

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS SUPPLEMENT, DATED AUGUST 30, 1996

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED AUGUST 30, 1996)

[LOGO]
2,500,000 UNITS
MERRILL LYNCH & CO., INC.
HEALTHCARE/BIOTECHNOLOGY PORTFOLIO MARKET INDEX TARGET-TERM
SECURITIES (Service Mark)
DUE OCTOBER , 2001
"MITTS (registered Service Mark)"

An aggregate principal amount of \$25,000,000 of Healthcare/Biotechnology Portfolio Market Index Target-Term Securities (Service Mark) due October , 2001 (the "Securities" or "MITTS (registered Service Mark)") 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. Units will be transferable by the Depository (as hereinafter defined), as more fully described below.

The Securities are debt securities of the Company, which are being issued in denominations of \$10 and integral multiples thereof, will bear no periodic payments of interest and will mature on October , 2001. At maturity, a beneficial owner of a Security will be entitled to receive, with respect to each Security, the principal amount thereof plus an interest payment (the "Supplemental Redemption Amount") based on the percentage increase, if any, in the value of a portfolio (the "Portfolio") of specified stocks of companies involved in various segments of the healthcare industry and the biotechnology industry over the Benchmark Portfolio Value. The Supplemental Redemption Amount will in no event be less than zero. The Securities are not redeemable or callable by the Company prior to maturity. While at maturity a beneficial owner of a Security will receive the principal amount of such Security plus the Supplemental Redemption Amount, if any, there will be no other payment of interest, periodic or otherwise.

The Supplemental Redemption Amount payable with respect to a Security at maturity will equal the product of (A) the principal amount of the applicable Security, and (B) the percentage increase from the Benchmark Portfolio Value to the Ending Portfolio Value. The Benchmark Portfolio Value will exceed the Starting Portfolio Value on the date the Securities are priced by the Company for initial sale to the public (the "Pricing Date") by 12% to 18% (the actual percentage will be determined on the Pricing Date). The Starting Portfolio Value, as more particularly described herein, will be the closing value of the Portfolio on the Pricing Date and will be calculated so that each Portfolio Security represents an equal percentage of the Starting Portfolio Value. The Benchmark Portfolio Value will be set forth in the final form of this Prospectus Supplement delivered to investors in connection with sales of the Securities. The Ending Portfolio Value, as more particularly described herein, will be the average (arithmetic mean) of the closing values of the Portfolio on certain days, or, if certain events occur, the closing value of the Portfolio on a single day prior to the maturity of the Securities.

FOR INFORMATION AS TO THE CALCULATION OF THE SUPPLEMENTAL REDEMPTION AMOUNT, IF ANY, WHICH 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", RESPECTIVELY, IN THIS PROSPECTUS SUPPLEMENT. FOR OTHER INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" BEGINNING ON PAGE S-6 OF THIS PROSPECTUS SUPPLEMENT.

Ownership of the Securities will be maintained in book-entry form by or through the 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 American Stock Exchange under the symbol "MLH".

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 (1)	UNDERWRITING DISCOUNT (1)	PROCEEDS TO THE COMPANY (2)
<S>	<C>	<C>	<C>
Per Unit.....	\$10	\$	\$
Total.....	\$25,000,000	\$	\$

</TABLE>

(1) The "Price to Public" and "Underwriting Discount" for any single transaction to purchase 100,000 to (but not including) 500,000 Units will be \$ per Unit and \$ per Unit, respectively, and the "Price to Public" and "Underwriting Discount" for any single transaction to purchase 500,000 Units or more will be \$ per Unit and \$ per Unit, respectively.

(2) 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 September , 1996.

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 September , 1996.

"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 AMERICAN STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

S-2

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..... 2,500,000 Units of Healthcare/Biotechnology Portfolio Market Index Target-Term Securities due October , 2001. The Securities are to be issued as a series of Senior Debt Securities under the 1983 Indenture described herein.

Listing..... Application will be made to list the Securities on the American Stock Exchange under the symbol "MLH".

Denominations..... A Unit consisting of \$10 principal amount of

Securities and integral multiples thereof.

Maturity..... October , 2001.

Payment at Maturity..... At maturity, a beneficial owner of a Security will be entitled to receive (i) the principal amount thereof and (ii) the Supplemental Redemption Amount equal to:

$$\frac{\text{Principal Amount} \times \text{Ending Portfolio Value - Benchmark Portfolio Value}}{\text{Benchmark Portfolio Value}}$$

provided, however, that in no event will the Supplemental Redemption Amount be less than zero. The Benchmark Portfolio Value will be the Starting Portfolio Value on the Pricing Date multiplied by a factor equal to 112% to 118% as determined by the Company on the Pricing Date. The Benchmark Portfolio Value will be set forth in the final form of the Prospectus Supplement delivered to investors in connection with sales of the Securities. The Ending Portfolio Value will equal the average (arithmetic mean) of the closing value of the Portfolio on certain days prior to the maturity of the Securities, or, if Market Disruption Events (as defined below) occur on certain days, then the Ending Portfolio Value will equal the closing value of the Portfolio on a single day.

Starting Portfolio Value.... Based on the individual prices of the Portfolio Securities on the Pricing Date, the Multiplier (as defined below) for each Portfolio Security will be initially set so that, on the Pricing Date, the Portfolio Securities are equally dollar-weighted in the Portfolio and the Portfolio Value equals 100.

Portfolio Securities..... The stocks indicated under the caption "Description of Securities--Portfolio Securities" below will be used to calculate the value of the Portfolio. Beneficial owners of the Securities will not have any right to receive Portfolio Securities. The Portfolio Securities represent interests in equity securities issued by 26 corporations involved in various segments of the healthcare industry and the biotechnology

S-3

industry (the "Portfolio Securities"), and have significantly different market capitalizations (i.e., the number of shares outstanding of a security multiplied by the current price of such security). The original Multipliers will be determined so that each Portfolio Security represents an equal percentage of the Starting Portfolio Value on the Pricing Date. See "The Portfolio" 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 or any Portfolio Security.

Symbol for Portfolio Value.. "MXH"

Portfolio Value..... The American Stock Exchange, or any successor thereto (the "AMEX"), generally will calculate and disseminate the value of the Portfolio based on the most recently reported prices of the Portfolio Securities (as reported by the primary exchange or trading system on which such Portfolio Securities are listed or traded (the "Exchanges")), at approximately 15-second intervals during the AMEX's business hours and at the end of each Portfolio Business Day via the Consolidated Tape Association's Network B. The Portfolio

Value, at any time, will equal the sum of the products of such prices and the applicable Multipliers for the Portfolio Securities. The Ending Portfolio Value, however, will be calculated by the Calculation Agent based on averaging the Portfolio Values reported by the AMEX at the end of certain Portfolio Business Days (as defined below). See "Description of Securities--Payment at Maturity" in this Prospectus Supplement.

Risk Factors..... The Securities are subject to certain special considerations. On the Pricing Date, the Benchmark Portfolio Value will exceed the Starting Portfolio Value by 12% to 18% (the actual percentage will be determined on the Pricing Date). Investors should be aware that if the Ending Portfolio Value does not exceed the Starting Portfolio Value by more than 12% to 18% (the actual percentage will be determined on the Pricing Date), beneficial owners of the Securities will receive only the principal amount thereof. A beneficial owner of the Securities may receive no Supplemental Redemption Amount at maturity, or a Supplemental Redemption Amount that is below what the Company would pay as interest as of the date hereof if the Company issued non-callable senior debt securities with a similar maturity as that of the Securities. The return of principal of the Securities at maturity and the payment of the Supplemental Redemption Amount, if any, may not reflect the full opportunity costs implied by inflation or other factors relating to the time value of money.

There is little precedent to indicate 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

S-4

of other factors. The trading value of the Securities is expected to depend substantially on the extent of the appreciation, if any, of the Portfolio Value over the Benchmark Portfolio Value. See "The Portfolio--Historical Information" in this Prospectus Supplement for historical values of the Portfolio Securities. If, however, Securities are sold prior to the maturity date at a time when the Portfolio Value exceeds the Benchmark Portfolio Value, the sale price may be at a substantial discount from the amount expected to be payable to the beneficial owner if such excess of the Portfolio Value over the Benchmark Portfolio Value were to prevail until maturity of the Securities because of the possible fluctuation of the Portfolio Value between the time of such sale and the time that the Ending Portfolio Value is determined. 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 Portfolio is below, equal to or not sufficiently above the Benchmark 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 value of the Portfolio, but will not have any right to receive any of the Portfolio Securities. The Portfolio does not reflect the payment of dividends on the stocks underlying it and, therefore, the yield based on the Portfolio to the maturity of the Securities will not produce the same

yield as if such underlying stocks were purchased and held for a similar period. See "Risk Factors" in this Prospectus Supplement.

The value of the Portfolio and the Supplemental Redemption Amount, if any, may be adversely affected by political, economic and other developments that affect the stocks underlying the Portfolio. Since the stocks underlying the Portfolio are of companies involved in various segments of the healthcare industry and the biotechnology industry, factors affecting these industries may affect the value of the Portfolio and therefore the trading value of the 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 their particular circumstances.

Investors should also consider the tax consequences of investing in the Securities, including the effect of certain recent tax law changes. See "Certain United States Federal Income Tax Considerations" in this Prospectus Supplement.

S-5

RISK FACTORS

PAYMENT AT MATURITY

"Benchmark Portfolio Value will Exceed Value of Starting Portfolio Value on the Pricing Date. On the Pricing Date, the Benchmark Portfolio Value will exceed the Starting Portfolio Value by 12% to 18% (the actual percentage will be determined on the Pricing Date). Investors should be aware that if, at maturity, the Ending Portfolio Value does not exceed the Starting Portfolio Value by more than 12% to 18% (the actual percentage will be determined on the Pricing Date), beneficial owners of the Securities will receive only the principal amount thereof".

"Yield may be Below Market Interest Rates on the Pricing Date". A beneficial owner of the Securities may receive no Supplemental Redemption Amount at maturity, or a Supplemental Redemption Amount that is below what the Company would pay as interest as of the Pricing Date if the Company issued non-callable senior debt securities with a similar maturity as that of the Securities. The return of principal of the Securities at maturity and the payment of the Supplemental Redemption Amount, if any, may not reflect the full opportunity costs implied by inflation or other factors relating to the time value of money.

"Yield on Securities will not Reflect Dividends". The Portfolio does not reflect the payment of dividends on the stocks underlying it and therefore the yield based on the Portfolio to the maturity of the Securities will not produce the same yield as if such underlying stocks were purchased and held for a similar period.

"State Law Limit on Interest Paid". Because the 1983 Indenture provides that the Securities will be governed by and construed in accordance with the laws of New York, certain usury laws of New York State may apply. 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 AMEX under the symbol "MLH". There is little precedent to indicate 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 tax treatment of the Securities as described in "Certain United States Federal

Income Tax Considerations" in this Prospectus Supplement may make the Securities a less appealing investment for investors who would otherwise hold the Securities in taxable accounts.

The trading value of the Securities is expected to depend substantially on the extent of the appreciation, if any, of the Portfolio Value over the Benchmark Portfolio Value. See "The Portfolio--Historical Information" in this Prospectus Supplement for historical values of the Portfolio. If, however, Securities are sold prior to the maturity date at a time when the Portfolio Value exceeds the Benchmark Portfolio Value, the sale price may be at a substantial discount from the amount expected to be payable to the beneficial owner if such excess of the Portfolio Value over the Benchmark Portfolio Value were to prevail until maturity of the Securities because of the possible fluctuation of the Portfolio between the time of such sale and the time that the Ending Portfolio Value is determined. 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 Portfolio is below, equal to, or not sufficiently above the Benchmark Portfolio Value. A discount could also result from rising interest rates.

S-6

In addition to the value of the Portfolio, the trading value of the Securities may be affected by a number of interrelated factors, including the creditworthiness of the Company and those factors listed below. The relationship among these factors is complex, including how these factors affect the relative value of the principal amount of the Securities to be repaid at maturity and the value of the Supplemental Redemption Amount. Accordingly, investors should be aware that factors other than the level of the Portfolio are likely to affect the Securities' trading value. The expected 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". Because the Securities repay at a minimum the principal amount thereof at maturity, the trading value of the Securities will likely be affected by changes in interest rates. In general, if U.S. interest rates increase, the trading value of the Securities is expected to decrease. If U.S. interest rates decrease, the trading value of the Securities is expected to increase. Interest rates may also affect the U.S. economy, and, in turn, the value of the Portfolio. Rising interest rates may lower the value of the Portfolio and, thus, may decrease the trading value of the Securities. Falling interest rates may increase the value of the Portfolio and, thus, may increase the trading value of the Securities.

"Volatility of the Portfolio". If the volatility of the Portfolio Value increases, the trading value of the Securities is expected to increase. If the volatility of the 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 interest rates and the Portfolio. This difference will reflect a "time premium" due to expectations concerning the value of the Portfolio 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. In addition, the price at which a beneficial owner may be able to sell Securities prior to maturity may be at a discount, which may be substantial, from the principal amount of the Securities if the value of the Portfolio is below, equal to, or not sufficiently above the Benchmark Portfolio Value.

"Dividend Rates in the United States". If dividend rates on the stocks comprising the Portfolio increase, the trading value of the Securities is expected to decrease. Conversely, if dividend rates on the stocks comprising the Portfolio decrease, the value of the Securities is expected to increase. However, in general, rising U.S. corporate dividend rates may increase the value of the Portfolio and, in turn, increase the trading value of the Securities. Conversely, falling U.S. corporate dividend rates may decrease the value of the Portfolio and, in turn, decrease the trading value of the Securities.

The impact of the factors specified above, excluding the value of the Portfolio, may offset, partially or in whole, any increase in the trading value of the Securities that is attributable to an increase in the value of the Portfolio. For example, an increase in U.S. interest rates may cause the Securities to trade at a discount from their initial offering price, even if the Portfolio has appreciated significantly. In general, assuming all relevant factors are held constant, the effect on the trading value of the Securities of a given change in interest rates, Portfolio volatility and/or dividend rates of stocks comprising the Portfolio is expected to be less if it occurs later in the term of the Securities than if it occurs earlier in the term of the Securities. The effect on the trading value of the Securities of a given appreciation of the Portfolio in excess of the Benchmark Portfolio Value is

expected to be greater if it occurs later in the term of the Securities than if it occurs earlier in the term of the Securities, assuming all other relevant factors are held constant.

THE PORTFOLIO

The value of the Portfolio and the Supplemental Redemption Amount, if any, may be adversely affected by political, economic and other developments that affect the stocks underlying the Portfolio. Since the stocks underlying the Portfolio are of companies involved in various segments of the healthcare industry and the biotechnology industry, factors affecting these industries may affect the value of the Portfolio and therefore the trading value of the Securities. See "The Portfolio--Healthcare and Biotechnology Industries".

S-7

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 light of their particular circumstances.

Investors should also consider the tax consequences of investing in the Securities, including the effect of certain recent tax law changes. See "Certain United States Federal Income Tax Considerations" in this Prospectus Supplement.

Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") or its affiliates may from time to time engage in transactions involving the stocks underlying the Portfolio for their proprietary accounts and for other accounts under their management, which may influence the value of such stocks and therefore the value of the Securities. MLPF&S and its affiliates will also be the counterparties to the hedge of the Company's obligations under the Securities. See "Use of Proceeds" herein. Accordingly, under certain circumstances, conflicts of interest may arise between MLPF&S's responsibilities as Calculation Agent with respect to the Securities and its obligations under its hedge and its status as a subsidiary of the Company. Under certain circumstances, the duties of MLPF&S as Calculation Agent in determining the existence of Market Disruption Events could conflict with the interests of MLPF&S as an affiliate of the issuer of the Securities, Merrill Lynch & Co., Inc., and with the interests of the holders of the Securities.

S-8

RECENT DEVELOPMENTS

The following summary of consolidated financial information was derived from, and is qualified in its entirety by reference to, the financial statements and other information and data contained in the Company's Annual Report on Form 10-K for the year ended December 29, 1995, and Quarterly Report on Form 10-Q for the period ended June 28, 1996 (the "Quarterly Report"). See "Incorporation of Certain Documents by Reference" in the accompanying Prospectus. The condensed consolidated financial statements contained in the Quarterly Report are unaudited; however, in the opinion of management of the Company, all adjustments (consisting only of normal recurring accruals) necessary for a fair statement of the results of operations have been included.

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

<TABLE>
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	SIX MONTHS ENDED	
	JUNE 30, 1995	JUNE 28, 1996
INCOME STATEMENT INFORMATION		

(IN MILLIONS, EXCEPT RATIOS)		
<S>	<C>	<C>
Revenues.....	\$ 10,789	\$ 12,209
Net revenues(1).....	\$ 4,970	\$ 6,641
Earnings before income taxes.....	\$ 843	\$ 1,369
Net earnings.....	\$ 510	\$ 843
Ratio of earnings to fixed charges(2).....	1.1	1.2

<CAPTION>

AT DECEMBER 29, AT JUNE 28,

BALANCE SHEET INFORMATION(3)	1995	1996
(IN MILLIONS)		
<S>	<C>	<C>
Total assets.....	\$176,857	\$205,175
Long-term borrowings.....	\$ 17,340	\$ 22,640
Stockholders' equity.....	\$ 6,141	\$ 6,514

- (1) Net Revenues are revenues net of interest expense.
- (2) For the purpose of calculating the ratio of earnings to fixed charges, "earnings" consists of earnings from continuing operations before income taxes and fixed charges. "Fixed charges" consists of interest costs, amortization of debt expense, preferred stock dividend requirements of majority-owned subsidiaries, and that portion of rentals estimated to be representative of the interest factor.
- (3) 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 June 28, 1996, \$2,696 million of bank loans and \$18,393 million of commercial paper were outstanding. In addition, certain of the Company's subsidiaries lend securities and enter into repurchase agreements to obtain financing. At June 28, 1996, cash deposits for securities loaned and securities sold under agreements to repurchase amounted to \$3,591 million and \$62,865 million, respectively. From June 29, 1996 to August 23, 1996, long-term borrowings, net of repayments and repurchases, increased by approximately \$957 million.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 28, 1996

Global financial markets continued to be buoyant throughout the 1996 first half, after strong performances in 1995. Issuer and investor demand and lower interest rates relative to a year ago, led to higher industrywide revenues from underwriting, trading, commissions and merger and acquisition services.

Net earnings for the first six months of 1996 were a record \$843 million, up 65% from \$510 million reported in the 1995 first half. Earnings per common share were \$4.22 primary and \$4.21 fully diluted, compared with

S-9

\$2.48 primary and \$2.46 fully diluted in the 1995 first half. Total revenues for the first six months of 1996 were a record \$12,209 million, up 13% from the 1995 first half. Net revenues (revenues after interest expense) totaled \$6,641 million, up 34% from the year-ago period.

Commissions revenues rose 35% to a record \$1,959 million from \$1,450 million in the 1995 first half. Commissions revenues from listed securities increased due to higher trading volumes on most major U.S. and international exchanges. Mutual fund commissions revenues rose to a record level due to strong sales of U.S. and offshore funds and higher distribution fees.

Interest and dividend revenues decreased to \$6,050 million from \$6,325 million in the 1995 first half. Interest expense, which includes dividend expense, decreased to \$5,568 million from \$5,819 million in the year-ago period. Net interest and dividend profit declined to \$482 million from \$506 million in the 1995 first half as a result of reduced levels of interest-earning assets.

Principal transactions revenues rose to a record \$1,891 million, up 47% from the 1995 first half as increased client activity led to higher revenues in most product categories. Equities and equity derivatives trading revenues were up 62% to \$637 million. International equities trading revenues benefited from the addition of trading activity related to Smith New Court PLC ("Smith New Court"), which was acquired in the 1995 third quarter. Over-the-counter equity trading revenues rose due to increased client order flow. Taxable fixed-income trading revenues rose 73% to \$509 million primarily due to higher revenues from mortgage-backed products and corporate bonds. Mortgage-backed securities trading revenues advanced due primarily to improved liquidity and increased customer demand compared with the year-ago period. Trading revenues for corporate bonds advanced due primarily to higher demand for U.S. and U.K. debt products. Trading revenues from interest rate and currency swaps increased 18% to \$505 million due to higher revenues from both U.S. and non-U.S. dollar-denominated transactions. Municipal securities revenues increased 19% to \$168 million largely due to increased investor demand for tax-exempt investments. Foreign exchange and commodities trading revenues, in the aggregate, rose 125% from the 1995 first half to \$72 million. Strong customer activity fueled by increased volatility in exchange rates led to higher foreign exchange trading revenues.

Investment banking revenues for the 1996 six-month period were a record \$958 million, up 64% from \$584 million in the 1995 first half due to increased transaction volumes as well as improved market shares for strategic services.

Revenues from equity, high-yield debt, and corporate bond and preferred stock underwritings were approximately double those of the 1995 first half. Strategic services revenues benefited from increased fees from mergers and acquisitions.

Asset management and portfolio service fees were \$1,090 million, up 19% from \$913 million in the first half of 1995, primarily as a result of strong inflows of client assets. Other revenues were \$261 million, up 15% from \$228 million reported in the 1995 first half, primarily due to gains on sales from Real Estate Mortgage Investment Conduit ("REMIC") transactions.

Non-interest expenses were \$5,272 million, up 28% from \$4,127 million in the year-ago period. Compensation and benefits expense, which represented approximately 65% of non-interest expenses, increased 33% from the 1995 first half due primarily to higher variable compensation related to increased profitability and business volume. Compensation and benefits expense as a percentage of net revenues was 51.7% in the 1996 first half compared with 51.9% in the year-ago period.

Occupancy cost increased 4% from the 1995 first half due to international growth, including the addition of Smith New Court facilities. Other facilities-related costs, which include communications and equipment rental expense and depreciation and amortization expense, rose 15% primarily due to increased levels of business activity, as well as higher depreciation expense from the purchase of technology-related assets over the past year.

Professional fees increased 32% from the year-ago period primarily as a result of higher systems development costs related to upgrading technology and processing capabilities. Advertising and market

S-10

development expenses rose 31% from the 1995 first half largely due to higher international travel, advertising and client promotion costs. Brokerage, clearing, and exchange fees increased 17% from the 1995 first half as a result of higher trading volumes, particularly in international equity markets. Other expenses increased 20% from the 1995 first half, primarily due to provisions related to various business activities and amortization of goodwill.

Income tax expense totaled \$526 million for the first half of 1996. The effective tax rate for the first six months of 1996 was 38.4%, compared with 39.5% in the year-ago period. The decrease in the effective tax rate was primarily attributable to lower state taxes and expanded international business activities.

CERTAIN BALANCE SHEET INFORMATION AS OF JUNE 28, 1996

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

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

At June 28, 1996, the fair value of long and short non-investment grade trading inventories amounted to \$8,452 million and \$1,282 million, respectively, and in the aggregate (i.e. the sum of long and short trading inventories) represented 9.0% of aggregate consolidated trading inventories.

At June 28, 1996, the carrying value of extensions of credit provided to corporations entering into leveraged transactions aggregated \$293 million (excluding unutilized revolving lines of credit and other lending commitments of \$117 million), consisting primarily of senior term and subordinated financings to 37 medium-sized corporations. At June 28, 1996, the Company had no bridge loans outstanding. A \$90 million bridge loan outstanding on March 29, 1996 was repaid during the 1996 second quarter, and a \$100 million bridge loan commitment made after March 29, 1996 was canceled before June 28, 1996. Subsequent to June 28, 1996, the Company entered into a bridge loan commitment for \$135 million to a non-investment grade counterparty. The Company intends to syndicate the loan, if extended, and may retain a residual portion. Direct equity investments made in conjunction with the Company's investment and merchant banking activities aggregated \$161 million at June 28, 1996, representing investments in 62 enterprises. At June 28, 1996, the Company held interests in partnerships, totaling \$79 million (recorded on the cost basis), that invest in highly leveraged transactions and non-investment grade securities. At June 28, 1996, the Company also committed to invest an additional \$80 million in partnerships that invest in leveraged transactions.

The Company's insurance subsidiaries hold non-investment grade securities. Non-investment grade securities were 5.0% of total insurance investments at June 28, 1996. Non-investment grade securities of insurance subsidiaries are

classified as available-for-sale and are carried at fair value.

At June 28, 1996, the largest non-investment grade concentration consisted of various sovereign and corporate issues of a South American sovereign totaling \$861 million, which primarily represented hedges of other financial instruments. No one industry sector accounted for more than 27% of total non-investment trade positions. At June 28, 1996, the Company held an aggregate carrying value of \$140 million in debt and equity securities of issuers in various stages of bankruptcy proceedings or in default, of which 70% resulted from the Company's market making activities in such securities.

S-11

DESCRIPTION OF SECURITIES

GENERAL

The Securities are to be issued as a series of Senior Debt Securities under the Senior Indenture, referred to as the "1983 Indenture", which is more fully described in the accompanying Prospectus. The Securities will mature on October , 2001.

While at maturity a beneficial owner of a Security will receive the principal amount of such Security plus the Supplemental Redemption Amount, if any, there will be no other payment of interest, periodic or otherwise. (See "Payment at Maturity" below.)

The Securities are not subject to redemption by the Company or at the option of any beneficial owner prior to maturity. Upon the occurrence of an Event of Default with respect to the Securities, beneficial owners of the Securities may accelerate the maturity of the Securities, as described under "Description of Securities--Events of Default and Acceleration" in this Prospectus Supplement 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 the principal amount thereof plus a Supplemental Redemption Amount, if any, all as provided below. If the Ending Portfolio Value does not exceed the Benchmark Portfolio Value a beneficial owner of a Security will be entitled to receive only the principal amount thereof.

At maturity, a beneficial owner of a Security will be entitled to receive, with respect to each such Security, (i) the principal amount thereof (\$10 for each Unit), and (ii) the Supplemental Redemption Amount equal in amount to:

$$\text{Principal Amount X } \frac{\text{Ending Portfolio Value} - \text{Benchmark Portfolio Value}}{\text{Benchmark Portfolio Value}}$$

provided, however, that in no event will the Supplemental Redemption Amount be less than zero. The Benchmark Portfolio Value will be the Starting Portfolio Value on the Pricing Date multiplied by a factor equal to 112% to 118% as determined by the Company on the Pricing Date. Based on the individual prices of the Portfolio Securities on the date that the Securities are priced for initial offering to the public, the Multiplier for each Portfolio Security will be initially set by the AMEX so that, on the Pricing Date, the Portfolio Securities are equally dollar-weighted in the Portfolio and the Portfolio Value equals 100 (the "Starting Portfolio Value"). The Benchmark Portfolio Value will be set forth in the final form of the Prospectus Supplement delivered to investors in connection with sales of the Securities. The Ending Portfolio Value will be determined by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Calculation Agent") and will equal the average (arithmetic mean) of the closing values of the Portfolio determined on each of the first five Calculation Days during the Calculation Period. If there are fewer than five Calculation Days, then the Ending Portfolio Value will equal the average (arithmetic mean) of the closing values of the Portfolio on such Calculation Days, and if there is only one Calculation Day, then the Ending Portfolio Value will equal the closing value of the Portfolio on such Calculation Day. If no Calculation Days occur during the Calculation Period because of Market Disruption Events, then the Ending Portfolio Value will equal the closing value of the Portfolio determined on the last scheduled Portfolio Business 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 seventh scheduled Portfolio Business Day prior to the maturity date to and including the second scheduled Portfolio Business Day prior to the maturity date. "Calculation Day" means any Portfolio Business Day during the Calculation Period on which a Market Disruption Event has not occurred. For purposes of determining the Ending Portfolio Value, a "Portfolio Business Day" is a day on which the AMEX is open for trading and trading generally occurs in the over-the-counter market for equity securities and the Portfolio or any

Successor Portfolio is calculated and published. All determinations made by the Calculation Agent shall be at the sole discretion of the Calculation

S-12

Agent and, absent a determination by the Calculation Agent of a manifest error, shall be conclusive for all purposes and binding on the Company and beneficial owners of the Securities.

The following table illustrates, for a range of hypothetical Ending Portfolio Values, (i) the total amount payable at maturity for each \$10 principal amount of Securities (assuming a Benchmark Portfolio Value which equals 115% (the midpoint of an expected offering range of 112% to 118%) of the Starting Portfolio Value), (ii) the pretax annualized rate of return to beneficial owners of Securities, and (iii) the pretax annualized rate of return of an investment in the stocks underlying the Portfolio (which includes an assumed aggregate dividend yield of 0.28% per annum, as more fully described below).

<TABLE>
<CAPTION>

HYPOTHETICAL ENDING PORTFOLIO VALUE	PERCENTAGE CHANGE OVER THE STARTING PORTFOLIO VALUE	TOTAL AMOUNT PAYABLE AT MATURITY (1)	PRETAX ANNUALIZED RATE OF RETURN ON THE SECURITIES (2)	PRETAX ANNUALIZED RATE OF RETURN OF STOCK UNDERLYING THE PORTFOLIO (2) (3)
<S>	<C>	<C>	<C>	<C>
50	-50%	\$ 10.00	0.00%	-13.09%
60	-40%	\$ 10.00	0.00%	-9.66%
70	-30%	\$ 10.00	0.00%	-6.71%
80	-20%	\$ 10.00	0.00%	-4.11%
90	-10%	\$ 10.00	0.00%	-1.79%
100(4)	0%	\$ 10.00	0.00%	0.28%
110	10%	\$ 10.00	0.00%	2.23%
120	20%	\$ 10.43	0.85%	4.00%
130	30%	\$ 11.30	2.47%	5.64%
140	40%	\$ 12.17	3.97%	7.17%
150	50%	\$ 13.04	5.39%	8.60%
160	60%	\$ 13.91	6.72%	9.96%
170	70%	\$ 14.78	7.97%	11.23%
180	80%	\$ 15.65	9.16%	12.45%
190	90%	\$ 16.52	10.30%	13.60%
200	100%	\$ 17.39	11.38%	14.70%
210	110%	\$ 18.26	12.41%	15.75%
220	120%	\$ 19.13	13.40%	16.76%
230	130%	\$ 20.00	14.35%	17.77%
240	140%	\$ 20.87	15.27%	18.66%
250	150%	\$ 21.74	16.15%	19.56%

</TABLE>

- (1) The total amount payable at maturity assumes a Benchmark Portfolio Value which equals 115% (the midpoint of an expected offering range of 112% to 118%) of the Starting Portfolio Value.
- (2) The annualized rates of return specified in the preceding table are calculated on a semiannual bond equivalent basis.
- (3) This rate of return assumes (i) an investment of a fixed amount in the stocks underlying the Portfolio with the allocation of such amount reflecting the relative weights of such stocks in the Portfolio; (ii) a percentage change in the aggregate price of such stocks that equals the percentage change in the Portfolio from the Starting Portfolio Value to the relevant hypothetical Ending Portfolio Value; (iii) a constant dividend yield of 0.28% per annum, paid quarterly from the date of initial delivery of Securities, applied to the value of the Portfolio at the end of each such quarter assuming such value increases or decreases linearly from the Starting Portfolio Value to the applicable hypothetical Ending Portfolio Value; (iv) no transaction fees or expenses; (v) a five year maturity of the Securities from the date of issuance; and (vi) a final Portfolio value equal to the Ending Portfolio Value. The aggregate dividend yield of the stocks underlying the Portfolio as of August 21, 1996 was approximately 0.28% per annum.
- (4) The Starting Portfolio Value would be set at 100 based on the closing prices on the Pricing Date.

The above figures are for purposes of illustration only. The actual Supplemental Redemption Amount received by investors and the pretax annualized rate of return resulting therefrom will depend entirely on the

S-13

actual Ending Portfolio Value determined by the Calculation Agent as provided herein. Historical data regarding the Portfolio is included in this Prospectus Supplement under "The Portfolio--Historical Information".

ADJUSTMENTS TO THE PORTFOLIO; MARKET DISRUPTION EVENTS

If at any time the method of calculating the Portfolio Value, or the value thereof, is changed in any material respect, or if the Portfolio is in any other way modified so that such Portfolio Value does not, in the opinion of the Calculation Agent, fairly represent the Portfolio Value had such changes or modifications not been made, then, from and after such time, the Calculation Agent shall, at the close of business in New York, New York, on each date that the closing value with respect to the Ending Portfolio Value is to be calculated, make such adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at a calculation of a value of a stock index comparable to the Portfolio Value as if such changes or modifications had not been made, and calculate such closing value with reference to the Portfolio Value, as adjusted. Accordingly, if the method of calculating the Portfolio Value is modified so that the Portfolio Value is a fraction or a multiple of what it would have been if it had not been modified (e.g., due to a split in the Portfolio Value), then the Calculation Agent shall adjust such Portfolio Value in order to arrive at a Portfolio Value as if it had not been modified (e.g., as if such split had not occurred).

"Market Disruption Event" means either of the following events, as determined by the Calculation Agent:

(i) the suspension or material limitation (limitations pursuant to New York Stock Exchange Rule 80A (or any applicable rule or regulation enacted or promulgated by the New York Stock Exchange or 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 three or more of the Portfolio Securities on any exchange in the United States or in the over-the-counter market for more than two hours of trading or during the period one-half hour prior to the close of such trading, 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 the trading of option contracts related to three or more of the Portfolio Securities traded on any exchange for more than two hours of trading or during the period one-half hour prior to the close of such trading.

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.

DISCONTINUANCE OF THE PORTFOLIO

If the AMEX discontinues publication of the Portfolio Value and the AMEX or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to such Portfolio Value (any such index being referred to hereinafter as a "Successor Portfolio Value"), then, upon the Calculation Agent's notification of such determination to the Trustee and the Company, the Calculation Agent will substitute the Successor Portfolio Value as calculated by the AMEX or such other entity for the Portfolio Value and calculate the Ending Portfolio Value as described above under "Payment at Maturity". Upon any selection by the Calculation Agent of a Successor Portfolio Value, the Company shall cause notice thereof to be given to Holders of the Securities.

If the AMEX discontinues publication of the Portfolio Value and a Successor Portfolio Value is not selected by the Calculation Agent or is no longer published on any of the Calculation Days, the value to be substituted for the Portfolio Value for any such Calculation Day used to calculate the Supplemental Redemption Amount at maturity will be a value computed by the Calculation Agent for each Calculation Day in accordance with the procedures last used to calculate the Portfolio Value prior to any such discontinuance. If a Successor Portfolio Value is selected or the Calculation Agent calculates a value as a substitute for the Portfolio Value as described below, such Successor Portfolio Value or value shall be substituted for the Portfolio Value for all purposes, including for purposes of determining whether a Market Disruption Event exists.

If the AMEX discontinues publication of the Portfolio Value prior to the period during which the Supplemental Redemption Amount is to be determined and the Calculation Agent determines that no Successor Portfolio Value is available at such time, then on each Business Day until the earlier to occur of (i) the determination of the Ending Portfolio Value and (ii) a determination by the Calculation Agent that a Successor Portfolio Value is available, the Calculation Agent shall determine the value that would be used in computing the Supplemental Redemption Amount as described in the preceding paragraph as if such day were a Calculation Day. The Calculation Agent will cause notice of each such value to be published not less often than once each month in The Wall Street Journal (or another newspaper of general circulation), and arrange for information with respect to such values to be

made available by telephone. Notwithstanding these alternative arrangements, discontinuance of the publication of the Portfolio Value may adversely affect trading in the Securities.

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 beneficial owner of a Security upon any acceleration permitted by the Securities, with respect to each \$10 principal amount thereof, will be equal to: (i) the initial issue price (\$10), plus (ii) an additional amount of contingent interest 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 beneficial owner 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 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 beneficial owners thereof, at the rate of % 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.

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 ("DTC"), as Depository, registered in the name of DTC or a nominee thereof. 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 Depository to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor of such Depository or a nominee of such successor.

DTC has advised the Company as follows: DTC 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. DTC 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. DTC's Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC 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 DTC 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").

S-15

Purchases of Securities must be made by or through Participants, which will receive a credit on the records of DTC. 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 DTC 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 DTC (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 DTC, or its nominee, is the registered owner of a Global Security, DTC 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 1983 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 1983 Indenture, including for purposes of receiving any reports delivered by the Company or the Trustee pursuant to the 1983 Indenture". Accordingly, each Person owning a beneficial interest in a Global Security must rely on the procedures of DTC 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 1983 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 1983 Indenture, DTC 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 DTC to Participants, by Participants to Indirect Participants, and by Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of the principal of, and any Supplemental Redemption Amount with respect to, Securities registered in the name of DTC or its nominee will be made to DTC 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 DTC, upon receipt of any payment of principal or any Supplemental Redemption Amount 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 DTC. 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) any Depository is at any time unwilling or unable to continue as 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 Depository shall instruct the Trustee. It is expected that such instructions may be based upon directions received by the Depository from Participants with respect to ownership of beneficial interests in such Global Securities.

S-16

SAME-DAY SETTLEMENT AND PAYMENT

Settlement for the Securities will be made by the Underwriter in immediately available funds. All payments of principal and the Supplemental Redemption Amount, if any, will be made by the Company in immediately available funds so long as the Securities are maintained in book-entry form.

THE PORTFOLIO

GENERAL

While the Portfolio consists of stocks of certain companies involved in various segments of the healthcare industry and the biotechnology industry, the Portfolio is not intended to provide an indication of the pattern of price movements of common stocks of healthcare and biotechnology corporations generally. All of the Portfolio Securities are registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Companies with securities registered under the Exchange Act are required to file periodically certain financial and other information specified by the Securities and Exchange Commission (the "Commission"). Information provided to or filed with the Commission is available at the offices of the Commission and at the Web site specified under "Available Information" in the attached Prospectus. Neither the Company nor MLPF&S 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, or making equity investments in, 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.

"Healthcare and Biotechnology Industries"

The healthcare industry is subject to various federal, state and local laws and regulations which are frequently subject to change in many ways that can affect the price of the stocks of companies involved in such industry.

A number of legislative bills and proposals to regulate, control or alter substantially the methods of financing and delivering healthcare, including proposals covering cost controls, imposition of charitable care requirements, national health insurance, incentives for competition in the provision of healthcare insurance premiums, catastrophic illness coverage under Medicare, a voucher system for Medicare, and the promotion of prepaid healthcare plans, are currently under discussion, and certain of such bills have been introduced in Congress. There are wide variations among these bills and proposals, and the effect of these bills and proposals on the healthcare industry cannot be determined at this time. Because of the many possible financial effects that could result from an enactment of any of these bills and proposals, it is not possible at this time to predict with assurance the effect on the prices of Portfolio Securities and therefore the Securities if any of these bills or proposals were enacted.

The biotechnology industry segment is subject to many of the same factors that affect the healthcare industry. In addition, the products produced by biotechnology companies often entail costly research and development and can be subject to extensive regulatory review prior to approval for sale.

S-17

COMPUTATION OF THE PORTFOLIO VALUE

The AMEX will generally calculate and disseminate the value of the Portfolio based on the most recently reported prices of the Portfolio Securities (as reported by the Exchanges), at approximately 15-second intervals during the AMEX's business hours and at the end of each Portfolio Business Day via the Consolidated Tape Association's Network B. The Portfolio Value, at any time, will equal the sum of the products of such prices and the applicable Multipliers for the Portfolio Securities. The Ending Portfolio Value, however, is calculated by the Calculation Agent based on averaging the Portfolio Values reported by the AMEX at the end of certain Portfolio Business Days. See "Description of Securities--Payment at Maturity". The securities listed below are the Portfolio Securities and will be used to calculate the value of the Portfolio. Holders of the MITTS will not have any right to receive the Portfolio Securities. The following table sets forth the issuers of the Portfolio Securities, the exchanges, the percentage of each Portfolio Security in the Starting Portfolio Value and the initial Multipliers:

<TABLE>
<CAPTION>

ISSUER OF THE PORTFOLIO SECURITY	EXCHANGES	INDUSTRY SEGMENT	APPROXIMATE MARKET CAPITALIZATION	% OF STARTING	INITIAL
			AS OF JULY 31, 1996	PORTFOLIO VALUE	MULTIPLIER (1)
			(IN MILLIONS)		
<S>	<C>	<C>	<C>	<C>	<C>
Amgen Inc.....	Nasdaq	Biotechnology	14,754.01	3.8462%	
Apria Healthcare Group Inc.	NYSE	Health--Specialty	1,343.92	3.8462%	
Baxter International Inc.....	NYSE	Hospital Supplies	12,462.22	3.8462%	
Beverly Enterprises....	NYSE	Health--Long Term Care	1,049.17	3.8462%	
Biogen, Inc.	Nasdaq	Biotechnology	2,016.82	3.8462%	
Chiron Corporation.....	AMEX	Biotechnology	3,763.54	3.8462%	
Columbia/HCA Healthcare Corporation.....	NYSE	Hospital Management	23,049.29	3.8462%	
Emcare Holdings Inc. ...	Nasdaq	Health--Specialty	227.28	3.8462%	
Genzyme Corporation....	Nasdaq	Biotechnology	1,682.10	3.8462%	
Genesis Health Ventures, Inc.....	NYSE	Health--Long Term Care	765.18	3.8462%	
Health Management Associates, Inc.....	NYSE	Hospital Management	2,019.37	3.8462%	

Healthsource, Inc.	NYSE	Health Maintenance Organization	859.65	3.8462%
Healthsouth Corporation.....	NYSE	Health--Specialty	2,192.24	3.8462%
Humana Inc.....	NYSE	Health Maintenance Organization	2,616.44	3.8462%
Johnson & Johnson.....	NYSE	Hospital Supplies	65,601.13	3.8462%
Medpartners/Mullikin, Inc.....	NYSE	Health Maintenance Organization	936.10	3.8462%
Neuromedical Systems, Inc.....	Nasdaq	Health--Specialty	385.31	3.8462%
Olsten Corporation.....	NYSE	Health--Specialty	1,705.03	3.8462%
Ornda Healthcorp.....	NYSE	Hospital Management	1,294.35	3.8462%
Oxford Health Plans, Inc.....	Nasdaq	Health Maintenance Organization	4,601.51	3.8462%
Phycor, Inc.	Nasdaq	Health Maintenance Organization	1,724.83	3.8462%
Quorum Health Group, Inc.	Nasdaq	Hospital Management	1,193.18	3.8462%
Renal Treatment Centers, Inc.	NYSE	Health--Specialty	638.66	3.8462%
Tenet Healthcare Corporation.....	NYSE	Hospital Management	4,239.67	3.8462%
Total Renal Care Holdings, Inc.	NYSE	Health--Specialty	765.76	3.8462%
United Healthcare Corporation.....	NYSE	Health Maintenance Organization	6,220.65	3.8462%

</TABLE>

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(1) Initial Multipliers will be determined on the date the Securities are priced by the Company for initial offering to the public.

The initial Multiplier relating to each Portfolio Security indicates the number of shares of such Portfolio Security, given the market price of such Portfolio Security, required to be included in the calculation of the Starting Portfolio Value so that each Portfolio Security represents an equal percentage of the Starting Portfolio Value as of the date of this Prospectus Supplement. The price of each Portfolio Security used to calculate the initial Multiplier relating to each such Portfolio Security will be the closing 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.

S-18

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 such Portfolio Security and the prior multiplier.

3. There will be no adjustments to the Multipliers to reflect cash dividends or distributions paid with respect of a Portfolio Security other than for Extraordinary Dividends as described below. A cash dividend with respect to a Portfolio Security will be deemed to be an "Extraordinary Dividend" if such dividend exceeds the immediately preceding non-Extraordinary Dividend for such Portfolio Security by an amount equal to at least 10% of the market price on the Portfolio Business Day preceding the record day for the payment of such Extraordinary Dividend (the "ex-dividend date"). If an Extraordinary Dividend occurs with respect to a Portfolio Security, the Multiplier with respect to such Portfolio Security will be adjusted on the ex-dividend date with respect to such Extraordinary Dividend so that the new Multiplier will equal the product of (i) the then current Multiplier, and (ii) a fraction, the numerator of which is the sum of the Extraordinary Dividend Amount and the market price on the Trading Day preceding the ex-dividend date, and the denominator of which is the market price on the Trading Day preceding the ex-dividend date. The "Extraordinary Dividend Amount" with respect to an Extraordinary Dividend for a Portfolio Security will equal such Extraordinary Dividend minus the amount of the immediately preceding non-Extraordinary Dividend for such Portfolio Security.

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 Portfolio Value and the Ending 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 or is nationalized, then a value for such Portfolio Security will be determined at the time such issuer is merged or consolidated or nationalized 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 cash, 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 that are publicly traded 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.

S-19

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.

The AMEX expects that no adjustments to the Multiplier of any Portfolio Security or to the Portfolio will be made other than those specified above, however, the AMEX may at its discretion make adjustments to maintain the economic intent of the Portfolio.

HISTORICAL INFORMATION

The following table sets forth the high and low market price during 1991, 1992, 1993, 1994, 1995 and 1996 through July 31, 1996, and the market price on July 31, 1996. All market prices are rounded to the nearest one-sixty-fourth dollar. 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 prices of the Portfolio Securities will increase sufficiently to cause the beneficial owners of the Securities to receive a Supplemental Redemption Amount in excess of zero.

<TABLE>

<CAPTION>

PORTFOLIO SECURITIES -----	HIGH -----	LOW -----	LAST -----
<S>	<C>	<C>	<C>
Amgen Inc.			
1991.....	38.000	9.422	
1992.....	39.125	24.625	
1993.....	35.875	15.500	
1994.....	30.125	17.375	
1995.....	59.750	28.063	
1996.....	65.500	51.500	54.625
Apria Healthcare Group Inc.			
1991.....	*	*	
1992.....	17.141	6.781	
1993.....	19.828	12.141	
1994.....	20.531	10.531	
1995.....	34.500	16.844	
1996.....	35.250	23.375	24.625
Baxter International Inc.			
1991.....	40.875	25.625	
1992.....	40.500	30.500	
1993.....	32.750	24.375	
1994.....	28.875	21.625	
1995.....	44.750	26.750	

1996.....	47.875	41.000	41.625
Beverly Enterprises			
1991.....	12.375	6.875	
1992.....	13.125	7.125	
1993.....	14.750	9.250	
1994.....	16.125	11.750	
1995.....	16.125	9.000	
1996.....	12.625	9.500	9.500
Biogen, Inc.			
1991.....	49.000	24.250	
1992.....	49.750	18.250	
1993.....	47.750	24.250	
1994.....	55.750	27.250	
1995.....	66.500	32.000	
1996.....	76.500	51.625	61.125

</TABLE>

S-20

<TABLE>

<CAPTION>

PORTFOLIO SECURITIES	HIGH	LOW	LAST
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Chiron Corporation			
1991.....	79.000	37.250	
1992.....	56.500	34.750	
1993.....	86.875	40.000	
1994.....	96.000	50.750	
1995.....	113.750	47.750	
1996.....	119.250	82.750	84.500
Columbia/HCA Healthcare Corporation			
1991.....	18.500	9.750	
1992.....	22.000	13.750	
1993.....	33.875	16.250	
1994.....	45.250	33.250	
1995.....	54.000	35.375	
1996.....	58.000	48.250	54.250
Emcare Holdings Inc.			
1991.....	*	*	
1992.....	*	*	
1993.....	*	*	
1994.....	14.750	11.000	
1995.....	27.375	13.125	
1996.....	36.625	21.250	21.250
Genzyme Corporation			
1991.....	24.766	11.446	
1992.....	32.563	15.914	
1993.....	24.649	12.338	
1994.....	18.852	11.750	
1995.....	35.024	13.625	
1996.....	38.000	22.000	24.875
Genesis Health Ventures, Inc.			
1991.....	8.500	4.500	
1992.....	11.328	4.172	
1993.....	16.078	7.672	
1994.....	21.328	14.500	
1995.....	25.000	16.922	
1996.....	32.875	22.500	25.250
Health Management Associates, Inc.			
1991.....	5.266	2.141	
1992.....	5.656	3.703	
1993.....	8.672	3.109	
1994.....	11.859	8.000	
1995.....	18.000	10.438	
1996.....	23.750	18.000	20.125
Healthsource, Inc.			
1991.....	5.453	2.750	
1992.....	9.563	4.000	
1993.....	38.750	13.375	
1994.....	21.125	12.750	
1995.....	36.000	15.125	
1996.....	40.125	11.000	11.000

</TABLE>

S-21

<TABLE>

<CAPTION>

PORTFOLIO SECURITIES	HIGH	LOW	LAST
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Healthsouth Corporation			

1991.....	17.578	7.328	
1992.....	18.625	7.625	
1993.....	13.188	6.063	
1994.....	19.688	11.688	
1995.....	32.375	16.375	
1996.....	38.250	30.000	30.375
Humana Inc.			
1991.....	12.500	8.109	
1992.....	10.516	6.063	
1993.....	19.125	6.125	
1994.....	25.375	15.750	
1995.....	28.000	17.000	
1996.....	28.750	15.625	16.750
Johnson & Johnson			
1991.....	29.063	16.344	
1992.....	29.344	21.500	
1993.....	25.188	17.813	
1994.....	28.250	18.000	
1995.....	46.188	26.813	
1996.....	50.000	43.750	47.750
Medpartners/Mullikin, Inc.			
1991.....	*	*	
1992.....	*	*	
1993.....	*	*	
1994.....	*	*	
1995.....	34.500	14.750	
1996.....	36.000	16.625	18.750
Neuromedical Systems, Inc.			
1991.....	*	*	
1992.....	*	*	
1993.....	*	*	
1994.....	*	*	
1995.....	21.500	18.375	
1996.....	26.500	11.375	14.375
Olsten Corporation			
1991.....	11.109	4.781	
1992.....	17.891	10.438	
1993.....	21.328	14.672	
1994.....	25.922	18.750	
1995.....	28.172	18.828	
1996.....	33.000	25.750	26.500
Ornda Healthcorp			
1991.....	14.750	5.000	
1992.....	15.250	5.625	
1993.....	15.750	5.250	
1994.....	22.375	10.500	
1995.....	24.000	11.125	
1996.....	29.500	20.250	23.000

</TABLE>

S-22

<TABLE>

<CAPTION>

PORTFOLIO SECURITIES	HIGH	LOW	LAST
-----	----	----	----
<S>	<C>	<C>	<C>
Oxford Health Plans, Inc.			
1991.....	3.063	1.719	
1992.....	7.094	3.375	
1993.....	14.000	3.906	
1994.....	20.875	9.875	
1995.....	41.875	19.250	
1996.....	52.250	31.063	34.500
Phycor, Inc.			
1991.....	*	*	
1992.....	5.109	2.438	
1993.....	9.188	4.000	
1994.....	12.438	7.484	
1995.....	34.000	10.891	
1996.....	40.500	27.000	30.750
Quorum Health Group, Inc.			
1991.....	*	*	
1992.....	*	*	
1993.....	*	*	
1994.....	22.750	16.250	
1995.....	23.875	17.250	
1996.....	27.375	22.936	23.500
Renal Treatment Centers, Inc.			
1991.....	*	*	
1992.....	*	*	
1993.....	11.000	5.500	
1994.....	12.875	5.750	
1995.....	23.500	10.375	

1996.....	34.000	20.063	28.000
Tenet Healthcare Corporation			
1991.....	51.625	12.625	
1992.....	18.125	9.625	
1993.....	14.500	6.500	
1994.....	19.500	12.500	
1995.....	20.750	13.375	
1996.....	22.500	18.375	19.375
Total Renal Care Holdings, Inc.			
1991.....	*	*	
1992.....	*	*	
1993.....	*	*	
1994.....	*	*	
1995.....	30.000	17.375	
1996.....	45.125	27.750	35.750
United Healthcare Corporation			
1991.....	19.563	5.000	
1992.....	29.188	17.125	
1993.....	39.375	20.000	
1994.....	55.375	37.250	
1995.....	65.625	34.125	
1996.....	67.375	31.000	33.750

</TABLE>

- - - - -

* No shares of the issuer were outstanding during the year

S-23

HYPOTHETICAL HISTORICAL PORTFOLIO VALUES

The following table and graph set forth hypothetical Portfolio Values on the last business day of each month from December 31, 1990 through July 31, 1996 (the "Historical Portfolio Values"). Except as described below, the Historical Portfolio Values were calculated on the same basis as the Portfolio Value will be calculated in the future. The Historical Portfolio Value of 100 corresponding to December 31, 1990 was set to provide an illustration of past movements of the Historical Portfolio Value only. The Multiplier for each Portfolio Security will be initially set so that the Starting Portfolio Value equals 100 on the date the Securities are priced for initial offering to the public. The Historical 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. For months during which one or more of the Portfolio Securities were not outstanding and publicly traded, the Historical 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 weighting of each such remaining Portfolio Security. Only fourteen of the twenty-six Portfolio Securities were outstanding during the entire period illustrated below.

Historical Multipliers and the Portfolio were subject to the same adjustments, as reported by securities pricing sources, as Multipliers will be subject to described under "Description of Securities--Adjustments to the Multiplier and Portfolio".

THE EXPERIENCE OF THE HISTORICAL PORTFOLIO VALUES SHOULD NOT BE TAKEN AS AN INDICATION OF FUTURE PERFORMANCE OF THE PORTFOLIO VALUE AND NO ASSURANCE CAN BE GIVEN THAT THE VALUE OF THE PORTFOLIO VALUE WILL NOT DECLINE AND THEREBY RESULT IN REPAYMENT OF ONLY \$10 FOR EACH \$10 PRINCIPAL AMOUNT OF SECURITIES TO BENEFICIAL OWNERS OF THE SECURITIES AT MATURITY OR OTHERWISE.

S-24

<TABLE>

<CAPTION>

DATE	HISTORICAL PORTFOLIO VALUE
----	-----
<S>	<C>
1990	
December.....	100.000
1991	
January.....	109.711
February (1).....	117.029
March.....	132.028
April (2).....	126.981
May.....	132.192
June (3).....	119.097
July.....	131.914
August (4).....	134.265
September.....	135.428
October.....	138.584
November.....	125.018
December.....	146.985
1992	

January (5)	142.743
February (6)	134.532
March	127.785
April	123.390
May	125.666
June	119.769
July	130.785
August	120.704
September	121.862
October	129.102
November	140.360
December	146.765
1993	
January	139.522
February	118.711
March	114.047
April	118.042
May	127.623
June	132.042
July (7)	130.631
August	127.943
September	138.253
October	145.576
November	147.611
December	163.501
1994	
January	180.067
February	177.588
March	166.639
April	169.710
May (8)	174.471
June	158.642
July	169.580

</TABLE>

S-25

<TABLE>

<CAPTION>

DATE	HISTORICAL PORTFOLIO VALUE
----	-----
<S>	<C>
August	188.539
September	197.199
October	197.729
November	183.827
December (9)	191.913
1995	
January	195.722
February (10)	199.202
March	214.092
April	202.444
May	195.222
June	199.976
July	218.811
August	228.749
September	248.665
October (11)	245.010
November	271.590
December (12)	284.963
1996	
January	301.570
February	300.267
March	297.167
April	301.407
May	289.700
June	272.096
July	237.253

</TABLE>

-
- (1) Health Management Associates, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
 - (2) Healthsource, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
 - (3) Genesis Health Ventures, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
 - (4) Oxford Health Plans, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
 - (5) Phycor, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
 - (6) Apria Healthcare Group Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
 - (7) Renal Treatment Centers, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
 - (8) Quorum Health Group, Inc. was included in the calculation of the

Historical Portfolio Value commencing this month.

- (9) Emcare Holdings Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
- (10) Medpartners/Mullikin, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
- (11) Total Renal Care Holdings, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.
- (12) Neuromedical Systems, Inc. was included in the calculation of the Historical Portfolio Value commencing this month.

S-26

The following graph sets forth the hypothetical Historical Portfolio Values on the last business day of each month from December 1990 through July 1996. Past movements of the Historical Portfolio Values are not necessarily indicative of future movements of the Portfolio Value.

[The graph sets forth the hypothetical Historical Portfolio Values on the last business day of each month from December 1990 through July 1996 with the vertical axis specifying the hypothetical month-end closing levels of the Portfolio in a range from 0 to 350 in increments of 50, and the horizontal axis specifying the time period in increments of three months from December 1990 through July 1996.]

The closing hypothetical Historical Portfolio Value on August 21, 1996 was 255.558.

S-27

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

Set forth in full below is the opinion of Brown & Wood LLP, 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, all of which are subject to change (including retroactive 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, tax-exempt entities, or 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 herein). The following discussion also assumes that the issue price of the Securities, as determined for United States Federal income tax purposes, equals the principal amount thereof. Persons considering the purchase of the Securities should consult their own tax advisors concerning the application of the United States Federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the 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 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 beneficial owner of a Security that is not a U.S. Holder.

GENERAL

There are no statutory provisions, regulations, published rulings or judicial decisions addressing or involving the characterization, for United States Federal income tax purposes, of the Securities or 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 of the Securities. 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 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 in respect of a Security could differ from the timing and character of income, gain or loss recognized in respect of 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

On June 11, 1996, the Treasury Department issued final regulations (the "Final Regulations") concerning the proper United States Federal income tax treatment of contingent payment debt instruments such as the Securities, which apply to debt instruments issued on or after August 13, 1996 and, accordingly, will apply to the Securities. In general, the Final Regulations cause the timing and character of income, gain or loss reported

S-28

on a contingent payment debt instrument to substantially differ from the timing and character of income, gain or loss reported on a contingent payment debt instrument under general principles of current United States Federal income tax law. Specifically, the Final Regulations generally require a U.S. Holder of such an instrument to include future contingent and noncontingent interest payments in income as such interest accrues based upon a projected payment schedule. Moreover, in general, under the Final Regulations, any gain recognized by a U.S. Holder on the sale, exchange, or retirement of a contingent payment debt instrument is treated as ordinary income and all or a portion of any loss realized could be treated as ordinary loss as opposed to capital loss (depending upon the circumstances). The Final Regulations provide no definitive guidance as to whether or not an instrument is properly characterized as a debt instrument for United States Federal income tax purposes.

In particular, solely for purposes of applying the Final Regulations to the Securities, the Company has determined that the projected payment schedule for the Securities will consist of payment on the maturity date of the principal amount thereof and a Supplemental Redemption Amount equal to \$. This represents an estimated yield on the Securities equal to % per annum (compounded semiannually). Accordingly, during the term of the Securities, a U.S. Holder of a Security will be required to include in income as ordinary interest an amount equal to the sum of the daily portions of interest on the Security that are deemed to accrue at this estimated yield for each day during the taxable year (or portion of the taxable year) on which the U.S. Holder holds such Security. The amount of interest that will be deemed to accrue in any accrual period (i.e., generally each six month period during which the Securities are outstanding) will equal the product of this estimated yield (properly adjusted for the length of the accrual period) and the Security's adjusted issue price (as defined below) at the beginning of the accrual period. The daily portions of interest will be determined by allocating to each day in the accrual period the ratable portion of the interest that is deemed to accrue during the accrual period. In general, for these purposes, a Security's adjusted issue price will equal the Security's issue price (i.e., \$10), increased by the interest previously accrued on the Security. At maturity of a Security, in the event that the Supplemental Redemption Amount, if any, exceeds \$, a U.S. Holder will be required to include the excess of the Supplemental Redemption Amount over \$ in income as ordinary interest on the maturity date. Alternatively, in the event that the Supplemental Redemption Amount, if any, is less than \$, the excess of \$ over the Supplemental Redemption Amount will be treated first as an offset to any interest otherwise includible in income by the U.S. Holder with respect to the Security for the taxable year in which the maturity date occurs to the extent of the amount of such includible interest. A U.S. Holder will be permitted to recognize and deduct, as an ordinary loss that is not subject to the limitations applicable to miscellaneous itemized deductions, any remaining portion of the excess of \$ over the Supplemental Redemption Amount that is not treated as an interest offset pursuant to the foregoing rules.

Upon the sale or exchange of a Security prior to the maturity date, a U.S. Holder will be required to recognize taxable gain or loss in an amount equal to the difference, if any, between the amount realized by the U.S. Holder upon such sale or exchange and the U.S. Holder's adjusted tax basis in the Security as of the date of disposition. A U.S. Holder's adjusted tax basis in a Security generally will equal such U.S. Holder's initial investment in the Security increased by any interest previously included in income with respect to the Security by the U.S. Holder. Any such taxable gain generally will be treated as ordinary income. Any such taxable loss generally will be treated as ordinary loss to the extent of the U.S. Holder's total interest inclusions on the Security. Any remaining loss generally will be treated as long-term or short-term capital loss (depending upon the U.S. Holder's holding period for the Security). All amounts includible in income by a U.S. Holder as ordinary interest pursuant to the Final Regulations will be treated as original issue discount.

Prospective investors in the Securities should be aware that if a significant percentage of the total aggregate amount of the Securities originally issued is sold at a discount from the principal amount thereof (e.g., pursuant to the discounts noted on the cover of this Prospectus Supplement), then the issue price of the Securities, as determined for United States Federal income tax purposes, may be less than the principal amount of the Securities. In such event, if a U.S. Holder purchases a Security for an amount equal to the principal amount thereof, the amount of the difference between the principal amount of the Securities and the issue price thereof generally should be allocated by the U.S. Holder to daily portions of interest that are deemed to accrue on each

S-29

such date as an offset to such interest on each such date. In addition, on each such date, the U.S. Holder's adjusted tax basis in the Security will be reduced by the amount treated as an interest offset pursuant to the foregoing rule. Alternatively, in the event that the issue price of the Securities, as determined for United States Federal income tax purposes, equals the principal amount thereof and a U.S. Holder purchases a Security for an amount that is less than the principal amount thereof, the amount of the difference between the principal amount of the Security and the amount paid by the U.S. Holder to purchase the Security generally should be allocated by the U.S. Holder to daily portions of interest that are deemed to accrue on each such date as additional ordinary interest includible in income by the U.S. Holder on each such date. In such event, on each such date, the U.S. Holder's adjusted tax basis in the Security will be increased by the amount treated as additional ordinary interest income. In addition, U.S. Holders purchasing a Security at a price that differs from the adjusted issue price of the Security as of the purchase date (e.g., subsequent purchasers) will be subject to special rules providing for certain adjustments to the foregoing rules and such U.S. Holders should consult their own tax advisors concerning these rules. Moreover, all prospective investors in the Securities should consult their own tax advisors concerning the application of the Final Regulations to their investment in the Securities. Investors in the Securities may also obtain the projected payment schedule, as determined by the Company for purposes of the application of the Final Regulations to the Securities, by submitting a written request for such information to _____ at _____.

The projected payment schedule (including both the projected Supplemental Redemption Amount and the estimated yield on the Securities) has been determined solely for United States Federal income tax purposes (i.e., for purposes of applying the Final Regulations to the Securities), and is not a prediction of what the actual Supplemental Redemption Amount will be, or that the actual Supplemental Redemption Amount will even exceed zero.

The following table sets forth the amount of interest that will be deemed to have accrued with respect to the Securities during each accrual period over the term of the Securities based upon the projected payment schedule for the Securities (including both the projected Supplemental Redemption Amount and the estimated yield equal to % per annum (compounded semiannually)) as determined by the Company for purposes of the application of the Final Regulations to the Securities:

S-30

<TABLE>
<CAPTION>

ACCRUAL PERIOD -----	INTEREST DEEMED TO ACCRUE DURING ACCRUAL PERIOD	TOTAL INTEREST DEEMED TO HAVE ACCRUED ON SECURITIES AS OF END OF ACCRUAL PERIOD -----
<S>	<C>	<C>
September , 1996 through		
October , 1996.....		
October , 1996 through		
April , 1997.....		
April , 1997 through		
October , 1997.....		
October , 1997 through		
April , 1998.....		
April , 1998 through		
October , 1998.....		
October , 1998 through		
April , 1999.....		
April , 1999 through		
October , 1999.....		
October , 1999 through		
April , 2000.....		
April , 2000 through		
October , 2000.....		
October , 2000 through		

April , 2001.....
April , 2001 through
October , 2001.....
</TABLE>

Projected Supplemental Redemption Amount =

NON-U.S. HOLDERS

A non-U.S. Holder will not be subject to United States Federal income taxes on payments of principal, premium (if any) 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 Internal Revenue Code of 1986, as amended. However, 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 the organization or institution. The Treasury Department is considering implementation of further certification requirements.

Under current law, a Security will not be includible in the 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 such Security would have been effectively connected with the conduct by such individual of a trade or business in the United States.

S-31

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 purchase 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 under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

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 of the Company affecting the value of the Supplemental Redemption Amount.

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 Underwriting Agreement provides that the obligations of the Underwriter are subject to certain conditions precedent and that the Underwriter will be obligated to purchase all of the Securities if any are purchased.

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 prices set forth on the cover page of this Prospectus Supplement and to certain dealers at such prices less a concession not in excess of % 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 Rule 2720 of the Conduct Rules 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 LLP, New York, New York.

S-32

PROSPECTUS

[LOGO]
MERRILL LYNCH & CO., INC.
DEBT SECURITIES AND WARRANTS

Merrill Lynch & Co., Inc. (the "Company") intends to sell from time to time up to \$2,183,478,981 aggregate principal amount (or net proceeds in the case of warrants and in the case of securities issued at an original issue discount), or its equivalent in such foreign currencies or units of two or more currencies, based on the applicable exchange rate at the time of offering, as shall be designated by the Company at the time of offering, of its senior debt securities ("Senior Debt Securities"), subordinated debt securities ("Subordinated Debt Securities" and, together with the Senior Debt Securities, the "Debt Securities"), warrants to purchase Debt Securities ("Debt Warrants"), warrants entitling the holders thereof to receive from the Company a payment or delivery determined by reference to decreases or increases in the level of an index or portfolio based on one or more equity or debt securities (including the price or yield of such securities), any statistical measure of economic or financial performance (including any consumer price, currency or mortgage index) or the price or value of any commodity or a combination thereof (the "Index Warrants") and warrants to receive from the Company the cash value in U.S. dollars of the right to purchase ("Currency Call Warrants") or to sell ("Currency Put Warrants" and, together with the Currency Call Warrants, the "Currency Warrants") such foreign currencies or units of two or more currencies as shall be designated by the Company at the time of offering. The Debt Securities, Debt Warrants, Index Warrants and Currency Warrants, which are collectively called the "Securities", may be offered either jointly or separately and will be offered to the public on terms determined by market conditions at the time of sale and set forth in a prospectus supplement.

The Securities will be unsecured and, except in the case of Subordinated Debt Securities, will rank equally with all other unsecured and unsubordinated indebtedness of the Company. The Subordinated Debt Securities will be subordinated to all existing and future Senior Indebtedness of the Company.

Each issue of Securities may vary, where applicable, as to aggregate principal amount, maturity date, public offering or purchase price, interest rate or rates, if any, and timing of payments thereof, provision for redemption, sinking fund requirements, if any, exercise provisions, currencies of denomination or currencies otherwise applicable thereto and any other variable terms and method of distribution. The accompanying Prospectus Supplement (the "Prospectus Supplement") sets forth the specific terms with regard to the Securities in respect of which this Prospectus is being delivered. The Company may elect to deliver to purchasers of Securities an abbreviated term sheet setting forth a description of the Securities being offered, or a summary thereof (a "Terms Sheet"), instead of a Prospectus Supplement. This Prospectus may be delivered prior to or concurrently with a Terms Sheet.

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

The Securities may be sold directly or through Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") as agent or may be offered and reoffered through, or through underwriting syndicates managed or co-managed by, one or more of the following: MLPF&S; Bear, Stearns & Co. Inc.; Donaldson, Lufkin & Jenrette Securities Corporation; CS First Boston Corporation; Goldman, Sachs & Co.; Lehman Brothers Inc.; Morgan Stanley & Co. Incorporated; Nomura Securities International, Inc.; PaineWebber Incorporated; and Salomon Brothers Inc, or directly to purchasers by the Company. The Company has entered into agreements with such firms with respect to the Securities providing for agency sales of the Securities through MLPF&S or the purchase and offering from time to time by one or more of such firms, either alone or with the several members of any syndicate formed by them. Additional agreements respecting the distribution of the Securities may be entered into from time to time by the Company. Securities may not be sold without delivery of a Prospectus Supplement describing such issue of Securities and the method and terms of offering thereof or of a Terms Sheet.

The date of this Prospectus is August 30, 1996.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy and information statements and other information filed by the Company can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: Midwest Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and Northeast Regional Office, Seven World Trade Center, New York, New York 10048. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Reports, proxy and information statements and other information concerning the Company may also be inspected at the offices of the New York Stock Exchange, the American Stock Exchange, the Chicago Stock Exchange and the Pacific Stock Exchange. The Commission maintains a Web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants, including the Company, that file electronically with the Commission.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

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

THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON TO WHOM THIS PROSPECTUS IS DELIVERED, ON WRITTEN OR ORAL REQUEST OF SUCH PERSON, A COPY (WITHOUT EXHIBITS OTHER THAN EXHIBITS SPECIFICALLY INCORPORATED BY REFERENCE) OF ANY OR ALL DOCUMENTS INCORPORATED BY REFERENCE INTO THIS PROSPECTUS. REQUESTS FOR SUCH COPIES SHOULD BE DIRECTED TO MR. GREGORY T. RUSSO, SECRETARY, MERRILL LYNCH & CO., INC., 100 CHURCH STREET, 12TH FLOOR, NEW YORK, NEW YORK 10080-6512; TELEPHONE NUMBER (212) 602-8435.

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

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

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

USE OF PROCEEDS

The Company intends to use the net proceeds from the sale of the Securities for general corporate purposes. Such uses may include the funding of investments in, or extensions of credit to, its subsidiaries, the funding of assets held by the Company or its subsidiaries, including securities inventories, customer receivables and loans (including business loans, home equity loans and loans in connection with investment banking-related merger and acquisition activities) and the lengthening of the average maturity of the Company's borrowings (including the refunding of maturing indebtedness). The precise amount and timing of investments in, and extensions of credit to, its subsidiaries will depend upon their funding requirements and the availability of other funds to the Company and its subsidiaries. Pending such applications, the net proceeds will be temporarily invested or applied to the reduction of short-term indebtedness. A substantial portion of the proceeds from the sale of any Currency Warrants or Index Warrants may be used to hedge market risks with respect to such Warrants. Management of the Company expects that it will, on a recurrent basis, engage in additional financings as the need arises to finance the growth of the Company or to lengthen the average maturity of its borrowings. To the extent that Securities being purchased for resale by MLPF&S are not resold, the aggregate proceeds to the Company and its subsidiaries would be reduced.

3

SUMMARY FINANCIAL INFORMATION

The following summary of consolidated financial information was derived from, and is qualified in its entirety by reference to, the financial statements and other information and data contained in the Company's Annual Report on Form 10-K for the year ended December 29, 1995. See "Incorporation of Certain Documents by Reference." The year-end results include 52 weeks for 1991, 1992, 1994, and 1995 and 53 weeks for 1993.

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

<TABLE>
<CAPTION>

YEAR ENDED LAST FRIDAY IN DECEMBER

	1991	1992	1993	1994	1995
--	------	------	------	------	------

(IN MILLIONS, EXCEPT RATIOS)

<S>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$12,353	\$ 13,413	\$ 16,588	\$ 18,234	\$ 21,513
Net revenues.....	\$ 7,246	\$ 8,577	\$ 10,558	\$ 9,625	\$ 10,265
Earnings before income taxes and cumulative effect of changes in accounting principles (1).....	\$ 1,017	\$ 1,621	\$ 2,425	\$ 1,730	\$ 1,811

Cumulative effect of changes in accounting principles (net of applicable income taxes) (1).....	--	\$	(58)	\$	(35)	--	--
Net earnings(1).....	\$	696	\$	894	\$	1,359	\$ 1,017 \$ 1,114
Ratio of earnings to fixed charges (2).....	1.2	1.3	1.4	1.2	1.2		
Total assets (3).....	\$86,259	\$107,024	\$152,910	\$163,749	\$176,857		
Long-term borrowings (4).....	\$ 7,964	\$ 10,871	\$ 13,469	\$ 14,863	\$ 17,340		
Stockholders' equity.....	\$ 3,818	\$ 4,569	\$ 5,486	\$ 5,818	\$ 6,141		

</TABLE>

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- (1) Net earnings for 1992 have been reduced by \$58 million to reflect the adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions", and SFAS No. 109, "Accounting for Income Taxes". Net earnings for 1993 have been reduced by \$35 million to reflect the adoption of SFAS No. 112, "Employers' Accounting for Postemployment Benefits".
- (2) For the purpose of calculating the ratio of earnings to fixed charges, "earnings" consists of earnings from continuing operations before income taxes and fixed charges. "Fixed charges" consists of interest costs, amortization of debt expense, preferred stock dividend requirements of majority-owned subsidiaries, and that portion of rentals estimated to be representative of the interest factor.
- (3) In 1994, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts", and FASB Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements", which increased assets and liabilities at December 30, 1994 by approximately \$8,500 million.
- (4) To finance its diverse activities, the Company and certain of its subsidiaries borrow substantial amounts of short-term funds on a regular basis. Although the amount of short-term borrowings varies significantly with the level of general business activity, on December 29, 1995, \$1,022 million of bank loans and \$16,969 million of commercial paper were outstanding. In addition, certain of the Company's subsidiaries lend securities and enter into repurchase agreements to obtain financing. At December 29, 1995, cash deposits for securities loaned and securities sold under agreements to repurchase amounted to \$2,857 million and \$56,817 million, respectively.

FISCAL YEAR 1995

Global financial markets, which steadily weakened during most of 1994, generally improved during 1995, led by a more stable U.S. economy, declining interest rates, and heightened investor activity. Inflationary fears eased throughout 1995 as key U.S. economic statistics indicated slow to moderate growth. The Federal Reserve decreased short-term interest rates in July and December 1995 following seven rate increases between

February 1994 and February 1995. Investors reacted favorably to these events and were more active in stock and bond markets during 1995. Net earnings for the 1995 fourth quarter were \$303 million, up 1% from the 1995 third quarter and up 88% from the 1994 fourth quarter.

Net earnings for 1995 were \$1,114 million, up 10% from 1994 net earnings of \$1,017 million. Earnings per common share were \$5.44 primary and \$5.42 fully diluted in 1995, compared with \$4.75 primary and \$4.74 fully diluted in 1994.

Total revenues were a record \$21,513 million, up 18% from 1994. Net revenues (revenues after interest expense) totaled \$10,265 million in 1995, up 7% from 1994.

Commission revenues increased 9% to a record \$3,126 million from \$2,871 million in 1994, due primarily to higher levels of listed and over-the-counter securities transactions and mutual fund commissions, partially offset by lower revenues from commodities. Commissions from listed and over-the-counter securities increased due primarily to higher trading volumes on most major U.S. and international exchanges. Mutual fund commissions increased due primarily to higher distribution and redemption fees. Distribution fees from deferred-charge funds increased due to strong fund sales in prior periods and higher asset levels. Redemption fees increased as clients repositioned invested assets.

Interest and dividend revenues increased 28% to \$12,221 million from \$9,578 million in 1994. Interest expense, which includes dividend expense, increased 31% from 1994 to \$11,248 million. Net interest and dividend profit was \$973 million, virtually unchanged from \$969 million in 1994, with increases in net interest-earning assets offset by declining interest spreads due to the flattening of the U.S. Treasury yield curve. The change in the yield curve resulted from long-term interest rates falling more than short-term rates during 1995.

Principal transactions revenues increased 8% from 1994 to \$2,519 million in

1995. Increases in equities and equity derivatives and taxable fixed-income trading revenues were partially offset by decreases in trading revenues from municipal securities, foreign exchange and commodities, and interest rate and currency swaps. Equities and equity derivatives trading revenues, in the aggregate, increased 46% to \$912 million, due primarily to improved volumes in the convertible, over-the-counter, and international equities markets, partially offset by lower equity derivatives trading revenues. Taxable fixed-income trading revenues increased 10% to \$516 million due, in part, to higher revenues from corporate bonds and preferred stock, high-yield bonds, and non-U.S. governments and agencies securities. Trading revenues from mortgage-backed products were negatively affected by reduced market liquidity, leading to a loss. Nevertheless, trading results from mortgage-backed products, which include related net interest revenues, were positive. U.S. Government and agencies securities trading revenues were down from 1994 due to tighter spreads between U.S. Treasury securities and related futures hedges, as well as reduced retail investor demand attributable to lower interest rates. Municipal securities revenues decreased 28% to \$273 million as a result of decreased investor demand for tax-exempt investments as investors remained wary of potential tax law changes and sought higher returns in equity and taxable fixed-income securities. Foreign exchange and commodities revenues, in the aggregate, declined 22% to \$86 million. Commodities trading revenues decreased due to lower volumes. Increases in foreign exchange trading revenues resulted from higher customer volume caused by the strengthening of the U.S. dollar versus other major currencies during 1995. Interest rate and currency swaps revenues declined 2% to \$732 million. Decreases in U.S. dollar-denominated transactions were substantially offset by increased revenues in non-dollar-denominated transactions, particularly in Japanese and European markets.

Investment banking revenues were \$1,308 million, up 5% from \$1,240 million in 1994. Strategic services revenues, which include fees for merger and acquisition activity, debt restructuring, and other advisory services, increased, as companies worldwide sought strategic partners to promote growth while cutting costs and increasing efficiencies. Underwriting revenues were down, as lower revenues from equities, private placements, high-yield debt, and mortgage-backed securities underwriting were partially offset by increased underwriting revenues from corporate bonds and preferred stock and defined asset funds.

5

Asset management and portfolio service fees rose 9% in 1995 to a record \$1,890 million from \$1,739 million in 1994, as a result of higher fees earned from asset management and other fee-based services. Other revenues decreased 5% from 1994 to \$449 million, due to lower net realized investment gains in 1995 compared with 1994.

Non-interest expenses were \$8,454 million, up 7% from \$7,895 million in the year-ago period. Compensation and benefits expense, which represented approximately 62% of non-interest expenses, increased 6% due primarily to increased production-related and incentive compensation and the addition of Smith New Court PLC ("Smith New Court") employees. Compensation and benefits expense as a percentage of net revenues was 51.3% in 1995, compared with 51.5% in 1994.

Occupancy costs increased 3% from 1994 primarily due to international growth. Other facilities-related costs, which include communications and equipment rental expense and depreciation and amortization expenses, rose 13% primarily due to expanded use of market data services, as well as higher depreciation expense from the purchase of technology-related assets over the past year.

Professional fees increased 16% from the year-ago period, due to higher legal fees and systems development costs related to upgrading technology and processing capabilities in customer, trading, and transaction processing systems. Advertising and market development expenses increased 6% from 1994 as a result of increased advertising, international travel, and sales promotion primarily related to international growth. Brokerage, clearing, and exchange fees increased 7% as a result of higher securities volume, particularly in international markets. Other expenses increased 4% from 1994, due primarily to a \$26 million first quarter charge for the write-off of assets related to a technology contract and \$14 million of goodwill amortization related to Smith New Court.

Income tax expense totaled \$697 million in 1995. The effective tax rate in 1995 was 38.5%, compared with 41.2% in 1994. The decrease in the effective tax rate was attributable to lower state income taxes, expanded international business activities in jurisdictions with lower tax rates, and increases in deductions for dividends received.

In 1995 the Company acquired Smith New Court, a U.K.-based global securities firm, for approximately \$800 million. The Company recorded approximately \$530 million of goodwill related to the acquisition, which is being amortized on a straight-line basis over 15 years. The Company's 1995 results include those of Smith New Court since mid-August 1995.

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

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

At December 29, 1995, the fair value of long and short non-investment grade trading inventories amounted to \$5,489 million and \$353 million, respectively, and in the aggregate (i.e. the sum of long and short trading inventories) represented 6.3% of aggregate consolidated trading inventories.

At December 29, 1995, the carrying value of extensions of credit provided to corporations entering into leveraged transactions aggregated \$489 million (excluding unutilized revolving lines of credit and other lending commitments of \$127 million), consisting primarily of senior term and subordinated financings to 30

6

medium-sized corporations. At December 29, 1995, the Company had no bridge loans outstanding. Loans to highly leveraged corporations are carried at unpaid principal balances less a reserve for estimated losses. The allowance for loan losses is estimated based on a review of each loan, and consideration of economic, market, and credit conditions. Direct equity investments made in conjunction with the Company's investment and merchant banking activities aggregated \$211 million at December 29, 1995, representing investments in 62 enterprises. Equity investments in privately-held companies for which sale is restricted by government or contractual requirements are carried at the lower of cost or estimated net realizable value. At December 29, 1995, the Company held interests in partnerships, totaling \$91 million (recorded on the cost basis), that invest in highly leveraged transactions and non-investment grade securities. At December 29, 1995, the Company also committed to invest an additional \$79 million in partnerships that invest in leveraged transactions.

The Company's insurance subsidiaries hold non-investment grade securities. Non-investment grade securities were 4.2% of total insurance investments at December 29, 1995. Non-investment grade securities of insurance subsidiaries are classified as available-for-sale and are carried at fair value.

At December 29, 1995, the largest non-investment grade concentration consisted of various issues of a South American sovereign totaling \$674 million, of which \$672 million represented on-balance-sheet hedges for off-balance-sheet financial instruments. No one industry sector accounted for more than 35% of total non-investment grade positions. At December 29, 1995, the Company held an aggregate carrying value of \$164 million in debt and equity securities of issuers in various stages of bankruptcy proceedings or in default, of which 75% resulted from the Company's market-making activities in such securities.

DESCRIPTION OF DEBT SECURITIES

Unless otherwise specified in a Prospectus Supplement, the Senior Debt Securities are to be issued under an indenture (the "1983 Indenture"), dated as of April 1, 1983, as amended and restated, between the Company and The Chase Manhattan Bank, formerly known as Chemical Bank (successor by merger to Manufacturers Hanover Trust Company), as trustee or issued under an indenture (the "1993 Indenture"), dated as of October 1, 1993 between the Company and The Chase Manhattan Bank (successor by merger to The Chase Manhattan Bank, N.A.), as trustee (each, a "Senior Debt Trustee"). The 1983 Indenture and the 1993 Indenture are referred to herein as the "Senior Indentures". The Subordinated Debt Securities are to be issued under an indenture (the "Subordinated Indenture"), between the Company and The Chase Manhattan Bank, formerly known as Chemical Bank, as trustee (the "Subordinated Debt Trustee"). The Senior Debt Securities and Subordinated Debt Securities may also be issued under one or more other indentures (each, a "Subsequent Indenture") and have one or more other trustees (each, a "Subsequent Trustee"). Any Subsequent Indenture relating to Senior Debt Securities will have terms and conditions identical in all material respects to the above-referenced Senior Indentures and any Subsequent Indenture relating to Subordinated Debt Securities will have terms and conditions identical in all material respects to the above-referenced Subordinated Indenture, including, but not limited to, the applicable terms and conditions described below. Any Subsequent Indenture relating to a series of Debt Securities, and the trustee with respect thereto, will be identified in the applicable Prospectus Supplement. The Senior Indentures, the Subordinated Indenture and any Subsequent Indentures (whether senior or subordinated) are referred to herein as the "Indentures"; and the Senior Debt Trustees, the Subordinated Debt Trustee and any Subsequent Trustees are referred to herein as the "Trustees". A copy of each Indenture is filed (or, in the case of a Subsequent Indenture, will be filed) as an exhibit to the registration

statements relating to the Securities (collectively, the "Registration Statement"). The following summaries of certain provisions of the Indentures do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the respective Indentures, including the definitions therein of certain terms.

GENERAL

Each Indenture provides that Debt Securities (Senior Debt Securities in the case of the Senior Indentures or a Subsequent Indenture for Senior Debt Securities, and Subordinated Debt Securities in the case of the

7

Subordinated Indenture or a Subsequent Indenture for Subordinated Debt Securities) may be issued thereunder, without limitation as to aggregate principal amount, in one or more series, by the Company from time to time upon satisfaction of certain conditions precedent, including the delivery by the Company to the applicable Trustee of a resolution of the Board of Directors, or the Executive Committee thereof, of the Company which fixes or provides for the establishment of terms of such Debt Securities, including: (1) the aggregate principal amount of such Debt Securities and whether there is any limit upon the aggregate principal amount of such Debt Securities that may be subsequently issued; (2) the date on which such Debt Securities will mature; (3) the principal amount payable with respect to such Debt Securities whether at maturity or upon earlier acceleration, and whether such principal amount will be determined with reference to an index, formula or other method; (4) the rate or rates per annum (which may be fixed or variable) at which such Debt Securities will bear interest, if any; (5) the dates on which such interest, if any, will be payable; (6) the provisions for redemption of such Debt Securities, if any, the redemption price and any remarketing arrangements relating thereto; (7) the sinking fund requirements, if any, with respect to such Debt Securities; (8) whether such Debt Securities are denominated or provide for payment in United States dollars or a foreign currency or units of two or more of such foreign currencies; (9) the form (registered or bearer or both) in which such Debt Securities may be issued and any restrictions applicable to the exchange of one form for another and to the offer, sale and delivery of such Debt Securities in either form; (10) whether and under what circumstances the Company will pay additional amounts ("Additional Amounts") in respect of such Debt Securities held by a person who is not a U.S. person (as defined in the Prospectus Supplement, as applicable) in respect of specified taxes, assessments or other governmental charges and whether the Company has the option to redeem the affected Debt Securities rather than pay such Additional Amounts; (11) whether such Debt Securities are to be issued in global form; (12) the title of the Debt Securities and the series of which such Debt Securities shall be a part; and (13) the denominations of such Debt Securities. Reference is made to the Prospectus Supplement for the terms of the Debt Securities being offered thereby, including whether such Debt Securities are Senior Debt Securities or Subordinated Debt Securities. The Company may elect to deliver to purchasers of Securities a Terms Sheet instead of a Prospectus. This Prospectus may be delivered prior to or concurrently with a Terms Sheet. Debt Securities may also be issued under the Indentures upon the exercise of Debt Warrants. See "Description of Debt Warrants". Nothing in the Indentures or in the terms of the Debt Securities will prohibit the issuance of securities representing subordinated indebtedness that is senior or junior to the Subordinated Debt Securities.

The Debt Securities will be issued, to the extent provided in the Prospectus Supplement, in fully registered form without coupons, and/or in bearer form with or without coupons, and in denominations set forth in the Prospectus Supplement. No service charge will be made for any registration of transfer of registered Debt Securities or exchange of Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charges that may be imposed in connection therewith. Each Indenture provides that Debt Securities issued thereunder may be issued in global form. If any series of Debt Securities is issuable in global form, the applicable Prospectus Supplement will describe the circumstances, if any, under which beneficial owners of interest in any such global Debt Securities may exchange such interests for Debt Securities of such series and of like tenor and principal amount in any authorized form and denomination. Principal of, and any premium, Additional Amounts and interest on, a global Debt Security will be payable in the manner described in the applicable Prospectus Supplement.

The provisions of the Indentures described above provide the Company with the ability, in addition to the ability to issue Debt Securities with terms different from those of Debt Securities previously issued, to "reopen" a previous issue of a series of Debt Securities and issue additional Debt Securities of such series.

The Senior Debt Securities will be unsecured and will rank pari passu with all other unsecured and unsubordinated indebtedness of the Company. The Subordinated Debt Securities will be unsecured and will be subordinated to all existing and future Senior Indebtedness (as defined below) of the Company. Since the Company is a holding company, the right of the Company, and hence the right of creditors of the Company (including the Holders of the Debt

Securities), to participate in any distribution of the assets of any subsidiary upon its liquidation or reorganization or otherwise is necessarily subject to the prior claims of creditors of

8

the subsidiary, except to the extent that claims of the Company itself as a creditor of the subsidiary may be recognized. In addition, dividends, loans and advances from certain subsidiaries, including MLFF&S, to the Company are restricted by net capital requirements under the Securities Exchange Act of 1934 and under rules of certain exchanges and other regulatory bodies.

Principal and any interest, premium and Additional Amounts will be payable in the manner, at the places and subject to the restrictions set forth in the applicable Indenture, the Debt Securities and the Prospectus Supplement relating thereto, provided that payment of any interest and any Additional Amounts may be made at the option of the Company by check mailed to the holders of registered Debt Securities at their registered addresses.

Debt Securities may be presented for exchange, and registered Debt Securities may be presented for transfer, in the manner, at the places and subject to the restrictions set forth in the applicable Indenture, the Debt Securities and the Prospectus Supplement relating thereto. Debt Securities in bearer form and the coupons, if any, pertaining thereto will be transferable by delivery. No service charge will be made for any transfer or exchange of Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

"MERGER AND CONSOLIDATION"

The Company may consolidate or merge with or into any other corporation, and the Company may sell, lease or convey all or substantially all of its assets to any corporation, provided that (i) the corporation (if other than the Company) formed by or resulting from any such consolidation or merger or which shall have received such assets shall be a corporation organized and existing under the laws of the United States of America or a state thereof and shall assume payment of the principal of, and any premium, Additional Amounts or interest on, the Debt Securities and the performance and observance of all of the covenants and conditions of the Indentures to be performed or observed by the Company, and (ii) the Company or such successor corporation, as the case may be, shall not immediately thereafter be in default under the Indentures.

"MODIFICATION AND WAIVER"

Modification and amendment of each Indenture may be effected by the Company and the applicable Trustee with the consent of the Holders of at least 66 2/3% in principal amount of the Outstanding Debt Securities of each series issued pursuant to such Indenture and affected thereby, provided that no such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security affected thereby, (a) change the Stated Maturity of, or any installment of interest or Additional Amounts on, any Debt Security or any premium payable on the redemption thereof, or change the Redemption Price; (b) reduce the principal amount of, or the interest or Additional Amounts payable on, any Debt Security or reduce the amount of principal which could be declared due and payable prior to the Stated Maturity; (c) change the place or currency of any payment of principal of, or any premium, interest or Additional Amounts on, any Debt Security; (d) impair the right to institute suit for the enforcement of any payment on or with respect to any Debt Security; (e) reduce the percentage in principal amount of the Outstanding Debt Securities of any series, the consent of whose Holders is required to modify or amend such Indenture; or (f) modify the foregoing requirements or reduce the percentage of Outstanding Debt Securities necessary to waive any past default to less than a majority. No modification or amendment of the Subordinated Indenture or any Subsequent Indenture for Subordinated Debt Securities may adversely affect the rights of any Holder of Senior Indebtedness without the consent of such Holder. Except with respect to certain fundamental provisions, the Holders of at least a majority in principal amount of Outstanding Debt Securities of any series may, with respect to such series, waive past defaults under the applicable Indenture and waive compliance by the Company with certain provisions of such Indenture.

"EVENTS OF DEFAULT"

Under each Indenture, the following will be Events of Default with respect to Debt Securities of any series issued thereunder: (a) default in the payment of any interest or Additional Amounts upon any Debt

9

Security of that series when due, and such default has continued for 30 days; (b) default in the payment of any principal of or premium, if any, on any Debt Security of that series when due; (c) default in the deposit of any sinking fund payment, when due, in respect of any Debt Security of that series; (d) default in the performance of any other covenant of the Company contained in such Indenture for the benefit of such series or in the Debt Securities of such

series, and such default has continued for 60 days after written notice as provided in such Indenture; (e) certain events in bankruptcy, insolvency or reorganization; and (f) any other Event of Default provided with respect to Debt Securities of that series. The applicable Trustee or the Holders of 25% in principal amount of the Outstanding Debt Securities of that series may declare the principal amount (or such lesser amount as may be provided for in the Debt Securities of that series) of all Outstanding Debt Securities of that series and the interest accrued thereon and Additional Amounts payable in respect thereof, if any, to be due and payable immediately if an Event of Default with respect to Debt Securities of such series shall occur and be continuing at the time of declaration. At any time after a declaration of acceleration has been made with respect to Debt Securities of any series but before a judgment or decree for payment of money due has been obtained by the applicable Trustee, the Holders of a majority in principal amount of the Outstanding Debt Securities of that series may rescind any declaration of acceleration and its consequences, provided that all payments due (other than those due as a result of acceleration) have been made and all Events of Default have been remedied or waived. Any Event of Default with respect to Debt Securities of any series may be waived by the Holders of a majority in principal amount of all Outstanding Debt Securities of that series, except in a case of failure to pay principal of or premium, if any, or interest or Additional Amounts, if any, on any Debt Security of that series for which payment had not been subsequently made or in respect of a covenant or provision which cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security of such series affected.

The Holders of a majority in principal amount of the Outstanding Debt Securities of a series may direct the time, method and place of conducting any proceeding for any remedy available to the applicable Trustee or exercising any trust or power conferred on such Trustee with respect to Debt Securities of such series, provided that such direction shall not be in conflict with any rule of law or the applicable Indenture. Subject to the provisions of each Indenture relating to the duties of the appropriate Trustee, before proceeding to exercise any right or power under an Indenture at the direction of such Holders, the applicable Trustee shall be entitled to receive from such Holders reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in complying with any such direction.

The Company will be required to furnish to each Trustee annually a statement as to the fulfillment by the Company of all of its obligations under the applicable Indenture.

SPECIAL TERMS RELATING TO THE SENIOR DEBT SECURITIES

"LIMITATIONS UPON LIENS"

The Senior Indentures provide that the Company may not, and may not permit any Subsidiary to, create, assume, incur or permit to exist any indebtedness for borrowed money secured by a pledge, lien or other encumbrance (except for certain liens specifically permitted by the Senior Indentures) on the Voting Stock owned directly or indirectly by the Company of any Subsidiary (other than a Subsidiary which, at the time of incurrence of such secured indebtedness, has a net worth of less than \$3,000,000) without making effective provision whereby the Outstanding Senior Debt Securities will be secured equally and ratably with such secured indebtedness.

"LIMITATIONS ON DISPOSITION OF VOTING STOCK OF, AND MERGER AND SALE OF ASSETS BY, MLPF&S"

The Senior Indentures provide that the Company may not sell, transfer or otherwise dispose of any Voting Stock of MLPF&S or permit MLPF&S to issue, sell or otherwise dispose of any of its Voting Stock, unless, after giving effect to any such transaction, MLPF&S remains a Controlled Subsidiary (defined in the Senior Indentures to mean a corporation more than 80% of the outstanding shares of Voting Stock of which

are owned directly or indirectly by the Company). In addition, the Senior Indentures provide that the Company may not permit MLPF&S to (i) merge or consolidate, unless the surviving company is a Controlled Subsidiary, or (ii) convey or transfer its properties and assets substantially as an entirety, except to one or more Controlled Subsidiaries.

SPECIAL TERMS RELATING TO THE SUBORDINATED DEBT SECURITIES

Upon any distribution of assets of the Company resulting from any dissolution, winding up, liquidation or reorganization, payments on Subordinated Debt Securities are to be subordinated to the extent provided in the Subordinated Indenture in right of payment to the prior payment in full of all Senior Indebtedness, but the obligation of the Company to make payments on the Subordinated Debt Securities will not otherwise be affected. No payment on Subordinated Debt Securities may be made at any time when there is a default in the payment of any principal, premium, interest, Additional Amounts, if any, or sinking fund of or on any Senior Indebtedness. Holders of Subordinated Debt

Securities will be subrogated to the rights of holders of Senior Indebtedness to the extent of payments made on Senior Indebtedness upon any distribution of assets in any such proceedings out of the distributive shares of Subordinated Debt Securities. By reason of such subordination, in the event of a distribution of assets upon insolvency, certain creditors of the Company may recover more, ratably, than Holders of Subordinated Debt Securities.

Senior Indebtedness is defined in the Subordinated Indenture as the principal of, premium, if any, and unpaid interest on (a) indebtedness of the Company (including indebtedness of others guaranteed by the Company), other than the Subordinated Debt Securities, whether outstanding on the date of execution of the Subordinated Indenture or thereafter created, incurred, assumed or guaranteed, (i) for money owing to banks, (ii) for money borrowed from sources other than banks or (iii) in connection with the acquisition by the Company or a subsidiary of assets of any kind except in the ordinary course of business, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such indebtedness is not superior in right of payment to the Subordinated Debt Securities, and (b) renewals, extensions, modifications and refundings of any such indebtedness. As of June 28, 1996, a total of approximately \$45.2 billion of the Company's indebtedness would have been Senior Indebtedness as so defined.

DESCRIPTION OF DEBT WARRANTS

The Company may issue, together with Debt Securities, Currency Warrants or Index Warrants or separately, Debt Warrants for the purchase of Debt Securities. The Debt Warrants are to be issued under debt warrant agreements (each a "Debt Warrant Agreement") to be entered into between the Company and a bank or trust company, as debt warrant agent (the "Debt Warrant Agent"), all as shall be set forth in the Prospectus Supplement relating to Debt Warrants being offered thereby. A copy of the form of Debt Warrant Agreement, including the form of warrant certificates representing the Debt Warrants (the "Debt Warrant Certificates"), reflecting the alternative provisions to be included in the Debt Warrant Agreements that will be entered into with respect to particular offerings of Debt Warrants, is filed as an exhibit to the Registration Statement. The following summaries of certain provisions of the Debt Warrant Agreement and the Debt Warrant Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Debt Warrant Agreement and the Debt Warrant Certificates, respectively, including the definitions therein of certain terms.

GENERAL

The applicable Prospectus Supplement will describe the terms of Debt Warrants offered thereby, the Debt Warrant Agreement relating to such Debt Warrants and the Debt Warrant Certificates representing such Debt Warrants, including the following: (1) the designation, aggregate principal amount, price at which such principal amount may be purchased upon exercise and terms of the Debt Securities purchasable upon

11

exercise of such Debt Warrants, including whether such Debt Securities are Senior Debt Securities or Subordinated Debt Securities, and the procedures and conditions relating to the exercise of such Debt Warrants; (2) the designation and terms of any related Debt Securities with which such Debt Warrants are issued, including whether such Debt Securities are Senior Debt Securities or Subordinated Debt Securities, the number of such Debt Warrants issued with each such Debt Security, and the Indenture under which the Debt Securities will be issued; (3) the date, if any, on and after which such Debt Warrants and the related Debt Securities will be separately transferable; (4) the date on which the right to exercise such Debt Warrants shall commence and the date on which such right shall expire (the "Expiration Date"); (5) if the Debt Securities purchasable upon exercise of such Debt Warrants are original issue discount Debt Securities, a discussion of Federal income tax considerations applicable thereto; and (6) whether the Debt Warrants represented by the Debt Warrant Certificates will be issued in registered or bearer form, and, if registered, where they may be transferred and registered.

Debt Warrant Certificates will be exchangeable for new Debt Warrant Certificates of different denominations and Debt Warrants may be exercised at the corporate trust office of the Debt Warrant Agent or any other office indicated in the Prospectus Supplement. Prior to the exercise of their Debt Warrants, holders of Debt Warrants will not have any of the rights of Holders of the Debt Securities purchasable upon such exercise and will not be entitled to payments of principal of, and any premium, Additional Amounts, if any, or interest on, the Debt Securities purchasable upon such exercise.

EXERCISE OF DEBT WARRANTS

Each Debt Warrant will entitle the Holder to purchase for cash such principal amount of Debt Securities at such exercise price as shall in each case be set forth in, or be determinable as set forth in, the Prospectus Supplement relating to the Debt Warrants offered thereby. Debt Warrants may be exercised at any time up to the close of business on the Expiration Date set forth in the

Prospectus Supplement relating to the Debt Warrants offered thereby. After the close of business on the Expiration Date, unexercised Debt Warrants will become void.

Debt Warrants may be exercised as set forth in the Prospectus Supplement relating to the Debt Warrants offered thereby. Upon receipt of payment and the Debt Warrant Certificate properly completed and duly executed at the corporate trust office of the Debt Warrant Agent or any other office indicated in the Prospectus Supplement, the Company will, as soon as practicable, forward the Debt Securities purchasable upon such exercise. If less than all of the Debt Warrants represented by such Debt Warrant Certificate are exercised, a new Debt Warrant Certificate will be issued for the remaining amount of Debt Warrants.

DESCRIPTION OF CURRENCY WARRANTS

The Company may issue, together with Debt Securities, Debt Warrants or Index Warrants or separately, Currency Warrants either in the form of Currency Put Warrants entitling the Holders thereof to receive from the Company the cash settlement value in U.S. dollars of the right to sell a specified amount of a specified foreign currency or currency units for a specified amount of U.S. dollars, or in the form of Currency Call Warrants entitling the Holders thereof to receive from the Company the cash settlement value in U.S. dollars of the right to purchase a specified amount of a specified foreign currency or units of two or more currencies for a specified amount of U.S. dollars. The Currency Warrants are to be issued under a currency put warrant agreement or a currency call warrant agreement, as applicable (each a "Currency Warrant Agreement"), to be entered into between the Company and a bank or trust company, as currency warrant agent (the "Currency Warrant Agent"), all as shall be set forth in the applicable Prospectus Supplement. Copies of the forms of Currency Put Warrant Agreement and Currency Call Warrant Agreement, including the forms of warrant certificates representing the Currency Put Warrants and Currency Call Warrants (the "Currency Warrant Certificates"), reflecting the provisions to be included in the Currency Warrant Agreements that will be entered into with respect to particular offerings of Currency Warrants, are filed as exhibits to the

12

Registration Statement. The following summaries of certain provisions of the Currency Warrant Agreements and the Currency Warrant Certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Currency Warrant Agreements and the Currency Warrant Certificates, respectively, including the definitions therein of certain terms.

GENERAL

The applicable Prospectus Supplement will describe the terms of Currency Warrants offered thereby, the Currency Warrant Agreement relating to such Currency Warrants and the Currency Warrant Certificates representing such Currency Warrants, including the following: (1) whether such Currency Warrants shall be Currency Put Warrants, Currency Call Warrants, or both; (2) the formula for determining the cash settlement value of each Currency Warrant; (3) the procedures and conditions relating to the exercise of such Currency Warrants; (4) the circumstances which will cause the Currency Warrants to be deemed to be automatically exercised; (5) any minimum number of Currency Warrants which must be exercised at any one time, other than upon automatic exercise; and (6) the date on which the right to exercise such Currency Warrants shall commence and the date on which such right shall expire (the "Expiration Date"), provided that the commencement date and the Expiration Date may be the same date.

BOOK-ENTRY PROCEDURES AND SETTLEMENT

Except as may otherwise be provided in an applicable Prospectus Supplement, the Currency Warrants will be issued in the form of global Currency Warrant Certificates, registered in the name of a depository or its nominee. Beneficial owners will not be entitled to receive definitive certificates representing Currency Warrants. Ownership of a Currency Warrant will be recorded on or through the records of the brokerage firm or other entity that maintains a beneficial owner's account. In turn, the total number of Currency Warrants held by an individual brokerage firm for its clients will be maintained on the records of the depository in the name of such brokerage firm or its agent. Transfer of ownership of any Currency Warrant will be effected only through the selling beneficial owner's brokerage firm.

EXERCISE OF CURRENCY WARRANTS

Each Currency Warrant will entitle the Holder to the cash settlement value of such Currency Warrant on the applicable Exercise Date, in each case as such terms will be defined in the applicable Prospectus Supplement. If a Currency Warrant has more than one exercise date and is not exercised prior to 1:30 P.M., New York City time, on the fifth New York Business Day preceding the Expiration Date, Currency Warrants will be deemed automatically exercised.

LISTING

Each issue of Currency Warrants will be listed on a national securities exchange, subject only to official notice of issuance, as a condition of sale of any such Currency Warrants. In the event that the Currency Warrants are delisted from, or permanently suspended from trading on, such exchange, the Expiration Date for such Currency Warrants will be the date such delisting or trading suspension becomes effective and Currency Warrants not previously exercised will be deemed automatically exercised on the business day immediately preceding such Expiration Date. The applicable Currency Warrant Agreement will contain a covenant of the Company not to seek delisting of the Currency Warrants, or suspension of their trading, on such exchange.

DESCRIPTION OF INDEX WARRANTS

The Company may issue from time to time Index Warrants consisting of put warrants (the "Index Put Warrants") or call warrants (the "Index Call Warrants"). The Index Warrants will entitle the holders to receive from the Company a payment or delivery, subject to applicable law, determined by reference to decreases (in the case of Index Put Warrants) or to increases (in the case of Index Call Warrants) in the level

13

of an index or portfolio based on one or more equity or debt securities (including the price or yield of such securities), any statistical measure of economic or financial performance (including any consumer price, currency or mortgage index) or the price or value of any commodity or any combination thereof (the "Index"). Unless otherwise specified in the accompanying Prospectus Supplement, payments, if any, upon exercise (or deemed exercise) of the Index Warrants will be made in U.S. dollars. The Index Warrants will be offered on terms to be determined at the time of sale.

GENERAL

The applicable Prospectus Supplement will describe the Index Warrant Agreement or Index Warrant Trust Indenture (each as defined below), as the case may be, relating to the Index Warrants being offered thereby and the terms of such Index Warrants, including, without limitation: (i) whether the Index Warrants to be issued will be Index Put Warrants, Index Call Warrants or both; (ii) the aggregate number and initial public offering price or purchase price; (iii) the Index for such Index Warrants; (iv) whether the Index Warrants will be deemed exercised as of a specified date or whether the Index Warrants may be exercised during a period and the date on which the right to exercise such Index Warrants commences and the date on which such right expires; (v) the manner in which such Index Warrants may be exercised and any restrictions on, or other special provisions relating to, the exercise of such Index Warrants; (vi) the minimum number, if any, of such Index Warrants exercisable at any one time; (vii) the maximum number, if any, of such Index Warrants that may, subject to the Company's election, be exercised by all Index Warrant holders (or by any person or entity) on any day; (viii) any provisions permitting an Index Warrant holder to condition an exercise notice on the absence of certain specified changes in the level of the applicable Index after the exercise date, any provisions permitting the Company to suspend exercise of such Index Warrants based on market conditions or other circumstances and any other special provision relating to the exercise of such Index Warrants; (ix) any provisions for the automatic exercise of such Index Warrants other than at expiration; (x) any provisions permitting the Company to cancel such Index Warrants upon the occurrence of certain events; (xi) any additional circumstances which would constitute an Event of Default with respect to such Index Warrants; (xii) the method of determining (a) the payment or delivery, if any, to be made in connection with the exercise or deemed exercise of such Index Warrants (the "Settlement Value"), (b) the minimum payment or delivery, if any, to be made upon expiration of such Index Warrants (the "Minimum Expiration Value"), (c) the payment or delivery to be made upon the exercise of any right which the Company may have to cancel such Index Warrants and (d) the value of the Index; (xiii) in the case of Index Warrants relating to an Index for which the trading prices of underlying securities, commodities or rates are expressed in a foreign currency, the method of converting amounts in the relevant foreign currency or currencies into U.S. dollars (or such other currency or composite currency in which the Index Warrants are payable); (xiv) the method of providing for a substitute index or otherwise determining the payment or delivery, if any, to be made in connection with the exercise of such Index Warrants if the Index changes or ceases to be made available by its publisher; (xv) the time or times at which payment or delivery, if any, will be made in respect of such Index Warrants following exercise or deemed exercise; (xvi) the self-regulatory organization on which such Index Warrants will be traded, if any; (xvii) any provisions for issuing such Index Warrants in other than book-entry form; (xviii) if such Index Warrants are not issued in book-entry form, the place or places at which payment or delivery on cancellation, if any, and the Minimum Expiration Value, if any, of such Index Warrants is to be made by the Company; (xix) certain U.S. federal income tax consequences relating to such Index Warrants; and (xx) other specific provisions.

Except as otherwise provided in the applicable Prospectus Supplement, each issue of Index Warrants will contain the terms set forth below.

The Index Warrants which are issued without a Minimum Expiration Value will be issued under one or more index warrant agreements (each, an "Index Warrant Agreement") to be entered into between the Company and a bank or trust company, as warrant agent (the "Index Warrant Agent"), all as described in the Prospectus Supplement relating to such Index Warrants. The Index Warrant Agent will act solely as the

14

agent of the Company under the applicable Index Warrant Agreement and will not assume any obligation or relationship of agency or trust for or with any Index Warrant holders. A single bank or trust company may act as Index Warrant Agent for more than one issue of Index Warrants.

The Index Warrants which are issued with a Minimum Expiration Value will be issued under one or more index warrant trust indentures (each an "Index Warrant Trust Indenture") to be entered into between the Company and a corporation (or other person permitted to so act by the Trust Indenture Act of 1939, as amended from time to time (the "Trust Indenture Act")), to act as trustee (the "Index Warrant Trustee"), all as described in the Prospectus Supplement relative to such Index Warrants. Any Index Warrant Trust Indenture will be qualified under the Trust Indenture Act. To the extent allowed by the Trust Indenture Act, a single qualified corporation may act as Index Warrant Trustee for more than one issue of Index Warrants.

Forms of Index Warrant Agreement and Index Warrant Trust Indenture and the respective global index warrant certificates related thereto are filed as exhibits to the Registration Statement. The summaries herein of certain provisions of the Index Warrant Agreement, the Index Warrant Trust Indenture and global index warrant certificates do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Index Warrant Agreement, the Index Warrant Trust Indenture and global index warrant certificates, respectively.

The Company will have the right to "reopen" a previous issue of Index Warrants and to issue additional Index Warrants of such issue without the consent of any Index Warrant holder.

The Index Warrants involve a high degree of risk, including the risk that the Index Warrants will expire worthless except for the Minimum Expiration Value, if any, of such Index Warrants. Investors should therefore be prepared to sustain a total loss of the purchase price of the Index Warrants (except for the Minimum Expiration Value, if applicable). Investors who consider purchasing Index Warrants should be experienced with respect to options and option transactions and reach an investment decision only after carefully considering the suitability of the Index Warrants in light of their particular circumstances and the information set forth below as well as additional information contained in the Prospectus Supplement relating to such Index Warrants.

Unless otherwise provided in the Prospectus Supplement, each Index Warrant will entitle Index Warrant holders to receive from the Company upon exercise the Settlement Value of such Index Warrant. Certain Index Warrants issued pursuant to an Index Warrant Trust Indenture will, if specified in the Prospectus Supplement, entitle the Index Warrant holder to receive from the Company, under certain circumstances specified in the Prospectus Supplement, a payment or delivery equal to the greater of the applicable Settlement Value and a Minimum Expiration Value of such Index Warrants. In addition, certain Index Warrants will, if specified in the Prospectus Supplement, entitle Index Warrant holders to receive from the Company a certain payment or delivery upon cancellation of the Index Warrants by the Company, upon the occurrence of specified events. In addition, if so specified in the Prospectus Supplement, following the occurrence of an extraordinary event, the Settlement Value of an Index Warrant may, at the option of the Company, be determined on a different basis, including in connection with automatic exercise at expiration.

Unless otherwise specified in the related Prospectus Supplement, the Index Warrants will be deemed to be automatically exercised upon expiration or such earlier date that may be specified. Upon such automatic exercise, Index Warrant holders will be entitled to receive a payment or delivery equal to the Settlement Value of the Index Warrants, except that holders of Index Warrants having a Minimum Expiration Value will be entitled to receive a payment or delivery equal to the greater of such Settlement Value and the applicable Minimum Expiration Value. The Minimum Expiration Value may be either a predetermined payment or delivery or a payment or delivery that varies during the term of the Index Warrants in accordance with a schedule or formula. Any Minimum Expiration Value applicable to an issue of Index Warrants, as well as any additional circumstances resulting in the automatic exercise of such Index Warrants, will be specified in the related Prospectus Supplement.

15

If so specified in the Prospectus Supplement, the Index Warrants may be canceled by the Company, or the exercise or valuation of, or payment or

delivery for, such Index Warrants may be delayed or postponed upon the occurrence of an extraordinary event. Any extraordinary events relating to an issue of Index Warrants will be set forth in the related Prospectus Supplement. Upon cancellation, the related Index Warrantholders will be entitled to receive only the applicable payment or delivery on cancellation specified in such Prospectus Supplement. The payment or delivery on cancellation may be either a predetermined payment or delivery or a payment or delivery that varies during the term of the Index Warrants in accordance with a schedule or formula.

If the Company defaults with respect to any of its obligations under Index Warrants which are issued with a Minimum Expiration Value pursuant to an Index Warrant Trust Indenture, such default may be waived by the Index Warrantholders of a majority in interest of all outstanding Index Warrants, except a default in the payment or delivery of the Settlement Value, Minimum Expiration Value or cancellation payment or delivery (if applicable) on such Index Warrants or in respect of a covenant or provision of the applicable Index Warrant Trust Indenture which cannot be modified or amended without the consent of the Index Warrantholder of each outstanding Index Warrant affected.

The Index Warrants are unsecured contractual obligations of the Company and will rank pari passu with the Company's other unsecured contractual obligations and with the Company's unsecured and unsubordinated debt. Since the Company is a holding company, the right of the Company, and hence the right of creditors of the Company (including the Holders of the Debt Securities), to participate in any distribution of the assets of any subsidiary upon its liquidation or reorganization or otherwise is necessarily subject to the prior claims of creditors of the subsidiary, except to the extent that claims of the Company itself as a creditor of the subsidiary may be recognized. In addition, dividends, loans and advances from certain subsidiaries, including MLPF&S, to the Company are restricted by net capital requirements under the Exchange Act and under rules of certain exchanges and other regulatory bodies.

Certain special United States federal income tax considerations may be applicable to instruments such as the Index Warrants. The related Prospectus Supplement will describe such tax considerations. The summary of United States Federal income tax considerations contained in the Prospectus Supplement will be presented for informational purposes only, however, and will not be intended as legal or tax advice to prospective purchasers. Prospective purchasers of Index Warrants are urged to consult their own tax advisors prior to any acquisition of Index Warrants.

BOOK-ENTRY PROCEDURES AND SETTLEMENT

Except as may otherwise be provided in an applicable Prospectus Supplement, Index Warrants will be issued in book-entry form and represented by global Index Warrants, registered in the name of a depository or its nominee. Except as may otherwise be provided in an applicable Prospectus Supplement, Index Warrantholders will not be entitled to receive definitive certificates representing Index Warrants, unless the depository is unwilling or unable to continue as depository or the Company decides to have the Index Warrants represented by definitive certificates. A beneficial owner's interest in an Index Warrant represented by a global Index Warrant will be recorded on or through the records of the brokerage firm or other entity that maintains such beneficial owner's account. In turn, the total number of Index Warrants held by an individual brokerage firm or other entity for its clients will be maintained on the records of the depository in the name of such brokerage firm or other entity or its agent.

LISTING

Unless otherwise indicated in the Prospectus Supplement, the Index Warrants will be traded pursuant to the rules of a self-regulatory organization as specified in the Prospectus Supplement. It is expected that such self-regulatory organization will cease trading an issue of Index Warrants at the close of business on the related expiration date of such Index Warrants.

MODIFICATION

Any Index Warrant Agreement or Index Warrant Trust Indenture and the terms of the related Index Warrants may be amended by the Company and the Index Warrant Agent or Index Warrant Trustee, as the case may be (which amendment shall take the form of a supplemental index warrant agreement or supplemental index warrant trust indenture (collectively referred to as "Supplemental Agreements")), without the consent of the holders of any Index Warrants, for the purpose of (i) curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or of making any other provisions with respect to matters or questions arising under the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, which shall not be inconsistent with the provisions thereof or of the Index Warrants, (ii) evidencing the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company contained in the Index Warrant Agreement or the Index Warrant Trust Indenture, as the case may be, and the Index Warrants, (iii) appointing a successor

depository, (iv) evidencing and providing for the acceptance of appointment by a successor Index Warrant Agent or Index Warrant Trustee with respect to the Index Warrants, as the case may be, (v) adding to the covenants of the Company, for the benefit of the Index Warrantholders or surrendering any right or power conferred upon the Company under the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, (vi) issuing Index Warrants in definitive form, or (vii) amending the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, in any manner which the Company may deem to be necessary or desirable and which will not materially and adversely affect the interests of the Index Warrantholders.

The Company and the Index Warrant Agent may also amend any Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, and the terms of the related Index Warrants (which amendment shall take the form of a Supplemental Agreement) with the consent of the Index Warrantholders holding not less than 66 2/3% in number of the then outstanding unexercised Index Warrants affected by such amendment, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, or of modifying in any manner the rights of the Index Warrantholders; provided that no such amendment that (i) changes the determination of the Settlement Value or the payment or delivery to be made on cancellation, if any, or Minimum Expiration Value, if any, of the Index Warrants (or any aspects of such determination) so as to reduce the payment or delivery to be made upon exercise or deemed exercise, (ii) shortens the period of time during which the Index Warrants may be exercised, or otherwise materially and adversely affects the exercise rights of the Index Warrantholders or (iii) reduces the number of outstanding Index Warrants, the consent of whose holders is required for amendment of the Index Warrant Agreement, the Index Warrant Trust Indenture or the terms of the related Index Warrants, may be made without the consent of each Index Warrantholder affected thereby.

EVENTS OF DEFAULT

Certain events in bankruptcy, insolvency or reorganization of the Company will constitute an Event of Default with respect to Index Warrants having a Minimum Expiration Value which are issued under an Index Warrant Trust Indenture. Upon the occurrence of an Event of Default, the holders of 25% of unexercised Index Warrants may elect to receive a settlement payment or delivery for such unexercised Index Warrants, which will immediately become due to the Index Warrantholders upon such election in an amount equal to the market value of such Index Warrants (assuming the Company's ability to satisfy its obligations under such Index Warrants as they would become due) as of the date the Company is notified of the intended liquidation, as determined by a nationally recognized securities broker-dealer unaffiliated with the Company and mutually selected by the Company and the Index Warrant Trustee.

MERGER, CONSOLIDATION, SALE, LEASE OR OTHER DISPOSITIONS

The Company may consolidate or merge with or into any other corporation and the Company may sell, lease or convey all or substantially all of its assets to any corporation, provided that (i) the corporation

17

(if other than the Company) formed by or resulting from any such consolidation or merger or which shall have received such assets shall be a corporation organized and existing under the laws of the United States of America or a State thereof and shall assume the Company's obligations in respect of the payment or delivery of the Settlement Value (or any Minimum Expiration Value or cancellation payment or delivery, if applicable) with respect to all the unexercised Index Warrants and the performance and observance of all of the covenants and conditions of the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be, to be performed or observed by the Company, and (ii) the Company or such successor corporation, as the case may be, shall not immediately be in default under the Index Warrant Agreement or Index Warrant Trust Indenture, as the case may be.

ENFORCEABILITY OF RIGHTS BY INDEX WARRANTHOLDERS

Any Index Warrantholder may, without the consent of the related Index Warrant Agent, enforce by appropriate legal action, in and for its own behalf, its right to exercise, and receive payment or delivery for, its Index Warrants.

PLAN OF DISTRIBUTION

The Company may sell Securities (i) through MLPF&S as agent, (ii) to the public through, or through underwriting syndicates managed by, one or more of the firms named on the cover page of this Prospectus or (iii) directly to purchasers. The Prospectus Supplement with respect to the Securities of a particular series describes the terms of the offering of such Securities, including the name of the agent or the name or names of any underwriters, the public offering or purchase price, any discounts and commissions to be allowed or paid to the agent or underwriters, all other items constituting underwriting compensation, the discounts and commissions to be allowed or paid to dealers,

if any, and the exchanges, if any, on which the Securities will be listed. Only the agents or underwriters so named in the Prospectus Supplement are agents or underwriters in connection with the Securities offered thereby. Under certain circumstances, the Company may repurchase Securities and reoffer them to the public as set forth above. The Company may also arrange for repurchases and resales of such Securities by dealers.

If so indicated in the Prospectus Supplement, the Company will authorize underwriters to solicit offers by certain institutions to purchase Debt Securities from the Company pursuant to delayed delivery contracts providing for payment and delivery on the date stated in the Prospectus Supplement. Each such contract will be for an amount not less than, and, unless the Company otherwise agrees, the aggregate principal amount of Debt Securities sold pursuant to such contracts shall not be more than, the respective amounts stated in the Prospectus Supplement. Institutions with whom such contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and other institutions, but shall in all cases be subject to the approval of the Company. Delayed delivery contracts will not be subject to any conditions except that the purchase by an institution of the Debt Securities covered thereby shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject.

The Company has agreed to indemnify the agent and the several underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended (the "Act"), or contribute to payments the agent or the underwriters may be required to make in respect thereof.

The distribution of Securities will conform to the requirements set forth in the applicable sections of Rule 2720 of the Conduct Rules of the National Association of Securities Dealers, Inc.

18

EXPERTS

The consolidated financial statements and related financial statement schedules of the Company and its subsidiaries included or incorporated by reference in the Company's 1995 Annual Report on Form 10-K, and incorporated by reference in this Prospectus, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports incorporated by reference herein. The information under the caption "Summary Financial Information" for each of the five years in the period ended December 29, 1995 included in this Prospectus and the Selected Financial Data under the captions "Operating Results", "Financial Position" and "Common Share Data" for each of the five years in the period ended December 29, 1995 included in the 1995 Annual Report to Stockholders of the Company and incorporated by reference herein, has been derived from consolidated financial statements audited by Deloitte & Touche LLP, as set forth in their reports included as an exhibit to the Registration Statement or incorporated by reference herein. Such consolidated financial statements and related financial statement schedules, such Summary Financial Information and Selected Financial Data appearing or incorporated by reference in this Prospectus and the Registration Statement of which this Prospectus is a part, have been included or incorporated herein by reference in reliance upon such reports of Deloitte & Touche LLP given upon their authority as experts in accounting and auditing.

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

19

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

