DISCLOSURE DOCUMENT Dated: July 1, 2002

TRAKRS

Total Return Asset Contracts[SM]

TRAKRS[SM], or Total Return Asset Contracts[SM], are unique, non-traditional futures contracts designed to provide investors with a simple, efficient, cost-effective way to invest in a broad-based index of stocks, bonds, currencies or other financial instruments.

TRAKRS reduce many of the economic and tax inefficiencies associated with traditional securities investing because they do not require a fund or other investment portfolio to purchase and sell securities or other instruments in order to match changes in an index. Unlike a fund or other traditional investment portfolio, changes to the components of a TRAKRS Index do not require actual purchases or sales of securities. This means that TRAKRS eliminate the commissions, bid-ask spreads, and potential tax consequences that result from turnover in traditional investment portfolios. Similarly, because dividends on the underlying TRAKRS Index components are reflected directly in the value of a TRAKRS Index, TRAKRS will not make taxable dividend distributions to investors.

Although TRAKRS are futures contracts, TRAKRS reduce many of the complexities and prohibitions associated with trading traditional futures contracts for non-institutional customers. For example, non-institutional customers may purchase and sell TRAKRS through their securities broker-dealer provided that their securities broker-dealer has notice registered as a limited purpose futures commission merchant. TRAKRS are not leveraged like traditional futures contracts. Non-institutional customers are required to post 100% of the purchase price of TRAKRS (or 50% of the purchase price if they are selling TRAKRS short). This eliminates for purchasers (and greatly reduces for short-sellers) the usual requirements associated with futures trading of daily margin payments and collections. Non-institutional customers will not receive any interest on their investment in TRAKRS.

Institutional customers, on the other hand, will trade TRAKRS with leverage and must purchase and sell TRAKRS through an introducing broker, futures commission merchant or directly through GLOBEX®2. Regardless of the different requirements, TRAKRS can be fungibly traded by non-institutional and institutional customers alike.

See "Risk Factors" beginning on page __ to read about factors you should consider before purchasing or selling TRAKRS.

THE COMMODITY FUTURES TRADING COMMISSION HAS NOT PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.

THIS TRAKRS DISCLOSURE DOCUMENT HAS BEEN PREPARED BY THE CHICAGO MERCANTILE EXCHANGE INC. ("CME") AND IS DISTRIBUTED TO NON-INSTITUTIONAL AND INSTITUTIONAL CUSTOMERS WHO TRADE OR INTEND TO TRADE TRAKRS. THIS DISCLOSURE DOCUMENT IS ALSO AVAILABLE AT CME'S WEBSITE AT HTTP://WWW.CME.COM. A SUPPLEMENTAL DISCLOSURE DOCUMENT ALSO IS AVAILABLE AND WILL BE PROVIDED FOR EACH PARTICULAR TRAKRS INDEX.

CONTENTS

The following summary contains basic information relating to TRAKRS. It may not contain all the information that is important to you, particularly because TRAKRS are non-traditional futures contracts that are offered and structured in a manner unlike other financial instruments. The "Description of TRAKRS" section of this disclosure document contains more detailed information regarding the terms and conditions of TRAKRS. You should carefully read this entire document, including the Disclosure Document Supplement for the relevant TRAKRS Index. Trading TRAKRS through GLOBEX®2 is subject to the rules of Chicago Mercantile Exchange Inc. ("CME"). You should carefully review CME's rules that generally and specifically refer to TRAKRS and GLOBEX®2, including CME Rules 578—LIMITATION OF LIABILITY, 579—GLOBEX CONTROL CENTER—LIMITATION OF LIABILITY and [5XX—New TRAKRS rule that limits liability of Merrill Lynch], which are available at CME's website at http://www.cme.com. See "Risk Factors—Limitation of Liability of CME and Merrill Lynch."

Certain specialized terms used in this disclosure document are defined or explained in the "Glossary".

TRAKRS Q&A

What are TRAKRS?

TRAKRS are unique, non-traditional futures contracts designed to provide investors with a simple, efficient, cost-effective way to invest in a broad-based index of stocks, bonds, currencies or other financial instruments.

How are TRAKRS different from other investments?

Traditional diversified investments are based upon the actual ownership of stocks, bonds, or other instruments. Stock index funds, for example, seek to deliver the performance of a particular index by building a portfolio of substantially all of the stocks included in that index and passively managing that portfolio to match most changes to the index. This process requires a portfolio manager to buy and sell actual securities, incurring commissions and costs associated with the payment of bid-ask spreads, as well as subjecting investors to potentially adverse tax consequences. TRAKRS are designed to provide similar investment performance characteristics, while minimizing many of the inefficiencies associated with stock index funds.

How do TRAKRS minimize inefficiencies?

TRAKRS minimize many of the inefficiencies associated with traditional securities investing because they do not require a fund or other investment vehicle to purchase and sell stocks, bonds, currencies or other financial instruments.

TRAKRS are able to accomplish this because they are structured as a unique form of futures contracts instead of as securities. TRAKRS are cash-settled, electronically traded futures contracts designed to track the performance of particular TRAKRS Indexes. Unlike a fund or other traditional investment portfolio, changes to the components of a TRAKRS Index do not require actual purchases or sales of securities. This means that TRAKRS eliminate the commissions, bid-ask spreads, and potential tax consequences that result from turnover in traditional investment portfolios. Similarly, because dividends on the underlying TRAKRS Index components are reflected directly in the value of a TRAKRS Index, TRAKRS will not make taxable dividend distributions to investors.

Are TRAKRS like traditional futures contracts?

Many non-institutional customers have avoided using futures contracts because of their perceived complexity, the need for special futures accounts, and the fact that they could incur losses in excess of their initial investment amounts as a result of the leverage inherent in futures. Even though a particular TRAKRS Index may include a short market component, long TRAKRS positions are not leveraged investments for non-institutional customers, and short TRAKRS positions are investments with a lesser degree of leverage for non-institutional customers than positions in traditional short futures contracts. Because they are not leveraged investments for long non-institutional customers (or in the case of short TRAKRS, they are reduced leverage investments for non-institutional customers), TRAKRS reduce some of the perceived complexities associated with traditional futures contracts. In particular, non-institutional long customers, because they post 100% of the TRAKRS market value at the time of purchase, will not be subject to margin calls or any requirement to make any additional payments throughout the life of their TRAKRS ownership. Non-institutional customers will be permitted to own TRAKRS in their regular brokerage accounts and trade TRAKRS through a securities broker-dealer that is also notice registered as a futures commission merchant. See "Description of TRAKRS—Non-Institutional Customers." Non-institutional customers will not receive any interest on their investment amount in TRAKRS.

What are the TRAKRS Indexes?

Each TRAKRS Index will be constructed as a broad-based index of stocks, bonds, currencies or other financial instruments. TRAKRS may be designed to reflect a particular segment or a specific investment strategy. For example, certain TRAKRS may represent the common stocks of the largest, most liquid companies in a particular industry or market sector, or may be designed to replicate a specific investment discipline, such as value investing, or a long-short, hedge-fund like investment strategy. The underlying indexes upon which TRAKRS will be based will be calculated on a total return basis (*i.e.*, the value reflects price fluctuations plus dividends declared on the underlying TRAKRS Index components). Each TRAKRS Index will be rebalanced on a regular basis to reflect changes in the market that it is designed to represent. For more information on a specific TRAKRS Index, you should review the Disclosure Document Supplement for that Index.

So how do TRAKRS work?

Non-institutional customers may buy and sell TRAKRS through a securities account with a broker-dealer that is notice registered as a futures commission merchant or through a separate futures account with a futures commission merchant or introducing broker. TRAKRS are designed to track the value of specific TRAKRS Indexes. Buying TRAKRS gives investors "long exposure" to the TRAKRS Index and those investors benefit when the index goes up. Selling TRAKRS gives investors "short exposure" to the TRAKRS Index and those investors benefit when the index goes down. TRAKRS will have a stated expiration, as specified in the Disclosure Document Supplement for the applicable TRAKRS Index, and will be cash-settled at the closing price of the applicable TRAKRS Index on the expiration date.

Are there any costs associated with owning or holding TRAKRS?

Customers buying and selling TRAKRS in traditional brokerage accounts should consult with their broker regarding the brokerage commissions and fees charged for all TRAKRS transactions.

It is expected that TRAKRS will be offered at a premium to the Index, and that the amount of this premium will be a function of, among other things, the "Spread" disclosed in the "Summary of Contractual Terms" appearing in the

TRAKRS Disclosure Supplement that will accompany each specific TRAKRS. Non-institutional customers should view this Spread as an economic "cost" or "fee" that is embedded in the value of TRAKRS, and should consider this cost as they evaluate an investment in TRAKRS. See "Implicit Costs of Holding a TRAKRS Position."

Do I need to hold TRAKRS until maturity?

No. As with any traded instrument, an investor holding a long position in TRAKRS may sell the position in the market to close out their open long position. Similarly, investors holding a short position in TRAKRS may purchase TRAKRS in the market to close out their open short position. An investor's ability to purchase or sell TRAKRS will be subject to, among other things, market conditions and liquidity. See "Risk Factors."

What is the tax treatment of TRAKRS?

A non-institutional customer holding either a long or short TRAKRS contract will not be treated for U.S. federal income tax purposes as owning a "regulated futures contract." Any gain or loss recognized by a non-institutional customer will be capital gain or loss regardless of whether the contract is held to maturity or terminated prior to maturity. Furthermore, a non-institutional customer holding a long TRAKRS position for more than 6 months will be subject to long-term capital gain or loss treatment (unlike the 12-month holding period required for long-term capital gain or loss treatment for securities investments). Accordingly, a non-institutional customer holding a TRAKRS position will not be subject to interim taxation as a result of component changes to the applicable TRAKRS Index or as a result of dividend distributions for component stocks in the applicable index. See "Federal Income Tax Considerations."

Institutional customers will be subject to the standard futures daily marked to market tax regime under Internal Revenue Code section 1256.

How do TRAKRS work for institutional customers?

Institutional customers will trade TRAKRS with leverage. TRAKRS can be fungibly traded by non-institutional and institutional customers alike. Qualified institutions have traditionally relied on the futures market, and they will trade TRAKRS with leverage as they would with other futures contracts.

For institutional customers, TRAKRS differ from stock index futures contracts in two important respects. First, each TRAKRS Index is computed on a total return basis. Thus, TRAKRS include declared dividends in the calculation of the value of a TRAKRS Index. Second, TRAKRS have a unique interest rate pass-through feature. Each trading day after the determination of the daily settlement price, each institutional customer holding long TRAKRS positions must pay its long clearing FCM, and each institutional customer holding short TRAKRS positions will receive from its short clearing FCM, a daily market rate of interest equal to the Federal Funds Effective Rate less an amount specified in the Disclosure Document Supplement pertaining to the applicable TRAKRS Index. The CME Clearing House will determine all such interest rate pass-through amounts. See "Summary of Significant Terms." Non-institutional customers are not responsible for paying this interest rate pass-through; the long clearing FCM is responsible for paying the interest payment, which is passed-though the CME Clearing House to the short clearing FCM.

Where are TRAKRS traded?

TRAKRS are electronically traded on the GLOBEX®[2] system operated by Chicago Mercantile Exchange Inc. ("CME"). CME clears and settles all transactions in TRAKRS. Additional information is available at the CME's website at http//www.cme.com.

SUMMARY OF SIGNIFICANT TERMS

See "Risk Factors" beginning on page __ to read about factors you should consider before purchasing or selling TRAKRS.

Non-Institutional Customers:

Non-institutional customers (*i.e.*, customers that do not qualify as qualified institutional buyers under Rule 144A ("QIBs") promulgated under the Securities Act of 1933, as amended, and are not CME members registered as floor brokers or floor traders) may purchase and sell TRAKRS through a registered introducing broker ("IB"), futures commission merchant ("FCM"), securities broker-dealer ("BD") that is notice registered with the National Futures Association ("NFA") as a limited-purpose FCM ("LP/FCM") or an entity that is dually registered as a BD and FCM ("BD&FCM", and together with an LP/FCM, "BD/FCM"). Similarly, non-institutional customers may place TRAKRS orders with an associated person ("AP") of an IB or FCM, or a registered representative ("RR") of a BD/FCM who is notice registered with the NFA as a limited-purpose AP ("RR/AP").

Non-institutional customers who execute TRAKRS through a BD&FCM can decide to have their accounts carried in a securities account or a futures account. Unless otherwise stated in this Disclosure Document, the defined term BD&FCM (including the incorporation of BD&FCM into the defined term BD/FCM) shall only apply where the BD&FCM executes and carries customer TRAKRS positions in a securities account.

IBs and FCMs must maintain standard IB and FCM customer accounts for their non-institutional customers. In contrast, each BD/FCM may carry TRAKRS in a non-institutional customer's securities account while maintaining an omnibus account (or an exchange control account in the case of a BD&FCM) for the benefit of its non-institutional customers at one or more clearing FCMs. See "Description of TRAKRS—Non-Institutional Customers."

Institutional Customers:

Institutional customers (*i.e.*, QIBs and certain CME members) may purchase and sell TRAKRS through an IB or FCM. LP/FCMs and RR/APs may not solicit or accept TRAKRS orders from institutional customers.

Performance Bond:

The performance bond (sometimes called "initial margin") requirements applicable to non-institutional customers are different from traditional futures market practices. Non-institutional customers must deposit a cash performance bond equal to 100% of the current TRAKRS market value for long TRAKRS positions and a cash performance bond equal to 50% of the current TRAKRS market value for short TRAKRS positions. Non-institutional customers are not entitled to receive any interest on their performance bonds.

As with any other futures contract, institutional customers must comply with the performance bond requirements set by CME and their FCMs. These performance bond requirements are expected to be similar to those required for CME stock index futures products.

Settlement Variation: Non-institutional customers that purchase TRAKRS will not have any settlement variation obligations and will not receive any settlement variation payments with respect to their TRAKRS positions.

Under specified circumstances, non-institutional customers that sell TRAKRS will make and receive maintenance payments. If the settlement price increases to a level such that a non-institutional customer's performance bond is less than or equal to 30% of such price, the non-institutional customer must make a maintenance restoration payment to restore the performance bond to 50% of the settlement price. Alternatively, if the settlement price decreases to a level such that the performance bond is equal to or greater than 70% of the settlement price, the non-institutional customer will receive a maintenance restoration payment to restore the performance bond to 50% of the settlement price. See "Description of TRAKRS—Non-Institutional Customers."

Institutional customers must comply with the settlement variation requirements of the CME applicable to any other futures contract.

Interest Rate Pass-Through Feature: Each trading day after the determination of the daily settlement price, each clearing FCM that maintains a long TRAKRS position will pay the CME Clearing House (based on the amount of long TRAKRS the clearing FCM maintains multiplied by the applicable Settlement Prices), and the CME Clearing House in turn will pay each clearing FCM that maintains a short TRAKRS position (based on the amount of short TRAKRS the clearing FCM maintains multiplied by the applicable Settlement Prices), a daily market rate of interest equal to the Federal Funds Effective Rate less an amount specified in the Disclosure Document Supplement pertaining to the applicable TRAKRS Index. See "Implicit Costs of Holding a TRAKRS Position".

If the Federal Funds Effective Rate is less than the Spread, then each clearing FCM that maintains short TRAKRS positions will be required to pay to the CME Clearing House (based on the amount of short TRAKRS the clearing FCM maintains multiplied by the applicable Settlement Prices) a daily market rate of interest equal to the Spread less the Federal Funds Effective Rate. The CME Clearing House in turn will pay each clearing FCM that maintains long TRAKRS positions (based on the amount of long TRAKRS the clearing FCM maintains multiplied by the applicable Settlement Prices) a daily market rate of interest equal to the Spread less the Federal Funds Effective Rate.

Each trading day after the determination of the daily settlement price, each institutional customer holding long TRAKRS positions must pay its long clearing FCM (based on the amount of long TRAKRS held by the institutional customer multiplied by the applicable Settlement Prices), and each institutional customer holding short TRAKRS positions will receive from its short clearing FCM (based on the amount of short TRAKRS held by the institutional customer multiplied by the applicable Settlement Prices), a daily market rate of interest equal to the Federal Funds Effective Rate less an amount specified in the Disclosure Document Supplement pertaining to the applicable TRAKRS Index.

If the Federal Funds Effective Rate is less than the Spread, then each institutional customer holding short TRAKRS positions will be required to pay its short clearing FCM (based on the amount of short TRAKRS held by the institutional customer multiplied by the applicable Settlement Prices) a daily market rate of interest equal to the Spread less the Federal Funds Effective Rate, which the clearing FCM will pass on to the CME Clearing House. The CME Clearing House in turn will pay to each long clearing FCM for institutional customers a daily market rate of interest equal to the Spread less the Federal Funds Effective Rate, and each institutional customer holding long TRAKRS positions will receive this amount from its long clearing FCM (based on the amount of long TRAKRS held by the institutional customer multiplied by the applicable Settlement Prices).

The CME Clearing House will determine all such interest rate pass-through amounts.

Maturity:

TRAKRS will have a stated expiration term, as specified in the Disclosure Document Supplement pertaining to the applicable TRAKRS Index, and will be cash-settled at the closing price of the applicable TRAKRS Index on the expiration date (as determined by the Calculation Agent).

Minimum Price Fluctuation:

0.01 TRAKRS Index points, which is equivalent to $0.01 per TRAKRS.

Position Limit:

With respect to TRAKRS based on a specific TRAKRS Index, a person may not own or control more than the number of contracts (net long or net short for such TRAKRS) specified in the applicable Disclosure Document Supplement for the TRAKRS Index. The position limit does not apply to certain types of bona fide hedging transactions, risk management positions and independently controlled positions. Prospective purchasers of TRAKRS should consult with their broker about the exemptions to the TRAKRS position limit prior to trading.

TRAKRS Index:

Each TRAKRS Index will be constructed as a broad-based index of stocks, bonds, currencies or other financial instruments. The indices upon which TRAKRS will be based will be calculated on a total return basis (*i.e.*, the value reflects price fluctuations plus dividends declared on the underlying TRAKRS Index components).

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") or its agent will serve as the Index Compilation Agent for each TRAKRS Index. Pursuant to CME Rule __, Merrill Lynch has no liability for its activity as Index Compilation Agent. As Index Compilation Agent, Merrill Lynch or its agent will reconstitute and rebalance each TRAKRS Index on a quarterly or monthly basis pursuant to the Index's stated rules set forth in the applicable Disclosure Document Supplement. For more information on a specific TRAKRS Index, you should review the Disclosure Document Supplement for that Index. Between quarterly or monthly reconstitutions, the number of stocks, bonds or other financial instruments in a TRAKRS Index may decline as a result of mergers or other corporate actions that may dictate the removal of the stock, bond or other financial instrument from the TRAKRS Index.

Calculation Agent:	An independent calculation agent will calculate and disseminate TRAKRS Index quotes every fifteen seconds during [regular trading hours]. See "Description of TRAKRS—General."
Last Trading Day:	As specified in the Disclosure Document Supplement for the applicable TRAKRS Index.
Final Settlement Date:	Last Trading Day.
Final Settlement Price:	[The value of the relevant TRAKRS Index as calculated on the closing of the Final Settlement Date.]

RISK FACTORS

The purchase or sale of a TRAKRS involves a variety of risks, some of which are the same as and some of which are different from the risks involved in a purchase or sale of any broad-based stock index or similar futures contract.

- *Loss of investment for purchases of TRAKRS.* The value of TRAKRS relates to the value of the stocks, bonds, currencies and other financial instruments that comprise the applicable TRAKRS Index. Accordingly, if you establish a long position in TRAKRS, you may lose all or a substantial portion of your investment if the applicable TRAKRS Index declines in value. Such declines may be caused by a decline in the value of the instruments that constitute the Index.

- *Loss beyond investment for sales of TRAKRS.* The value of TRAKRS relates to the value of the stocks, bonds, currencies and other financial instruments that comprise the applicable TRAKRS Index. Accordingly, if you establish a short position in TRAKRS, you may incur losses beyond the amount of your investment if the applicable TRAKRS Index increases in value. See "Description of TRAKRS—Non-Institutional Customers—Performance Bond and Settlement Variation Margin Requirements." Such increases may be caused by an increase in the value of the instruments that constitute the Index.

- *Possible lack of liquidity.* Because TRAKRS are recently developed, non-traditional futures contracts, the market for TRAKRS may not be as developed as the markets are for other futures contracts. Although Merrill Lynch acts as a market maker in TRAKRS, there can be no assurance that its market making activities will provide sufficient liquidity. Accordingly, there can be no assurance that there will be a short TRAKRS order available to be matched against every long TRAKRS order and vice versa.

- *Possible inability to liquidate a TRAKRS position due to market conditions.* Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, if the market has a daily price fluctuation limit and the daily price fluctuation limit is reached.

- *Contingent orders.* Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit your losses to the intended amounts, since market conditions on CME may make it impossible to execute such orders.

- *Trading halts and price limits.* CME will coordinate trading halts and daily price limits for TRAKRS with trading halts of any of the underlying TRAKRS Index components that are listed for trading. Trading in TRAKRS will be halted in the event trading in one or more of the underlying TRAKRS Index components is halted. If so, you will not be able to trade TRAKRS even though there is trading in some of the underlying TRAKRS Index components.

- *No right to or interest in any of the underlying components represented in a TRAKRS Index.* Each TRAKRS is a cash-settled futures contract that is based on the value of a TRAKRS Index. As a result, you will not have any right to or interest in any of the underlying components of a TRAKRS Index if you establish a position in TRAKRS.

- *TRAKRS may trade at values that are different than the aggregate value of the stocks, bonds, currencies and other financial instruments that comprise the applicable TRAKRS Index.* If you liquidate a TRAKRS position on any date other than the settlement date, you may receive a value that is less than or greater than the aggregate value of the underlying components in the applicable TRAKRS Index.

- *Temporary price increases and decreases in the underlying TRAKRS Index components.* Purchasing activity in the underlying TRAKRS Index components in order to hedge a short TRAKRS position may affect the market price of the stocks, bonds, currencies or other financial instruments included in the applicable TRAKRS Index. Large volumes of purchasing activity, which may occur prior to or in connection with the commencement of trading of new TRAKRS, could temporarily increase the market price of the underlying TRAKRS Index components, resulting in a higher price on that date. This purchasing activity could create a temporary imbalance between the supply and demand of the underlying TRAKRS Index components, thereby limiting their liquidity. Consequently, prices for the underlying TRAKRS Index components may decline after these purchases as the volume of purchases subsides. Moreover, if the holder in a short TRAKRS position decides it no longer needs to hedge some or all of its positions, the prices of the underlying TRAKRS Index components could temporarily decline in connection with their being sold in the secondary trading market. Either of these situations may have an adverse effect on the trading price of TRAKRS.

- *Possible system failure*. GLOBEX®2 has been designed to provide an efficient and dependable system for entering and matching orders. It includes backup facilities that will enable the system to continue operations through certain types of system failure. However, as with any automated system, it is possible that service could be interrupted by a system failure. Similarly, it is possible that a market intermediary (*e.g*., your broker-dealer or clearing FCM) may experience a failure in one of its electronic systems. In either event, depending on the type of failure, it may not be possible, for some period of time, to enter new orders, execute existing orders or cancel orders that were previously entered.

- *Limitation of liability of CME and Merrill Lynch.* CME has adopted provisions that limit the liability of CME, its members, clearing members and their respective officers, directors and employees, other than in instances of willful or wanton misconduct, for losses, damages, costs or expenses of any person that arise from any failure or malfunction of GLOBEX®2, or any CME services or facilities used to support GLOBEX®2, or any fault in delivery, delay, omission, suspension, inaccuracy or termination, or any other cause, in connection with the furnishing, performance, maintenance, use of or inability to use all or any part of GLOBEX®2 or any CME services or facilities used to support GLOBEX®2. In the case where CME's GLOBEX Control Center employees negligently cancel or fail to cancel orders and certain types of trades, fail to deactivate a GLOBEX®2 user identification or issue GLOBEX®2 passwords to unauthorized persons, CME has limited its liability to $10,000 for any single claim and $100,000 for all claims arising on any single day. If the number of allowed claims arising out of the negligent actions or failures to act of CME's GLOBEX Control Center employees on a single day exceed $100,000, then all such claims will be limited to their pro rata share. Claims for negligent actions or failures to act may only be brought by a CME member or clearing member who (or whose customer) suffered damages as a result of the negligent act or failure to act. CME also has adopted provisions that limit Merrill Lynch's liability with respect to TRAKRS Indexes. These provisions limit the amount of damages that you can collect, if any. See CME Rules 578—LIMITATION OF LIABILITY, 579—GLOBEX CONTROL CENTER—LIMITATION OF LIABILITY and [5XX—New TRAKRS rule that limits liability of Merrill Lynch], which are available at CME's web site at http://www.cme.com.

- *Bankruptcy of BD/FCM*. In the event of a bankruptcy of your BD/FCM, two bankruptcy regimes will apply to the assets in your securities account at the BD/FCM. The bankruptcy regime for liquidating a BD will apply to those of your assets that are properly identified as securities by your BD/FCM on its books and records as your securities and securities-related assets, and the bankruptcy regime for liquidating a commodity broker will apply to those of your TRAKRS and TRAKRS-related assets that are properly identified by your BD/FCM on its books and records as your TRAKRS and TRAKRS-related assets (including the amounts of performance bond pledged to and controlled by the clearing FCM). As a result, the Securities Investor Protection Act of 1970, as amended, **WILL NOT APPLY** to your TRAKRS and TRAKRS-related assets that have been properly identified. See "Federal Bankruptcy Consequences."

- *CME's right to use the TRAKRS Indexes.* Merrill Lynch has granted to CME an exclusive and non-transferable license (the "License Agreement") to use, among other things, the TRAKRS Indexes in connection with the creation, marketing, promoting, trading, clearing and settlement of TRAKRS. If CME or Merrill Lynch terminates the License Agreement, no new futures contracts based upon existing or additional TRAKRS Indexes may be listed for trading on GLOBEX®2, which may adversely affect the value of outstanding TRAKRS.

- *Loss of designation of the CME as a contract market for TRAKRS.* TRAKRS are traded pursuant to a contract market designation from the Commodity Futures Trading Commission ("CFTC"). If the CFTC determines to rescind the CME's designation as a contact market for TRAKRS, the value of outstanding TRAKRS may decline in value.

- *CFTC No-Action Letter.* The ability of BD/FCMs and RR/APs to purchase and sell TRAKRS on behalf of non-institutional customers is pursuant to a no-action letter, dated July 11, 2001, issued by the staff of the CFTC to CME. Pursuant to the no-action letter, various registration requirements, sales practice requirements, minimum financial and related reporting requirements, and books and records requirements under the Commodity Exchange Act, as amended, and rules promulgated thereunder do not apply to RR/APs and BD/FCMs. For many of these requirements, similar obligations are imposed on RRs and BDs under the securities laws. However, the CFTC and NFA, rather than the SEC, will be the enforcement authorities with respect to TRAKRS-related activities of BD/FCMs and RR/APs (including their supervisors). Regardless, purchases and sales of TRAKRS through RR/APs and BD/FCMs will not be subject to the same customer protections under the Commodity Exchange Act, as amended, and rules promulgated thereunder as will purchases and sales of TRAKRS through IBs and FCMs. For example, BD/FCMs will not have to provide you with a standard commodities "Risk Disclosure Statement", which highlights the risks associated with trading commodity futures contracts. See "Description of TRAKRS—Non-Institutional Customers." If the staff of the CFTC withdraws or modifies the no-action letter, RR/APs and BD/FCMs may no longer be able to purchase and sell TRAKRS on behalf of non-institutional customers.

- *Risk disclosure statement.* Institutional customers and non-institutional customers that purchase and sell TRAKRS through an IB or FCM should refer to the "Risk Disclosure Statement" that may have been delivered to you by your IB or FCM upon the opening of your commodities account.

- *No investigation of underlying securities.* The underlying securities included in each TRAKRS Index were selected by Merrill Lynch (or a third party that has contracted with Merrill Lynch) based on objective criteria, further disclosed in the applicable Disclosure Document Supplement, which may not take into account the value, price performance, volatility or investment merit of the underlying securities. Consequently, Merrill Lynch and its affiliates have not performed any investigation or review of the selected companies, including the public filings by the companies. Investors and market participants should not conclude that the inclusion of a company is any form of investment recommendation by Merrill Lynch or its affiliates.

- *Possible conflicts of interest.* Merrill Lynch (or a third party that has contracted with Merrill Lynch), as Index Compilation Agent, selects the underlying stocks, bonds, currencies or other financial instruments in each TRAKRS Index. At the same time, Merrill Lynch and its affiliates may engage in investment banking and other activities, may provide services to issuers of the underlying TRAKRS Index components in connection with its business, or may trade in TRAKRS or in the underlying TRAKRS Index components for its own account. All of these activities may result in conflicts of interest with respect to the financial interest of Merrill Lynch or any of its affiliates with respect to the initial selection and periodic reconstitution of the underlying TRAKRS Index components, the selection of the industry, if any, covered by the TRAKRS Index and Merrill Lynch's or any of its affiliates' activity in the secondary market in TRAKRS or in the underlying TRAKRS Index components. In addition, CME has adopted provisions that limit Merrill Lynch's liability with respect to TRAKRS Indexes. See "Risk Factors—Limitation of Liability of CME and Merrill Lynch."

- *Income from market making, CME fees and proprietary trading*. Merrill Lynch acts as a market maker in TRAKRS. In connection with its market making activities, Merrill Lynch is eligible for reduced fees in respect of transactions in TRAKRS greater than a specific daily amount. Merrill Lynch may derive income from its market making activities where the cost of its hedging activities is less than the cost of its market making position. Furthermore, in exchange for licenses to the TRAKRS Indexes and certain services of Merrill Lynch, CME has agreed to remit to Merrill Lynch a portion of the total fees CME collects in connection with the purchase and sale of TRAKRS by non-member customers of CME. Merrill Lynch also may generate additional income from any proprietary trading that it conducts in TRAKRS.

- *Income from non-institutional customer performance bonds*. Non-institutional customers must pay a performance bond in order to establish a long or short TRAKRS position. To the extent that a long clearing FCM is able to earn a return on non-institutional customer performance bonds in excess of the amount of interest that it must pay to the CME Clearing House, the long clearing FCM will receive net income on such performance bonds. Similarly, a short clearing member will receive income from the amount of interest that it receives from the CME Clearing House and, as with the long clearing FCM, whatever return it earns on non-institutional customer performance bonds.

DESCRIPTION OF TRAKRS

General

TRAKRS are cash-settled, electronically traded futures contracts that are each based on a broad-based, dynamic index of stocks, bonds, currencies or other financial instruments. All TRAKRS Indexes are valued on a "total return" basis by an independent calculation agent. The calculation agent computes the value of each TRAKRS Index on an intra-day basis, taking into account price fluctuations and aggregate dividends declared on the underlying TRAKRS Index components.

Initial Constitution of a TRAKRS Index. Each TRAKRS Index will be constructed as a broad-based index of stocks, bonds, currencies or other financial instruments. TRAKRS Indexes may be designed to reflect a particular segment of a particular market, or to replicate a specific investment discipline, such as value investing, or a long-short, hedge-fund like investment strategy. For example, certain TRAKRS Indexes may represent the common stocks of the largest, most liquid companies in a particular industry or market sector. TRAKRS Indexes may also include both a long and short market component. Each TRAKRS Index is calculated on a "total return basis" (*i.e.*, the value reflects price fluctuations plus dividends declared on the underlying TRAKRS Index components). Each TRAKRS Index will be rebalanced on a regular basis to reflect changes in the market that it is designed to represent. For more information on a specific TRAKRS Index, you should review the Disclosure Document Supplement for that Index.

Contract Specifications. TRAKRS transactions are executed through the GLOBEX®[2] electronic trading system of CME, which the CFTC has designated as a contract market for TRAKRS. Each TRAKRS has a stated expiration, as specified in the Disclosure Document Supplement for the applicable TRAKRS Index, and will be cash-settled at the closing price of the applicable TRAKRS Index on the expiration date (as determined by the Calculation Agent). The value unit of a single TRAKRS equals $1.00 multiplied by the value of the relevant TRAKRS Index. On the trading day prior to the first day of trading of TRAKRS based on a specific TRAKRS Index, the value of that TRAKRS Index will be set. The minimum price fluctuation of TRAKRS, or "tick size", is 0.01 index point, which is equivalent to $0.01 per TRAKRS. CME also provides facilities for private bilateral negotiation of transactions in TRAKRS, including block trades and exchanges of futures for physicals or swaps, which could have an adverse effect on the liquidity and price of TRAKRS for non-institutional customers.

Calculation Agent. As more fully described in the applicable Disclosure Document Supplement, the calculation agent calculates and disseminates quotes for each TRAKRS Index at least every fifteen seconds during regular trading hours.

Non-Institutional Customers versus Institutional Customers. As described more fully below, certain aspects of the purchase and sale of TRAKRS are dependent on whether an institutional or non-institutional customer is involved. For purposes of this determination, a non-institutional customer is a person that (i) does not qualify as a "qualified institutional buyer" under Rule 144A ("QIB") promulgated under the Securities Act of 1933, as amended, and (ii) is not a CME member registered as a floor broker or a floor trader. In general, QIBs include, but are not limited to, institutions or entities that in the aggregate own and invest on a discretionary basis at least $100 million in securities of issuers that are not affiliated with them.

Non-Institutional Customers

Permissible Intermediaries and Salespersons. If you are a non-institutional customer, you have the option of purchasing and selling TRAKRS through traditional commodities registrants or limited-purpose registrants that are unique to TRAKRS. As with other futures contracts, you may purchase and sell TRAKRS by placing orders with associated persons ("APs") of registered introducing brokers ("IBs") or futures commission merchants ("FCMs"). Alternatively, you may purchase or sell TRAKRS by placing orders with registered securities broker-dealers ("BDs") and registered representatives ("RRs") that are notice registered with the National Futures Association ("NFA") as limited-purpose FCMs ("LP/FCMs") and APs ("RR/APs"), respectively. LP/FCMs and RR/APs may only purchase and sell TRAKRS on behalf of non-institutional customers.

In the case of entities that are dually registered as BDs and full service FCMs ("BD&FCMs", and together with LP/FCMs, "BD/FCMs"), if you are a non-institutional customer, you will have the option of having your account carried in a securities account or in a futures account. If you decide to have your account carried in a full-service FCM futures account, then only the FCM's APs, rather than the BD/FCM's RR/APs, may execute and manage your TRAKRS transactions.

Account Structure: BD/FCMs. Non-institutional customers of BD/FCMs may purchase and sell TRAKRS through their existing securities accounts at their BD/FCMs, and each BD/FCM will maintain an omnibus account for the benefit of its customers at one or more clearing FCMs, which may or may not be within the same legal entity as the BD/FCM or be affiliated with the BD/FCM (each, an "Omnibus Account"). In the case of BD&FCMs that serve as the clearing FCM, the Omnibus Account will consist of an exchange control account for a customer's TRAKRS and TRAKRS-related assets. The BD&FCM will transfer performance bond and, as applicable to short sales, maintenance restoration payments between each customer's securities account and the BD&FCM's futures segregation account.

Account Structure: IBs and FCMs. Non-institutional customers that purchase and sell TRAKRS through a BD/FCM are subject to a different account structure than non-institutional customers that utilize a traditional IB or FCM. Traditional IBs and FCMs must maintain standard IB and FCM customer accounts for their TRAKRS customers and are subject to all of the applicable customer account-related requirements and obligations under the commodities laws. In contrast, BD/FCMs utilize the Omnibus Account structure. See "Risk Factors—CFTC No-Action Letter."

Performance Bond and Settlement Variation Margin Requirements. TRAKRS performance bond and settlement variation payment requirements (sometimes called "initial margin" and "variation margin" requirements) do not differ when they are purchased or sold through an IB, FCM or BD/FCM. An RR/AP may not enter an order to establish a long or short TRAKRS position on your behalf unless you have sufficient funds in your securities account to cover the performance bond payment.

> <u>Long TRAKRS Positions</u>. To purchase TRAKRS, you must deposit a cash performance bond equal to 100% of the current TRAKRS market value. Because you purchase TRAKRS with cash equal to the current TRAKRS market value, you will not be required to deposit additional cash if the value of your TRAKRS position declines. Similarly, you will not be entitled to receive (or make) any interim settlement variation payments if the value of your TRAKRS position increases (or decreases).
>
> <u>Short TRAKRS Positions</u>. To sell TRAKRS short, you must deposit a cash performance bond equal to 50% of the current TRAKRS market value. If the settlement price increases to a level such that a non-institutional customer's performance bond is less than or equal to 30% of such price, the non-

institutional customer must make a maintenance restoration payment to restore the performance bond to 50% of the settlement price. Alternatively, if the settlement price decreases to a level such that the performance bond is equal to or greater than 70% of the settlement price, the non-institutional customer will receive a maintenance restoration payment to restore the performance bond to 50% of the settlement price.

Funds Transfer and Payment Flows: BD/FCMs. Once you submit an order to purchase or sell TRAKRS, the BD/FCM will issue fed wire instructions to transfer the performance bond from your securities account (and any maintenance performance bond for short TRAKRS) to the Omnibus Account no later than the opening of trading on the following day. Thereafter, performance bond funds will be under the control of the clearing FCM and the CME Clearing House until the funds are transferred back to your securities account at the BD/FCM upon liquidation of your TRAKRS position (or, if the performance bond equals or exceeds 70% of the settlement price, return of that portion of the performance bond that exceeds 50% of the settlement price in the case of short TRAKRS positions). As with any other futures contract, the clearing FCM will transfer funds daily to the CME Clearing House and the CME Clearing House will transfer funds back to the clearing FCM, as the case may be, in compliance with CME's performance bond and settlement variation rules.

Funds Transfer and Payment Flows: IBs and FCMs. If you purchase or sell TRAKRS through an IB or FCM, the IB or FCM will be subject to the specific performance bond and variation settlement levels applicable to TRAKRS; the IB or FCM will not be required to utilize the Omnibus Account structure described above.

Interest Rate Pass-Through. Beyond the *performance* bond and settlement variation requirements, an interest rate pass-through feature exists among the long clearing FCM, the CME Clearing House and the short clearing FCM that is unique to TRAKRS. Each trading day after the determination of the daily settlement price, each clearing FCM that maintains a long TRAKRS position will pay the CME Clearing House (based on the amount of long TRAKRS the clearing FCM maintains multiplied by the applicable Settlement Prices), and the CME Clearing House in turn will pay each clearing FCM that maintains a short TRAKRS position (based on the amount of short TRAKRS the clearing FCM maintains multiplied by the applicable Settlement Prices), a daily market rate of interest equal to the Federal Funds Effective Rate less an amount (or "Spread") specified in the Disclosure Document Supplement pertaining to the applicable TRAKRS Index. However, if at any time the Federal Funds Effective Rate is less than the Spread, then the short clearing FCM will be required to make a payment to the long clearing FCM, in an amount equal to the Spread *minus* the Federal Funds Effective Rate. The CME Clearing House will determine all such interest rate pass-through amounts. Non-institutional customers are not required to make interest payments under the interest rate pass-through feature. Instead, long clearing FCMs are responsible for paying interest payments to the CME Clearing House, and short clearing FCMs are eligible to receive interest payments from the CME Clearing House. Traditional stock index futures contracts generally price at a premium to the current value of the applicable cash index. This premium reflects the cost of buying and carrying the underlying index components until futures contract maturity. Thus, the price of a traditional stock index futures contract will be a function of the current cash index value, adjusted upwards for carry charges associated with buying the underlying index components.

The TRAKRS interest rate pass-through feature eliminates most of the carry charges associated with stock index futures contracts and thus allows TRAKRS to trade at a price that is closer to the value of the applicable TRAKRS Index. It is expected, however, that TRAKRS will trade at some premium to the underlying TRAKRS Index, and that the amount of this premium will be a function of, among other things, the Spread. It is likely that the clearing FCM of a non-institutional customer will be able to recognize all or a portion of the Spread as FCM revenue over time.

Implicit Costs of Holding a TRAKRS Position. As described above, it is expected that TRAKRS will be offered at a premium to their underlying TRAKRS Index. The amount of this premium will be a function of, among other things, the Spread retained by the non-institutional customers clearing FCM. Non-institutional customers should view this Spread as an economic "cost" or "fee" that is embedded in the value of TRAKRS, and should consider this implicit cost as they evaluate the suitability of an investment in TRAKRS.

In addition, non-institutional customers buying and selling TRAKRS in traditional brokerage accounts should consult with their broker-dealers regarding the brokerage commissions and fees charged for all TRAKRS transactions.

CFTC No-Action Letter. The ability of BD/FCMs and RR/APs to purchase and sell TRAKRS on behalf of non-institutional customers is pursuant to a no-action letter, dated July 11, 2001, issued by the staff of the CFTC to CME, which is available at the CFTC's website at http//www.cftc.gov. Pursuant to the no-action letter, various registration requirements, sales practice requirements, minimum financial and related reporting requirements, and books and records requirements under the Commodity Exchange Act, as amended (the "Act"), and rules promulgated thereunder (the "CFTC Rules") do not apply to BD/FCMs and RR/APs. For many of these requirements, similar obligations are imposed on RRs and BDs under the securities laws. However, the CFTC and NFA, rather than the SEC, will be the enforcement authorities with respect to TRAKRS-related activities of BD/FCMs and RR/APs (including their supervisors). Regardless, purchases and sales of TRAKRS through BD/FCMs and RR/APs will not be subject to the same customer protections under the Act and CFTC Rules as will purchases and sales of TRAKRS through IBs and FCMs. The no-action letter applies to numerous provisions in the Act and CFTC Rules. However, the general terms of the no-action letter are as follows:

- RR/APs and LP/FCMs do not have to file the applicable forms for registering as APs and FCMs, respectively, and they do not have to submit fingerprints, attend mandatory ethics training or pass any commodities exam in connection with their registration as limited-purpose RR/APs and BD/FCMs.

- BD/FCMs do not have to provide non-institutional customers with a standard commodities "Risk Disclosure Statement", which highlights the risks associated with trading commodity futures contracts. Instead, RR/APs and BD/FCMs will provide you with this TRAKRS Disclosure Document.

- BD/FCMs may reflect your securities and TRAKRS positions on one customer account statement and have your positions originate from a single securities account, rather than having to maintain separate futures and securities accounts for your TRAKRS and non-TRAKRS assets.

- The clearing FCM may apply CME's risk-based capital requirements to all TRAKRS assets under its control, and the BD/FCM may apply CME's risk-based capital requirements to all TRAKRS assets to which it has a right as the owner of the Omnibus Account. These requirements are different from the standard capital requirements under the commodities laws.

- Each BD/FCM will not maintain its books and records in the same manner as an FCM. Rather, the BD/FCM will maintain its books and records under the system that governs BDs and will maintain books and records of its non-institutional customers' names and corresponding TRAKRS-related futures positions in each Omnibus Account. The clearing FCM, however, will not be required to maintain the individual non-institutional customer names on its books and records. Instead, each non-institutional customer's positions will be separately identified by account number or other account identifier on the clearing FCM's books and records.

- The CFTC will retain all of its enforcement authority over the TRAKRS futures business of BDs and RRs (and their supervisors) that are notice registered as BD/FCMs and RR/APs, respectively. In particular, the CFTC will remain free to pursue a statutory disqualification action against a BD/FCM or RR/AP to disqualify the BD/FCM or RR/AP from engaging in TRAKRS business.

Institutional Customers

Regulatory Similarity to other Futures Contracts. From the institutional customer's perspective, the purchase and sale of TRAKRS is essentially the same as with any other futures contract. If you are an institutional customer, you will maintain a traditional futures account at an IB or FCM, place orders either with an AP of the IB or FCM or directly through GLOBEX®[2], and comply with CME's standard performance bond and settlement variation requirements. LP/FCMs and RR/APs may not solicit or accept TRAKRS orders from institutional customers.

Interest Rate Pass-Through. An interest rate pass-through feature exists for institutional customers that is unique to TRAKRS. Each trading day after the determination of the daily settlement price, each institutional customer holding long TRAKRS positions must pay its long clearing FCM (based on the amount of long TRAKRS held by the institutional customer multiplied by the applicable Settlement Prices), and each institutional customer holding short TRAKRS positions will receive from its short clearing FCM (based on the amount of short TRAKRS held by the institutional customer multiplied by the applicable Settlement Prices), a daily market rate of interest equal to the Federal Funds Effective Rate less an amount specified in the Disclosure Document Supplement pertaining to the applicable TRAKRS Index. However, if at any time the Federal Funds Effective Rate is less than the Spread, then the short clearing FCM will be required to make a payment to the long clearing FCM, in an amount equal to the Spread *minus* the Federal Funds Effective Rate. The CME Clearing House will determine all such interest rate pass-through amounts.

FEDERAL INCOME TAX CONSIDERATIONS

General

The following is a brief summary of certain material United States federal income tax considerations relating to an investment in TRAKRS and is based upon the advice of Shearman & Sterling. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), rulings thereon, Treasury regulations promulgated or proposed thereunder, and existing interpretations thereof, any of which could be changed at any time, and any such change in which could be retroactive. This summary does not address the tax considerations of TRAKRS when owned as other than a capital asset or by persons in special tax situations, such as tax-exempt organizations (including pension funds) or dealers in this type of instrument.

In addition, this summary generally relates only to "U.S. Persons" that will invest in TRAKRS. A U.S. Person is (a) a citizen or resident of the United States, (b) a corporation, partnership, or other entity organized under the laws of the United States, any state, or the District of Columbia, other than a partnership that is not treated as a U.S. Person under the Treasury regulations, (c) an estate whose income is subject to United States income tax, regardless of its source, or (d) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust or, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as U.S. Persons prior to such date, that elect to be treated as U.S. Persons.

The summary is not a complete discussion of the complex tax rules involved and does not address every U.S. Federal income tax issue raised by the ownership of TRAKRS. In particular, this summary does not apply to a taxpayer who holds the TRAKRS as an offsetting position (in whole or in part) to some other position of the taxpayer. For example, this summary does not address the tax consequences of holding the TRAKRS as a position in a "straddle" within the meaning of Section 1092 of the Code, or engaging in a constructive sale of another financial position within the meaning of Section 1259 of the Code by acquiring the TRAKRS. Moreover, this discussion does not address TRAKRS held as an integrated transaction with another position, or as part of a conversion transaction, as defined in Section 1258 of the Code.

Moreover, this summary is not intended as a substitute for careful tax planning. THEREFORE, EACH PROSPECTIVE INVESTOR SHOULD SATISFY ITSELF AS TO THE INCOME TAX CONSEQUENCES OF A TRAKRS INVESTMENT WITH SPECIFIC REFERENCE TO ITS OWN TAX SITUATION BY OBTAINING ADVICE FROM ITS OWN TAX COUNSEL BEFORE PURCHASING TRAKRS.

U.S. Federal Income Tax Consequences of Investment by a United States Person

The tax consequences of ownership of TRAKRS depend on whether the TRAKRS contract owned is considered a "regulated futures contract" within the meaning of Sections 1256(b) and (g) of the Code. To be considered a regulated futures contract, a TRAKRS contract must satisfy two requirements. First, it must be traded on or subject to the rules of a national securities exchange that is registered with the SEC, a domestic board of trade that has been designated as a contract market by the CFTC, or any other board of trade, exchange or other market that has been designated by the United States Secretary of the Treasury (a "qualified board or exchange"). Second, the amount required to be deposited and the amount which may be withdrawn with respect to a TRAKRS contract must depend on a system of marking to market within the meaning of Section 1256(g) of the Code. If a TRAKRS contract is a regulated futures contract, it will be subject to the "mark-to-market" rules of Section 1256 of the Code. TRAKRS contracts meet the first requirement because all TRAKRS contracts are traded on and subject to the rules of the Chicago Mercantile Exchange, which has been designated by the CFTC as a qualified board or exchange. Therefore, a TRAKRS contract will constitute a Section 1256 contract if, and only if, the contract is one with respect to which the amount required to be deposited and the amount which may be withdrawn depends on a system of marking to market within the meaning of Section 1256(g) of the Code.

A TRAKRS contract held by a non-institutional customer will not constitute a regulated futures contract within the meaning of Section 1256 of the Code because the TRAKRS contract is not a contract with respect to which the amount required to be deposited and the amount which may be withdrawn depends on a system of marking to market. As such, the TRAKRS contract held by a non-institutional customer will not be subject to Section 1256 of the Code and the non-institutional customer will recognize gain or loss only upon the settlement or termination of a TRAKRS position. Accordingly, a non-institutional customer holding a TRAKRS position will not be subject to interim taxation as a result of component changes to the applicable TRAKRS Index or as a result of dividend distributions on component stocks in the index. Furthermore, a non-institutional customer will not be subject to interim taxation under the interest imputation provisions of Section 7872 of the Code as a result of the upfront deposit of funds required under the TRAKRS contract because such deposit, whether characterized as the prepayment of a forward contract or, alternatively, as a deposit of funds to margin and secure a contract for future delivery, is not, under current law, treated as a loan for purposes of Section 7872 of the Code.

Therefore, upon settlement or termination of a TRAKRS position, a non-institutional customer will recognize gain or loss equal to the difference between the amount received (a cash amount equal to the settlement price on the settlement or termination date) and the non-institutional customer's tax basis in the TRAKRS contract. The tax basis of a TRAKRS contract will equal the amount paid for the TRAKRS contract. Any gain or loss recognized by a non-institutional customer will be capital gain or loss regardless of whether the contract is held to maturity or terminated prior to maturity. Gain or loss recognized by a non-institutional customer holding a long TRAKRS position will be long-term capital gain or loss if a long TRAKRS position is held for more than six months. Gain or loss recognized by a non-institutional customer holding a short TRAKRS position will be short-term capital gain or loss regardless of the investor's holding period.

A corporate investor's capital losses for the taxable year will be allowed only to the extent of the investor's capital gains for the taxable year, but may be carried back and forward against net capital gains for the three preceding, and five succeeding, taxable years. An individual investor's capital losses for the taxable year will be allowed only to the extent of the investor's capital gains for the taxable year plus $3,000, and may be carried forward against net capital gains for succeeding taxable years, but may not be carried back against net capital gains for preceding taxable years.

A TRAKRS contract held by an institutional customer will constitute a regulated futures contract since the TRAKRS contract is one with respect to which the amount required to be deposited and the amount which may be withdrawn depends on a system of marking to market. Accordingly, a TRAKRS contract held by an institutional customer will be "marked-to-market" (*i.e.*, treated as sold for fair market value) on the last day of each taxable year pursuant to Section 1256(a) of the Code.

The daily interim payments made to and by the institutional customer, as required under the TRAKRS contract, will not constitute interest income or expense to the institutional customer. Accordingly, an institutional customer holding a long TRAKRS contract will not be entitled to an interest expense deduction for the amount of any interim payments made, and instead will add the amount of such interim payments to its tax basis. Similarly, an institutional customer holding a short TRAKRS contract will not recognize interest or any other income based on the amounts of interim payments received, and instead will reduce its tax basis by the interim payment amounts received (or treat such amounts as amounts realized when gain or loss is otherwise determined).

Therefore, an institutional customer will recognize capital gain or loss equal to the difference between the fair market value of the TRAKRS contract on the last day of each taxable year (as determined by the TRAKRS' trading price) and the investor's tax basis for the TRAKRS contract. The tax basis of a TRAKRS contract that is subject to Section 1256 of the Code will equal the amount paid for the TRAKRS contract, plus or minus the net gain or loss recognized by the investor in respect of the TRAKRS contract in prior taxable years, and adjusted as described above for any interim payments made or received. Thus, an investor might incur Federal income tax liability on an annual basis in respect of an increase in the value of a TRAKRS contract without a corresponding receipt of cash. An investor who settles or terminates a TRAKRS contract will recognize capital gain or loss equal to the difference between the amount received for the TRAKRS contract and the tax basis of the TRAKRS contract.

Any such capital gain or loss recognized with respect to TRAKRS that are subject to Section 1256 of the Code, that is, those held by institutional customers, will be 60 percent long-term capital gain or loss and 40 percent short-term capital gain or loss. A noncorporate institutional customer may elect, however, to carry net capital losses from such a contract for the taxable year back against net capital gains for other such contracts for the three preceding taxable years.

U.S. Federal Income Tax Consequences of Investment by a Non-United States Person.

In general, an investor in TRAKRS, either institutional or non-institutional, who is not a "United States Person", as such term is defined in Section 7701(a)(30) of the Code, will not be subject to United States income tax with respect to amounts received, if any, with respect to TRAKRS, provided that such amounts received are not effectively connected to a United States trade or business or a United States permanent establishment, as the case may be. In general, no United States withholding will be required with respect to such amounts.

FEDERAL BANKRUPTCY CONSEQUENCES

General

Generally, Subchapter IV of Chapter 7 of the Bankruptcy Code, as amended ("Subchapter IV"), and Part 190 of the CFTC Rules govern bankruptcies of commodity brokers. Under the bankruptcy regime for commodities brokers, "customer property" is distributed ratably to customers on the basis of their allowed net equity claims in priority to all other claims, other than administrative expenses of the estate.

The Securities Investor Protection Act of 1970, as amended ("SIPA"), governs bankruptcies of registered broker-dealers. Under SIPA, each customer with a net equity claim relating to securities transactions receives a pro rata share of all the cash and securities held for customers' securities accounts. SIPA generally provides insurance to cover up to $500,000 of the amount, if any, by which each customer's net equity claim exceeds the customer property available to be distributed on account of the claim. Within the overall $500,000 limit, the amount of insurance available to satisfy any portion of the net equity claim in excess of the customer's ratable share of customer property which is a claim for cash, as opposed to securities, is limited to $100,000.

If a registered broker-dealer is also a commodity broker, Section 7(b) of SIPA provides that the bankruptcy trustee will have the duties specified in Subchapter IV that are applicable to commodity brokers. Accordingly, your claims against and assets at the BD/FCM that are related to commodity contracts and options would be subject to the Bankruptcy Code procedures for liquidating a commodity broker and Part 190 of the CFTC Rules. Those claims would not be subject to the insurance and other provisions applicable to securities-related claims and assets under SIPA. If you are a non-institutional customer that purchases or sells TRAKRS through a BD/FCM, the application of each of the two bankruptcy regimes will depend on whether the BD/FCM or the clearing FCM is declared bankrupt.

Clearing FCM Bankruptcy

In the event of a bankruptcy of a clearing FCM that is a different legal entity from the BD/FCM with which you place an order for TRAKRS transactions, the BD/FCM would be the customer of the clearing FCM and, as a beneficiary of an Omnibus Account maintained at the clearing FCM, would have all of the rights of a "customer" under the Bankruptcy Code's procedures for liquidating a commodity broker (*i.e.*, Subchapter IV) and Part 190 of the CFTC Rules. Moreover, funds credited to the Omnibus Account would qualify as "customer property" under those provisions.

BD/FCM Bankruptcy

In the event of a bankruptcy of the BD/FCM, the Bankruptcy Code procedures for liquidating a commodity broker and Part 190 of the CFTC Rules would apply with respect to TRAKRS and TRAKRS-related claims and assets. In order to readily identify which assets in your securities account are securities and securities-related assets, on the one hand, and which assets are TRAKRS (*i.e.*, commodities) and TRAKRS-related assets (including the amounts of performance bond pledged to and controlled by the clearing FCM), on the other hand, the BD/FCM will separately code the two asset types for all of its customers on its books and records and the clearing FCM will separately identify each customer's positions by account number or other account identifier on its books and records.

The bankruptcy regime for liquidating a commodity broker will apply to those of your assets that are properly identified by your BD/FCM on its books and records as your TRAKRS and TRAKRS-related assets. As a result, SIPA **WILL NOT APPLY** to your TRAKRS and TRAKRS-related assets that have been properly identified. Alternatively, if you use a BD&FCM and you have an account through the FCM side, the futures bankruptcy framework should also apply to your futures-related assets, including your TRAKRS-related assets.

DISPUTE RESOLUTION

Normally, three forums exist for the resolution of commodity disputes: civil court litigation, reparations at the CFTC and arbitration conducted by a self-regulatory or other private organization. If you are a non-institutional customer that purchases or sells TRAKRS through a BD/FCM, you will be required to have opened a securities account with your BD/FCM. TO THE EXTENT THAT A MANDATORY ARBITRATION PROVISION EXISTS BETWEEN YOU AND YOUR BD/FCM, IT SHALL NOT PREVENT YOUR FILING A CFTC REPARATIONS PROCEEDING PURSUANT TO SECTION 14 OF THE ACT AND PART 12 OF THE CFTC RULES IN CONNECTION WITH THE PURCHASE OR SALE OF TRAKRS, PROVIDED THAT YOU ELECT TO PETITION THE CFTC TO INSTITUTE REPARATIONS PROCEEDINGS WITHIN 45 DAYS OF RECEIVING NOTICE FROM YOUR BD/FCM THAT IT INTENDS TO SUBMIT A DISPUTE TO ARBITRATION.

ERISA CONSIDERATIONS

[To come].

GLOSSARY

Associated Person	A person associated with any futures commission merchant or introducing broker as a partner, officer, employee, consultant or agent. The term also includes any person occupying a similar status or performing similar functions, in any capacity that involves (i) the solicitation or acceptance of customers' orders or discretionary accounts (other than in a clerical capacity) or (ii) the supervision of any person or persons so engaged.
BD&FCM	An entity that is dually registered as a broker-dealer and full service futures commission merchant. Unless otherwise stated in this Disclosure Document, the defined term BD&FCM (including the incorporation of BD&FCM into the defined term BD/FCM) shall only apply where the BD&FCM executes and carries customer TRAKRS positions in a securities account.
BD/FCM	An entity that is either an LP/FCM or a BD&FCM.
Broker-Dealer	Any person (other than a bank) engaged in the businesses of effecting transactions in securities for the account of others and buying and selling securities for his own account.
Calculation Agent	[Dow Jones].
CFTC	The Commodity Futures Trading Commission.
Clearing FCM	A futures commission merchant that is a clearing member of CME.
CME Clearing House	The Clearing House Division of the CME.
CME	Chicago Mercantile Exchange Inc.
Disclosure Document Supplement	The document that contains supplemental information that is specific to a particular TRAKRS Index. The Disclosure Document Supplement should be read in conjunction with this Disclosure Document and any documents incorporated by reference therein or herein.
Futures Commission Merchant	An individual, association, partnership, corporation or trust that solicits or accepts orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market and that accepts payment from or extends credit to those whose orders are accepted. For purposes of this Disclosure Document, the defined term "FCM" shall include a stand-alone futures commission merchant and a futures commission merchant that is part of a broker-dealer.
GLOBEX®2	An international electronic trading system for futures and options that allows participating exchanges to list their products for trading either on a round-the-clock basis or after the close of the exchanges' open outcry trading hours.
Index Compilation Agent	The Index Compilation Agent reconstitutes and rebalances each TRAKRS Index on a quarterly or monthly basis pursuant to the TRAKRS Index's stated rules (as described in the Disclosure

	Document Supplement for each particular TRAKRS Index). Merrill Lynch or its agent is the Index Compilation Agent.
Institutional Customer	A customer that qualifies as a QIB or a CME member that is registered as a floor broker or floor trader.
Introducing Broker	Any person (other than a person registered as an “associated person” of a futures commission merchant) who is engaged in soliciting or accepting orders for the purchase or sale of any commodity for future delivery on an exchange and who does not accept money, securities, or property to margin, guarantee or secure any trades or contracts that result therefrom.
Long Position	A position in the futures markets which rises (falls) if the price of the underlying commodity rises (falls), as if one owned such commodity.
LP/FCM	A registered securities broker-dealer that is notice registered with the National Futures Association as a limited-purpose futures commission merchant.
Merrill Lynch	Merrill Lynch, Pierce, Fenner & Smith Incorporated.
NFA	The National Futures Association.
Non-Institutional Customer	A customer that does not qualify as an Institutional Customer.
QIB	A “qualified institutional buyer”, as defined in Rule 144A promulgated under the Securities Act of 1933, as amended. In general, qualified institutional buyers include, but are not limited to, institutions or entities that in the aggregate own and invest on a discretionary basis at least $100 million in securities of issuers that are not affiliated with them.
Performance Bond	Funds that must be deposited by a customer with his or her broker, by a broker with a clearing member or by a clearing member with the clearing house in connection with the establishment of a TRAKRS position.
Position Limit	The maximum position a person may own or control, either net long or net short, in all contract months for a specific TRAKRS contract.
RR/AP	A registered representative of a broker-dealer (or a broker-dealer that is also a full service futures commission merchant) who is notice registered with the National Futures Association as a limited-purpose associated person.
Settlement Price	With respect to each TRAKRS based on a specific TRAKRS Index, the daily price at which the CME Clearing House clears all trades and settles all accounts between clearing members of each contact month.
Settlement Variation	Additional funds that must be deposited by a customer with its broker, by a broker with a clearing member or by a clearing member with the CME Clearing House in connection with the maintenance of a TRAKRS position.

Short Position	A position in the futures markets which increases (falls) in value if the price of the underlying commodity declines (increases), as if one had sold such commodity short (*i.e.*, without owning it).
Total Return Basis	The value of each TRAKRS Index reflects price fluctuations plus dividends declared on the underlying TRAKRS Index components.
TRAKRS Index	Each TRAKRS Index is a broad-based index of stocks, bonds, currencies or other financial instruments.