

Prospectus Supplement  
To Prospectus Supplement dated July 26, 1994

Real Estate Investment Trust Portfolio Total Return  
MITTS(R)

Combining 90% Principal Protection with Equity Participation Based on Price and Dividends

[GRAPHIC NO. 1 APPEARS HERE]

For This Offering:

- . Degree of Principal Protection: a minimum of \$9.00 per unit, representing 90% of the original issue price is returned at maturity
- . Upside Potential: based on the performance of the REIT portfolio and the aggregate dollar amount of dividends

This brochure must be attached to the Prospectus and Prospectus Supplement that provides a description of MITTS, including details on the risks associated with an investment in MITTS.

REIT Portfolio Total Return MITTS Features

The Market Index Target-Term Securities (SM) (MITTS(R)) offered hereby are intermediate-term, senior debt securities of Merrill Lynch & Co., Inc. These MITTS combine attractive features of equity and fixed-income investing by offering at maturity 90% protection of the original issue price with the opportunity to participate in (1) the upside potential of the underlying equity portfolio and (2) the aggregate dollar amount of dividends payed on the Portfolio Securities.

The Real Estate Investment Trust ( REIT ) Portfolio is a fixed portfolio consisting of 20 equity securities that trade on the NYSE or AMEX representing a variety of real estate investments.

These MITTS offer investors:

- . Degree of Principal Protection: No less than \$9.00, representing 90% of the original issue price, is returned at maturity regardless of the performance of the underlying equity portfolio during the term of the Securities.
- . Participation in Price Appreciation and Aggregate Dividends of the Underlying Portfolio: At maturity, an investor will receive the Total Return Portfolio Value which will be an amount based upon the value of a REIT portfolio plus the aggregate dollar amount of dividends paid on such stocks during approximately the term of the Securities.
- . Intermediate Maturity: The REIT Portfolio MITTS mature in approximately six years.
- . Senior Debt Securities: These MITTS are non-callable senior debt securities of Merrill Lynch & Co., Inc. There will be no payment of interest, periodic or otherwise, prior to maturity.
- . New York Stock Exchange Listing: Application will be made to list the Securities on the New York Stock Exchange. Such listing is subject to certain conditions described in the Prospectus Supplement.
- . Provides for Payment Only at Maturity: These MITTS provide for a payment only at maturity. There are no periodic payments prior to maturity.
- . Special Considerations: Consult the attached Prospectus Supplement for a detailed description of the risks associated with an investment in MITTS, including the possibility that an investor may receive only 90% of original issue price at maturity. The aggregate dividends paid on the Portfolio Securities will not reflect the opportunity to reinvest dividends as they are paid on the Portfolio Securities. The price an investor receives for MITTS upon sale prior to maturity may be more or less than the original cost, depending on interest rates, dividend rates, time remaining to maturity, the value and volatility of the underlying equity portfolio, creditworthiness of the issuer and other factors described in the Prospectus Supplement.

Delivery of this brochure without an attached Prospectus and Prospectus Supplement which provides a description of the issuer and the Securities, including details on the risks associated with an investment in MITTS, is not authorized.

Who Should Consider MITTS

Since these MITTS are tied to the results of an underlying equity index or portfolio plus aggregate dividends thereon, they may be appropriate for investors with specific investment horizons who seek to participate in the potential price appreciation of stocks and payments of dividends, with the comfort provided by a degree of principal protection.

In particular, MITTS may be an alternative for investors who:

- . Seek total return, but not current income. Any supplemental payment will be payable only at maturity.
- . Want to participate in the aggregate dividends paid and potential changes of dividend rates, but are willing to defer receipt of those dividends until maturity.
- . Want to participate in the appreciation potential offered by stocks but are concerned about limiting principal risk.
- . Seek to add a high-quality, equity-linked investment to balance out a portfolio otherwise dominated by fixed income investments.
- . Are willing to forego current low to moderate interest rates in order to seek higher potential long-term results.

This MITTS offering is made by the attached Prospectus and Prospectus Supplement only, which provide a description of the issuer and the Securities, including details on the risks associated with an investment in MITTS.

#### How These MITTS Work

##### Purchase Price

MITTS are purchased for \$10 each.

##### Payment at Maturity

- . The amount payable at maturity with respect to a Security will equal the Total Return Portfolio Value.
- . The Total Return Portfolio Value will be based on price movement of the underlying portfolio plus aggregate dividends.
- . If the Total Return Portfolio Value is less than the Original Portfolio Value, the amount payable at maturity with respect to a Security will be less than the principal amount of such Security. In no event will the investor receive at maturity less than 90% of principal.

##### Component Stocks of the REIT Portfolio

Component Stock	Primary Realty Type	Weighting
Burnham Pacific Properties, Inc.	Commercial Properties	3.00%
Carr Realty Corporation	Office Buildings	3.00%
Duke Realty Investments, Inc.	Industrial/Office	9.00%
Excel Realty Trust, Inc.	Shopping Centers	2.00%
Federal Realty Investment Trust	Shopping Centers	6.00%
Gables Residential Trust	Apartments	6.00%
General Growth Properties, Inc.	Shopping Centers	4.00%
Health and Retirement Property Trust	Rehab/Nursing Homes	9.00%
Health Care Property Investors, Inc.	Long-Term Care/Rehab	5.00%
JP Realty, Inc.	Shopping Centers	6.00%
Kimco Realty Corporation	Shopping Centers	3.00%
Nationwide Health Properties, Inc.	Nursing Homes/Long-Term Care	5.00%
New Plan Realty Trust	Shopping Centers/Apartments	7.00%
Simon Property Group, Inc.	Regional Malls/Power Centers	10.00%
Taubman Centers, Inc.	Regional Malls	2.00%
TriNet Corporate Realty Trust, Inc.	Industrial/Office	4.00%
Urban Shopping Centers, Inc.	Regional Malls	3.00%
Weingarten Realty Investors	Shopping Centers	8.00%
Wellsford Residential Property Trust	Apartments	3.00%
Western Investment Real Estate Trust	Shopping Centers	2.00%

The inclusion of a component stock in the portfolio should not be viewed as a recommendation to buy or sell such component stock or any underlying shares, and neither the Company nor any of its affiliates make any representation to any purchaser of Securities as to the performance of the portfolio or any component stock. Beneficial owners of the Securities will not have any right to receive any underlying shares.

Merrill Lynch & Co.

"MITTS(R)" is a registered service mark and "Market Index Target-Term Securities(SM)" is a service mark owned by Merrill Lynch & Co., Inc.

SUBJECT TO COMPLETION AND AMENDMENT  
PRELIMINARY PROSPECTUS DATED JULY 26, 1994

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED MARCH 24, 1994)

[LOGO OF MERRILL LYNCH]  
2,500,000 UNITS  
MERRILL LYNCH & CO., INC.  
REAL ESTATE INVESTMENT TRUST PORTFOLIO TOTAL RETURN  
MARKET INDEX TARGET-TERM SECURITIES(SM) DUE AUGUST 31, 2000  
("MITTS(R) ")

An aggregate principal amount of \$25,000,000 of Real Estate Investment Trust Portfolio Total Return Market Index Target-Term Securities(SM) due August 31, 2000 (the "Securities" or "MITTS(R)") of Merrill Lynch & Co., Inc. (the "Company") are being offered hereby. Each \$10 principal amount of Securities will be deemed a "Unit" for purposes of trading and transfer at the Securities Depository described below. Units will be transferable by the Securities Depository, as more fully described below, in denominations of whole Units.

The Securities are being offered at an original issue price of 100% of the principal amount thereof, and will mature on August 31, 2000. At maturity, a beneficial owner of a Security will be paid the Total Return Portfolio Value with respect to each \$10 principal amount of the Security; provided, however, that the amount payable at maturity will not be less than \$9.00 for each Unit of the Securities (the "Minimum Payment"). The Total Return Portfolio Value will be an amount based upon the value of a portfolio (the "Portfolio") of specified stocks of real estate investment trusts ("REITs") plus the aggregate dollar amount of dividends paid on such stocks after the issuance of the Securities as more fully described herein. The value of the Portfolio on the date the Securities are priced by the Company for initial offering to the public will equal \$10 (the "Original Portfolio Value"). While at maturity a beneficial owner of a Security may receive an amount in excess of the principal amount of such Security if the Total Return Portfolio Value exceeds the Original Portfolio Value, there will be no payment of interest, periodic or otherwise, prior to maturity.

IF THE TOTAL RETURN PORTFOLIO VALUE IS LESS THAN THE ORIGINAL PORTFOLIO VALUE, THE AMOUNT PAYABLE AT MATURITY WITH RESPECT TO A SECURITY WILL BE LESS THAN THE PRINCIPAL AMOUNT OF SUCH SECURITY.

The Securities are to be issued as a series of Senior Debt Securities under the Chemical Indenture described herein. The Securities are not redeemable prior to maturity.

For information as to the calculation of the amount that will be paid at maturity, the calculation and the composition of the Portfolio and certain tax consequences to beneficial owners of the Securities, see "Description of Securities," "The Portfolio" and "Certain United States Federal Income Tax Considerations" in this Prospectus Supplement. FOR OTHER INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "SPECIAL CONSIDERATIONS" IN THIS PROSPECTUS SUPPLEMENT.

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

Application will be made to list the Securities on the New York Stock Exchange.

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 SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>  
<CAPTION>

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT	PROCEEDS TO THE COMPANY(1)
<S>	<C>	<C>	<C>
Per Unit.....	\$10	\$	\$

Total..... \$ \$ \$  
</TABLE>

(1) Before deduction of expenses payable by the Company.

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

This Prospectus Supplement and the accompanying Prospectus may be used by the Underwriter in connection with offers and sales related to market-making transactions in the Securities. The Underwriter may act as principal or agent in such transactions. Such sales will be made at prices related to prevailing market prices at the time of sale.

MERRILL LYNCH & CO.

THE DATE OF THIS PROSPECTUS SUPPLEMENT IS AUGUST , 1994.

"MITTS" is a registered service mark and "Market Index Target-Term Securities" is a service mark owned by Merrill Lynch & Co., Inc.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE 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, MAY BE DISCONTINUED AT ANY TIME.

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

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#### SUMMARY

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

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

Securities Offered ... \$25,000,000 Real Estate Investment Trust Portfolio  
Total Return Market Index Target-Term Securities  
("MITTS") due August 31, 2000. The Securities are to be  
issued as a series of Senior Debt Securities under the  
Chemical Indenture described herein.

Listing ..... Application will be made to list the Securities on the  
New York Stock Exchange.

Denominations ..... Units consisting of \$10 principal amount of Securities  
and integral multiples thereof.

Original Issue Price . 100%

Maturity ..... August 31, 2000

Payment at Maturity .. At maturity, a beneficial owner of a Security will be  
entitled to receive, with respect to each \$10 principal  
amount of the Security, the Total Return Portfolio  
Value; provided, however, that the amount payable at  
maturity will not be less than \$9 for each \$10  
principal amount of Securities (the "Minimum Payment").  
The "Total Return Portfolio Value" will be determined  
by Merrill Lynch, Pierce, Fenner & Smith Incorporated,  
an affiliate of the Company, or successor thereto (the  
"Calculation Agent"), and will equal the average (mean)  
of the Daily Total Return Portfolio Values determined  
on each of the first forty-five Calculation Days (or  
such other lesser number of Calculation Days as shall  
occur) during the Calculation Period. The "Daily Total  
Return Portfolio Value" for any Calculation Day will be  
determined by Bridge Data Company (the "Pricing Agent")  
and will equal (i) the Equity Value, plus (ii) the  
Aggregate Dividend Value for such Calculation Day. The  
Pricing Agent currently intends to publish the Daily  
Total Return Portfolio Value three times during each  
business day.

If the Total Return Portfolio Value is less than the Original Portfolio Value, the amount payable at maturity with respect to a Security will be less than the principal amount of such Security; provided, however, that the amount payable at maturity will not be less than the Minimum Payment.

Equity Value ..... "Equity Value" for any Calculation Day will equal the sum of the products of the Market Prices and the applicable Multipliers for the Portfolio Securities (as defined below). The "Market Price" of a Portfolio Security is the closing price of such Portfolio Security on such Calculation Day as more fully described herein. The "Multiplier" relating to each Portfolio Security will be specified under the caption "Description of Securities--Portfolio Securities" below and indicates the number of shares (or fraction

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of one share) of such Portfolio Security included in the calculation of the Daily Total Return Portfolio Value. The Multipliers will remain constant for the term of the Securities unless adjusted for certain corporate events such as stock splits, reverse stock splits or stock dividends or similar adjustments. See "Description of Securities--Adjustments to the Multiplier and Portfolio" in this Prospectus Supplement.

Aggregate Dividend Value ..... "Aggregate Dividend Value" for any Calculation Day will equal the sum of the Dividend Payment amount for each Portfolio Security. The "Dividend Payment" with respect to a Portfolio Security for any Calculation Day will equal the sum of the products of (i) each dividend paid by the issuer of such Portfolio Security on one share of such Portfolio Security during the period from the issue date of the Securities through such Calculation Day multiplied by (ii) the Multiplier applicable to such Portfolio Security at the time each such dividend is paid.

Original Portfolio Value ..... On the date the Securities are priced for initial sale to the public, the Multiplier for each Portfolio Security will be initially set so that the Portfolio value on such date equals \$10 (the "Original Portfolio Value").

Portfolio Securities . The stocks indicated under the caption "Description of Securities--Portfolio Securities" below will be used to calculate the Daily Total Return Portfolio Value. Beneficial owners of the Securities will not have any right to receive Portfolio Securities. The Portfolio Securities are equity securities issued by twenty real estate investment trusts ("REITs"). The initial Multipliers will be determined so that each Portfolio Security represents a percentage of the Original Portfolio Value on the date the Securities are priced for initial sale to the public based on a measure of the liquidity of such Portfolio Security as compared to the other Portfolio Securities. See "Description of Securities--Portfolio Securities" in this Prospectus Supplement. The inclusion of a Portfolio Security in the Portfolio is not a recommendation to buy or sell such Portfolio Security, and neither the Company nor any of its affiliates make any representation to any purchaser of Securities as to the performance of the Portfolio.

Special Considerations ..... The purchase of the Securities involves certain special considerations. The payment at maturity on the Securities will be based on the Total Return Portfolio Value which reflects both changes in the prices of the Portfolio Securities (i.e., the Equity Value) and dividends paid on the Portfolio Securities (i.e., the Aggregate Dividend Value). Decreases in the Equity Value may offset the Aggregate Dividend Value such that the Total Return Portfolio Value may be less than the Original Portfolio Value and result in a payment at maturity less than the principal amount of the Securities. If the Total Return Portfolio Value is less than \$9, the Minimum Payment will be paid at the maturity of the Securities and no additional amount will be paid to reflect the Aggregate Dividend Value.

If the Total Return Portfolio Value is less than the Original Portfolio Value, beneficial owners of the Securities will receive less than the principal amount of such Securities at maturity, but not less than the Minimum Payment. This will be true even though the Daily Total Return Portfolio

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Value on one or more days prior to the Calculation Period may have exceeded the Original Portfolio Value. While at maturity a beneficial owner of a Security may receive an amount in excess of the principal amount of such Security if the Total Return Portfolio Value exceeds the Original Portfolio Value, there will be no payment of interest, periodic or otherwise, prior to maturity. The return based on the Total Return Portfolio Value relative to the Original Portfolio Value generally will not produce the same return as if the Portfolio Securities were purchased and held for a similar period, because, among other reasons, any payment at maturity on the Securities will not reflect the opportunity to reinvest dividends as they are paid on the Portfolio Securities. See "Special Considerations" in this Prospectus Supplement.

There can be no assurance as to how the Securities will trade in the secondary market or whether such market will be liquid. It is expected that the secondary market for the Securities will be affected by the creditworthiness of the Company and by a number of other factors including interest rates, the Aggregate Dividend Value, volatility of the Daily Total Return Portfolio Value, the time remaining to maturity and dividend rates. The trading value of the Securities is expected to depend primarily on the extent of the increase, if any, of the Daily Total Return Portfolio Value over the Original Portfolio Value. If, however, Securities are sold prior to the maturity date at a time when the Daily Total Return Portfolio Value exceeds the Original Portfolio Value, the sale price may be at a discount from the amount expected to be payable to the beneficial owner if such excess of the Daily Total Return Portfolio Value over the Original Portfolio Value were to prevail during the Calculation Period because of the possible fluctuation of the Daily Total Return Portfolio Value between the time of such sale and the calculation of the Total Return Portfolio Value. The price at which a beneficial owner will be able to sell Securities prior to maturity may be at a discount, which could be substantial, from the principal amount thereof, if, at such time, the Daily Total Return Portfolio Value is below, equal to or not sufficiently above the Original Portfolio Value. A discount could also result from rising interest rates.

Beneficial owners of the Securities will receive a payment at maturity which will be based on the Equity Value and the Aggregate Dividend Value, but will not have any right to receive any of the Portfolio Securities.

It is suggested that prospective investors who consider purchasing the Securities should reach an investment decision only after carefully considering the suitability of the Securities in light of the prospective investor's particular circumstances. Prospective investors should also consider the risks specific to the Portfolio, including the risks relating to the real estate market, as described in "The Portfolio".

Investors should also consider the tax consequences of investing in the Securities. See "Certain United States Federal Income Tax Considerations" in this Prospectus Supplement.

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#### SPECIAL CONSIDERATIONS

##### PAYMENT AT MATURITY

The payment at maturity on the Securities will be based on the Total Return

Portfolio Value which reflects both changes in the prices of the Portfolio Securities (i.e., the Equity Value) and dividends paid on the Portfolio Securities (i.e., the Aggregate Dividend Value). Decreases in the Equity Value may offset the Aggregate Dividend Value such that the Total Return Portfolio Value may be less than the Original Portfolio Value and result in a payment at maturity less than the principal amount of the Securities. If the Total Return Portfolio Value is less than \$9, the Minimum Payment will be paid at the maturity of the Securities and no additional amount will be paid to reflect the Aggregate Dividend Value.

If the Total Return Portfolio Value is less than the Original Portfolio Value, beneficial owners of the Securities will receive less than the principal amount of such Securities at maturity, but not less than the Minimum Payment. Beneficial owners will receive only the return of principal if the Total Return Portfolio Value equals the Original Portfolio Value. This will be true even though the Daily Total Return Portfolio Value on one or more days prior to the Calculation Period may have exceeded the Original Portfolio Value since the Total Return Portfolio Value is calculated on the basis of the average of the Daily Total Return Portfolio Values only on certain Calculation Days. While at maturity a beneficial owner of a Security may receive an amount in excess of the principal amount of such Security if the Total Return Portfolio Value exceeds the Original Portfolio Value, there will be no payment of interest, periodic or otherwise, prior to maturity.

Even if the principal of the Securities is fully returned, such return of principal does not reflect any opportunity cost implied by inflation and other factors relating to the time value of money.

The return based on the Total Return Portfolio Value relative to the Original Portfolio Value generally will not produce the same return as if the Portfolio Securities were purchased and held for a similar period, because, among other reasons, any payment at maturity on the Securities will not reflect the opportunity to reinvest dividends as they are paid on the Portfolio Securities. The payment of dividends on the Portfolio Securities is reflected in the Aggregate Dividend Value which is used to determine the Daily Total Return Portfolio Values and in turn the Total Return Portfolio Value. There will be no payments prior to the maturity of the Securities to reflect the payment of dividends on the Portfolio Securities during the term of the Securities.

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

#### TRADING

Application will be made to list the Securities on the New York Stock Exchange. There can be no assurance as to how the Securities will trade in the secondary market or whether such market will be liquid. It is expected that the secondary market for the Securities will be affected by the creditworthiness of the Company and by a number of other factors. The trading value of the Securities is expected to depend primarily on the extent of the increase, if any, of the Daily Total Return Portfolio Value over the Original Portfolio Value. If, however, Securities are sold prior to the maturity date at a time when the Daily Total Return Portfolio Value exceeds the Original Portfolio Value, the sale price may be at a discount from the amount expected to be payable to the beneficial owner if such excess of the Daily Total Return Portfolio

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Value over the Original Portfolio Value were to prevail during the Calculation Period due to the possibility of fluctuation of the Daily Total Return Portfolio Value between the time of such sale and the calculation of the Total Return Portfolio Value. Furthermore, the price at which a beneficial owner will be able to sell Securities prior to maturity may be at a discount, which could be substantial, from the principal amount thereof, if, at such time, the Daily Total Return Portfolio Value is below, equal to or not sufficiently above the Original Portfolio Value. A discount could also result from rising interest rates.

The trading values of the Securities may be affected by a number of interrelated factors, including those listed below. The relationship among these factors is complex, including how these factors affect the value of the principal amount of the Securities payable at maturity, if any, in excess of the principal amount of the Securities. Accordingly, investors should be aware

that factors other than the level of the Daily Total Return Portfolio Value are likely to affect their trading value. The expected theoretical effect on the trading value of the Securities of each of the factors listed below, assuming in each case that all other factors are held constant, is as follows:

Interest Rates. In general, if U.S. interest rates increase, the value of the Securities is expected to decrease. If U.S. interest rates decrease, the value of the Securities is expected to increase. Interest rates may also affect the U.S. economy, and, in turn, affect the Daily Total Return Portfolio Value.

Volatility of the Daily Total Return Portfolio Value. If the volatility of the Daily Total Return Portfolio Value increases, the trading value of the Securities is expected to increase. If the volatility of the Daily Total Return Portfolio Value decreases, the trading value of the Securities is expected to decrease.

Time Remaining to Maturity. The Securities may trade at a value above that which may be inferred from the level of the Daily Total Return Portfolio Value. This difference will reflect a "time premium" due to expectations concerning the Daily Total Return Portfolio Value during the period prior to maturity of the Securities. As the time remaining to maturity of the Securities decreases, however, this time premium is expected to decrease, thus decreasing the trading value of the Securities.

Aggregate Dividend Value. As the Aggregate Dividend Value increases because dividends are paid on the Portfolio Securities, the value of the Securities is expected to increase.

Dividend Rates. In general, if dividend rates on the Portfolio Securities increase, the value of the Securities is expected to decrease. Conversely, if dividend rates on the Portfolio Securities decrease, the value of the Securities is expected to increase. However, rising dividend rates on the Portfolio Securities may increase the value of the Portfolio Securities and, in turn, increase the value of the Securities. Conversely, falling dividend rates on the Portfolio Securities may decrease the value of the Portfolio Securities and, in turn, decrease the value of the Securities.

#### OTHER CONSIDERATIONS

It is suggested that prospective investors who consider purchasing the Securities should reach an investment decision only after carefully considering the suitability of the Securities in the light of each investor's particular circumstances.

Prospective investors should also consider the risks specific to the Portfolio, including the risks relating to the real estate market, as described in "The Portfolio".

Investors should also consider the tax consequences of investing in the Securities. See "Certain United States Federal Income Tax Considerations" in this Prospectus Supplement.

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#### RECENT DEVELOPMENTS

The following summary of certain consolidated financial information concerning the Company for the six months ended June 25, 1993 and July 1, 1994 was derived from, and is qualified in its entirety by reference to, the financial information and data contained in the Company's Current Report on Form 8-K dated July 19, 1994, and other documents incorporated by reference herein. See "Incorporation of Certain Documents by Reference" in the accompanying Prospectus. The Current Report on Form 8-K dated July 19, 1994 (which includes unaudited preliminary financial information for the three and six months ended July 1, 1994) and certain other documents incorporated herein by reference will be superseded by the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1994. 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 for the six months ended July 1, 1994 have been included.

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. Thus, interim results may not necessarily be representative of the full year results of operations.

<TABLE>  
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SIX MONTHS ENDED  
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	JUNE 25, 1993	JULY 1, 1994
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	(IN THOUSANDS, EXCEPT RATIOS)	
<S>	<C>	<C>
Revenues.....	\$ 7,921,993	\$9,219,111
Net Revenues(1).....	\$ 5,166,613	\$5,229,547
Earnings before income taxes and cumulative effect of change in accounting principle.....	\$ 1,185,229	\$1,084,870
Cumulative effect of change in accounting principle(2).....	\$ (35,420)	\$ --
Net earnings.....	\$ 652,013	\$ 623,568
Ratio of earnings to fixed charges(3).....	1.4	--
Total assets(4).....	\$130,631,933	\$ --
Long-term borrowings(4).....	\$ 12,525,414	\$ --
Stockholders' equity(4).....	\$ 5,267,155	\$ --

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Notes:

- (1) Net revenues are revenues net of interest expense.
- (2) Net earnings for 1993 have been reduced by \$35,420,000 to reflect the effect of the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits".
- (3) The ratio of earnings to fixed charges for the six months ended July 1, 1994 is not available as of the date of this Prospectus Supplement. At April 1, 1994, the ratio of earnings to fixed charges was 1.3. For the purpose of calculating the ratio of earnings to fixed charges, "earnings" consists of earnings from continuing operations before income taxes and fixed charges. "Fixed charges" consists of interest costs and that portion of rentals estimated to be representative of the interest factor.
- (4) Certain information as of July 1, 1994 is not available as of the date of the Prospectus Supplement. At April 1, 1994, total assets, long-term borrowings and stockholders' equity were \$179,683,796,000, \$14,852,894,000, and \$5,603,067,000, respectively. To finance its diverse activities, the Company and certain of its subsidiaries borrow substantial amounts of short-term funds on a regular basis. Although the amount of short-term borrowings significantly varies with the level of general business activity, on April 1, 1994, \$492,147,000 of bank loans and \$14,965,436,000 of commercial paper were outstanding. In addition, certain of the Company's subsidiaries lend securities and enter into repurchase agreements to obtain financing. At April 1, 1994, cash deposits for securities loaned and securities sold under agreements to repurchase amounted to \$1,619,172,000 and \$66,156,594,000, respectively. From April 1, 1994 to July 22, 1994, long-term borrowings, net of repayments and repurchases, increased in the amount of approximately \$101,917,000.

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SIX MONTHS ENDED JULY 1, 1994

Strong financial markets, evident throughout 1993 and continuing into the first six weeks of 1994, weakened during the remainder of the 1994 first-half primarily as a result of higher interest rates, unsettled currency markets, and investor caution. Persistent inflation concerns prompted the Federal Reserve to increase short-term interest rates throughout the first six months of 1994. Rising U.S. interest rates, a weak U.S. dollar, reduced underwriting volumes, and unsettled international financial markets contributed to lower levels of business activity industrywide.

For the first six months of 1994, net earnings were \$623.6 million, down \$28.4 million (4%) from the \$652.0 million reported in last year's record first-half. Net earnings for the 1993 period included a \$35.4 million cumulative effect charge (net of \$25.1 million of applicable income tax benefits) related to the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits". Earnings before the cumulative effect of the change in accounting principle decreased 9% from the \$687.4 million reported in the 1993 first-half. Earnings per common share for the first six months of 1994 were \$2.87 primary and fully diluted versus \$2.88 primary and \$2.87 fully diluted (\$3.04 primary and \$3.03 fully diluted, before the 1993 cumulative effect charge) in the prior year's period.

As previously reported, 1993 six month results included a non-recurring pretax lease charge totaling \$103.0 million (\$59.7 million after income taxes) related to the Company's decision not to occupy certain office space at its World Financial Center Headquarters ("Headquarters") facility. An agreement to sublet this space was entered into in the 1993 fourth quarter.

Total revenues increased 16% from the 1993 six-month period to \$9,219 million. Revenues after interest expense ("net revenues") increased 1% in the 1994 first-half to \$5,230 million.

Commission revenues increased 12% from the 1993 six-month period to \$1,559 million on the strength of higher mutual fund, commodity, and listed securities transactions commissions. Mutual fund commissions benefited from increased

distribution and redemption fees earned on mutual funds sold in prior periods. Sales of third party mutual funds decreased from a year ago as transactions in such funds declined, particularly in the 1994 second quarter. Commissions on listed securities and commodity transactions benefited from higher trading volume.

Interest and dividend revenues for the first six months of 1994 rose 37% to \$4,517 million. Interest expense, which includes dividend expense, increased 45% to \$3,990 million. Net interest profit decreased 1% to \$528 million, due primarily to an increase in short-term interest rates and a general flattening of the yield curve, which is the difference between short-term and long-term interest rates. As a result, interest spreads declined, while financing and hedging costs increased from the comparable 1993 period.

Principal transactions revenues decreased 18% for the 1994 six-month period to \$1,228 million. Fixed-income and foreign exchange trading revenues, in the aggregate, decreased due to lower revenues from corporate bonds and preferred stock, non-U.S. government and agency securities, and foreign exchange activities. Equity and commodity trading revenues, in the aggregate, also decreased due to a modest loss from convertible securities, partially offset by higher revenues from commodities trading and foreign equities activities.

Investment banking revenues totaled \$766 million, down 11% in the 1994 first-half. Underwriting activity was slow as industrywide volume in the 1994 second quarter fell to the lowest level since the 1991 third quarter. Lower underwriting revenues were reported in corporate debt and preferred stock, convertible securities, and municipal bonds. Strategic service revenues, which include merger and acquisition fees and advisory service fees, benefited from an increase in merger and acquisition advisory assignments in various industries.

Asset management and portfolio service fees increased 18% to \$876 million due, in part, to increases in stock and bond fund assets under management. Other revenues rose 106% from the 1993 first-half to \$273 million. Contributing to this advance were net realized investment gains in the 1994 period, compared with net investment losses in the year-ago period.

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Non-interest expenses increased 4% over the corresponding 1993 period to \$4,145 million (7% excluding the non-recurring lease charge of \$103.0 million). Compensation and benefits expense, which represented 64% of non-interest expenses, rose 4% from the 1993 six-month period. An increase in the number of full-time employees led to higher base wages, benefit expenses, and production-related compensation. Offsetting this increase was lower incentive compensation tied to reduced profitability. Compensation and benefits expense, as a percentage of net revenues, was 50.6% in 1994 first-half compared with 49.2% in the corresponding 1993 period.

Occupancy costs decreased 35% compared to the corresponding 1993 period (6% excluding the non-recurring pretax lease charge of \$103.0 million), benefiting from continued relocation of support staff to lower cost facilities and reduced space requirements at the Headquarters facility. Other facilities-related costs, which include communications and equipment rental expense and depreciation and amortization expense, rose 11% primarily due to the increased use of market data services and higher depreciation expense from the acquisition of technology-related equipment.

Brokerage, clearing, and exchange fees were up 23% from last year's six-month period due to increased clearinghouse fees related to risk management activities in volatile markets and higher commodity trading volume. Advertising and market development expenses rose 15% from the 1993 six-month period as a result of increased international business initiatives and higher recognition program costs, particularly in the first quarter of 1994. Professional fees were up 43% from the year-ago period due primarily to increased system consulting fees related to technology improvements and higher legal fees. Other expenses advanced 9% due to increased provisions related to customer receivables and higher client-related printing costs.

Income tax expense totaled \$461 million for the 1994 first-half, down 7% from the year earlier period. The tax rate for the 1994 six-month period was 42.5% versus 42.0% in the comparable 1993 period.

On January 1, 1994 the Company adopted Financial Accounting Standards Board Interpretation No. 39 ("Interpretation No. 39"), "Offsetting of Amounts Related to Certain Contracts". Interpretation No. 39 affects the financial statement presentation of balances related to swap, forward, and other similar exchange or conditional type contracts, and certain unconditional type contracts. Prior to the adoption of Interpretation No. 39, the Company followed industry practice in reporting balances for certain types of contracts on a net basis. Unrealized gains and losses for swap, forward, and other similar contracts were reported net on the balance sheet by contract type, while certain receivables and payables related to resale and repurchase agreements were reported net by counterparty. The adoption of Interpretation No. 39 increased assets and liabilities at April 1, 1994 by approximately \$14.0 billion.

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

In the normal course of business, the Company underwrites, trades, and holds non-investment grade securities in connection with its market-making, investment banking, insurance, and derivative structuring activities. These activities are subject to risks related to the creditworthiness of the issuers and the liquidity of the market for such securities, in addition to the usual risks associated with investing, extending credit, underwriting, and trading in investment grade instruments.

Information concerning the Company's positions in highly leveraged and non-investment grade securities and investments in highly leveraged transactions at July 1, 1994 is not available as of the date of this Prospectus Supplement. At April 1, 1994, the carrying value of the extensions of credit provided to corporations entering into leveraged transactions aggregated \$323 million (excluding unutilized revolving lines of credit and other lending commitments of \$56 million), consisting primarily of senior term and subordinated financings to 39 medium-sized corporations. At April 1, 1994, the Company had no bridge loans outstanding. Loans to highly leveraged corporations are carried at unpaid principal balance less a reserve for

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estimated losses. The allowance for loan losses is estimated based on a review of each loan, and consideration of economic, market, and credit conditions. Direct equity investments made in conjunction with the Company's investment and merchant banking activities, which are generally recorded at the lower of cost or estimated net realizable value, aggregated \$296 million at April 1, 1994, representing investments in 81 enterprises. Equity investments in privately held corporations for which sale is restricted by government or contractual requirements are carried at the lower of cost or estimated net realizable value. At April 1, 1994, the Company held interests in partnerships, totaling \$99 million (recorded on the cost basis), that invest in highly leveraged transactions and non-investment grade securities. The Company has a co-investment arrangement to enter into direct equity investments. At April 1, 1994, the additional co-investment commitments were \$30 million. As of April 1, 1994, the Company also has committed to invest an additional \$18 million in partnerships that invest in leveraged transactions. The Company has committed to invest up to \$50 million in a partnership which is expected to be funded by the end of 1994.

As a market-maker, the Company holds trading positions in non-investment grade securities.

At April 1, 1994, the fair value of long and short non-investment grade trading positions represented 4% of aggregated consolidated trading inventories.

The Company's insurance subsidiaries hold non-investment grade securities. At April 1, 1994, non-investment grade insurance investments were \$457 million, representing 6.4% of the total insurance investments. At April 1, 1994, non-investment grade securities of insurance subsidiaries were classified as trading or available-for-sale and were carried at fair value.

At April 1, 1994, the largest non-investment grade concentration consisted of various issues of a Latin American sovereign totaling \$480 million, of which \$166 million represented on-balance sheet hedges. No single industry sector accounted for more than 17% of total non-investment grade positions. At April 1, 1994, the Company held an aggregate carrying value of \$293 million in debt and equity securities of issuers in various stages of bankruptcy proceedings. Approximately 61% of this amount resulted from the Company's market-making activities.

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#### DESCRIPTION OF SECURITIES

##### GENERAL

The Securities are to be issued as a series of Senior Debt Securities under the Senior Indenture specified as the "Chemical Indenture", which is more fully described in the accompanying Prospectus. The principal amount of each Security will equal \$10 for each Unit. The Securities will mature on August 31, 2000.

While at maturity a beneficial owner of a Security may receive an amount in excess of the principal amount of such Security if the Total Return Portfolio Value exceeds the Original Portfolio Value, there will be no payment of interest, periodic or otherwise, prior to maturity. See "Payment at Maturity" below.

The Securities are not subject to redemption by the Company or at the option of any Holder prior to maturity. Upon the occurrence of an Event of Default with respect to the Securities, Holders of the Securities may accelerate the

maturity of the Securities, as described under "--Events of Default and Acceleration" below and "Description of Debt Securities--General--Events of Default" in the accompanying Prospectus.

The Securities are to be issued in denominations of whole Units.

#### PAYMENT AT MATURITY

At maturity, a beneficial owner of a Security will be entitled to receive, with respect to each \$10 principal amount of the Security, the Total Return Portfolio Value; provided, however, that the amount payable at maturity will not be less than \$9 for each \$10 principal amount of Securities (the "Minimum Payment"). Based on the prices of the Portfolio Securities on the date the Securities are priced by the Company for initial offering to the public, the Multipliers will be initially set so that the value of the Portfolio on such date will equal \$10 (the "Original Portfolio Value").

If the Total Return Portfolio Value is equal to \$9 or less, a beneficial owner of a Security will receive the Minimum Payment of \$9 for each \$10 principal amount of the Securities at maturity. If the Total Return Portfolio Value is between \$9 and \$10, a beneficial owner of a Security will receive between \$9 and \$10 for each \$10 principal amount of the Securities at maturity.

The "Total Return Portfolio Value" will be determined by Merrill Lynch, Pierce, Fenner & Smith Incorporated, an affiliate of the Company, or successor thereto (the "Calculation Agent"), and will equal the average (mean) of the Daily Total Return Portfolio Values determined on each of the first forty-five Calculation Days during the Calculation Period. If there are fewer than forty-five Calculation Days, then the Total Return Portfolio Value will equal the average (mean) of the Daily Total Return Portfolio Values on such Calculation Days, and if there is only one Calculation Day, then the Total Return Portfolio Value will equal the Daily Total Return Portfolio Value on such Calculation Day. If no Calculation Days occur during the Calculation Period because of Market Disruption Events, then the Total Return Portfolio Value will equal the Daily Total Return Portfolio Value determined on the last scheduled NYSE Trading Day in the Calculation Period, regardless of the occurrence of a Market Disruption Event on such day. The "Calculation Period" means the period from and including the ninetieth scheduled NYSE Trading Day prior to the maturity date to and including the fourth scheduled NYSE Trading Day prior to the maturity date. "Calculation Day" with respect to the Portfolio Securities means any NYSE Trading Day during the Calculation Period on which a Market Disruption Event with respect to a Portfolio Security has not occurred. "NYSE Trading Day" for purposes of determining the Daily Total Return Portfolio Value shall mean a day on which trading is generally conducted on the New York Stock Exchange and in the over-the-counter market for equity securities in the United States as determined by the Calculation Agent.

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The "Daily Total Return Portfolio Value" for any Calculation Day will be determined by Bridge Data Company, or successor thereto (the "Pricing Agent"), and will equal (i) the Equity Value, plus (ii) the Aggregate Dividend Value for such Calculation Day.

"Equity Value" for any Calculation Day will equal the sum of the products of the Market Prices and the applicable Multipliers for the Portfolio Securities (as defined below). The "Multiplier" relating to each Portfolio Security will be specified under the caption "Description of Securities--Portfolio Securities" below.

"Aggregate Dividend Value" for any Calculation Day will equal the sum of the Dividend Payments for each Portfolio Security. The "Dividend Payment" with respect to a Portfolio Security for any Calculation Day will equal the sum of the products of (i) each dividend paid by the issuer of such Portfolio Security on one share of such Portfolio Security during the period from the issue date of the Securities through such Calculation Day (but not including any reinvestment thereof) multiplied by (ii) the Multiplier applicable to such Portfolio Security at the time each such dividend is paid. A dividend will be considered paid by an issuer on the day the issuer actually pays such dividend and not on the day such dividend is declared or the record date for the payment of such dividend is fixed.

"Market Price" means for a Calculation Day (i) the last reported sale price, regular way, on such day on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such Portfolio Security is listed or admitted to trading, or (ii) if not listed or admitted to trading on any such securities exchange or if such last reported sale price is not obtainable, the last reported regular way sale price on the over-the-counter market as reported on the Nasdaq National Market ("NNM") or OTC Bulletin Board Service ("OTC Bulletin Board") operated by the National Association of Securities Dealers, Inc. (the "NASD") on such day, or (iii) if the last reported sale price is not available pursuant to (i) and (ii) above, the mean of the last reported bid and offer price on the over-the-counter market as reported on the NNM or OTC Bulletin Board on such day as determined by the Pricing Agent. If the Portfolio Security is not listed on a national

securities exchange in the United States, is not a NNM security or is not included in the OTC Bulletin Board operated by the NASD, Market Price means the average (mean) of the last available bid and offer prices in the United States over-the-counter market of the three dealers which have the highest volume of transactions in such Portfolio Security in the immediately preceding calendar month as determined by the Calculation Agent based on information that is reasonably available to it. The term "NNM security" shall include a security included in any successor to such system and the term "OTC Bulletin Board Service" shall include any successor service thereto. If the Pricing Agent is required to use the bid and offer price for a Portfolio Security to determine the Market Price of such Portfolio Security pursuant to the foregoing, the Pricing Agent shall not use any bid or offer price announced by Merrill Lynch, Pierce, Fenner & Smith Incorporated or any other affiliate of the Company or the Pricing Agent.

"Market Disruption Event" with respect to a Portfolio Security means either of the following events, as determined by the Calculation Agent:

(i) the suspension or material limitation (provided that limitations pursuant to New York Stock Exchange Rule 80A (or any applicable rule or regulation enacted or promulgated by the New York Stock Exchange, any other self regulatory organization or the Securities and Exchange Commission of similar scope as determined by the Calculation Agent) on trading during significant market fluctuations shall be considered "material" for purposes of this definition) in the trading of such Portfolio Security in the over-the-counter market or on any exchange in the United States for more than two hours of trading or during the period one-half hour prior to the time that such Portfolio Security is to be priced, or

(ii) the suspension or material limitation (whether by reason of movements in price otherwise exceeding levels permitted by the relevant exchange or otherwise) in option contracts related to a Portfolio Security traded on any exchange for more than two hours of trading or during the period one-half hour prior to the time that such Portfolio Security is to be priced.

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For the purposes of this definition, a limitation on the hours in a trading day and/or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange.

All determinations made by the Calculation Agent or the Pricing Agent, as the case may be, shall be at the sole discretion of the Calculation Agent or the Pricing Agent, as the case may be, and, in the absence of a determination of manifest error, shall be conclusive for all purposes and binding on the Company and beneficial owners of the Securities. All percentages resulting from any calculation on the Securities will be rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent with one-half cent being rounded upwards.

PORTFOLIO SECURITIES

The common stocks of the issuers listed below (the "Portfolio Securities") will be used to calculate the Daily Total Return Portfolio Value. Holders of the Securities will not have any right to receive the Portfolio Securities. The following table sets forth the issuers of the Portfolio Securities, the value of market capitalization of the Portfolio Securities, the percentage of each Portfolio Security in the Original Portfolio Value and their initial Multipliers. The percentage of each Portfolio Security in the Original Portfolio Value was based on a measure of the liquidity of each such Portfolio Security as compared to other Portfolio Securities as more fully described below. The market capitalization of a Portfolio Security was not used to determine the percentage of each Portfolio Security in the Original Portfolio Value.

<TABLE>  
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ISSUERS OF THE PORTFOLIO SECURITIES	APPROXIMATE MARKET VALUE OF ISSUERS OF PORTFOLIO SECURITIES (1)	% OF PORTFOLIO VALUE REPRESENTED	
		IN ORIGINAL PORTFOLIO VALUE (2)	INITIAL MULTIPLIER (2)
-----	-----	-----	-----
	(IN MILLIONS)		
<S>	<C>	<C>	<C>
Burnham Pacific Proper- ties, Inc. ....	\$ 270	3.00%	
Carr Realty Corporation.	\$ 269	3.00%	
Duke Realty Investments, Inc. ....	\$ 435	9.00%	
Excel Realty Trust,			

Inc. ....	\$ 216	2.00%
Federal Realty Invest- ment Trust.....	\$ 818	6.00%
Gables Residential Trust.....	\$ 234	6.00%
General Growth Proper- ties, Inc. ....	\$ 509	4.00%
Health and Retirement Property Trust.....	\$ 678	9.00%
Health Care Property In- vestors, Inc. ....	\$ 793	5.00%
JP Realty, Inc. ....	\$ 276	6.00%
Kimco Realty Corpora- tion.....	\$ 737	3.00%
Nationwide Health Prop- erties, Inc. ....	\$ 672	5.00%
New Plan Realty Trust...	\$1,059	7.00%
Simon Property Group, Inc. ....	\$1,282	10.00%
Taubman Centers, Inc. ..	\$ 502	2.00%
TriNet Corporate Realty Trust, Inc. ....	\$ 263	4.00%
Urban Shopping Centers, Inc. ....	\$ 307	3.00%
Weingarten Realty In- vestors.....	\$1,007	8.00%
Wellsford Residential Property Trust.....	\$ 211	3.00%
Western Investment Real Estate Trust.....	\$ 233	2.00%

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- (1) The approximate total market value of the issuer of a Portfolio Security was calculated by multiplying the most recent publicly available number of outstanding shares (excluding treasury shares) of the Portfolio Security of such issuer by the Market Price for such share on July 19, 1994.
- (2) The initial Multipliers will be determined on the date the Securities are priced by the Company for initial offering to the public. The percentage of the value of each Portfolio Security indicated in the foregoing table is based on market prices of the Portfolio Securities on July 15, 1994.

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The percentage of the Original Portfolio Value represented by each Portfolio Security was determined by the Calculation Agent on July 15, 1994 and equaled the Average Dollar Volume of such Portfolio Security expressed as a percentage of the Total Average Dollar Volume of all Portfolio Securities for the 180 calendar days preceding July 15, 1994 rounded to the nearest whole percent; provided, however, such percentage was not allowed to exceed 10%. Since the Portfolio Security issued by Simon Property Group, Inc. would otherwise have exceeded 10% of the Original Portfolio Value, the percentage of the Original Portfolio Value assigned to such Portfolio Security was set at 10% and the percentage of the Original Portfolio Value represented by each other Portfolio Security was determined by allocating the remaining 90% of the Original Portfolio Value to the other Portfolio Securities based on the Average Dollar Volume of each such other Portfolio Security relative to the Total Average Dollar Volume of all Portfolio Securities, excluding the Portfolio Security issued by Simon Property Group, Inc. "Average Dollar Volume" for a Portfolio Security means the product of the daily average (mean) number of shares of such Portfolio Security based on the number of shares traded during the specified period and the last reported sale price of such Portfolio Security on July 15, 1994 as such information is reported on the information service operated by Bloomberg, L.P. The Calculation Agent and an affiliate together own a 30% limited partnership interest of Bloomberg, L.P. "Total Average Dollar Volume" means the total of the Average Dollar Volumes for each Portfolio Security during the specified period. Portfolio Securities which have a higher Average Dollar Volume relative to other Portfolio Securities will have a greater weight in the Original Portfolio Value, subject to the limitation that no Portfolio Security may represent more than 10% of the Original Portfolio Value. The initial Multiplier with respect to each Portfolio Security will be determined by the Calculation Agent on the date that the Securities are priced by the Company for initial offering to the public (the "Pricing Date") and will equal the number of shares, or portion of a share, of such Portfolio Security which could be purchased on the Pricing Date by the portion of the Original Portfolio Value allocated to such Portfolio Security using the closing market price of such Portfolio Security on the Pricing Date. The respective Multipliers will remain constant for the term of the Securities unless adjusted for certain corporate events, as described below.

The Daily Total Return Portfolio Value for any Calculation Day will equal the sum of the Equity Value and the Aggregate Dividend Value (determined as described herein on such Calculation Day). The Total Return Portfolio Value, however, is calculated based on averaging the Daily Total Return Portfolio Values on certain Calculation Days.

The Pricing Agent currently intends to publish the Daily Total Return Portfolio Value three times during each business day calculated in the same manner as the Daily Total Return Portfolio Value will be calculated on a Calculation Day. The Pricing Agent will make available information concerning the Daily Total Return Portfolio Value to the electronic reporting services operated by Bloomberg, L.P. and to newspapers and specialized trade publications. There can be no assurance that such information will ultimately be published by such sources. Investors will be able to request the current Daily Total Return Portfolio Value from their brokers, who will generally be able to obtain the Daily Total Return Portfolio Value from such electronic reporting services. If an investor has a Merrill Lynch brokerage account, such investor should consult his/her Financial Consultant, who will generally be able to obtain the Daily Total Return Portfolio Value from such electronic reporting services.

#### ADJUSTMENTS TO THE MULTIPLIER AND PORTFOLIO

The Multiplier with respect to any Portfolio Security and the Portfolio will be adjusted as follows:

1. If a Portfolio Security is subject to a stock split or reverse stock split, then once such split has become effective, the Multiplier relating to such Portfolio Security will be adjusted to equal the product of the number of shares issued with respect to one such share of such Portfolio Security, and the prior multiplier.

2. If a Portfolio Security is subject to a stock dividend (issuance of additional shares of the Portfolio Security) that is given equally to all holders of shares of the issuer of such Portfolio Security, then once the dividend has become effective and such Portfolio Security is trading ex-dividend, the Multiplier will be adjusted so that the new Multiplier shall equal the former Multiplier plus the product of the number of shares of such Portfolio Security issued with respect to one such share of Portfolio Security and the prior multiplier.

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3. There will be no adjustments to the Multipliers to reflect cash dividends or distributions paid with respect of a Portfolio Security. Cash dividends will be included in the calculation of the Aggregate Dividend Value.

4. If the issuer of a Portfolio Security is being liquidated or is subject to a proceeding under any applicable bankruptcy, insolvency or other similar law, such Portfolio Security will continue to be included in the Portfolio so long as a Market Price for such Portfolio Security is available. If a Market Price is no longer available for a Portfolio Security for whatever reason, including the liquidation of the issuer of such Portfolio Security or the subjection of the issuer of such Portfolio Security to a proceeding under any applicable bankruptcy, insolvency or other similar law, then the value of such Portfolio Security will equal zero in connection with calculating the Equity Value and Total Return Portfolio Value for so long as no Market Price is available, and no attempt will be made to find a replacement stock or increase the value of the Portfolio to compensate for the deletion of such Portfolio Security.

5. If the issuer of a Portfolio Security has been subject to a merger or consolidation and is not the surviving entity, then a value for such Portfolio Security will be determined at the time such issuer is merged or consolidated and will equal the last available Market Price for such Portfolio Security and that value will be constant for the remaining term of the Securities. At such time, no adjustment will be made to the Multiplier of such Portfolio Security. The Company may at its sole discretion increase such last available Market Price to reflect payments or dividends of securities or other consideration to holders of such Portfolio Security in connection with such a merger or consolidation which may not be reflected in such last available Market Price.

6. If the issuer of a Portfolio Security issues to all of its shareholders equity securities of an issuer other than the issuer of the Portfolio Security, then such new equity securities will be added to the Portfolio as a new Portfolio Security. The Multiplier for such new Portfolio Security will equal the product of the original Multiplier with respect to the Portfolio Security for which the new Portfolio Security is being issued (the "Original Portfolio Security") and the number of shares of the new Portfolio Security issued with respect to one share of the Original Portfolio Security. The Dividend Payment for such new Portfolio Security will be determined as described herein, except that the period during which dividends paid by the issuer of such new Portfolio Security will be from the date such new Portfolio Security is issued to holders of the Original Portfolio Security through the relevant Calculation Date.

No adjustments of any Multiplier of a Portfolio Security will be required unless such adjustment would require a change of at least 1% in the Multiplier

then in effect. The Multiplier resulting from any of the adjustments specified above will be rounded to the nearest one thousandth with five ten-thousandths being rounded upward.

No adjustments to the Multiplier of any Portfolio Security or to the Portfolio will be made other than those specified above.

#### HYPOTHETICAL PAYMENTS

The following table illustrates, for a range of hypothetical Equity Values and hypothetical Aggregate Dividend Values, the percentage change in the Equity Value, the Total Return Portfolio Value, the amount payable at maturity for each \$10 principal amount of Securities and the pretax annualized rate of return to beneficial owners of the Securities. AN INVESTMENT IN THE PORTFOLIO SECURITIES WOULD BE SIGNIFICANTLY DIFFERENT THAN INVESTING IN THE SECURITIES, BECAUSE, AMONG OTHER REASONS, ANY PAYMENT AT MATURITY ON THE SECURITIES WILL NOT REFLECT THE OPPORTUNITY TO REINVEST DIVIDENDS AS THEY ARE PAID ON THE PORTFOLIO SECURITIES.

<TABLE>  
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HYPOTHETICAL EQUITY VALUE	PERCENTAGE CHANGE IN EQUITY VALUE	HYPOTHETICAL AGGREGATE DIVIDEND VALUE (2)	TOTAL RETURN PORTFOLIO VALUE	AMOUNT PAYABLE AT MATURITY PER UNIT OF MITTS	PRETAX ANNUALIZED RATE OF RETURN AT MATURITY (1) (2)
<S>	<C>	<C>	<C>	<C>	<C>
\$0.00	-100%	\$2.01	\$2.01	\$9.00	-1.76%
\$1.00	-90%	\$2.23	\$3.23	\$9.00	-1.76%
\$2.00	-80%	\$2.45	\$4.45	\$9.00	-1.76%
\$3.00	-70%	\$2.67	\$5.67	\$9.00	-1.76%
\$4.00	-60%	\$2.89	\$6.89	\$9.00	-1.76%
\$5.00	-50%	\$3.11	\$8.11	\$9.00	-1.76%
\$5.73	-42.70%	\$3.27	\$9.00	\$9.00	-1.76%

</TABLE>

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<TABLE>  
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HYPOTHETICAL EQUITY VALUE	PERCENTAGE CHANGE IN EQUITY VALUE	HYPOTHETICAL AGGREGATE DIVIDEND VALUE (2)	TOTAL RETURN PORTFOLIO VALUE	AMOUNT PAYABLE AT MATURITY PER UNIT OF MITTS	PRETAX ANNUALIZED RATE OF RETURN AT MATURITY (1) (2)
<S>	<C>	<C>	<C>	<C>	<C>
\$ 6.00	-40.00%	\$3.32	\$ 9.32	\$ 9.32	-1.16%
\$ 7.00	-30.00%	\$3.54	\$10.54	\$10.54	0.88%
\$ 8.00	-20.00%	\$3.76	\$11.76	\$11.76	2.72%
\$ 9.00	-10.00%	\$3.98	\$12.98	\$12.98	4.40%
\$10.00	0.00%	\$4.20	\$14.20	\$14.20	5.93%
\$11.00	10.00%	\$4.42	\$15.42	\$15.42	7.35%
\$12.00	20.00%	\$4.64	\$16.64	\$16.64	8.67%
\$13.00	30.00%	\$4.86	\$17.86	\$17.86	9.90%
\$14.00	40.00%	\$5.07	\$19.08	\$19.08	11.06%
\$15.00	50.00%	\$5.29	\$20.29	\$20.29	12.15%
\$16.00	60.00%	\$5.51	\$21.51	\$21.51	13.18%
\$17.00	70.00%	\$5.73	\$22.73	\$22.73	14.17%
\$18.00	80.00%	\$5.95	\$23.95	\$23.95	15.10%
\$19.00	90.00%	\$6.17	\$25.17	\$25.17	15.99%
\$20.00	100.00%	\$6.39	\$26.39	\$26.39	16.84%

</TABLE>

- (1) The annualized rates of return specified in the preceding table are calculated on a semiannual bond equivalent basis. All returns assume a maturity of six years.
- (2) The annualized pretax rates of return and hypothetical Aggregate Dividend Values specified in the preceding table were calculated assuming (i) dividends are paid at the end of each calendar quarter from the date the Securities are issued by the Company at a constant dividend yield of 7% per annum on the hypothetical Equity Value of the Portfolio Securities at the end of each such quarter, and (ii) the hypothetical Equity Value of the Portfolio Securities at the end of each such quarter is determined based on the Equity Value increasing or decreasing, as the case may be, from \$10 to the hypothetical Equity Value specified in the table in a straight line manner. The aggregate dividend yield of the Portfolio Securities was approximately 7% as of July 15, 1994.

The above figures are for purposes of illustration only. The actual amount payable at maturity with respect to the Securities will depend entirely on the actual Total Return Portfolio Value.

#### EVENTS OF DEFAULT AND ACCELERATION

In case an Event of Default with respect to any Securities shall have occurred and be continuing, the amount payable to a Holder of a Security upon any acceleration permitted by the Securities will be equal to the amount payable calculated as though the date of early repayment were the maturity date of the Securities. See "Description of Securities--Payment at Maturity" in this Prospectus Supplement. If a bankruptcy proceeding is commenced in respect of the Company, the claim of the Holder of a Security may be limited, under Section 502(b)(2) of Title 11 of the United States Code, to the principal amount of the Security plus an additional amount, if any, of contingent interest calculated as though the date of the commencement of the proceeding were the maturity date of the Securities.

In case of default in payment at the maturity date of the Securities (whether at their stated maturity or upon acceleration), from and after the maturity date the Securities shall bear interest, payable upon demand of the Holders thereof, at the rate of 7 1/2% per annum (to the extent that payment of such interest shall be legally enforceable) on the unpaid amount due and payable on such date in accordance with the terms of the Securities to the date payment of such amount has been made or duly provided for.

#### SECURITIES DEPOSITORY

Upon issuance, all Securities will be represented by one or more fully registered global securities (the "Global Securities"). Each such Global Security will be deposited with, or on behalf of, The Depository Trust Company, as Securities Depository, registered in the name of the Securities Depository or a nominee thereof.

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Unless and until it is exchanged in whole or in part for Securities in definitive form, no Global Security may be transferred except as a whole by the Securities Depository to a nominee of such Securities Depository or by a nominee of such Securities Depository to such Securities Depository or another nominee of such Securities Depository or by such Securities Depository or any such nominee to a successor of such Securities Depository or a nominee of such successor.

The Securities Depository has advised the Company as follows: The Securities Depository is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Securities Depository was created to hold securities of its participants ("Participants") and to facilitate the clearance and settlement of securities transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. The Securities Depository's Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

The Securities Depository is owned by a number of Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the Securities Depository book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants").

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

So long as the Securities Depository, or its nominee, is the registered owner of a Global Security, the Securities Depository or its nominee, as the case may be, will be considered the sole owner or Holder of the Securities represented by such Global Security for all purposes under the Chemical Indenture. Except as provided below, Beneficial Owners in a Global Security will not be entitled to have the Securities represented by such Global Securities registered in their names, will not receive or be entitled to receive physical delivery of

the Securities in definitive form and will not be considered the owners or Holders thereof under the Chemical Indenture. Accordingly, each Person owning a beneficial interest in a Global Security must rely on the procedures of the Securities Depository and, if such Person is not a Participant, on the procedures of the Participant through which such Person owns its interest, to exercise any rights of a Holder under the Chemical Indenture. The Company understands that under existing industry practices, in the event that the Company requests any action of Holders or that an owner of a beneficial interest in such a Global Security desires to give or take any action which a Holder is entitled to give or take under the Chemical Indenture, the Securities Depository would authorize the Participants holding the relevant beneficial interests to give or take such action, and such Participants would authorize Beneficial Owners owning through such Participants to give or take such action or would otherwise act upon the instructions of beneficial owners. Conveyance of notices and other communications by the Securities Depository to Participants, by Participants to Indirect Participants, and by Participants and Indirect Participants to Beneficial Owners will be governed by

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arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of the principal of, and any additional amount payable at maturity with respect to, Securities registered in the name of the Securities Depository or its nominee will be made to the Securities Depository or its nominee, as the case may be, as the Holder of the Global Securities representing such Securities. None of the Company, the Trustee or any other agent of the Company or agent of the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests or for supervising or reviewing any records relating to such beneficial ownership interests. The Company expects that the Securities Depository, upon receipt of any payment of principal or any additional amount payable at maturity in respect of a Global Security, will credit the accounts of the Participants with payment in amounts proportionate to their respective holdings in principal amount of beneficial interest in such Global Security as shown on the records of the Securities Depository. The Company also expects that payments by Participants to Beneficial Owners will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants.

If (x) the Securities Depository is at any time unwilling or unable to continue as Securities Depository and a successor depository is not appointed by the Company within 60 days, (y) the Company executes and delivers to the Trustee a Company Order to the effect that the Global Securities shall be exchangeable or (z) an Event of Default has occurred and is continuing with respect to the Securities, the Global Securities will be exchangeable for Securities in definitive form of like tenor and of an equal aggregate principal amount, in denominations of \$10 and integral multiples thereof. Such definitive Securities shall be registered in such name or names as the Securities Depository shall instruct the Trustee. It is expected that such instructions may be based upon directions received by the Securities Depository from Participants with respect to ownership of beneficial interests in such Global Securities.

#### THE PORTFOLIO

##### GENERAL

While the Portfolio consists of common stocks of issuers that are REITs, the Portfolio is not intended to provide an indication of the pattern of price movements of the REIT industry generally. Each of the issuers of a Portfolio Security files certain information reports with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934. Such reports generally contain a description of the business of the issuer, financial statements and certain other information which may be material to potential investors in the Securities. Information filed with the SEC is available at the offices of the Commission specified under "Available Information" in the attached Prospectus. Neither the Company nor Merrill Lynch, Pierce, Fenner & Smith Incorporated makes any representation or warranty as to the accuracy or completeness of such reports. THE INCLUSION OF A PORTFOLIO SECURITY IN THE PORTFOLIO IS NOT A RECOMMENDATION TO BUY OR SELL SUCH PORTFOLIO SECURITY, AND NEITHER THE COMPANY NOR ANY OF ITS AFFILIATES MAKE ANY REPRESENTATION TO ANY PURCHASER OF SECURITIES AS TO THE PERFORMANCE OF THE PORTFOLIO.

The Company or its affiliates may presently or from time to time engage in business with one or more of the issuers of the Portfolio Securities, including extending loans to, making equity investments in, or selling property to such issuers or providing advisory services to such issuers, including merger and acquisition advisory services. In the course of such business, the Company or its affiliates may acquire non-public information with respect to such issuers and, in addition, one or more affiliates of the Company may publish research reports with respect to such issuers. The Company does not make any

representation to any purchaser of Securities with respect to any matters whatsoever relating to such issuers. Any prospective purchaser of a Security should undertake an independent investigation of the issuers of the Portfolio Securities as in its judgment is appropriate to make an informed decision with respect to an investment in the Securities.

REAL ESTATE INVESTMENT TRUSTS ("REITS")

The Portfolio consists of stocks issued by REITs. REITs invest primarily in income producing real estate or real estate-related loans or interests and are generally required to distribute to shareholders at least 95% of their taxable income (other than net capital gains) for each year. A REIT generally is not subject to U.S. federal income tax on income distributed to shareholders. The Portfolio Securities are subject to the requirements of the federal securities laws and the rules of any stock exchanges on which their shares are traded as to such matters as financial reporting, corporate governance and disclosure of material business developments. REITs can invest in various segments of the real estate market, including health care related properties, commercial properties and residential properties. The primary real estate market segment that each issuer of a Portfolio Security invests in is specified below under "Real Estate Market Segments".

The Portfolio Securities are subject to risks similar to those associated with the direct ownership of real estate (in addition to securities markets risks). These include declines in the value of real estate generally, risks related to general and local economic conditions, dependency on the management skill of both the officers of the REITs and the managers of the underlying properties, possible lack of diversification, possible lack of availability of financing, changes in interest rates, overbuilding, oversupply of properties for sale, extended vacancies of properties, increased competition, increases in property taxes and operating expenses, changes in zoning laws, environmental clean-up costs, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, natural disasters, limitations on rents, and changes in neighborhood values and the appeal of properties to tenants. Each of the foregoing factors, as well as factors affecting the securities markets generally, may affect the values of the securities comprising the Portfolio Securities. In addition, REITs could possibly fail to qualify for tax free pass-through of income under the Internal Revenue Code of 1986, as amended. Investors should note that many REITs utilize "leverage" (i.e., the borrowing of funds for investment purposes). Leverage increases both investment opportunity and investment risk and could cause a REIT's operations, or the market value of its shares, to be adversely affected in periods of rising interest rates.

REAL ESTATE MARKET SEGMENTS

The following table sets forth the issuers of the Portfolio Securities and the primary real estate market segment in which each such issuer invests:

<TABLE>

<CAPTION>

ISSUER OF THE PORTFOLIO SECURITY	REAL ESTATE MARKET SEGMENTS
-----	-----
<S>	<C>
Burnham Pacific Properties, Inc. ....	Commercial Properties
Carr Realty Corporation.	Office Buildings
Duke Realty Investments, Inc. ....	Industrial/Office
Excel Realty Trust, Inc. ....	Shopping Centers
Federal Realty Investment Trust.....	Shopping Centers
Gables Residential Trust.....	Apartments
General Growth Properties, Inc. ....	Shopping Centers
Health and Retirement Property Trust.....	Nursing Homes/Rehabilitation
Health Care Property Investors, Inc. ....	Long-Term Care/Rehabilitation
JP Realty, Inc. ....	Shopping Centers
Kimco Realty Corporation.....	Shopping Centers
Nationwide Health Properties, Inc. ....	Long-Term Care/Nursing Homes
New Plan Realty Trust...	Shopping Centers/Apartments
Simon Property Group, Inc. ....	Regional Shopping Malls/Power Centers
Taubman Centers, Inc. ..	Regional Shopping Malls
TriNet Corporate Realty Trust, Inc. ....	Industrial/Office

Urban Shopping Centers, Inc. ....	Regional Shopping Malls
Weingarten Realty Investors.....	Shopping Centers
Wellsford Residential Property Trust.....	Apartments
Western Investment Real Estate Trust.....	Shopping Centers

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HISTORICAL INFORMATION

The following table sets forth the high and low Market Price and yearly dividend payments during 1991, 1992, 1993 and during 1994 through July 19, 1994, and the Market Price on July 19, 1994 for each Portfolio Security. The historical prices of the Portfolio Securities should not be taken as an indication of future performance, and no assurance can be given that the Daily Total Return Portfolio Value will increase sufficiently to cause the beneficial owners of the Securities to receive an amount in excess of the Minimum Payment at the maturity of the Securities.

PORTFOLIO SECURITIES	HIGH	LOW	LAST	DIVIDEND
<S>				
BURNHAM PACIFIC PROPERTIES, INC.				
1991.....	\$16.000	\$11.875		\$1.36
1992.....	\$17.875	\$14.500		\$1.36
1993.....	\$20.875	\$15.875		\$1.39
1994.....	\$19.000	\$17.000	\$17.375	\$0.70
CARR REALTY CORPORATION				
1991.....	(1)	(1)		(1)
1992.....	(1)	(1)		(1)
1993 (2).....	\$27.125	\$20.625		\$1.06
1994.....	\$24.375	\$20.250	\$20.875	\$0.88
DUKE REALTY INVESTMENTS, INC.				
1991.....	\$16.797	\$11.547		\$1.68
1992.....	\$18.375	\$13.656		\$1.68
1993.....	\$26.000	\$15.750		\$1.68
1994.....	\$27.250	\$21.000	\$27.125	\$0.90
EXCEL REALTY TRUST, INC.				
1991.....	(1)	(1)		(1)
1992.....	(1)	(1)		(1)
1993 (2).....	\$21.250	\$17.875		\$0.65
1994.....	\$22.250	\$18.375	\$20.000	\$0.85
FEDERAL REALTY INVESTMENT TRUST				
1991.....	\$20.500	\$13.750		\$1.50
1992.....	\$25.000	\$18.875		\$1.53
1993.....	\$30.000	\$24.125		\$1.55
1994.....	\$28.625	\$23.750	\$26.000	\$0.78
GABLES RESIDENTIAL TRUST				
1991.....	(1)	(1)		(1)
1992.....	(1)	(1)		(1)
1993.....	(1)	(1)		(1)
1994 (2).....	\$26.000	\$22.375	\$23.125	\$0.78
GENERAL GROWTH PROPERTIES, INC.				
1991.....	(1)	(1)		(1)
1992.....	(1)	(1)		(1)
1993 (2).....	\$25.750	\$19.250		\$0.68
1994.....	\$22.625	\$19.250	\$22.375	\$1.15
HEALTH AND RETIREMENT PROPERTY TRUST				
1991.....	\$14.375	\$ 7.625		\$0.99
1992.....	\$14.500	\$ 9.125		\$1.25
1993.....	\$16.750	\$11.625		\$1.29
1994.....	\$16.250	\$14.000	\$15.375	\$0.99
HEALTH CARE PROPERTY INVESTORS, INC.				
1991.....	\$24.375	\$16.750		\$1.62
1992.....	\$26.875	\$19.625		\$1.73
1993.....	\$33.500	\$24.000		\$1.85
1994.....	\$32.500	\$27.250	\$29.750	\$1.47

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PORTFOLIO SECURITIES	HIGH	LOW	LAST	DIVIDEND
<S>				
JP REALTY, INC.				
1991.....	(1)	(1)		(1)

1992.....	(1)	(1)		(1)
1993.....	(1)	(1)		(1)
1994 (2).....	\$22.375	\$17.625	\$20.875	\$0.72
KIMCO REALTY CORPORATION				
1991 (2).....	\$21.500	\$19.750		\$0.00
1992.....	\$31.000	\$21.500		\$1.48
1993.....	\$39.125	\$30.625		\$1.88
1994.....	\$38.500	\$34.000	\$36.750	\$1.50
NATIONWIDE HEALTH PROPERTIES, INC.				
1991.....	\$27.500	\$16.750		\$2.06
1992.....	\$32.500	\$25.250		\$2.23
1993.....	\$42.125	\$31.500		\$2.43
1994.....	\$42.125	\$35.375	\$37.000	\$1.29
NEW PLAN REALTY TRUST				
1991.....	\$24.250	\$16.250		\$1.17
1992.....	\$26.000	\$19.875		\$1.25
1993.....	\$26.125	\$21.750		\$1.30
1994.....	\$24.250	\$21.000	\$21.500	\$0.66
SIMON PROPERTY GROUP, INC.				
1991.....	(1)	(1)		(1)
1992.....	(1)	(1)		(1)
1993 (2).....	\$22.625	\$22.375		\$0.00
1994.....	\$28.000	\$22.500	\$27.500	\$0.95
TAUBMAN CENTERS, INC.				
1991.....	(1)	(1)		(1)
1992 (2).....	\$11.750	\$11.375		\$0.07
1993.....	\$15.375	\$10.500		\$0.88
1994.....	\$13.500	\$10.750	\$11.250	\$0.44
TRINET CORPORATE REALTY TRUST, INC.				
1991.....	(1)	(1)		(1)
1992.....	(1)	(1)		(1)
1993 (2).....	\$30.000	\$22.625		\$1.27
1994.....	\$32.875	\$26.250	\$28.500	\$1.17
URBAN SHOPPING CENTERS, INC.				
1991.....	(1)	(1)		(1)
1992.....	(1)	(1)		(1)
1993 (2).....	\$24.375	\$20.000		\$0.00
1994.....	\$23.750	\$20.875	\$22.375	\$0.88
WEINGARTEN REALTY INVESTORS				
1991.....	\$32.875	\$24.125		\$1.92
1992.....	\$37.625	\$29.500		\$2.04
1993.....	\$45.250	\$36.500		\$2.16
1994.....	\$40.500	\$36.625	\$38.750	\$1.14
WELLSFORD RESIDENTIAL PROPERTY TRUST				
1991.....	(1)	(1)		(1)
1992 (2).....	\$23.625	\$21.875		\$0.16
1993.....	\$30.625	\$23.625		\$1.68
1994.....	\$27.250	\$22.750	\$23.000	\$0.90

</TABLE>

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<TABLE>

<CAPTION>

PORTFOLIO SECURITIES	HIGH	LOW	LAST	DIVIDEND
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
WESTERN INVESTMENT REAL ESTATE TRUST				
1991.....	\$18.500	\$10.625		\$1.29
1992.....	\$14.250	\$11.125		\$1.12
1993.....	\$17.125	\$12.250		\$1.12
1994.....	\$15.000	\$12.375	\$14.000	\$0.56

</TABLE>

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(1) No shares of the issuer were publicly outstanding during the year.

(2) Shares of the issuer were publicly outstanding during a portion of the year.

#### HYPOTHETICAL HISTORICAL DAILY TOTAL RETURN PORTFOLIO VALUES

The following table and graph set forth hypothetical Daily Total Return Portfolio Values on the last business day of each month since January 1991 and the hypothetical Daily Total Return Portfolio Value on July 19, 1994 (the "Hypothetical Historical Daily Total Return Portfolio Values"). Except as described below, the Hypothetical Historical Daily Total Return Portfolio Values were calculated on the same basis as the Daily Total Return Portfolio Value will be calculated in the future. The \$10 Hypothetical Historical Daily Total Return Portfolio Value corresponding to July 19, 1994 is provided as an illustration of past movements of the Hypothetical Historical Daily Total Return Portfolio Value only. The Multiplier for each Portfolio Security will be initially set so that the Original Portfolio Value equals \$10 on the date the Securities are priced for initial offering to the public. The Hypothetical Historical Daily Total Return Portfolio Value at any given prior date was equal to the sum of the products of the then current market prices for the relevant

Portfolio Securities on the last business day of the respective month and the applicable Multipliers plus the aggregate dividends paid on such Portfolio Securities since January 1, 1991 multiplied by the applicable Multipliers. For months during which one or more of the Portfolio Securities were not outstanding and publicly traded, the Hypothetical Historical Daily Total Return Portfolio Value was calculated based upon the values of the remaining Portfolio Securities that were then publicly traded. The Multipliers with respect to the remaining publicly traded Portfolio Securities were adjusted to reflect the increased weighing of each such remaining Portfolio Security. Only nine of the twenty Portfolio Securities were outstanding during the entire period illustrated below.

THE EXPERIENCE OF THE HYPOTHETICAL HISTORICAL DAILY TOTAL RETURN PORTFOLIO VALUES SHOULD NOT BE TAKEN AS AN INDICATION OF FUTURE PERFORMANCE OF THE DAILY TOTAL RETURN PORTFOLIO VALUE AND NO ASSURANCE CAN BE GIVEN THAT THE VALUE OF THE DAILY TOTAL RETURN PORTFOLIO VALUE WILL INCREASE SUFFICIENTLY TO RESULT IN A PAYMENT AT MATURITY GREATER THAN THE MINIMUM PAYMENT TO BENEFICIAL OWNERS OF THE SECURITIES AT MATURITY OR OTHERWISE. BECAUSE THE PORTFOLIO SECURITIES WERE NOT ALL OUTSTANDING AND PUBLICLY TRADING DURING THE ENTIRE PERIOD ILLUSTRATED BELOW, THE HYPOTHETICAL HISTORICAL DAILY TOTAL RETURN PORTFOLIO VALUES DO NOT REFLECT ALL OF THE PORTFOLIO SECURITIES DURING THE ENTIRE PERIOD ILLUSTRATED BELOW.

<TABLE>  
<CAPTION>

DATE - - - - -	HYPOTHETICAL HISTORICAL DAILY TOTAL RETURN PORTFOLIO VALUE FOR THE MONTH END -----
<S>	<C>
1991	
January.....	\$4.99
February.....	5.12
March.....	5.57
April.....	5.73
May.....	5.92
June.....	5.78
July.....	5.78
August.....	6.00
September.....	6.12
October.....	6.16
November(1).....	6.19
December.....	6.67

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<TABLE>  
<CAPTION>

DATE - - - - -	HYPOTHETICAL HISTORICAL DAILY TOTAL RETURN PORTFOLIO VALUE FOR THE MONTH END -----
<S>	<C>
1992	
January.....	\$ 6.88
February.....	6.76
March.....	6.55
April.....	6.52
May.....	6.96
June.....	6.80
July.....	7.13
August.....	7.22
September.....	7.31
October.....	7.32
November(2).....	7.54
December.....	7.73
1993	
January.....	8.00
February(3).....	8.53
March.....	9.10
April(4).....	8.80
May(5).....	8.69
June.....	8.90
July.....	8.87
August(6).....	9.22
September.....	9.56
October(7).....	9.51
November.....	9.01
December(8).....	9.00
1994	
January(9).....	9.29
February.....	9.73

March.....	9.59
April.....	9.68
May.....	9.90
June.....	9.79
July 19.....	10.00

</TABLE>

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- (1) Kimco Realty Corporation was included in the calculation of the Hypothetical Historical Total Return Portfolio Value commencing with this month.
  - (2) Taubman Centers, Inc. and Wellsford Residential Property Trust were included in the calculation of the Hypothetical Historical Daily Total Return Portfolio Value commencing with this month.
  - (3) Carr Realty Corporation was included in the calculation of the Hypothetical Historical Daily Total Return Portfolio Value commencing with this month.
  - (4) General Growth Properties, Inc. was included in the calculation of the Hypothetical Historical Daily Total Return Portfolio Value commencing with this month.
  - (5) TriNet Corporate Realty Trust, Inc. was included in the calculation of the Hypothetical Historical Daily Total Return Portfolio Value commencing with this month.
  - (6) Excel Realty Trust, Inc. was included in the calculation of the Hypothetical Historical Daily Total Return Portfolio Value commencing with this month.
  - (7) Urban Shopping Centers, Inc. was included in the calculation of the Hypothetical Historical Daily Total Return Portfolio Value commencing with this month.
  - (8) Simon Property Group, Inc. was included in the calculation of the Hypothetical Historical Daily Total Return Portfolio Value commencing with this month.
  - (9) Gables Residential Trust and JP Realty, Inc. were included in the calculation of the Hypothetical Historical Daily Total Return Portfolio Value commencing with this month.

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The following graph sets forth the Hypothetical Historical Daily Total Return Portfolio Values on the last business day of each month since January 1991 and the Hypothetical Historical Daily Total Return Portfolio Value on July 19, 1994. PAST MOVEMENTS OF THE HYPOTHETICAL HISTORICAL DAILY TOTAL RETURN PORTFOLIO VALUES ARE NOT NECESSARILY INDICATIVE OF FUTURE MOVEMENTS OF THE DAILY TOTAL RETURN PORTFOLIO VALUE.

[GRAPHIC NO. 2 APPEARS HERE]

#### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

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

As used herein, the term "U.S. Holder" means a beneficial owner of a Security that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision

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thereof, (iii) an estate or trust the income of which is subject to United States Federal income taxation regardless of its source or (iv) any other person whose income or gain in respect of a Security is effectively connected with the conduct of a United States trade or business. As used herein, the term "non-U.S. Holder" means a holder of a Security that is not a U.S. Holder.

GENERAL

There are no regulations (except the Treasury Regulations as described below), published rulings or judicial decisions involving the characterization, for United States Federal income tax purposes, of securities with terms substantially the same as the Securities. However, although the matter is not free from doubt, under current law, each Security should be treated as a debt instrument of the Company for United States Federal income tax purposes. The Company currently intends to treat each Security as a debt instrument of the Company for United States Federal income tax purposes and, where required, intends to file information returns with the Internal Revenue Service ("IRS") in accordance with such treatment, in the absence of any change or clarification in the law, by regulation or otherwise, requiring a different characterization. Prospective investors in the Securities should be aware, however, that the IRS is not bound by the Company's characterization of the Securities as indebtedness and the IRS could possibly take a different position as to the proper characterization of the Securities for United States Federal income tax purposes. The following discussion of the principal United States Federal income tax consequences of the purchase, ownership and disposition of the Securities is based upon the assumption that each Security will be treated as a debt instrument of the Company for the United States Federal income tax purposes. If the Securities are not in fact treated as debt instruments of the Company for United States Federal income tax purposes, then the United States Federal income tax treatment of the purchase, ownership and disposition of the Securities could differ from the treatment discussed below with the result that the timing and character of income, gain or loss recognized on a Security could differ from the timing and character of income, gain or loss recognized on a Security had the Securities in fact been treated as debt instruments of the Company for United States Federal income tax purposes.

#### U.S. HOLDERS

Under general principles of current United States Federal income tax law, payments of interest on a debt instrument generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Under these principles, the amount payable at maturity with respect to a Security in excess of the principal amount thereof, if any, would be treated as contingent interest and generally would be includible in income by a U.S. Holder as ordinary interest on the date the amount payable at maturity is accrued (i.e., determined) or when such amount is received (in accordance with the U.S. Holder's regular method of tax accounting). In addition, if the amount payable at maturity with respect to a Security exceeds the principal amount thereof, then such Security would be treated as having been retired at maturity in exchange for an amount equal to the principal amount thereof. If, however, the amount payable at maturity with respect to a Security is equal to or less than the principal amount thereof, then such Security would be treated as having been retired at maturity in exchange for an amount equal to the entire amount payable at maturity with respect to such Security. Upon the sale, exchange or retirement of a Security, a U.S. Holder generally would recognize taxable gain or loss in an amount equal to the difference between the amount realized on the sale, exchange or retirement and such U.S. Holder's tax basis in the Security. A U.S. Holder's tax basis in a Security generally will equal such U.S. Holder's initial investment in the Security. Such gain or loss generally would be long-term capital gain or loss if the Security were held by the U.S. Holder for more than one year (subject to the market discount rules, as discussed below). It is possible, however, that the IRS may assert that any amounts realized upon the sale or exchange of a Security prior to maturity in excess of the principal amount thereof constitutes ordinary interest income (subject to the bond premium rules, as discussed below). Nonetheless, although the matter is not free from doubt, under current law, any gain realized upon the sale or exchange of a Security prior to maturity should be treated entirely as capital gain (subject to the market discount rules, as discussed below).

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On January 27, 1994, the IRS issued final Treasury regulations (the "OID Regulations") under the original issue discount provisions of the Internal Revenue Code of 1986, as amended (the "Code"), which replaced certain proposed Treasury regulations that were issued on December 21, 1992 dealing with debt instruments issued with original issue discount. The OID Regulations generally apply to debt instruments issued on or after April 4, 1994; therefore by their terms they apply to the Securities.

Under the OID Regulations, if a debt instrument qualifies as a "variable rate debt instrument," then a special set of rules would apply to the debt instrument whereby all "qualified stated interest" payments on the debt instrument generally would be taxable to a U.S. Holder as ordinary interest income in accordance with the U.S. Holder's regular method of tax accounting. In general, a debt instrument will qualify as a "variable rate debt instrument" under the OID Regulations (and would therefore not be treated as a contingent payment debt obligation) if (a) its issue price does not exceed the total noncontingent principal payments provided for under the terms of the debt instrument by more than a specified de minimis amount and (b) it provides for stated interest, paid or compounded at least annually, at current values of a single objective rate. In general, an "objective rate" is a rate which is

determined using a single fixed formula and which is based upon either the yield or changes in the price of one or more items of actively traded personal property (other than stock or debt of the issuer or a related party). The Securities will not qualify as "variable rate debt instruments" under the OID Regulations because the stated principal amount of the Securities (i.e., \$10) exceeds the total noncontingent principal payments provided for under the terms of the Securities (i.e., \$9 or the Minimum Payment) by an amount in excess of an amount equal to .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to the maturity of a Security from its issue date (i.e., the de minimis amount) and because the Securities provide for stated interest (i.e., the amount payable at maturity with respect to a Security based upon the Portfolio) which is neither paid nor compounded at least annually. Since the Securities will not qualify as "variable rate debt instruments" under the OID Regulations, the Securities will be treated as contingent payment debt obligations.

It is not entirely clear under current law how the Securities will be taxed since they are classified as contingent payment debt obligations. As noted above, under general principles of current United States Federal income tax law, the amount payable at maturity with respect to a Security in excess of the principal amount thereof, if any, would be treated as contingent interest and generally would be includible in income by a U.S. Holder as ordinary interest on the date the amount payable at maturity is determined or when such amount is received (in accordance with the U.S. Holder's regular method of tax accounting). In addition, if the amount payable at maturity with respect to a Security exceeds the principal amount thereof, then such Security would be treated as having been retired at maturity in exchange for an amount equal to the principal amount thereof. Alternatively, if the amount payable at maturity with respect to a Security is equal to or less than the principal amount thereof, then a U.S. Holder generally would recognize taxable gain or loss at maturity in an amount equal to the difference between the amount payable at maturity and such U.S. Holder's tax basis in the Security. Such gain or loss generally would be long-term capital gain or loss if the Security were held by the U.S. Holder for more than one year (subject to the market discount rules, as discussed below).

However, in 1986, the Treasury Department issued proposed regulations (the "1986 Proposed Regulations") under the original issue discount provisions of the Code concerning contingent payment debt obligations. The 1986 Proposed Regulations were not replaced by the OID Regulations and contain a retroactive effective date of July 1, 1982. In 1991, the Treasury Department issued additional proposed regulations (the "1991 Proposed Regulations" and, together with the OID Regulations and the 1986 Proposed Regulations, the "Treasury Regulations") concerning contingent payment debt obligations which, if applicable to the Securities, would bifurcate a Security into a debt instrument and a right based upon the value of the Portfolio. The 1991 Proposed Regulations, which contain a retroactive effective date of February 20, 1991, would not apply to any debt instrument where the issue price of the debt instrument exceeds the total noncontingent payments due under the debt instrument by more than an insubstantial amount. Although neither the 1991 Proposed Regulations nor the 1986 Proposed Regulations define the term

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"insubstantial" and therefore the matter is not free from doubt, the 1991 Proposed Regulations should not be applied to the Securities in the event such regulations are ultimately adopted in their current form, because the issue price of the Securities should be treated as exceeding the total noncontingent payments due under the Securities by more than an insubstantial amount. Alternatively, if the 1986 Proposed Regulations are ultimately adopted in their current form, such regulations should apply to the Securities.

Under the 1986 Proposed Regulations, the amount payable at maturity with respect to a Security in excess of the principal amount thereof, if any, would generally be includible in income by a U.S. Holder as ordinary interest at the time the amount payable at maturity is determined, regardless of the U.S. Holder's regular method of tax accounting. In addition, if the amount payable at maturity with respect to a Security exceeds the principal amount thereof, then such Security would be treated as having been retired at maturity in exchange for an amount equal to the principal amount thereof. If, however, the amount payable at maturity with respect to a Security is equal to or less than the principal amount thereof, then, under the 1986 Proposed Regulations, a U.S. Holder generally would recognize taxable gain or loss at maturity in an amount equal to the difference between the amount payable at maturity and such U.S. Holder's tax basis in the Security. Such gain or loss generally would be long-term capital gain or loss if the Security were held by the U.S. Holder for more than one year (subject to the market discount rules, as discussed below).

There is no assurance that either the 1986 Proposed Regulations or the 1991 Proposed Regulations will be adopted or, if adopted, adopted in their current forms. In addition, on January 19, 1993, the Treasury Department issued proposed regulations (the "1993 Proposed Regulations"), concerning contingent payment debt obligations, which would have replaced both the 1986 Proposed Regulations and the 1991 Proposed Regulations and which would have provided for a set of rules with respect to the timing and character of income, gain or loss

on a Security that differ from the rules contained in the 1986 Proposed Regulations and the 1991 Proposed Regulations with respect to the timing and character of income, gain or loss on a Security. The 1993 Proposed Regulations, which would have applied to debt instruments issued 60 days or more after the 1993 Proposed Regulations became final, generally provided for several alternative timing methods which would have required annual interest accruals to reflect either a market yield for the debt instrument, determined as of the issue date, or a reasonable estimate of the performance of contingencies. The amount of interest deemed to accrue in a taxable year pursuant to such methods would have been currently includible in income by a U.S. Holder, with subsequent adjustments to the extent that the estimate of income was incorrect. In addition, under the 1993 Proposed Regulations, any gain realized on the sale, exchange or retirement of a contingent payment debt obligation would have been treated entirely as ordinary interest income and any loss realized on the sale, exchange or retirement of a contingent payment debt obligation would have been treated entirely as a capital loss. However, on January 22, 1993, the United States Government's Office of Management and Budget announced that certain proposed regulations which had not yet been published in the Federal Register, including the 1993 Proposed Regulations, had been withdrawn. It is unclear whether the 1993 Proposed Regulations will be re-proposed or, if re-proposed, what effect, if any, such regulations would have on the Securities. Furthermore, on March 1, 1994, the Treasury Department and the IRS stated their intent to issue proposed regulations under the original issue discount provisions of the Code concerning contingent payment debt obligations when they released their 1994 Priorities for Tax Regulations and Other Administrative Guidance. Presumably, these proposed regulations, if issued, would replace both the 1986 Proposed Regulations and the 1991 Proposed Regulations. Based upon the foregoing, the continued viability of the 1986 Proposed Regulations and the 1991 Proposed Regulations is uncertain. It should also be noted that proposed Treasury regulations are not binding upon either the IRS or taxpayers prior to becoming effective as temporary or final regulations.

The Company, where required, currently intends to file information returns with the IRS treating each Security as a debt instrument of the Company for United States Federal income tax purposes (as discussed above) and reporting contingent interest on, if any, and gross proceeds received upon the sale, exchange or retirement of each Security in accordance with general principles of current United States Federal income tax law (as described above), in the absence of any change or clarification in the law, by regulation or

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otherwise. Prospective investors in the Securities are urged to consult their own tax advisors regarding the application of the Treasury Regulations to their investment in the Securities and the effect of possible changes to the Treasury Regulations.

#### MARKET DISCOUNT AND PREMIUM

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

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

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

If a U.S. Holder purchases a Security for an amount that is greater than the principal amount thereof, such U.S. Holder will be considered to have purchased the Security with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may offset ordinary interest otherwise required to be included in

respect of the Security at maturity by the amount of such excess and would reduce its tax basis in the Security by the amount of any such interest offset taken.

#### NON-U.S. HOLDERS

A non-U.S. Holder will not be subject to United States Federal income taxes on payments of principal or interest (including original issue discount, if any) on a Security, unless such non-U.S. Holder is a direct or indirect 10% or greater shareholder of the Company, a controlled foreign corporation related to the Company or a bank receiving interest described in section 881(c)(3)(A) of the Code. However, interest income allocable to non-U.S. Holders will generally be subject to annual tax reporting on IRS Form 1042S. For a non-U.S. Holder to qualify for the exemption from taxation, the last United States payor in the chain of payment prior to payment to a non-U.S. Holder (the "Withholding Agent") must have received in the year in which a payment of interest or principal occurs, or in either of the two preceding calendar years, a statement that (i) is signed by the beneficial owner of the Security under penalties of perjury, (ii) certifies that such owner is not a U.S. Holder and (iii) provides the name and address of the beneficial owner. The statement may be made on an IRS Form W-8 or a substantially similar form, and the beneficial owner must inform the Withholding Agent of any change in the information on the statement within 30 days of such change. If a Security is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent. However, in such case, the signed statement must be accompanied by a copy of the IRS Form W-8 or the substitute form provided by the beneficial owner to

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the organization or institution. The Treasury Department is considering implementation of further certification requirements aimed at determining whether the issuer of a debt obligation is related to holders thereof.

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

The Securities will not be includible in the taxable estate of a non-U.S. Holder unless the individual is a direct or indirect 10% or greater shareholder of the Company or, at the time of such individual's death, payments in respect of the Securities would have been effectively connected with the conduct by such individual of a trade or business in the United States.

#### BACKUP WITHHOLDING

Backup withholding of United States Federal income tax at a rate of 31% may apply to payments made in respect of the Securities to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Securities to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

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

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

#### USE OF PROCEEDS

The net proceeds from the sale of the Securities will be used as described under "Use of Proceeds" in the attached Prospectus and to hedge market risks affecting the value of the payment at maturity in respect of the Securities. The Company does not intend to confine its hedging activities to any particular

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") has agreed, subject to the terms and conditions of the Underwriting Agreement and a Terms Agreement, to purchase from the Company \$25,000,000 aggregate principal amount of Securities.

The Underwriter has advised the Company that it proposes initially to offer all or part of the Securities directly to the public at the offering price set forth on the cover page of this Prospectus Supplement and to certain dealers at such price less a concession not in excess of . % of the principal amount of the Securities. After the initial public offering, the public offering price and concession may be changed.

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

VALIDITY OF SECURITIES

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

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

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[LOGO OF MERRILL LYNCH]  
2,500,000 UNITS

MERRILL LYNCH & CO., INC.

REAL ESTATE INVESTMENT TRUST PORTFOLIO  
TOTAL RETURN MARKET  
INDEX TARGET-TERM SECURITIES (SM)  
DUE AUGUST 31, 2000  
"MITTS (R) "

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PROSPECTUS SUPPLEMENT  
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MERRILL LYNCH & CO.

AUGUST , 1994

"MITTS" IS A REGISTERED SERVICE MARK AND "MARKET INDEX TARGET-TERM SECURITIES"  
IS A SERVICE MARK OWNED BY MERRILL LYNCH & CO., INC.

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GRAPHICS APPENDIX LIST

DESCRIPTION OF GRAPHIC

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Graphic No. 1            Artistic representations of the following items are  
superimposed over portions of the text of this page:  
portions of four separate high-rise buildings and a  
series of nine smaller buildings.  
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Graphic No. 2            Graph entitled "Hypothetical Historical Daily Total  
Return Portfolio Values (January 1991 - July 19, 1994)".  
  
The graph sets forth the month-end values of the  
Hypothetical Historical Daily Total Return  
Portfolio Value, and the Hypothetical Historical Daily  
Total Return Portfolio Value on July 19, 1994, with the  
vertical axis specifying the Hypothetical  
Historical Daily Total Return Portfolio Values in a  
range from 0 to 12, in increments of 2, and the  
horizontal axis specifying the time period in  
increments of one month, beginning with January 1991  
and ending with July 19, 1994.