 Guarantee

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), if, as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 5.2 Waiver of Notice and Demand

The Guarantor hereby waives notice of acceptance of this Trust Preferred Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3 Obligations Not Affected

The obligations, covenants, agreements and duties of the Guarantor under this Trust Preferred Securities Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Trust Preferred Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Trust Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Trust Preferred Securities;

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Trust Preferred Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

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(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Trust Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.4 Rights of Holders

(a) The Holders of a Majority in liquidation amount of the Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trust Preferred Guarantee Trustee in respect of this Trust Preferred Securities Guarantee or exercising any trust or power conferred upon the Trust Preferred Guarantee Trustee under this Trust Preferred Securities Guarantee.

(b) If the Trust Preferred Guarantee Trustee fails to enforce its rights under the Trust Preferred Securities Guarantee after a Holder of Trust Preferred Securities has made a written request, such Holder of Trust Preferred Securities may institute a legal proceeding directly against the Guarantor to enforce the Trust Preferred Guarantee Trustee's rights under this Trust Preferred Securities Guarantee, without first instituting a legal proceeding against the Issuer, the Trust Preferred Guarantee Trustee or any other person or entity. Notwithstanding the foregoing, if the Guarantor has failed to make a guarantee payment, a Holder of Trust Preferred Securities may directly institute a proceeding in such Holder's own name against the Guarantor for enforcement of the Trust Preferred Securities Guarantee for such payment. The Guarantor waives any right or remedy to require that any action be brought first against the Issuer or any other person or entity before proceeding directly against the Guarantor.

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SECTION 5.5 Guarantee of Payment

This Trust Preferred Securities Guarantee creates a guarantee of payment and not of collection.

SECTION 5.6 Subrogation

The Guarantor shall be subrogated to all (if any) rights of the Holders of Trust Preferred Securities against the Issuer in respect of any amounts paid to such Holders by the Guarantor under this Trust Preferred Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Trust Preferred Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Trust Preferred Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7 Independent Obligations

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Trust Preferred Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Trust Preferred Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI LIMITATION OF TRANSACTIONS; SUBORDINATION

SECTION 6.1 Limitation of Transactions

So long as any Trust Preferred Securities remain outstanding, if (a) for any distribution period, full distributions on a cumulative basis on any Trust Preferred Securities have not been paid or declared and set apart for payment, (b) an Investment Event of Default by any Investment Affiliate in respect of any Affiliate Investment Instrument has occurred and is continuing, or (c) the Guarantor is in default of its obligations under the Trust Preferred Securities Guarantee, the Trust Common Securities Guarantee, the Partnership Guarantee or any Investment Guarantee, then, during such period (i) the Guarantor shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect

to any of its capital stock or comparable equity

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interest (except for (x) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, its capital stock and conversions or exchanges of common stock of one class into common stock of another class, (y) redemptions or purchases of any rights pursuant to the Rights Agreement and the issuance of preferred stock pursuant to such rights and (z) purchases or acquisitions by the Guarantor or its affiliates in connection with transactions effected by or for the account of customers of the Guarantor or any of its subsidiaries or in connection with the distribution or trading of such capital stock or comparable equity interest) and (ii) the Guarantor shall not make, or permit any Finance Subsidiary to make, any payments that would enable any Finance Subsidiary to make, any payment of any dividends on, any distribution with respect to, or any redemption, purchase or other acquisition of, or any liquidation payment with respect to, any preferred security or comparable equity interest of any Finance Subsidiary.

SECTION 6.2 Ranking

(a) This Trust Preferred Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by the Guarantor and with any other guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock of any Finance Subsidiary, and (iii) senior to the Guarantor's common stock. Any similar guarantee given hereafter by the Guarantor with respect to Trust Preferred Securities that is silent as to seniority will rank pari passu with this Trust Preferred Securities Guarantee.

(b) The holders of obligations of the Guarantor that are senior to the obligations under the Trust Preferred Securities Guarantee (including, but not limited to, obligations constituting Senior Indebtedness) will be entitled to the same rights upon payment default or dissolution, liquidation and reorganization in respect of the Trust Preferred Securities Guarantee that inure to the holders of "Senior Indebtedness" under Article Eleven of the Indenture dated as of December 17, 1996 between Merrill Lynch & Co., Inc. and The Chase Manhattan Bank as against the holders of the Company Debenture, and the holders of the Trust Preferred Securities will be subject to all the terms and conditions of such Article Eleven with respect to any claims or rights hereunder with the same effect as though fully set forth herein.

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ARTICLE VII TERMINATION

SECTION 7.1 Termination

This Trust Preferred Securities Guarantee shall terminate upon (i) full payment of the Redemption Price of all Trust Preferred Securities, (ii) upon the distribution of the Partnership Preferred Securities to the Holders of all of the Trust Preferred Securities or (iii) upon full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Trust Preferred Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Trust Preferred Securities must restore payment of any sums paid under the Trust Preferred Securities or under this Trust Preferred Securities Guarantee.

ARTICLE VIII INDEMNIFICATION

SECTION 8.1 Exculpation

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Trust Preferred Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Trust Preferred Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the

Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Trust Preferred Securities might properly be paid.

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SECTION 8.2 Indemnification

The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Trust Preferred Securities Guarantee or the earlier resignation or removal of the Trust Preferred Guarantee Trustee.

ARTICLE IX MISCELLANEOUS

SECTION 9.1 Successors and Assigns

All guarantees and agreements contained in this Trust Preferred Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Trust Preferred Securities then outstanding.

SECTION 9.2 Amendments

Except with respect to any changes that do not materially adversely affect the rights of Holders (in which case no consent of Holders will be required), this Trust Preferred Securities Guarantee may only be amended with the prior approval of the Holders of at least a Majority in liquidation amount of the Trust Preferred Securities (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accumulated and unpaid Distributions to the date upon which the voting percentages are determined). The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Securities apply to the giving of such approval.

SECTION 9.3 Consolidations and Mergers

The Guarantor may consolidate with, or sell, lease or convey all or substantially all of its assets to, or merge with or into any other corporation; provided, that in any such case, (i) either the Guarantor shall be the continuing corporation, or the successor corporation shall be a corporation organized and existing under the laws of the United States of America thereof and such successor corporation shall expressly assume the due and punctual payment of the Guarantee Payments payable pursuant to

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Section 5.1 hereof and the due and punctual performance and observance of all of the covenants and conditions of this Trust Preferred Securities Guarantee to be performed by the Guarantor by a separate guarantee satisfactory to the Trust Preferred Guarantee Trustee, executed and delivered to the Trust Preferred Guarantee Trustee by such corporation, and (ii) the Guarantor or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale, lease or conveyance, be in default in the performance of any such covenant or condition.

SECTION 9.4 Notices

All notices provided for in this Trust Preferred Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) If given to the Trust Preferred Guarantee Trustee, at the Trust Preferred Guarantee Trustee's Corporate Trust Office.

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Trust Preferred Securities):

Merrill Lynch & Co., Inc.

World Financial Center
South Tower
225 Liberty Street
New York, New York 10080-6105
Attention: Treasurer

(c) If given to any Holder of Trust Preferred Securities, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.5 Benefit

This Trust Preferred Securities Guarantee is solely for the benefit of the Holders of the Trust Preferred Securities and, subject to Section 3.1(a), is not separately transferable from the Trust Preferred Securities.

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SECTION 9.6 Governing Law

THIS TRUST PREFERRED SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

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THIS TRUST PREFERRED SECURITIES GUARANTEE is executed as of the day and year first above written.

MERRILL LYNCH & CO., INC.
as Guarantor

By: _____
Name: Theresa Lang
Title: Senior Vice President
and Treasurer

THE CHASE MANHATTAN BANK, as
Trust Preferred Guarantee Trustee

By: _____
Name: James Heaney
Title: Vice President

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PARTNERSHIP PREFERRED SECURITIES GUARANTEE AGREEMENT

Merrill Lynch Preferred Funding II, L.P.

Dated as of February __, 1997

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PARTNERSHIP PREFERRED SECURITIES GUARANTEE AGREEMENT

This PARTNERSHIP PREFERRED SECURITIES GUARANTEE AGREEMENT (the "Partnership Guarantee"), dated as of February __, 1997, is executed and delivered by Merrill Lynch & Co., Inc., a Delaware corporation (the "Guarantor"), for the benefit of the holders from time to time of the Partnership Preferred Securities (as defined below).

WHEREAS, pursuant to an Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), dated as of the date hereof, of Merrill Lynch Preferred Funding II, L.P., a Delaware limited partnership (the "Issuer"), the Issuer may issue a single series of limited partner interests in the Issuer (the "Partnership Preferred Securities");

WHEREAS, pursuant to the Partnership Agreement, the proceeds received by the Issuer from the issuance and sale of the Partnership Preferred Securities will be invested by the Issuer in the Affiliate Investment Instruments and Eligible Debt Securities (each as defined in the Partnership Agreement); and

WHEREAS, the Guarantor, as incentive for the Holders (as defined herein) to purchase Partnership Preferred Securities, desires hereby irrevocably and unconditionally to agree, to the extent set forth herein, to pay to the Holders the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the purchase by each Holder of Partnership Preferred Securities, which purchase the Guarantor hereby acknowledges shall directly or indirectly provide at least some material benefit to the Guarantor, the Guarantor executes and delivers this Partnership Guarantee for the benefit of the Holders.

ARTICLE I DEFINITIONS

SECTION 1.1. Definitions

As used in this Partnership Guarantee, the terms set forth below shall, unless the context otherwise requires, have the following meanings. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Partnership Agreement.

"Affiliate" has the same meaning as given to that term in Rule 405 under the Securities Act of 1933, as amended, or any successor rule thereunder.

"Finance Subsidiary" means any wholly-owned subsidiary of the Guarantor the principal purpose of which is to raise capital for the Guarantor by issuing securities that are guaranteed by the Guarantor and the proceeds of which are loaned to or invested in the Guarantor or one or more of its affiliates.

"Guarantee Payments" shall mean the following payments or distributions, without duplication, with respect to the Partnership Preferred Securities, to the extent not paid or made by the Issuer: (i) any accumulated and unpaid distributions that have theretofore been declared on the Partnership Preferred Securities out of funds legally available therefor at such time, (ii) the redemption price, including all accumulated and unpaid Distributions to the date of redemption (the "Redemption Price"), payable out of funds legally available therefor at such time, with respect to any Partnership Preferred Securities called for redemption by the Issuer, and (iii) upon a voluntary or involuntary termination or liquidation of the Issuer, the lesser of (a) the aggregate of the liquidation preference and all accumulated and unpaid distributions on the Partnership Preferred Securities to the date of payment out of funds legally available therefor and (b) the amount of assets of the Issuer after satisfaction of all liabilities remaining available for distribution to Holders in liquidation of the Issuer (in either case, the "Liquidation Distribution").

"Holder" shall mean any holder, as registered on the books and records of the Issuer, of any Partner-

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ship Preferred Securities; provided, however, that in determining whether the holders of the requisite percentage of Partnership Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not apply to Partnership Preferred Securities owned beneficially by the Guarantor or any Affiliate of the Guarantor.

"Rights Agreement" means the rights Agreement dated as of December 16, 1987 between the Guarantor and The Chase Manhattan Bank (successor by merger to Manufacturers Hanover Trust Company), or any successor to such Rights Agreement.

"Senior Indebtedness" means any payment in respect of indebtedness of the Guarantor for money borrowed, except for any such indebtedness that is by its terms subordinated to or pari passu with the debt instrument of the Guarantor purchased by the Partnership (the "Company Debenture"), as the case may be.

ARTICLE II GUARANTEE

SECTION 2.1. Guarantee

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments, as and when due (without duplication of amounts theretofore paid by the Issuer), regardless of any defense, right of set-off or counterclaim which the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay

such amounts to the Holders.

SECTION 2.2. Waiver of Notice and Demand

The Guarantor hereby waives notice of acceptance of this Partnership Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

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SECTION 2.3. Obligations Not Affected

The obligations, covenants, agreements and duties of the Guarantor under this Partnership Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Partnership Preferred Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Partnership Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Partnership Preferred Securities;

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Partnership Preferred Securities;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Partnership Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 2.3 that the obligations of

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the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 2.4. Rights of Holders

The Guarantor expressly acknowledges that (i) this Partnership Guarantee will be deposited with the General Partner to be held for the benefit of the Holders; (ii) in the event of the appointment of a Special Representative to, among other things, enforce this Partnership Guarantee, the Special Representative may take possession of this Partnership Guarantee for such purpose; (iii) if no Special Representative has been appointed, the General Partner has the right to enforce this Partnership Guarantee on behalf of the Holders; (iv) the Holders of not less than a majority in aggregate liquidation preference of the Partnership Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available in respect of this Partnership Guarantee including the giving of directions to the General Partner or the Special Representative, as the case may be; and (v) if the General Partner or Special Representative fails to enforce this Partnership Guarantee after a Holder has made a written request and as above provided, any Holder may institute a legal proceeding directly against the Guarantor to enforce its rights under this Partnership Guarantee, without first instituting a legal proceeding against the Issuer or any other person or entity. Notwithstanding the foregoing, if the Guarantor has failed to make a guarantee payment, a Holder may directly institute a proceeding against Guarantor to enforce such payment under this Partnership Guarantee.

SECTION 2.5. Guarantee of Payment

This Partnership Guarantee will not be discharged except by payment of the Guarantee Payments in full to the extent not paid by the Issuer.

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SECTION 2.6. Subrogation

The Guarantor shall be subrogated to all (if any) rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Guarantor under this Partnership Guarantee provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Partnership Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Partnership Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 2.7. Independent Obligations

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Partnership Preferred Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Partnership Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (f), inclusive, of Section 2.3 hereof.

ARTICLE III LIMITATION OF TRANSACTIONS; SUBORDINATION

SECTION 3.1. Limitation of Transactions

So long as any Partnership Preferred Securities remain outstanding, if (a) for any distribution period, full distributions on a cumulative basis on any Partnership Preferred Securities have not been paid or declared and set apart for payment (b) there shall have occurred an Event of Default under the Partnership Agreement or (c) the Guarantor shall be in default with respect to its payment obligations under this Partnership Guarantee, the Trust Preferred Securities Guarantee, the Trust Common Securities Guarantee or any Investment Guarantee then, during such period (i) the Guarantor shall not declare or

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pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock or comparable equity interest (except for (x) dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, its capital stock and conversions or exchanges of common stock of one class into common stock of another class, (y) redemptions or purchases of any rights pursuant to the Rights Agreement and the issuance of preferred stock pursuant to such rights and (z) purchases or acquisitions by the Guarantor or its affiliates in connection with transactions effected by or for the account of customers of the Guarantor or any of its subsidiaries or in connection with the distribution or trading of such capital stock or comparable equity interest) and (ii) the Guarantor shall not make, or permit any Finance Subsidiary to make, any payments that would enable any Finance Subsidiary to make, any payment of any dividends on, any distribution with respect to, or any redemption, purchase or other acquisition of, or any liquidation payment with respect to, any preferred security or comparable equity interest of any Finance Subsidiary.

SECTION 3.2. Ranking

(a) This Partnership Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued from time to time by the Guarantor and with any other guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock of any Finance Subsidiary, and (iii) senior to the Guarantor's common stock. Any similar guarantee given hereafter by the Guarantor with respect to Partnership Preferred Securities that is silent as to seniority will rank pari passu with this Partnership Guarantee.

(b) The holders of obligations of the Guarantor that are senior to the obligations under the Partnership Guarantee (including, but not limited to, obligations constituting Senior Indebtedness) will be entitled to the same rights upon payment default or dissolution, liquidation and reorganization in

debtedness" under Article Eleven of the Indenture dated as of December 17, 1996 between Merrill Lynch & Co., Inc. and The Chase Manhattan Bank as against holders of the Company Debenture, and the holders of the Partnership Preferred Securities will be subject to all the terms and conditions of such Article Eleven with respect to any claims or rights hereunder with the same effect as though fully set forth herein.

ARTICLE IV
TERMINATION

SECTION 4.1. Termination

This Partnership Guarantee shall terminate and be of no further force and effect, as to the Partnership Preferred Securities, upon full payment of the Redemption Price of all Partnership Preferred Securities, and will terminate completely upon full payment of the amounts payable in accordance with the Partnership Agreement upon liquidation of the Issuer. This Partnership Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder must, in accordance with Delaware Revised Uniform Limited Partnership Act, restore payment of any sums paid under any Partnership Preferred Securities or this Partnership Guarantee.

ARTICLE V
MISCELLANEOUS

SECTION 5.1. Successors and Assigns

All guarantees and agreements contained in this Partnership Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Partnership Preferred Securities then outstanding.

SECTION 5.2. Amendments

Except with respect to any changes which do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Partnership Guarantee may only be amended with the prior approval of

the Holders of not less than a majority in aggregate liquidation preference of all the outstanding Partnership Preferred Securities.

SECTION 5.3. Consolidations and Mergers

The Guarantor may consolidate with, or sell, lease or convey all or substantially all of its assets to, or merge with or into any other corporation; provided, that in any such case, (i) either the Guarantor shall be the continuing corporation, or the successor corporation shall be a corporation organized and existing under the laws of the United States of America thereof and such successor corporation shall expressly assume the due and punctual payment of the Guarantee Payments payable pursuant to Section 5.1 hereof and the due and punctual performance and observance of all of the covenants and conditions of this Partnership Guarantee to be performed by the Guarantor by a separate guarantee satisfactory to the Trust Preferred Guarantee Trustee (as defined in the Trust Preferred Securities Guarantee Agreement dated as of February __, 1997), executed and delivered to the Trust Preferred Guarantee Trustee by such corporation, and (ii) the Guarantor or such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale, lease or conveyance, be in default in the performance of any such covenant or condition.

SECTION 5.4. Notices

Any notice, request or other communication required or permitted to be given hereunder to the Guarantor shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), addressed to the Guarantor, as follows (and if so given, shall be deemed given when mailed):

Merrill Lynch & Co., Inc.
World Financial Center
South Tower
225 Liberty Street
New York, New York 10080-6105
Attention: Treasurer

Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Guarantor in the same manner as notices sent by the Issuer to the Holders.

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SECTION 5.5. Benefit

This Partnership Guarantee is solely for the benefit of the Holders and is not separately transferable from the Partnership Preferred Securities.

SECTION 5.6. Governing Law

THIS PARTNERSHIP GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

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THIS PARTNERSHIP GUARANTEE is executed as of the day and year first above written.

MERRILL LYNCH & CO., INC.

By: _____
Name: Theresa Lang
Title: Senior Vice President
and Treasurer

AFFILIATE DEBENTURE GUARANTEE AGREEMENT

Merrill Lynch & Co., Inc., as Guarantor

Merrill Lynch International Incorporated, as Issuer

Dated as of February __, 1997

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AFFILIATE DEBENTURE GUARANTEE AGREEMENT (this "Investment Guarantee"), dated as of February __, 1997, is executed and delivered by Merrill Lynch & Co., Inc., a Delaware corporation (the "Guarantor"), and The Chase Manhattan Bank, as trustee (the "Investment Guarantee Trustee"), for the benefit of the Holder (as defined herein) of the Affiliate Debenture (as defined herein) of Merrill Lynch International Incorporated, a Delaware corporation (the "Issuer").

WHEREAS, pursuant to an Indenture (the "Affiliate Indenture"), dated as of December 17, 1996, between the Issuer and The Chase Manhattan Bank, as indenture trustee (in such capacity, the "Indenture Trustee"), the Issuer is issuing to the Holder on the date hereof its ____% Debenture Due 2017 (the "Affiliate Debenture");

WHEREAS, as incentive for the Holder to purchase the Affiliate Debenture, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Investment Guarantee, to make Guarantee Payments (as defined herein) to the Holder of the Affiliate Debenture on the terms and conditions set forth herein; and

NOW, THEREFORE, in consideration of the purchase by the Holder of the Affiliate Debenture, which purchase the Guarantor hereby acknowledges shall benefit the Guarantor, the Guarantor executes and delivers this Investment Guarantee for the benefit of the Holder.

ARTICLE I
DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions and Interpretation

In this Investment Guarantee, unless the context otherwise requires:

- (a) Capitalized terms used in this Investment Guarantee but not defined in the Preamble above have the respective meanings assigned to them in this Section 1.1;
- (b) Capitalized terms used in this Investment Guarantee but not otherwise defined herein shall have the meanings assigned to them in the Affiliate Indenture.
- (c) a term defined anywhere in this Investment Guarantee has the same meaning throughout;
- (d) all references to "the Investment Guarantee" or "this Investment Guarantee" are to this Investment

Guarantee as modified, supplemented or amended from time to time;

- (e) all references in this Investment Guarantee to Articles and Sections are to Articles and Sections of this Investment Guarantee, unless otherwise specified;
- (f) a term defined in the Trust Indenture Act has the same meaning when used in this Investment Guarantee, unless otherwise defined in this Investment Guarantee or unless the context otherwise requires; and

(g) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 under the Securities Act of 1933, as amended, or any successor rule thereunder.

"Business Day" means any day other than a day on which banking institutions in The City of New York are authorized or required by law to close.

"Company Debenture" means the series of debt securities issued on February __, 1997 under the Company Indenture.

"Company Indenture" means the Indenture between Merrill Lynch & Co., Inc. and The Chase Manhattan Bank, dated as of December 17, 1996.

"Corporate Trust Office" means the office of the Investment Guarantee Trustee at which the corporate trust business of the Investment Guarantee Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Agreement is located at 450 West 33rd Street, 15th Floor, New York, New York 10001, Attention: Corporate Trust Services Division.

"Covered Person" means the Holder or any beneficial owner of the Affiliate Debenture.

"Declaration" means the Amended and Restated Declaration of Trust by and among the Guarantor and certain Trustees, dated as of February __, 1997.

"Event of Default" means a default by the Guarantor on any of its payment or other obligations under this Investment Guarantee.

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"Guarantee Payments" means, without duplication, with respect to the Affiliate Debenture, to the extent not paid or made by the Issuer, the due and punctual payment of the principal of, premium, if any, and interest on the Affiliate Debenture, when and as the same shall become due and payable, whether at maturity or upon declaration of acceleration or otherwise, according to the terms of the Affiliate Debenture and of the Affiliate Indenture.

"Holder" shall mean any holder, as registered on the books and records of the Issuer of the Affiliate Debenture. The initial Holder of the Affiliate Debenture is the Partnership.

"Holder of Partnership Preferred Securities" shall have the meaning specified in the Partnership Agreement.

"Indemnified Person" means the Investment Guarantee Trustee, any Affiliate of the Investment Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Investment Guarantee Trustee.

"Investment Guarantee Trustee" means The Chase Manhattan Bank, until a Successor Investment Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Investment Guarantee and thereafter means each such Successor Investment Guarantee Trustee.

"Majority in aggregate principal amount of the Affiliate Debenture" means, except as provided by the Trust Indenture Act, a vote by Holder(s) of the Affiliate Debenture, voting separately as a class, of more than 50% of the outstanding aggregate principal amount of the Affiliate Debenture plus accrued and unpaid interest to the date upon which the voting percentages are determined.

"Officers' Certificate" means, with respect to any Person, a certificate signed by two authorized officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Investment Guarantee shall include:

- (a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definition relating thereto;
- (b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;
- (c) a statement that each such officer has made such examination or investigation as, in such officer's

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opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

- (d) a statement as to whether, in the opinion of each such officer, such condition of covenant has been complied with.

"Partnership" means Merrill Lynch Preferred Funding II, L.P.

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of February __, 1997, among Merrill Lynch & Co., Inc., a Delaware corporation, as general partner, Merrill Lynch Group, Inc., a Delaware corporation, as initial limited partner and such other persons who become limited partners as provided therein.

"Partnership Preferred Securities" means those securities representing limited partnership interests in the Partnership.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Property Trustee" shall have the meaning specified in the Declaration.

"Responsible Officer" means, with respect to the Investment Guarantee Trustee, any officer within the Corporate Trust Office of the Investment Guarantee Trustee, including any vice president, any assistant vice president, any assistant secretary, the treasurer, any assistant treasurer or other officer of the Corporate Trust Office of the Investment Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Senior Indebtedness" shall have the meaning specified in the Company Indenture.

"Successor Investment Guarantee Trustee" means a Successor Investment Guarantee Trustee possessing the qualifications to act as Investment Guarantee Trustee under Section 4.1.

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"Trust" means the Merrill Lynch Preferred Capital Trust II, a Delaware business Trust, formed under the Declaration.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Trust Preferred Securities" shall have the meaning specified in the Declaration.

ARTICLE II TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application

(a) This Investment Guarantee is subject to the provisions of the Trust Indenture Act that are required to be part of this Investment Guarantee and shall, to the extent applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this Investment Guarantee limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control;

SECTION 2.2 Lists of Holders of Securities

(a) The Guarantor shall provide the Investment Guarantee Trustee (unless the Investment Guarantee Trustee is otherwise the Security Registrar of the Affiliate Debenture) with a list, in such form as the Investment Guarantee Trustee may reasonably require, of the names and addresses of the Holder(s) of the Affiliate Debenture ("List of Holders") as of such date, (i) within one (1) Business Day after June 15 and December 15 of each year, and (ii) at any other time within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Investment Guarantee Trustee provided, that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Investment

Guarantee Trustee by the Guarantor. The Investment Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Investment Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and Section 312(b) of the Trust Indenture Act.

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SECTION 2.3 Reports by the Investment Guarantee Trustee

Within 60 days after December 15 of each year, commencing December 15, 1997 the Investment Guarantee Trustee shall provide to the Holders of the Affiliate Debenture such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Investment Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Investment Guarantee Trustee

The Guarantor shall provide to the Investment Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5 Evidence of Compliance with Conditions Precedent

The Guarantor shall provide to the Investment Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Investment Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.6 Events of Default; Waiver

The Holders of a Majority in aggregate principal amount of the Affiliate Debenture may, by vote, on behalf of the Holders of the Affiliate Debenture, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Investment Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.7 Event of Default; Notice

(a) The Investment Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Affiliate Debenture, notices of all Events of Default actually known to a Responsible Officer of the Investment Guarantee

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Trustee, unless such defaults have been cured before the giving of such notice, provided, that, except in the case of default of any Guaranty Payment, the Investment Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Investment Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Affiliate Debenture.

(b) The Investment Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless the Investment Guarantee Trustee shall have received written notice, or a Responsible Officer of the Investment Guarantee Trustee charged with the administration of the Affiliate Debenture shall have obtained actual knowledge, of such Event of Default.

SECTION 2.8 Conflicting Interests

The Affiliate Debenture shall be deemed to be specifically described in this Investment Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III

POWERS, DUTIES AND RIGHTS OF INVESTMENT GUARANTEE TRUSTEE

SECTION 3.1 Powers and Duties of the Investment Guarantee Trustee

(a) This Investment Guarantee shall be held by the Investment Guarantee Trustee for the benefit of the Holders of the Affiliate Debenture, and the Investment Guarantee Trustee shall not transfer this Investment Guarantee to

any Person except a Holder of the Affiliate Debenture exercising his or her rights pursuant to Section 5.4(b) or to a Successor Investment Guarantee Trustee on acceptance by such Successor Investment Guarantee Trustee of its appointment to act as Successor Investment Guarantee Trustee. The right, title and interest of the Investment Guarantee Trustee shall automatically vest in any Successor Investment Guarantee Trustee, and such vesting and succession of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Investment Guarantee Trustee.

(b) If an Event of Default actually known to a Responsible Officer of the Investment Guarantee Trustee has occurred and is continuing, the Investment Guarantee Trustee shall enforce this Investment Guarantee for the benefit of the Holders of the Affiliate Debenture.

(c) The Investment Guarantee Trustee, before the occurrence of any Event of Default and after the curing or waiver

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of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Investment Guarantee, and no implied covenants shall be read into this Investment Guarantee against the Investment Guarantee Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6) and is actually known to a Responsible Officer of the Investment Guarantee Trustee, the Investment Guarantee Trustee shall exercise such of the rights and powers vested in it by this Investment Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Investment Guarantee shall be construed to relieve the Investment Guarantee Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Investment Guarantee Trustee shall be determined solely by the express provisions of this Investment Guarantee, and the Investment Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Investment Guarantee, and no implied covenants or obligations shall be read into this Investment Guarantee against the Investment Guarantee Trustee; and

(B) in the absence of bad faith on the part of the Investment Guarantee Trustee, the Investment Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Investment Guarantee Trustee and conforming to the requirements of this Investment Guarantee; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Investment Guarantee Trustee, the Investment Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Investment Guarantee;

(ii) the Investment Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Investment Guarantee Trustee, unless it shall be proved that the Investment Guarantee

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Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Investment Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a Majority in aggregate principal amount of the Affiliate Debenture relating to the time, method and place of conducting any proceeding for any remedy available to the Investment Guarantee Trustee, or exercising any trust or power conferred upon the Investment Guarantee Trustee under this Investment Guarantee; and

(iv) no provision of this Investment Guarantee shall require the Investment Guarantee Trustee to expend or risk its own funds or

otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Investment Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Investment Guarantee or indemnity, reasonably satisfactory to the Investment Guarantee Trustee, against such risk or liability is not reasonably assured to it.

SECTION 3.2 Certain Rights of Investment Guarantee Trustee

(a) Subject to the provisions of Section 3.1:

(i) The Investment Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any direction or act of the Guarantor contemplated by this Investment Guarantee shall be sufficiently evidenced by an Officers' Certificate.

(iii) Whenever, in the administration of this Investment Guarantee, the Investment Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Investment Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor.

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(iv) The Investment Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any rerecording, refiling or registration thereof).

(v) The Investment Guarantee Trustee may consult with counsel of its selection, and the advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees. The Investment Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Investment Guarantee from any court of competent jurisdiction.

(vi) The Investment Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Investment Guarantee at the request or direction of any Holder, unless such Holder shall have provided to the Investment Guarantee Trustee such security and indemnity, reasonably satisfactory to the Investment Guarantee Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Investment Guarantee Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Investment Guarantee Trustee; provided that, nothing contained in this Section 3.2(a)(vi) shall be taken to relieve the Investment Guarantee Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Investment Guarantee.

(vii) The Investment Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Investment Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(viii) The Investment Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys, and the Investment Guarantee Trustee shall not be responsible for any

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misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(ix) Any action taken by the Investment Guarantee Trustee or its agents hereunder shall bind the holders of the Affiliate Debenture, and the signature of the Investment Guarantee Trustee or its agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Investment Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Investment Guarantee, both of which shall be conclusively evidenced by the Investment Guarantee Trustee or its agent taking such action.

(x) whenever in the administration of this Investment Guarantee the Investment Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Investment Guarantee Trustee (i) may request instructions from the Holders of a Majority in aggregate principal amount of the Affiliate Debenture, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be fully protected in conclusively relying on or acting in accordance with such instructions.

(xi) The Investment Guarantee Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith, without negligence, and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Investment Guarantee.

(b) No provision of this Investment Guarantee shall be deemed to impose any duty or obligation on the Investment Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Investment Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Investment Guarantee Trustee shall be construed to be a duty.

SECTION 3.3 Not Responsible for Recitals or Issuance of Investment Guarantee

The recitals contained in this Investment Guarantee shall be taken as the statements of the Guarantor, and the Investment Guarantee Trustee does not assume any responsibility for their correctness. The Investment Guarantee Trustee makes no

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representation as to the validity or sufficiency of this Investment Guarantee.

ARTICLE IV INVESTMENT GUARANTEE TRUSTEE

SECTION 4.1 Investment Guarantee Trustee; Eligibility

(a) There shall at all times be an Investment Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Investment Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Investment Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Investment Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Investment Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 4.2 Appointment, Removal and Resignation of Investment
Guarantee Trustee

(a) Subject to Section 4.2(b), the Investment Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor except during a default or an Event of Default.

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(b) The Investment Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Investment Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Investment Guarantee Trustee and delivered to the Guarantor.

(c) The Investment Guarantee Trustee shall hold office until a Successor Investment Guarantee Trustee shall have been appointed or until its removal or resignation. The Investment Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Investment Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Investment Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Investment Guarantee Trustee and delivered to the Guarantor and the resigning Investment Guarantee Trustee.

(d) If no Successor Investment Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 30 days after delivery of an instrument of removal or resignation, the Investment Guarantee Trustee resigning or being removed may petition any court of competent jurisdiction for appointment of a Successor Investment Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Investment Guarantee Trustee.

(e) No Investment Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Investment Guarantee Trustee.

(f) Upon termination of this Investment Guarantee or removal or resignation of the Investment Guarantee Trustee pursuant to this Section 4.2, the Guarantor shall pay to the Investment Guarantee Trustee all amounts due to the Investment Guarantee Trustee accrued to the date of such termination, removal or resignation.

ARTICLE V
GUARANTEE

SECTION 5.1 Guarantee

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

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SECTION 5.2 Waiver of Notice and Demand

The Guarantor hereby waives notice of acceptance of this Investment Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3 Obligations Not Affected

The obligations, covenants, agreements and duties of the Guarantor under this Investment Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Affiliate Debenture to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the interest, principal or premium, if any, or any other sums payable under the terms of the Affiliate Debenture or the extension of time for the performance of any other obligation under, arising out of, or in connection

with, the Affiliate Debenture (other than an extension of time for payment of interest during an Extension Period, as defined in the Affiliate Debenture, permitted by the Affiliate Indenture);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Affiliate Debenture, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Affiliate Debenture;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

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(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.4 Rights of Holders

(a) The Holders of a Majority in aggregate principal amount of the Affiliate Debenture have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Investment Guarantee Trustee in respect of this Investment Guarantee or exercising any trust or power conferred upon the Investment Guarantee Trustee under this Investment Guarantee.

(b) If the Investment Guarantee Trustee fails to enforce its rights under the Investment Guarantee after a Holder of the Affiliate Debenture has made a written request, such Holder of the Affiliate Debenture may institute a legal proceeding directly against the Guarantor to enforce the Investment Guarantee Trustee's rights under this Investment Guarantee, without first instituting a legal proceeding against the Issuer, the Investment Guarantee Trustee or any other Person. Notwithstanding the foregoing, if the Guarantor has failed to make a Guarantee Payment, a Holder of the Affiliate Debenture may directly institute a proceeding in such Holder's own name against the Guarantor for enforcement of the Investment Guarantee for such payment. The Guarantor waives any right or remedy to require that any action be brought first against the Issuer or any other person or entity before proceeding directly against the Guarantor.

SECTION 5.5 Guarantee of Payment

This Investment Guarantee creates a guarantee of payment and not of collection.

SECTION 5.6 Subrogation

The Guarantor shall be subrogated to all (if any) rights of the Holders of Affiliate Debenture against the Issuer in respect of any amounts paid to such Holders by the Guarantor under this Investment Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of

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payment under this Investment Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Investment Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7 Independent Obligations

The Guarantor acknowledges that its obligations hereunder are

independent of the obligations of the Issuer with respect to the Affiliate Debenture, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Investment Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI
SUBORDINATION

SECTION 6.1 Ranking

This Investment Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by the Guarantor and with any other guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference stock of any Affiliate of the Guarantor, and (iii) senior to the Guarantor's common stock. The holders of obligations of the Guarantor that are senior to the obligations under the Investment Guarantee (including, but not limited to, obligations constituting Senior Indebtedness) shall be entitled to the same rights in payment default or dissolution, liquidation and reorganization in respect of this Investment Guarantee that inure to the holders of Senior Indebtedness as against the holders of the Company Debenture specified in Sections 1102, 1103 and 1105 of the Company Indenture.

ARTICLE VII
TERMINATION

SECTION 7.1 Termination

This Investment Guarantee shall terminate upon the repayment in full (whether at maturity, upon redemption or otherwise) of all of the principal of, premium, if any, and interest on (including all accrued and unpaid interest thereon) and any other amounts payable in respect of the Affiliate Debenture. Notwithstanding the foregoing, this Investment Guarantee will continue to be effective or will be reinstated, as

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the case may be, if at any time any Holder of the Affiliate Debenture must restore payment of any sums paid under the Affiliate Debenture or under this Investment Guarantee.

ARTICLE VIII
INDEMNIFICATION

SECTION 8.1 Exculpation

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Investment Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Investment Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which principal, premium, interest or other payments to Holders of the Affiliate Debenture might properly be paid.

SECTION 8.2 Indemnification

The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Investment Guarantee.

ARTICLE IX
MISCELLANEOUS

SECTION 9.1 Successors and Assigns

All guarantees and agreements contained in this Investment Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Partnership Preferred Securities then outstanding. The Company may not assign its rights or delegate its obligations hereunder without the prior approval of the Holders of at least a majority of the aggregated stated liquidation preference of the Partnership Preferred Securities then outstanding, except that the Company may consolidate with, or sell, lease or convey all or substantially all of its assets to, or merge with or into any other corporation, provided that in any such case either the Company shall be the continuing corporation, or the successor corporation shall expressly assume the obligations of the Guarantor hereunder.

SECTION 9.2 Amendments

Except with respect to any changes that do not adversely affect the rights of Holders of Partnership Preferred Securities (in which case no consent will be required), this Investment Guarantee may be amended only with the prior approval of the Holders of not less than a majority in liquidation preference of the outstanding Partnership Preferred Securities, provided that so long as the Property Trustee of the Trust is the Holder of the Partnership Preferred Securities, such amendment will not be effective without the prior written approval of a majority in liquidation amount of the outstanding Trust Preferred Securities.

SECTION 9.3 Consolidations and Mergers

The Guarantor may consolidate with, or sell, lease or convey all or substantially all of its assets to, or merge with or into any other corporation; provided, that in any such case, (i) either the Guarantor shall be the continuing corporation, or the successor corporation shall be a corporation organized and existing under the laws of the United States of America thereof and such successor corporation shall expressly assume the due and punctual payment of the Guarantee Payments payable pursuant to Section 5.1 hereof and the due and punctual performance and observance of all of the covenants and conditions of this Investment Guarantee to be performed by the Guarantor by a separate guarantee satisfactory to the Investment Guarantee Trustee (as defined in this Investment Guarantee dated as of February __, 1997), executed and delivered to the Investment Guarantee Trustee by such corporation, and (ii) the Guarantor or

such successor corporation, as the case may be, shall not, immediately after such merger or consolidation, or such sale, lease or conveyance, be in default in the performance of any such covenant or condition.

SECTION 9.4 Notices

All notices provided for in this Investment Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) If given to the Investment Guarantee Trustee, at the Investment Guarantee Trustee's Corporate Trust Office, Attention: James Heaney, Telecopy: (212) 946-8158 (or such other address as the Investment Guarantee Trustee may give notice of to the Holders of the Affiliate Debenture); and

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Affiliate Debenture):

Merrill Lynch & Co., Inc.
World Financial Center
South Tower
225 Liberty Street
New York, New York 10080-6105
Attention: Treasurer

(c) If given to any Holder of Affiliate Debenture, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in

person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.5 Benefit

This Investment Guarantee is solely for the benefit of the Holders of the Affiliate Debenture and, subject to Section 3.1(a), is not separately transferable from the Affiliate Debenture.

SECTION 9.6 Governing Law

THIS INVESTMENT GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE

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STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

This Investment Guarantee is executed as of the day and year first above written.

MERRILL LYNCH & CO., INC., as
Guarantor

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as
Investment Guarantee Trustee

By: _____
Name:
Title:

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MERRILL LYNCH & CO., INC.

_____ % Subordinated Debenture Due 2017

No. R-1

\$ _____

MERRILL LYNCH & CO., INC., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to MERRILL LYNCH PREFERRED FUNDING II, L.P., or registered assigns, the principal sum of _____ DOLLARS (\$ _____) on March 30, 2017 and to pay interest on said principal sum from February __, 1997 or from the most recent interest payment date (each such date, an "Interest Payment Date") to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on March 30, June 30, September 30 and December 30 of each year, commencing March 30, 1997, at the rate of _____ % per annum plus Additional Interest, if any, until the principal hereof shall have become due and payable, and on any overdue principal. The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Security is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a day on which banking institutions in The City of New York are authorized or required by law to close. The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities, as defined in the Indenture) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the close of business on the Business Day next preceding such Interest Payment Date. Any such interest installment not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on

which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

The Company shall have the right at any time during the term of this Security, from time to time, to extend the interest payment period of such Security for a period not exceeding six consecutive quarters from the date of issue or the most recent date that interest has been paid or been duly provided for (an "Extension Period"). During any Extension Period, interest will compound quarterly and the Company shall have the right to make partial payments of interest on any Interest Payment Date. At the end of any Extension Period the Company shall pay all interest then accrued and unpaid (together with Additional Interest thereon to the extent that payment of such interest is permitted by applicable law). "Additional Interest" means interest that shall accrue on any interest on the Securities that is in arrears for more than one quarter or not paid during an Extension Period, which in either case shall accrue at _____ % per annum compounded quarterly. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that such Extension Period together with all such previous and further extensions thereof shall not exceed six consecutive quarters or extend beyond the Maturity of this Security. Upon the termination of any Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may select a new Extension Period, subject to the foregoing requirements. No interest shall be due and payable during an Extension Period except at the end thereof and no default under this security or Event of Default shall be deemed to occur solely as a result of an Extension Period. The Company shall give the Holder of this Security and the Trustee notice of its selection of an Extension Period at least one Business Day prior to the earlier of (i) the Interest Payment Date or (ii) the date Merrill Lynch Preferred Capital Trust II is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization or to holders of the Trust Preferred Securities of the record date or the date such distributions are payable, but in any event not less than one Business Day prior to such record date.

Payment of the principal of and interest on this Security will be made at the office or agency of the Company maintained for that purpose in New

York, New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer in immediately

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available funds at such place and to such account as may be designated by the Person entitled thereto as specified in the Security Register.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture of each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

Reference is hereby made to the further provisions of the Indenture summarized on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

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Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, Merrill Lynch & Co., Inc. has caused this instrument to be duly executed under its corporate seal.

Dated: February __, 1997

MERRILL LYNCH & CO., INC.

By: _____
Name:
Title:

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Reverse of Security.

This Security is one of a duly authorized issue of Securities of the Company, designated as its _____% Subordinated Debentures Due 2017 (herein called the "Securities"), limited in aggregate principal amount to \$_____ issued under an Indenture, dated as of December 17, 1996 (herein called the "Indenture"), between the Company and The Chase Manhattan Bank, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the securities are, and are to be, authenticated and delivered.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

At any time on or after March 30, 2007, the Company shall have the right to redeem the Securities, in whole or in part, from time to time, at a Redemption Price equal to 100% of the principal amount of Securities to be redeemed plus accrued but unpaid interest, including any Additional Interest, if any, to the Redemption Date.

If, at any time, a Partnership Tax Event or a Partnership Investment Company Event (each a "Partnership Special Event") shall occur and be continuing, the Company may, within 90 days following the occurrence of such Partnership Special Event, elect to redeem the Securities in whole (but not in part), upon not less than 30 or more than 60 days notice at the Redemption

Price, provided that, if at the time there is available to the Company or the Partnership the opportunity to eliminate, within such 90-day period, the Partnership Special Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable such measure that in the sole judgment of the Company has or will cause no adverse effect on the Partnership, the Trust or the Company, and will involve no material cost, the Company will pursue such measure in lieu of redemption.

"Partnership Investment Company Event" means that Merrill Lynch & Co., Inc., in its capacity as general partner of Merrill Lynch Preferred Funding II, L.P. (the "Partnership"), shall have requested and received an opinion of nationally recognized independent legal counsel experienced in such matters to the effect that as a result of the occurrence on or after February __, 1997 of a change in law or regulation or a change in

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interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, the Partnership is or will be considered an "investment company" which is required to be registered under the Investment Company Act of 1940.

"Partnership Tax Event" means that the Merrill Lynch & Co., Inc. in its capacity as general partner of the Partnership, shall have requested and received an opinion of nationally recognized independent tax counsel experienced in such matters to the effect that there has been a Tax Action which affects any of the events described in (i) through (iii) below and that there is more than an insubstantial risk that (i) the Partnership is, or will be subject to United States federal income tax with respect to income accrued or received on the Affiliate Investment Instruments or the Eligible Debt Securities (each as defined in the Limited Partnership Agreement), (ii) the Partnership is, or will be subject to more than a de minimis amount of other taxes, duties or other governmental charges or (iii) interest payable by one or more of the obligors with respect to the Affiliate Investment Instruments (as defined in the Amended and Restated Agreement of Limited Partnership of Merrill Lynch Preferred Funding II, L.P.) to the Partnership is not, or will not be, deductible by the Company for United States federal income tax purposes.

"Tax Action" means (a) an amendment to, change in or announced proposed change in the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) a judicial decision interpreting, applying or clarifying such laws or regulations, (c) an administrative pronouncement or action that represents an official position (including a clarification of an official position) of the governmental authority or regulatory body making such administrative pronouncement or taking such action, or (d) a threatened challenge asserted in connection with an audit of the Company or any of its subsidiaries, the Partnership, or the Trust, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that substantially similar to the Securities, the Partnership Preferred Securities, or the Trust Preferred Securities, which amendment or change is adopted or which decision, pronouncement or proposed change is announced or which action, clarification or challenge occurs on or after the date of the prospectus related to the issuance of the Trust Preferred Securities.

"Limited Partnership Agreement" means the amended and restated agreement of Limited Partnership, dated as of February __, 1997, of the Partnership as amended, modified or otherwise

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supplemented from time to time. If the Securities are only partially redeemed by the Company, the Securities will be redeemed pro rata, by lot or in such other manner as the Trustee shall deem appropriate and fair in its discretion and that may provide for the selection of a portion or portions (equal to twenty-five U.S. dollars (\$25) or any integral multiple thereof) of the principal amount of any Security.

In the event of redemption of this Security in part only, a new Security or Securities for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to the Securities shall occur and be continuing, the principal of the Securities may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions for satisfaction and discharge at any time of the entire indebtedness of this Security upon compliance by the Company with certain conditions set forth in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of Holders of not less than 66 2/3% in principal amount of the Outstanding Securities, to modify the Indenture in a manner affecting the rights of the Holders of the Securities; provided that no such modification may, without the consent of the Holder of each Outstanding Security, (i) extend the fixed maturity of the Securities, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, or (ii) reduce the percentage of principal amount of the Securities, the Holders of which are required to consent to any such modification of the Indenture. The Indenture also contains provisions permitting Holders of specified percentages in principal amount of the Securities at the time Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional,

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to pay the principal of and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in New York, New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any of their respective agents may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security shall be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

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February 3, 1997

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

Merrill Lynch Preferred Funding II, L.P.
c/o Merrill Lynch & Co., Inc.
World Financial Center
North Tower
250 Vesey Street
New York, New York 10281

Merrill Lynch Preferred Capital Trust II
c/o Merrill Lynch & Co., Inc.
World Financial Center
North Tower
250 Vesey Street
New York, New York 10281

Ladies and Gentlemen:

We have acted as counsel to Merrill Lynch & Co., Inc., a Delaware corporation (the "Company"), Merrill Lynch Preferred Funding II, L.P., a Delaware limited partnership (the "Partnership"), and Merrill Lynch Preferred Capital Trust II, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), in connection with the preparation and filing by the Company, the Partnership and the Trust with the Securities and Exchange Commission (the "Commission") of a Registration Statement on Form S-3 (Registration No. 333-20137) (the "Registration Statement") under the Securities Act of 1933, as amended, with respect to (i) the guarantee (the "Trust Guarantee") to be issued by the Company to The Chase Manhattan Bank, as trustee, for the benefit of the holders of the Trust Originated Preferred Securities to be issued by the Trust (the "Trust Preferred Securities"), (ii) the guarantee (the "Partnership Guarantee") to be issued by the Company with respect to the Partnership Preferred Securities to be issued by the

Partnership (the "Partnership Preferred Securities"), (iii) the guarantees (the "Investment Guarantees") with respect to certain debentures (the "Debentures") to be issued by the Company and one or more of its eligible controlled affiliates to be issued by the Company for the benefit of the holders of the Partnership Preferred Securities and (iv) the subordinated debenture (the "Company Debenture") to be issued by the Company to the Partnership pursuant to an indenture (the "Company Indenture") between the Company and The Chase Manhattan Bank, as trustee (the "Debenture Trustee"), each in the form filed as exhibits to the Registration Statement. The Trust Guarantee, the Partnership Guarantee and the Investment Guarantee are hereinafter collectively referred to as the "Guarantees".

We have reviewed the corporate action of the Company in connection with the giving of the Guarantees and the issuance and sale of the Company Debenture by the Company and have examined, and have relied as to matters of fact upon, originals or copies certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such other and further investigations as we have deemed relevant and necessary as a basis for the opinions hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion:

1. The Trust Guarantee has been duly authorized by the Company and when executed and delivered by the Company, and upon the issuance and sale of the Trust Preferred Securities to the holders of the Trust Preferred Securities in accordance with the Registration Statement, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms.

2. The Partnership Guarantee has been duly authorized by the Company and when executed and delivered by the Company, and upon the issuance and sale of the Partnership Preferred Securities to the holders of the Partnership Preferred Securities in accordance with the Registration Statement, will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms.

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3. The Investment Guarantees have been duly authorized by the Company and when executed and delivered by the Company, and upon the issuance and sale of the Debentures to the Partnership in accordance with the Registration Statement, will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms.

4. The Company Debenture has been duly authorized by the Company and when executed and issued by the Company and upon due execution and delivery of the Company Indenture by the Company and the issuance and sale of the Company Debenture to the Partnership in accordance with the Registration Statement (assuming due authorization, execution and delivery of the Company Indenture by the Debenture Trustee and due authentication of the Company Debenture by the Debenture Trustee), will constitute a valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms.

With respect to enforcement, the above opinions are qualified to the extent that enforcement of the Guarantees or the Company Debenture may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally and except as enforcement thereof is subject to general equity principles (regardless of whether enforcement is considered in a proceeding in equity or at law).

We consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name wherever appearing in the Registration Statement and any amendment thereto.

Very truly yours,

/s/ Brown & Wood LLP

Brown & Wood LLP

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[LETTERHEAD OF BROWN & WOOD LLP]

February 3, 1997

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

Merrill Lynch Preferred Funding II, L.P.
 World Financial Center
 North Tower
 New York, New York 10281

Merrill Lynch Preferred Capital Trust II
 World Financial Center
 North Tower
 New York, New York 10281

Re: Merrill Lynch Preferred Capital Trust II's
 Issuance and Sale of Trust
 Originated Preferred Securities ("TOPrS")

Ladies and Gentlemen:

We have acted as tax counsel ("Tax Counsel") to Merrill Lynch & Co., Inc., a Delaware corporation ("Company"), Merrill Lynch Preferred Funding II, L.P., a limited partnership formed under the Delaware Revised Uniform Limited Partnership Act, as amended ("Partnership"), and Merrill Lynch Preferred Capital Trust II, a statutory business trust formed under the Delaware Business Trust Act, as amended ("Trust"), in connection with the preparation and filing by the Company, the Partnership and the Trust with the Securities and Exchange Commission ("Commission") of a Registration Statement on Form S-3 (Registration No. 333-20137) (as amended, "Registration Statement") under the Securities Act of 1933, as amended, and with respect to: (i) the issuance and sale of a subordinated debenture due 2017 ("Company Subordinated Debenture") by the Company pursuant to a form of Indenture ("Company Indenture"), between the Company and The Chase Manhattan Bank, a New York banking corporation, as trustee ("Indenture Trustee") in the form filed as an exhibit to the Registration Statement;

(ii) the issuance and sale of one or more debentures due 2017 (each a "Guaranteed Investment Affiliate Debenture", collectively "Investment Affiliate Debentures") by one or more eligible controlled affiliates of the Company (each an "Investment Affiliate"), pursuant to forms of Indenture (each an "Investment Affiliate Indenture"), from each such Investment Affiliate and the Company to the Indenture Trustee (Company Subordinated Debenture and Investment Affiliate Debentures are collectively referred to hereinafter as the "Debentures" and the forms of Company Indenture and the Investment Affiliate Indentures are collectively referred to hereinafter as the "Indentures"), each of which is guaranteed by the Company pursuant to a form of Affiliate Debenture Guarantee Agreement in the form filed as an exhibit to the Registration Statement; (iii) the issuance and sale of Partnership Preferred Securities by the Partnership to the Trust pursuant to the Amended and Restated Agreement of Limited Partnership ("Partnership Agreement") in the form filed as an exhibit to the Registration Statement; (iv) the issuance and sale of Trust Preferred Securities and Trust Common Securities (collectively, "Trust Securities") pursuant to the Trust's Amended and Restated Declaration of Trust, to be dated as of February __, 1997 ("Declaration") in the form filed as an exhibit to the Registration Statement. The Trust Preferred Securities will be offered for sale to investors pursuant to the Registration Statement.

All capitalized terms used in this opinion letter and not otherwise defined herein shall have the meaning ascribed to such terms in the Registration Statement.

In delivering this opinion letter, we have reviewed and relied upon: (i) the Registration Statement; (ii) forms of the Indentures; (iii) forms of the Debentures; (iv) the form of the Partnership Agreement; (v) the form of the Declaration; (vi) the forms of (A) the Partnership Guarantee Agreement, (B) the Trust Preferred Securities Guarantee Agreement, (C) the Trust Common Securities Guarantee Agreement and (D) the Affiliate Debenture Guarantee Agreement, each filed as exhibits to the Registration Statement; and (vii) the forms of (A) the Partnership Preferred Securities and (B) the Trust Securities, each filed as exhibits to the Registration Statement. In

addition, we have examined, and relied as to matters of fact upon, certain certificates and comparable documents of the Company and certain eligible controlled affiliates of the Company, from which the Company will select Investment Affiliates. Further, we have relied upon certain other statements and representations made by officers of the Company. We also have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of such records of the Company, the Partnership and the Trust and such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinions set forth herein.

In our examination of such material, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of all copies of documents submitted to us. In addition, we also have assumed (i) that the transactions related to the issuance of the Debentures, Partnership Preferred Securities and Trust Securities will be consummated in accordance with the terms

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of the documents and forms of documents described herein and (ii) on the closing date, an Independent Financial Advisor will deliver the opinion required under Section 7.1(b) of the Partnership Agreement.

On the basis of the foregoing and assuming that the Partnership and the Trust were formed and will be maintained in compliance with the terms of the Partnership Agreement and the Declaration, respectively, we hereby confirm (i) our opinions set forth in the Registration Statement under the caption "Certain Federal Income Tax Considerations" and (ii) that, subject to the qualifications set forth therein, the discussion set forth in the Registration Statement under such caption is an accurate summary of the United States federal income tax matters described therein.

We express no opinion with respect to the transactions referred to herein or in the Registration Statement other than as expressly set forth herein. Moreover, we note that there is no authority directly on point dealing with securities such as the Trust Preferred Securities or transactions of the type described herein and that our opinions are not binding on the Internal Revenue Service or the courts, either of which could take a contrary position. Nevertheless, we believe that if challenged, the opinions we express herein would be sustained by a court with jurisdiction in a properly presented case.

Our opinions are based upon the Code, the Treasury regulations promulgated thereunder and other relevant authorities and law, all as in effect on the date hereof. Consequently, future changes in the law may cause the tax treatment of the transactions referred to herein to be materially different from that described above.

The opinions we express herein are limited solely to matters governed by the federal law of the United States.

We hereby consent to the use of this opinion for filing as Exhibit 5.2 to the Registration Statement and the use of our name in the Registration Statement under the captions "Certain Federal Income Tax Considerations" and "Legal Matters".

Very truly yours,

/s/ Brown & Wood LLP

Brown & Wood LLP

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February 3, 1997

Merrill Lynch Capital Trust II
Merrill Lynch Preferred Funding II, L.P.
Merrill Lynch & Co., Inc.
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, New York 10281

Re: Merrill Lynch & Co., Inc.;
Merrill Lynch Preferred Funding II, L.P.;
Merrill Lynch Capital Trust II;
Registration Statement on Form S-3
(Registration No. 333-20137)

Ladies and Gentlemen:

We have acted as special Delaware counsel to Merrill Lynch Capital Trust II, a statutory business trust created under the Business Trust Act of the State of Delaware (Del. Code Ann., tit. 12, Section 3810 et seq.) (the "Trust"), and Merrill Lynch Preferred Funding II, L.P. (the "Partnership"), a limited partnership formed under the Revised Uniform Limited Partnership Act of the State of Delaware (6 Del. C. Section 17-101, et seq.), in connection with the preparation of the Registration Statement on Form S-3 filed by Merrill Lynch & Co., Inc., a corporation organized under the laws of the State of Delaware (the "Company"), the Trust and the Partnership for the registration under the Securities Act of 1933, as amended (the "Act"), of, among other securities, Trust Preferred Securities (the "Trust Preferred Securities") of the Trust and Partnership Preferred Securities (the "Partnership Preferred Securities") of the Partnership.

The Trust Preferred Securities are to be issued pursuant to an Amended and Restated Declaration of Trust of the Trust (the "Declaration") among the Company, as sponsor of the Trust, Chase Manhattan Bank Delaware, as

Merrill Lynch Capital Trust II
Merrill Lynch & Co., Inc.
February 3, 1997
Page 2

Delaware trustee (the "Delaware Trustee"), The Chase Manhattan Bank, as property trustee (the "Property Trustee"), and Theresa Lang and Stanley Schaefer, as regular trustees (the "Regular Trustees"). The Partnership Preferred Securities will be issued pursuant to the Amended and Restated Agreement of Limited Partnership (the "Limited Partnership Agreement") between the Company, as the general partner (in such capacity, the "General Partner"), and Merrill Lynch Group, Inc., a Delaware corporation, as the initial limited partner.

This opinion is being delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Act. Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Registration Statement.

In connection with this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of (i) the Registration Statement on Form S-3 (Registration No. 333-20137) filed by the Company, the Partnership and the Trust with the Securities and Exchange Commission (the "Commission") on January 21, 1997 under the Act, Amendment No. 1 thereto filed with the Commission on January 31, 1997, and Amendment No. 2 thereto filed with the Commission on February 3, 1997 (such Registration Statement, as so amended, being hereinafter referred to as the "Registration Statement"); (ii) the Certificate of Trust of the Trust filed with the Secretary of State of the State of Delaware on January 16, 1997; (iii) the form of the Declaration (including the designations of the terms of the Trust Preferred Securities annexed thereto); (iv) the form of the Trust Preferred Securities and specimen certificates thereof; (v) the form of the Purchase Agreement (the "Purchase Agreement") proposed to be entered into among the Company, the Partnership, the Trust and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Dean Witter Reynolds Inc., A.G. Edwards & Sons, Inc., PaineWebber Incorporated, Prudential Securities Incorporated and Smith Barney Inc., as representatives (the "Representatives") for the Underwriters named in Schedule A thereto (collectively, the "Underwriters") relating to, among other things, the sale of the Trust Preferred Securities; (vi) the Certificate of Limited

Merrill Lynch Capital Trust II
 Merrill Lynch & Co., Inc.
 February 3, 1997
 Page 3

Partnership of the Partnership filed with the Secretary of State of the State of Delaware on January 16, 1997; (vii) the form of the Limited Partnership Agreement (including the designations of the terms of the Partnership Preferred Securities annexed thereto); and (viii) the form of the Partnership Preferred Securities and specimen certificates thereof. We have also examined originals or copies, certified or otherwise identified to our satisfaction, of such other documents, certificates and records as we have deemed necessary or appropriate as a basis for the opinions set forth herein.

In our examination, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies. In making our examination of documents executed by parties other than the Partnership and the Trust, we have assumed that such parties had, or will have, the power, corporate or other, to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action, corporate or other, and execution and delivery by such parties of such documents and that such documents constitute valid and binding obligations of such parties. In addition, we have assumed that the Declaration, the Preferred Securities, the Limited Partnership Agreement and the Partnership Preferred Securities when executed will be in substantially the forms reviewed by us. With respect to the opinion set forth in paragraph (2) below, we have assumed that, except for the exercise of rights and powers expressly permitted by the Limited Partnership Agreement, the holders of Partnership Preferred Securities will not participate in the control of the business of the Partnership. As to any facts material to the opinions expressed herein which were not independently established or verified, we have relied upon oral or written statements and representations of officers, trustees and other representatives of the Company, the Partnership, the Trust and others.

Merrill Lynch Capital Trust II
 Merrill Lynch & Co., Inc.
 February 3, 1997
 Page 4

We do not express any opinion as to the laws of any jurisdiction other than the laws of the State of Delaware.

Based on and subject to the foregoing and to the other qualifications and limitations set forth herein, we are of the opinion that when (i) the Registration Statement becomes effective; (ii) the Declaration, the Purchase Agreement and the Limited Partnership Agreement have been duly executed and delivered by the parties thereto; (iii) the terms of the Trust Preferred Securities have been duly established in accordance with the Declaration and the Trust Preferred Securities have been duly executed and authenticated in accordance with the Declaration and delivered to and paid for by the Underwriters as contemplated by the Purchase Agreement; and (iv) the terms of the Partnership Preferred Securities have been duly established in accordance with the Limited Partnership Agreement and the Partnership Preferred Securities have been duly executed in accordance with the terms of the Limited Partnership Agreement and delivered to and paid for by the Trust as contemplated by the Purchase Agreement:

1. The Trust Preferred Securities will have been duly authorized for issuance and will be validly issued, fully paid and nonassessable, representing undivided beneficial ownership interests in the assets of the Trust; and the holders of the Trust Preferred Securities will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We bring to your attention, however, that the holders of the Trust Preferred Securities may be obligated, pursuant to the Declaration, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers of the Trust Preferred Securities and (ii) provide security and indemnity in connection with the requests of or directions to the Property Trustee to exercise its rights and powers under the Declaration.

2. The Partnership Preferred Securities will have been authorized for issuance and will represent valid partnership interests in the Partnership, and the

Merrill Lynch Capital Trust II
Merrill Lynch & Co., Inc.
February 3, 1997
Page 5

holders of Partnership Preferred Securities, as limited partners of the Partnership, will not be liable to third parties for the obligations of the Partnership. We bring to your attention, however, that the holders of Partnership Preferred Securities may be obligated, pursuant to the Limited Partnership Agreement, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers of Partnership Preferred Securities and the issuance of replacement Partnership Preferred Securities, and (ii) provide security and indemnity in connection with requests of or directions to the Special Representative (as defined in the Limited Partnership Agreement) to exercise its rights and powers under the Limited Partnership Agreement.

We hereby consent to the use of our name under the heading "Legal Matters" in the prospectus which forms a part of the Registration Statement. We also hereby consent to the filing of this opinion with the Commission as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder. This opinion is expressed as of the date hereof unless otherwise expressly stated and we disclaim any undertaking to advise you of any subsequent changes in the facts stated or assumed herein or any subsequent changes in applicable law.

Very truly yours,

Skadden, Arps, Slate, Meagher &
Flom (Delaware)

Exhibit 15

February 3, 1997

Merrill Lynch & Co., Inc.
World Financial Center
North Tower, 31st Floor
New York, NY 10281

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim consolidated financial information of Merrill Lynch & Co., Inc. and subsidiaries for the periods ended March 29, 1996 and March 31, 1995, June 28, 1996 and June 30, 1995, and September 27, 1996 and September 29, 1995, as indicated in our reports dated May 10, 1996, August 9, 1996 and November 8, 1996, respectively; because we did not perform an audit, we expressed no opinion on that information.

We are aware that such reports referred to above, which are included in your Quarterly Reports on Form 10-Q for the quarters ended March 29, 1996, June 28, 1996 and September 27, 1996, are incorporated by reference in this Registration Statement.

We also are aware that the aforementioned reports, pursuant to Rule 436(c) under the Securities Act of 1933, are not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

INDEPENDENT AUDITORS' CONSENT
- - - - -

We consent to the incorporation by reference in this Registration Statement of Merrill Lynch & Co., Inc. (the "Company") on Form S-3 of our reports dated February 26, 1996 appearing in or incorporated by reference in the Annual Report on Form 10-K of the Company for the year ended December 29, 1995 and to the reference to us under the heading "Experts" in the Prospectus, which is a part of this Registration Statement. We also consent to the inclusion in this Registration Statement of our reports dated January 21, 1997 relating to the audits of the balance sheets of Merrill Lynch Preferred Funding II, L.P. and Merrill Lynch Preferred Capital Trust II, appearing in this prospectus, both of which are included in this Registration Statement.

/s/ Deloitte & Touche LLP

February 3, 1997

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM T-1
STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF
A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF
A TRUSTEE PURSUANT TO SECTION 305(b) (2) _____

THE CHASE MANHATTAN BANK
(Exact name of trustee as specified in its charter)

New York 13-4994650
(State of incorporation (I.R.S. employer
if not a national bank) identification No.)

270 Park Avenue 10017
New York, New York (Zip Code)
(Address of principal executive offices)

William H. McDavid
General Counsel
270 Park Avenue
New York, New York 10017
Tel: (212) 270-2611
(Name, address and telephone number of agent for service)

Merrill Lynch & Co., Inc.
(Exact name of obligor as specified in its charter)

Delaware 13-2740599
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification No.)

Merrill Lynch Preferred Funding II, L.P.
(Exact name of obligor as specified in its charter)

Delaware 13-3926165
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification No.)

Merrill Lynch Preferred Capital Trust II
(Exact name of obligor as specified in its charter)

Delaware 13-7108354
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification No.)

World Financial Center 10281
North Tower (Zip Code)
New York, New York
(Address of obligors' principal executive offices)

Trust Originated Preferred Securities of Merrill Lynch
Preferred Capital Trust II
Partnership Preferred Securities of Merrill Lynch
Preferred Funding II, L.P.
Guarantee of Merrill Lynch & Co., Inc.
with respect to Trust Preferred Securities
Guarantee of Merrill Lynch & Co., Inc. with respect to Partnership
Preferred Securities
Guarantees of Merrill Lynch & Co., Inc. with respect to certain debentures
of its wholly owned subsidiaries (the "Affiliate Debentures")
Subordinated Debenture of Merrill Lynch & Co., Inc.
(Title of the indenture securities)

GENERAL

Item 1. General Information.

Furnish the following information as to the trustee:

- (a) Name and address of each examining or supervising authority to which it is subject.

New York State Banking Department, State House, Albany, New York
12110.

Board of Governors of the Federal Reserve System, Washington, D.C.,
20551

Federal Reserve Bank of New York, District No. 2, 33 Liberty Street,
New York, N.Y.

Federal Deposit Insurance Corporation, Washington, D.C., 20429.

- (b) Whether it is authorized to exercise corporate trust powers.

Yes.

Item 2. Affiliations with the Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

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Item 16. List of Exhibits

List below all exhibits filed as a part of this Statement of Eligibility.

1. A copy of the Articles of Association of the Trustee as now in effect, including the Organization Certificate and the Certificates of Amendment dated February 17, 1969, August 31, 1977, December 31, 1980, September 9, 1982, February 28, 1985, December 2, 1991 and July 10, 1996 (see Exhibit 1 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

2. A copy of the Certificate of Authority of the Trustee to Commence Business (see Exhibit 2 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

3. None, authorization to exercise corporate trust powers being contained in the documents identified above as Exhibits 1 and 2.

4. A copy of the existing By-Laws of the Trustee (see Exhibit 4 to Form T-1 filed in connection with Registration Statement No. 333-06249, which is incorporated by reference).

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Act (see Exhibit 6 to Form T-1 filed in connection with Registration Statement No. 33-50010, which is incorporated by reference. On July 14, 1996, in connection with the merger of Chemical Bank and The Chase Manhattan Bank (National Association), Chemical Bank, the surviving corporation, was renamed The Chase Manhattan Bank).

7. A copy of the latest report of condition of the Trustee, published pursuant to law or the requirements of its supervising or examining authority.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939 the Trustee, The Chase Manhattan Bank, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in

THE CHASE MANHATTAN BANK

By /s/ James D. Heaney

 James D. Heaney
 Vice President

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Exhibit 7 to Form T-1

Bank Call Notice

RESERVE DISTRICT NO. 2
 CONSOLIDATED REPORT OF CONDITION OF

The Chase Manhattan Bank
 of 270 Park Avenue, New York, New York 10017
 and Foreign and Domestic Subsidiaries,
 a member of the Federal Reserve System,

at the close of business September 30, 1996, in
 accordance with a call made by the Federal Reserve Bank of this
 District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts in Millions
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	\$ 11,095
Interest-bearing balances	4,998
Securities:	
Held to maturity securities	3,231
Available for sale securities	38,078
Federal Funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's:	
Federal funds sold	8,018
Securities purchased under agreements to resell	731
Loans and lease financing receivables:	
Loans and leases, net of unearned income	\$130,513
Less: Allowance for loan and lease losses	2,938
Less: Allocated transfer risk reserve	27

Loans and leases, net of unearned income, allowance, and reserve	127,548
Trading Assets	48,576
Premises and fixed assets (including capitalized leases)	2,850
Other real estate owned	300
Investments in unconsolidated subsidiaries and associated companies	92
Customer's liability to this bank on acceptances outstanding	2,777
Intangible assets	1,361
Other assets	12,204

TOTAL ASSETS	\$261,859 =====

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LIABILITIES

Deposits	
In domestic offices	\$ 80,163
Noninterest-bearing	\$ 30,596
Interest-bearing	49,567
In foreign offices, Edge and Agreement subsidiaries, and IBF's	65,173
Noninterest-bearing	\$ 3,616
Interest-bearing	61,557
Federal funds purchased and securities sold under agree- ments to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's Federal funds purchased	14,594

Securities sold under agreements to repurchase	14,110
Demand notes issued to the U.S. Treasury	2,200
Trading liabilities	30,136
Other Borrowed money:	
With a remaining maturity of one year or less	16,895
With a remaining maturity of more than one year	449
Mortgage indebtedness and obligations under capitalized leases	49
Bank's liability on acceptances executed and outstanding	2,764
Subordinated notes and debentures	5,471
Other liabilities	13,997
 TOTAL LIABILITIES	 246,001
Limited-Life Preferred stock and related surplus	550
 EQUITY CAPITAL	
Common stock	1,209
Surplus	10,176
Undivided profits and capital reserves	4,385
Net unrealized holding gains (Losses) on available-for-sale securities	(481)
Cumulative foreign currency translation adjustments	19
 TOTAL EQUITY CAPITAL	 15,308

TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK AND EQUITY CAPITAL	\$ 261,859
	=====

I, Joseph L. Sclafani, S.V.P. & Controller of the above-named bank, do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true to the best of my knowledge and belief.

JOSEPH L. SCLAFANI

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

WALTER V. SHIPLEY)
EDWARD D. MILLER) DIRECTORS
THOMAS G. LABRECQUE)