RULE 424B(3)
REGISTRATION NO. 33-49947

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS SUPPLEMENT DATED OCTOBER 4, 1993 AND PROSPECTUS DATED AUGUST 27, 1993)

MERRILL LYNCH & CO., INC.
MEDIUM-TERM NOTES, SERIES B
DUE NINE MONTHS OR MORE FROM DATE OF ISSUE

ONE YEAR FRENCH FRANC FORWARD RATE NOTES WITH FFR EXPOSURE ON GAIN/LOSS DUE MARCH 17, 1995

Original Issue Date: March 17, 1994	Principal Amount: U.S.$50 million
Maturity Date: March 17, 1995	Interest Rate: 4.45%
Redemption Date: Not Applicable	Principal Redemption Amount: the greater of (a) U.S. dollar principal amount + [[French Franc Carry Amount + Long Position Unwind Amount] / FFR/USD] and (b) zero
Optional Repayment Dates: Not Applicable	
Interest Payment Dates: September 17, 1994 and March 17, 1995	

DESCRIPTION OF THE NOTES

GENERAL

The Medium-Term Notes, Series B of Merrill Lynch & Co., Inc. (the "Company"), offered hereby are "One Year French Franc Forward Rate Notes with FFR Exposure on Gain/Loss due March 17, 1995" and are referred to in this Prospectus Supplement as the "Notes". The Notes are Fixed Rate Notes and certain provisions of the Notes are more fully described in the accompanying Prospectus and Prospectus Supplement.

On February 10, 1994, the Company increased to $3,650,000,000 the aggregate principal amount of Medium-Term Notes, Series B authorized to be issued pursuant to the attached Prospectus Supplement and supplements related thereto. Such amount represents an increased authorization of $650,000,000.

The principal of the Notes repayable on the Maturity Date specified above (the "Principal Redemption Amount") will be determined pursuant to the formulae applicable to the Notes described herein, and such amount may be less than, equal to or more than the principal amount of the Notes (but will not be less than zero). The Notes will be issued as Book-Entry Notes in denominations of U.S.$1,000,000 and integral multiples of U.S.$100,000 in excess thereof.

The Notes will not be subject to redemption by the Company in whole or in part prior to the Maturity Date.

IN CERTAIN CIRCUMSTANCES, THE PRINCIPAL REDEMPTION AMOUNT OF A NOTE PAYABLE ON THE MATURITY DATE MAY BE LESS THAN THE PRINCIPAL AMOUNT OF SUCH NOTE, BUT MAY NOT BE LESS THAN ZERO.

This Prospectus Supplement relates to $50,000,000 aggregate principal amount of Notes which the Company has agreed to sell to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), and which the Underwriter has agreed to purchase from the Company, at a price of 99.875% of the principal amount thereof. The Underwriter has advised the Company that it proposes initially to offer the Notes to the public at a public offering price equal to 100% of the principal amount thereof. After the initial public offering, such public offering price may be changed.

The date of this Prospectus Supplement is March 16, 1994.

INTEREST

Each Note will bear interest, payable in U.S. dollars, on the Principal Amount of such Note from and including March 17, 1994 to but excluding the Maturity Date. Interest on the Notes will be payable in U.S. dollars on the Interest Payment Dates specified above at a per annum rate equal to 4.45%. Interest will be payable semi-annually in arrears on September 17, 1994 and on March 17, 1995. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest payable on the Maturity Date will be payable to the person to whom the Principal Redemption Amount, if any, is payable.

PRINCIPAL REDEMPTION AMOUNT

The Principal Redemption Amount of a Note payable by the Company on the Maturity Date will be payable in U.S. dollars based on the following formula, as determined by the relevant Calculation Agent on the Determination Date, provided that in no event shall the Principal Redemption Amount be less than zero:

U.S. dollar principal amount of such Note + [[French Franc Carry Amount + Long Position Unwind Amount] / FFR/USD].

On any New York Business Day on or after May 17, 1994 and prior to 5:00 P.M. New York City time on the second New York Business Day prior to the Maturity Date, the Holder of the Notes may exercise the Principal Redemption Lock Option to lock-in the Principal Redemption Amount on the date (the "Principal Redemption Lock Option Date") which is the earlier of (i) the New York Business Day selected by such Holder (which may not be earlier than the second Calculation Business Day after the Exercise Date) and (ii) the Maturity Date. The Principal Redemption Lock Option can be exercised only by a Holder or Holders holding a Note or Notes having an aggregate principal amount of $50,000,000 or more. In the event that the Principal Redemption Lock Option is exercised by the Holder of any Note, such election shall be binding and irrevocable with respect to such Note.

To exercise the Principal Redemption Lock Option, the beneficial owner of a Note must (i) give irrevocable written exercise instructions on a New York Business Day (the "Exercise Date") to (a) Merrill Lynch Capital Services, Inc. ("MLCS"), World Financial Center, North Tower, 7th Floor, New York, New York 10281 (phone 212-449-6177) and (b) the Trustee, Chase Manhattan Bank (National Association), 4 Chase MetroTech Center, Brooklyn, New York 11245, Attention: Corporate Trust Administration, and (ii) cause title of such Note to be transferred free on the records of the Securities Depository to the Trustee by the second New York Business Day immediately succeeding the Exercise Date. Upon receipt of the Note, the Trustee will record that the Principal Redemption Lock Option with respect to such Note has been exercised and will cause title of the Note to be transferred free on the records of the Securities Depository to the account of the Participant designated by the beneficial owner. If the Trustee does not receive the transfer of the Note for which exercise notice has been duly given to MLCS and the Trustee by the close of business of the second New York Business Day immediately succeeding the Exercise Date, the Principal Redemption Lock Option will be deemed not to have been exercised with respect to such Note.

In the absence of manifest error, determinations by the relevant Calculation Agent shall be final and binding on the Company and the Holders of the Notes.

If an Event of Default (as defined in the Indenture) with respect to the Notes shall have occurred and be continuing, the Principal Redemption Amount of all of the Notes may be declared due and payable in the manner and with the effect provided in the Indenture. In such cases, the Principal Redemption Amount declared due and payable on the date of acceleration will be calculated as if such date of acceleration were the Principal Redemption Lock Option Date.

Any payment of principal or interest required to be made on an Interest Payment Date or the Maturity Date, as the case may be, which is not a New York Business Day may be made on the next succeeding New York Business Day with the same force and effect as if made on such Interest Payment Date or the Maturity Date, as the case may be, and no interest will accrue with respect to such payment for the period from and after such Interest Payment Date or the Maturity Date, as the case may be.

DEFINITIONS

As used with respect to the Notes, the following terms and definitions apply:

"Days Since" shall mean the number of days, determined on the basis of a 360-day year, from and including the immediately preceding PIBOR Reset Date, or date of original issuance if no PIBOR Reset Dates have occurred prior to a Principal Redemption Lock Option Date, to but excluding the Principal Redemption Lock Option Date.

"Days To" shall mean the number of days, determined on the basis of a 360-day year, from and including the Principal Redemption Lock Option Date to but excluding the date that except for the Principal Redemption Lock Option would have been the next succeeding PIBOR Reset Date.

"D360" shall mean the number of days, determined on the basis of a 360-day year of twelve 30-day months, from and including the Principal Redemption Lock Option Date to but excluding the Maturity Date.

"French Franc Carry Amount" shall equal:

(i) if the Principal Redemption Lock Option is not exercised prior to maturity:

(a) FFR Notional Amount X 6.195%, minus

(b) FFR Notional Amount/360 X

[[(6.26% X 92) X P2 X P3 X P4] +

[(PIBOR(2) X 94) X P3 X P4] +

[(PIBOR(3) X 91) X P4] +

[PIBOR(4) X 88]]

(ii) if the Principal Redemption Lock Option Date is on or after May 17, 1994 but before June 17, 1994:

(a) FFR Notional Amount X [6.195% - Swap Rate X D360/360], minus

(b) FFR Notional Amount/360 X (1+PIBOR(Maturity) X (273+Days To)/360)/(1+PIBOR(Lock) X Days To/360) X

[(6.26% X Days Since) X (1+PIBOR(Lock) X Days To/360) +

((6.26% - PIBOR(Lock)) X Days To)]

(iii) if the Principal Redemption Lock Option Date is on or after June 17, 1994 but before September 17, 1994:

(a) FFR Notional Amount X [6.195% - Swap Rate X D360/360], minus

(b) FFR Notional Amount/360 X (1+PIBOR(Maturity) X (179+Days To)/360)/(1+PIBOR(Lock) X Days To/360) X
[(6.26% X 92) X (1+PIBOR(2) X Days Since/360) X (1+PIBOR (Lock) X Days To/360) +

(PIBOR(2) X Days Since) X (1+PIBOR(Lock) X Days To/360) +

((PIBOR(2) - PIBOR(Lock)) X Days To)]

(iv) if the Principal Redemption Lock Option Date is on or after September 17, 1994 but before December 17, 1994:

(a) FFR Notional Amount X [6.195% - Swap Rate X D360/360], minus

(b) FFR Notional Amount/360 X (1+PIBOR(Maturity) X (88+Days To)/360)/(1+PIBOR(Lock) X Days To/360) X

[(6.26% X 92) X P2 X (1+PIBOR(3) X Days Since/360) X (1+PIBOR(Lock) X Days To/360) +

(PIBOR(2) X 94) X (1+PIBOR(3) X Days Since/360) X (1+PIBOR(Lock) X Days To/360) +

(PIBOR(3) X Days Since) X (1+PIBOR(Lock) X Days To/360) +

((PIBOR(3) - PIBOR(Lock)) X Days To)]

(v) if the Principal Redemption Lock Option Date is on or after December 17, 1994 but before the Maturity Date:

(a) FFR Notional Amount X [6.195% - Swap Rate X D360/360], minus

(b) FFR Notional Amount/360 X

[(6.26% X 92) X P2 X P3 X (1+PIBOR(4) X Days Since/360) X (1+PIBOR(Lock) X Days To/360) +

(PIBOR(2) X 94) X P3 X (1+PIBOR(4) X Days Since/360) X

(1+PIBOR(Lock) X Days To/360) +

(PIBOR(3) X 91) X (1+PIBOR(4) X Days Since/360) X
(1+PIBOR(Lock) X Days To/360) +

(PIBOR(4) X Days Since) X (1+PIBOR(Lock) X Days To/360) +

((PIBOR(4) - PIBOR(Lock)) X Days To)]

"FFR Notional Amount" means FFR37,000,000 for each U.S.$1,000,000 principal amount of Notes.

"Calculation Business Day" means any day which is both a New York Business Day and a Paris Business Day.

"Calculation Agent" means (i) with respect to the calculation of FFR/USD, Merrill Lynch International Bank, and (ii) with respect to all other terms relating to the Principal Redemption Amount and the Principal Redemption Amount, Merrill Lynch Capital Services, Inc.

"Determination Date" means (i) if the Principal Redemption Lock Option is not elected, the second Calculation Business Day prior to the Maturity Date, and (ii) if the Redemption Lock Option is elected, the second Calculation Business Day prior to the Principal Redemption Lock Option Date.

"FFR/USD" means the exchange rate for French Francs per U.S. dollar as determined by the relevant Calculation Agent equal to the arithmetic mean of spot offer rates for French Francs (spot bid for U.S. dollars) at 10 A.M. (Paris time) on the second Calculation Business Day preceding the Maturity Date, or, if the Principal Redemption Lock Option is exercised, on the second Calculation Business Day prior to the Principal Redemption Lock Option Date, for an amount of French Francs equal to an amount representative of transactions in such market at such time for delivery on the Maturity Date which have been obtained by the Calculation Agent from five major currency exchange rate market makers selected by the Calculation Agent, after eliminating the highest and lowest of such rates (or, in the event of equality of the highest and/or lowest rates, after eliminating one of such highest and/or lowest rates, as the case may be). If fewer than five market-makers are quoting as described in this paragraph, then the FFR/USD will equal the arithmetic mean of the spot offer rates obtained and neither the highest nor the lowest of such quotations will be eliminated. If only one market-maker is quoting as described in this paragraph, then FFR/USD will equal such quote.

"Long Position Unwind Amount" shall equal:

FFR Notional Amount X 4.19 X (6.195% - Swap Rate)

"New York Business Day" means any day that is not a Saturday or a Sunday and that, in The City of New York, is not a day on which banking institutions are generally authorized or obligated by law to close.

"Paris Business Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in Paris.

"PIBOR" means

(a) with respect to PIBOR(2), PIBOR(3), PIBOR(4), and PIBOR(Lock) and PIBOR(Maturity), if the Principal Redemption Lock Option Date is the same day as an otherwise specified PIBOR Reset Date, the rate expressed as a percentage determined on the relevant PIBOR Reset Date equal to the rate for deposits in French Francs for a period of the relevant PIBOR Index Maturity which appears on the Reuters Screen PIBO Page as of 11:00 A.M., Paris time, on the day that is one Paris Business Day preceding such PIBOR Reset Date. If such rate does not appear on the Reuters Screen PIBO Page, PIBOR shall mean the rate determined on the basis of the rates at which deposits in French Francs are offered by the Paris office of four major banks in the Paris interbank market at approximately 11:00 A.M., Paris time, on the day that is one Paris Business Day preceding such PIBOR Reset Date in an amount equal to an amount representative of a transaction in such market at such time. If at least two quotations are provided, PIBOR for such PIBOR Reset Date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, PIBOR for such PIBOR Reset Date will be the arithmetic mean of the rates quoted by major banks in Paris, selected by the Calculation Agent, at approximately 11:00 A.M., Paris time, on the Paris Business Day preceding such PIBOR Reset Date for loans in French Francs to leading European banks for a period of the PIBOR Index Maturity commencing on that PIBOR Reset Date in an amount equal to an amount representative of a transaction in such market at such time.

(b) with respect to PIBOR(Lock) and PIBOR(Maturity), if the Principal Redemption Lock Option Date is not the same day as an otherwise specified PIBOR Reset Date, the rate expressed as a percentage determined on the Paris Business Day preceding the relevant PIBOR Reset Date equal to the rate for deposits in

French Francs for a period of the relevant PIBOR Index Maturity as calculated by the Calculation Agent based on its interpolation of the rate for such PIBOR Index Maturity using rates for various maturities as reported as specified in (a) above.

"PIBOR Reset Date" in connection with the use of the term "PIBOR" shall mean the date specified below corresponding to the designation in the parentheses following the term PIBOR:

(2)	June 17, 1994
(3)	September 17, 1994
(4)	December 17, 1994
(Lock)	the Principal Redemption Lock Option Date
(Maturity)	the Principal Redemption Lock Option Date

"PIBOR Index Maturity" shall mean:

(i) with respect to PIBOR(2), PIBOR(3) and PIBOR(4), three months;

(ii) with respect to PIBOR(Lock), the term from the Principal Redemption Lock Option Date through the date of what would otherwise have been the next succeeding PIBOR Reset Date or Maturity Date, as the case may be; and

(iii) with respect to PIBOR(Maturity), the term from the Principal Redemption Lock Option Date through the Maturity Date.

"P2" means: (1 + PIBOR(2)) X (94/360).

"P3" means: (1 + PIBOR(3)) X (91/360).

"P4" means: (1 + PIBOR(4)) X (88/360).

"Reuters Screen" means, when used in connection with any designated page, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service for the purpose of displaying a comparable rate).

"Swap Rate" means:

(i) if the Principal Redemption Lock Option is not elected, the offered-side fixed rate (expressed as a percent) of a fixed for floating FFR PIBOR interest rate swap transaction (a "Swap Transaction") with a five year maturity, beginning on the Maturity Date, such rate being determined by the relevant Calculation Agent as of 11:00 A.M. (Paris time) on the Determination Date as shown on Reuters Screen Page ICAT; provided that if such rate is not being shown on Reuters Screen Page ICAT by 3:00 P.M. (Paris time) on the Determination Date, then the Swap Rate shall mean the offered-side fixed rate (expressed as a percent) of a Swap Transaction with a five year maturity, beginning on the Maturity Date, such rate being determined by the relevant Calculation Agent as of 11:00 A.M. (Paris time) on the Determination Date as shown on Telerate Page 2514; provided further that if such rate is not being shown on Telerate Page 2514 by 3:00 P.M. (Paris time) on the Determination Date, then the Swap Rate shall mean the offered-side fixed rate (expressed as a percent) of a Swap Transaction with a five year maturity, beginning on the Maturity Date, such rate being determined by the relevant Calculation Agent as of 11:00 A.M. (Paris time) on the Determination Date as shown on Telerate Page 42284; provided further that if such is not being shown on Telerate Page 42284 by 3:00 P.M. (Paris time) on the Determination Date, then the Swap Rate shall be determined by such Calculation Agent on such Determination Date based on the arithmetic mean of the rate quoted by three leading market-makers in Paris in such interest rate transactions selected by such Calculation Agent (from five such market-makers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)); provided further that if two, three or four (and not five) of such market-makers are quoting as described, then the Swap Rate shall be based on the arithmetic mean of the rates obtained and neither the highest nor the lowest of such quotations will be eliminated; and provided further that if only one such market-maker is quoting as described, then the Swap Rate shall be the rate obtained.

(ii) if the Principal Redemption Lock Option is elected, the offered-side fixed rate (expressed as a percent) of a Swap Transaction with a maturity equal to the period from the Rate Lock Option Date to the date five years from the Maturity Date, beginning on the Principal Redemption Lock Option Date, determined by the Calculation Agent on the Determination Date in the following manner:

(a) determine the offered-side fixed rate for a Swap Transaction with a maturity of five years beginning on the Maturity Date as described in (i) above (the "Five Year Swap Rate");

(b) determine the offered-side fixed rate for a Swap Transaction with a maturity of seven years beginning on the Maturity Date as described in (i) above (the "Seven Year Swap Rate");

(c) multiply the difference between the Seven Year Swap Rate and the Five Year Swap Rate by a factor equal to: (x) the number of days, determined on the basis of a 360-day year of twelve 30-day months, from the Principal Redemption Lock Option Date to the Maturity Date, divided by (y) 360.

(d) add the value calculated in (c) above to the Five Year Swap Rate.

"Telerate Page" means, when used in connection with any designated page, the display page so designated on the Dow Jones Telerate Service (or such other page as may replace such page on that service for the purpose of displaying a comparable rate).

All other capitalized terms used but not defined herein shall have the meanings assigned to such terms in the accompanying Prospectus and Prospectus Supplement.

The following table sets forth the closing values of the FFR/USD exchange rate, the Swap Rate for a Swap Transaction with a maturity of five years and PIBOR for three months on the last business day of each quarter for the periods indicated. The historical experience of such rates should not be taken as an indication of future performance, and no assurance can be given as to the levels of such rates as of their respective Determination Dates. PIBOR and the Swap Rate used to determine the Principal Redemption Amount may be maturities other than those specified below.

<TABLE>
<CAPTION>

	FFR/USD Exchange Rate(1)	Swap Rate for a Swap Transaction with a Maturity of Five Years Offer-Side Swap Rate(2)	PIBOR
<S>	<C>	<C>	<C>
1989: 1st Quarter	6.41	N/A	8.9375%
2nd Quarter	6.64	9.27%	9.4375%
3rd Quarter	6.35	9.35%	9.6875%
4th Quarter	5.78	10.22%	11.4375%
1990:			
1st Quarter	5.68	10.65%	10.3125%
2nd Quarter	5.58	10.23%	10.1250%
3rd Quarter	5.24	10.89%	10.3750%
4th Quarter	5.09	10.63%	10.1250%
1991:			
1st Quarter	5.78	9.55%	9.4530%
2nd Quarter	6.14	9.57%	9.6875%
3rd Quarter	5.67	9.35%	9.5000%
4th Quarter	5.20	9.27%	10.3125%
1992:			
1st Quarter	5.57	9.29%	10.1790%
2nd Quarter	5.13	9.32%	10.1250%
3rd Quarter	4.80	9.30%	15.2000%
4th Quarter	5.53	8.39%	11.9600%
1993:			
1st Quarter	5.46	7.42%	10.1250%
2nd Quarter	5.75	6.43%	7.0500%
3rd Quarter	6.02	5.90%	7.1400%
4th Quarter	5.92	5.19%	6.6250%
1994			
1st Quarter (as of March 16, 1994)	5.75	5.97%	6.2500%

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</TABLE>
(1) As derived from Bloomberg Financial Markets.
(2) As derived from DRI/McGraw-Hill-DRIFACS.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain United States Federal income tax consequences of the purchase, ownership and disposition of the Notes is based upon the opinion, set forth in full below, of Brown & Wood, counsel to the Company, which opinion is based upon laws, regulations, rulings and decisions now in effect (or, in the case of certain regulations, in proposed form), all of which are subject to change (including changes in effective dates) or possible differing interpretations. The discussion below deals only with Notes held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, persons holding Notes as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers who purchase the Notes for an amount equal to the Principal Amount nor does it deal with holders other than U.S. Holders (as defined below). Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of United States Federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note 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 Note is effectively connected with the conduct of a United States trade or business.

GENERAL

There are no regulations (except the 1986 Proposed Regulations as described below), published rulings or judicial decisions involving the characterization, for United States Federal income tax purposes, of securities with terms substantially the same as the Notes. However, the Company currently intends to treat the Notes as debt obligations 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. Although there exists a reasonable basis for the Company's characterization of the Notes as debt obligations for United States Federal income tax purposes, the matter is not free from doubt and prospective investors in the Notes should be aware that the IRS is not bound by the Company's characterization of the Notes as indebtedness and that the IRS could possibly take a different position as to the proper characterization of the Notes 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 Notes is based upon the assumption that the Notes will be treated as debt obligations of the Company for the United States Federal income tax purposes. If the Notes are not in fact treated as debt obligations 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 Notes could differ from the treatment discussed below.

U.S. HOLDERS

Since the Principal Redemption Amount payable on the Maturity Date with respect to the Notes may be less than the Principal Amount thereof, the Notes would be treated as contingent payment debt obligations. It is not entirely clear under current law how the Notes would be taxed since they would be classified as contingent payment debt obligations.

Under general principles of current United States Federal income tax law, payments of interest on a debt instrument generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). In addition, under Section 988 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder, in the case of a debt instrument that provides for payments the amounts of which are determined by reference to the value of one or more nonfunctional currencies (generally, a currency other than the U.S. dollar), any gain or loss realized with respect to such debt instrument by reason of changes in foreign currency exchange rates generally must be treated as foreign currency gain or loss and must be treated as ordinary income (other than interest income) or ordinary loss, as the case may be, to the extent such foreign currency gain or loss does not exceed the total gain or loss realized on such debt instrument.

Although Code Section 988 and the regulations promulgated thereunder do not specifically address the proper treatment of an instrument such as the Notes and therefore the matter is not free from doubt, under the foregoing principles, the amounts payable with respect to a Note at the Interest Rate (the "Semiannual Interest Payments") should be includible in income by a U.S. Holder as ordinary interest on the respective dates that the Semiannual Interest Payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Upon retirement of a Note, the excess of the Principal Redemption Amount over the Principal Amount (the "Supplemental Redemption Amount"), if any, would be treated as contingent interest and generally would be includible in income by a U.S. Holder as ordinary interest on the date that the Principal Redemption Amount is accrued (i.e., determined) or when such amount is received (in accordance with the U.S. Holder's regular method of tax accounting). However, any portion of the Supplemental Redemption Amount that is attributable to fluctuations in foreign currency exchange rates occurring between the Original Issue Date and the Determination Date with respect to the calculation of FFR/USD should constitute foreign currency gain under Section 988 of the Code and should be treated as ordinary income. If, however, the Principal Redemption Amount is equal to or less than the Principal Amount, then, under general principles of current United States Federal income tax law, a Note would be treated as having been retired on the Maturity Date for an amount equal to the Principal Redemption Amount. A U.S. Holder generally would recognize taxable loss under such circumstances in an amount equal to the excess, if any, of the U.S. Holder's tax basis in the Note over the Principal Redemption Amount. A U.S. Holder's tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note (generally the Principal Amount). Such loss generally should be short-term capital loss. However, any portion of such loss that is attributable to fluctuations in foreign currency exchange rates occurring between the Original Issue Date and the Determination Date with respect to the calculation of FFR/USD should constitute foreign currency loss under Section 988 of the Code and should be treated as ordinary loss. Upon the sale or exchange of a Note prior to the Maturity Date, a U.S. Holder generally would recognize taxable gain or loss in an amount equal to the difference, if any, between the amount realized on such sale or exchange (other than amounts representing accrued and unpaid interest) and such U.S. Holder's tax basis in the Note. Such gain or loss generally should be short-term capital gain or loss. Nevertheless, any such gain or loss realized upon the sale or exchange of a Note prior to the Maturity Date by reason of changes in foreign currency exchange rates occurring between the Original Issue Date and the date of such sale or exchange should constitute foreign currency gain or loss under Section 988 of the Code and should be treated as ordinary income or loss, as the case may be.

However, in 1986, the Treasury Department issued proposed regulations with a retroactive effective date of July 1, 1982 (the "1986 Proposed Regulations") under the original issue discount provisions of the Code concerning contingent payment debt obligations. Although the 1986 Proposed Regulations would generally apply to any contingent payment debt obligation where the issue price of the debt instrument exceeds the total noncontingent payments due under the debt instrument by more than an insubstantial amount, it is unclear to what extent the 1986 Proposed Regulations would apply to a debt instrument providing for one or more payments the amount of which are determined, in whole or in part, by reference to the value of a foreign currency (such as the Notes). Nevertheless, although the matter is not free from doubt, if the 1986 Proposed Regulations are ultimately adopted in their current form, such regulations should apply to the Notes and such application of the 1986 Proposed Regulations would cause the timing and character of income, gain or loss recognized on a Note to differ from the timing and character of income, gain or loss recognized on a Note had the 1986 Proposed Regulations not applied.

Under the 1986 Proposed Regulations, the Semiannual Interest Payments would be treated by a U.S. Holder as a return of principal. In addition, the Principal Redemption Amount generally would be treated first as a return of principal, to the extent that the Principal Redemption Amount plus the Semiannual Interest Payments equals the Principal Amount, and then as ordinary interest includible in income by a U.S. Holder on the date that the Principal Redemption Amount is determined. If, however, the Principal Amount exceeds the sum of the Principal Redemption Amount and the Semiannual Interest Payments, then a U.S. Holder generally should recognize a short-term capital loss on the Maturity Date in an amount equal to the excess of the Principal Amount over the sum of the Principal Redemption Amount and the Semiannual Interest Payments.

Under the 1986 Proposed Regulations, a U.S. Holder of a contingent payment debt obligation with an issue price that exceeds the total noncontingent payments due under the debt instrument by more than an insubstantial amount generally is required to recognize ordinary interest income at the time that the amount of any contingent payment due under the debt instrument becomes fixed. Accordingly, in the event that the 1986 Proposed Regulations are applied to the Notes, upon exercise of the Principal Redemption Lock Option, a U.S. Holder generally should be required to treat the Principal Redemption Amount as ordinary interest includible in income on the date that the Principal Redemption

Lock Option is exercised to the extent of the amount of interest which would have accrued with respect to the Notes as of such date if the Notes had provided for stated interest equal to the short-term applicable federal rate in effect as of the Original Issue Date (the "Deemed Accrued Interest"). The remaining portion of the Principal Redemption Amount (i.e., that portion of the Principal Redemption Amount that is not treated as ordinary interest pursuant to the foregoing rule) should be treated by a U.S. Holder first as a return of principal, to the extent that the sum of the remaining portion of the Principal Redemption Amount and the Semiannual Interest Payments equals the Principal Amount, and then as ordinary interest includible in income by a U.S. Holder on the date that the Principal Redemption Lock Option is exercised. Alternatively, if the Principal Amount exceeds the sum of the remaining portion of the Principal Redemption Amount and the Semiannual Interest Payments, then a U.S. Holder generally should be required to recognize a capital loss on the Maturity Date in an amount equal to such excess. However, if a U.S. Holder exercises the Principal Redemption Lock Option six months or more prior to the Maturity Date, then an amount equal to the excess of the Principal Redemption Amount over the present value (determined by using a discount rate equal to the short-term applicable federal rate in effect as of the Original Issue Date) of the Principal Redemption Amount (the "Discounted Principal Redemption Amount") should be treated as original issue discount under the 1986 Proposed Regulations and a U.S. Holder generally should be required to include such discount into income as ordinary interest under a constant yield method over a period commencing on the date that the Principal Redemption Lock Option is exercised and concluding on the Maturity Date. Under another possible interpretation of the 1986 Proposed Regulations, however, a cash method U.S. Holder would not be required to accrue such discount into income unless the U.S. Holder elects to do so. Rather, under this interpretation, a cash method U.S. Holder not electing to currently accrue such discount would generally be required to include such discount in income as ordinary interest on the Maturity Date. Furthermore, under this alternative interpretation of the 1986 Proposed Regulations, U.S. Holders who report income for United States Federal income tax purposes under the accrual method of accounting would be required to accrue such discount into income, over a period commencing on the date that the Principal Redemption Lock Option is exercised and concluding on the Maturity Date, on a straight-line basis unless an election is made to accrue such discount under a constant yield method. In addition, under such circumstances, a U.S. Holder should be required to treat the Discounted Principal Redemption Amount as ordinary interest includible in income on the date that the Principal Redemption Lock Option is exercised to the extent of the Deemed Accrued Interest. The remaining portion of the Discounted Principal Redemption Amount (i.e., the portion of the Discounted Principal Redemption Amount that is not treated as ordinary interest pursuant to the foregoing rule) should be treated first as a return of principal, to the extent that the sum of the remaining portion of the Discounted Principal Redemption Amount and the Semiannual Interest Payments equals the Principal Amount, and then as ordinary interest includible in income by a U.S. Holder on the date that the Principal Redemption Lock Option is exercised. If, however, the Principal Amount exceeds the sum of the remaining portion of the Discounted Principal Redemption Amount and the Semiannual Interest Payments, then a U.S. Holder generally should be required to recognize a short-term capital loss on the Maturity Date in an amount equal to such excess.

Despite the foregoing, any amounts that would otherwise be treated as ordinary interest income or as short-term capital loss under the 1986 Proposed Regulations in accordance with the preceding rules, but which are attributable to fluctuations in foreign currency exchange rates occurring between the Original Issue Date and the Determination Date with respect to the calculation of FFR/USD should constitute foreign currency gain or loss under Section 988 of the Code and should be treated as ordinary income or loss, as the case may be. Prospective investors in the Notes should also be aware that if the 1986 Proposed Regulations were applied to the Notes such regulations together with Section 988 of the Code and the regulations promulgated thereunder could possibly be interpreted as requiring a treatment of the Notes that differs from the treatment discussed above.

There is no assurance that the 1986 Proposed Regulations will be adopted or, if adopted, adopted in their current form. In addition, on January 19, 1993, the Treasury Department issued proposed regulations (the "1993 Proposed Regulations"), concerning contingent payment debt obligations, which would have replaced the 1986 Proposed Regulations and which would have provided for a set of rules with respect to the timing and character of income, gain or loss on contingent payment debt obligations that differ from the rules contained in the 1986 Proposed Regulations with respect to the timing and character of income, gain or loss on contingent payment debt obligations. The 1993 Proposed Regulations, which would have applied to debt instruments issued 60 days or more after the date the 1993 Proposed Regulations became final, generally provided for several alternative timing methods which would have required annual interest accruals to reflect either a market yield for the debt instrument, determined as of the issue date, or a reasonable estimate of the performance of contingencies. The amount of interest deemed to accrue in a taxable year pursuant to such methods would have been currently includible in income by a U.S. Holder, with subsequent adjustments to the extent that the estimate of income was incorrect. In addition, under the 1993 Proposed Regulations, any gain realized on the sale, exchange or retirement of a contingent payment debt obligation generally would have been treated entirely as ordinary interest income and any loss realized on the sale, exchange or retirement of a contingent payment debt obligation generally would have been treated entirely as a capital loss. However, on January 22, 1993, the United States Government's Office of Management and Budget announced that certain proposed regulations which had not yet been published in the Federal Register, including the 1993 Proposed Regulations, had been withdrawn. In addition, it is unclear to what extent, if any, the 1993 Proposed Regulations would have applied to debt instruments providing for one or more payments determined, in whole or in part, by reference to the value of foreign currency. Accordingly, it is unclear whether the 1993 Proposed Regulations will be re-proposed or, if re-proposed, what effect, if any, such regulations would have on the Notes. Based upon the foregoing, the continued viability of the 1986 Proposed Regulations is uncertain. It should also be noted that proposed Treasury regulations are not binding upon either the IRS or taxpayers prior to becoming effective as temporary or final regulations. Prospective investors in the Notes are urged to consult their own tax advisors regarding the application of the 1986 Proposed Regulations, if any, and the effect of possible changes to the 1986 Proposed Regulations to their investment in the Notes.