

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13G
(Rule 13d-102)

UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. 2)*

Koll Real Estate Group Inc.

(Name of Issuer)

Common Stock**

(Title of Class of Securities)

500434105

(CUSIP Number)

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

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page. The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

** The amount reflected in Item 9 of the Cover Page includes common stock issuable upon conversion of convertible bonds (the "Convertible Bonds") (CUSIP 500434204). In the aggregate, Merrill Lynch & Co., Inc. may be deemed to beneficially own 957,200 shares of Common Stock and 1,894,402 Convertible Bonds.

SCHEDULE 13G

CUSIP No. 500434105

1 Name of Reporting Person
S.S. or I.R.S. Identification No. of Above Person

Merrill Lynch & Co., Inc.

2 Check the Appropriate Box If a Member of a Group* a.
b.

3 SEC Use Only

4 Citizenship or Place of Organization

Delaware

5 Sole Voting Power
Number of Shares Beneficially

Owned By Each Reporting Person With

2,851,705

7 Sole Dispositive Power

None

8 Shared Dispositive Power

2,851,705

9 Aggregate Amount Beneficially Owned by Each Reporting Person

2,851,705

10 Check Box If the Aggregate Amount in Row (9) Excludes Certain Shares* | _ |

11 Percent of Class Represented By Amount in Row (9)

5.88%

12 Type of Reporting Person*

HC, CO

*SEE INSTRUCTIONS BEFORE FILLING OUT!

SCHEDULE 13G

CUSIP No. 500434105

1 Name of Reporting Person

S.S. or I.R.S. Identification No. of Above Person

Merrill Lynch, Pierce, Fenner & Smith Incorporated

2 Check the Appropriate Box If a Member of a Group*

a. | _ |

b. | _ |

3 SEC Use Only

4 Citizenship or Place of Organization

Delaware

5 Sole Voting Power

Number of Shares Beneficially Owned By Each Reporting Person

None

6 Shared Voting Power

2,851,602

7 Sole Dispositive Power

None

8 Shared Dispositive Power

2,851,602

9 Aggregate Amount Beneficially Owned by Each Reporting Person

2,851,602

10 Check Box If the Aggregate Amount in Row (9) Excludes Certain Shares* | _ |

11 Percent of Class Represented By Amount in Row (9)

5.88%

12 Type of Reporting Person*

BD, CO

*SEE INSTRUCTIONS BEFORE FILLING OUT!

Item 1 (a) Name of Issuer:

Koll Real Estate Group Inc.

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

4343 Von Karmen Ave.
Newport Beach, CA 92660

Item 2 (a) Names of Persons Filing:

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

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

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

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

Item 2 (c) Citizenship:

See Item 4 of Cover Pages

Item 2 (d) Title of Class of Securities:

Common Stock

Item 2 (e) CUSIP Number:

500434105

Item 3

Merrill Lynch & Co., Inc. ("ML&Co.") is a parent holding company, in accordance with ss.240.13d-1(b)(ii)(G). Merrill Lynch, Pierce, Fenner & Smith Incorporated

("MLPF&S") is a broker-dealer registered under Section 15 of the Securities Exchange Act of 1934.

Item 4 Ownership

(a) Amount Beneficially Owned:

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

(b) Percent of Class:

See Item 11 of Cover Pages

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

(i) sole power to vote or to direct the vote:

See Item 5 of Cover Pages

(ii) shared power to vote or to direct the vote:

See Item 6 of Cover Pages

(iii) sole power to dispose or to direct the disposition of:

See Item 7 of Cover Pages

(iv) shared power to dispose or to direct the disposition of:

See Item 8 of Cover Pages

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

Not Applicable

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

Merrill Lynch Trust Company of America ("MLT-AM"), a wholly owned subsidiary of ML&Co. and a bank as defined in section 3(a)(6) of the Securities Exchange Act of 1934

holds 103 shares of the common stock of Koll Real Estate Group Inc. on behalf of persons who have the right to receive, or the power to direct the receipt of dividends from, or the proceeds from the sale of securities reported herein. No such person has an interest which relates to more than 5% of the class of securities reported herein.

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

See Exhibit A

Item 8 Identification and Classification of Members of the Group.

Not Applicable

Item 9 Notice of Dissolution of Group.

Not Applicable

Item 10 Certification.

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

Signature.

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

Merrill Lynch & Co., Inc.

Date:

Signature:

Name: Richard B. Alsop

Title: Attorney-in-Fact*

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Date:

Signature:

Name: Richard B. Alsop

Title: Attorney-in-Fact**

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

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

One of the persons filing this report, Merrill Lynch & Co., Inc., is a Delaware corporation with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York ("ML&Co."), and a parent holding company pursuant to ss.240.13d-1(b)(1)(ii)(G). The relevant subsidiaries of ML&Co. are Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), Merrill Lynch Group, Inc. ("ML Group"), Merrill Lynch Trust Company of America ("MLT-AM").

MLPF&S, a Delaware corporation with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York, is a wholly-owned direct subsidiary of ML&Co. and a broker-dealer registered pursuant to the Securities Exchange Act of 1934. MLPF&S is the beneficial owner of 5.8% of the common stock of Koll Real Estate Group Inc.

ML Group, a Delaware corporation with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York, is a wholly-owned direct subsidiary of ML&Co. and a parent holding company pursuant to ss.240.13d-1(b)(1)(ii)(G). ML Group may be deemed to be the beneficial owner of less than 1% of the common stock of Koll Real Estate Group Inc. by virtue of its control of its wholly-owned subsidiary MLT-AM, a bank as defined in Section 3(a)(6) of the Act.

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

Exhibit B to Schedule 13G

Power of Attorney

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

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, this 17th day of November, 1995.

MERRILL LYNCH & Co., Inc.

By: /s/ David H. Komansky

Name: David H. Komansky

Title: President and Chief Operating Officer

Exhibit C to Schedule 13G

Power of Attorney

The undersigned, Merrill Lynch, Pierce, Fenner & Smith Incorporated, (the "Corporation") a corporation duly organized under the laws of Delaware, with its principal place of business at World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281 does hereby make, constitute and appoint Richard B. Alsop, Richard D. Kreuder, Andrea Lowenthal, Gregory T. Russo, or any other individual from time to time elected or appointed as secretary or an assistant

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

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, this 17th day of November, 1995.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: /s/ David H. Komansky

Name: David H. Komansky

Title: President and Chief Operating Officer