

DISCLOSURE DOCUMENT SUPPLEMENT
(To Disclosure Document dated July 1, 2002)



Long-Short Technology TRAKRS

Total Return Asset ContractsSM

Long-Short Technology TRAKRS are unique, non-traditional futures contracts designed to provide investors with a simple, efficient, cost-effective way to invest in a long-short, hedge fund-like investment strategy. Long-Short Technology TRAKRS are designed to track the Long-Short Technology TRAKRS Index, a total return index designed to outperform the Nasdaq 100 Index with less risk. To seek to achieve this goal, the rules governing the component selection and weighting of the Long-Short Technology TRAKRS Index will combine fundamental stock analysis with dynamic asset allocation and strict risk management strategies. As a result, the Long-Short Technology TRAKRS Index will be comprised of long-market positions in individual, liquid technology stocks and short-market positions in technology sectors. These short-market positions will result in a positive "cash flow" that will be used to leverage the Index's long stock exposure and/or generate additional yield.

TRAKRS enable investors to participate in sophisticated and generally inaccessible hedge fund-like strategies like long-short investing. At the same time, TRAKRS minimize many of the inefficiencies associated with hedge fund portfolios. Unlike a hedge fund or other traditional investment portfolio, the monthly changes to the components of the Index underlying TRAKRS will not require actual purchases or sales of stocks. This means that Long-Short Technology TRAKRS eliminate the commissions, bid-ask spreads, and potentially adverse tax consequences that result from turnover in actively managed long-short portfolios. Similarly, because any yield generated from investments is reflected directly in the value of the Index, TRAKRS will not make taxable distributions to investors.

Customers buying and selling Long-Short Technology TRAKRS should consult with their brokers regarding the brokerage commissions and fees charged for all TRAKRS transactions.

See "Risk Factors" beginning on page __ of the TRAKRS Disclosure Document, dated July 1, 2002, and "Risks of Investing in Long-Short Technology TRAKRS" beginning on page __ of this Disclosure Document Supplement, to read about factors you should consider before purchasing or selling Long-Short Technology TRAKRS.

This Disclosure Document Supplement supplements information contained in the Disclosure Document relating to TRAKRS. The date of this Disclosure Document Supplement is July 1, 2002.

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

THIS LONG-SHORT TECHNOLOGY TRAKRS DISCLOSURE DOCUMENT SUPPLEMENT 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 LONG-SHORT TECHNOLOGY TRAKRS. THIS DISCLOSURE DOCUMENT IS ALSO AVAILABLE AT CME'S WEBSITE AT [HTTP://WWW.CME.COM](http://www.cme.com).

LONG-SHORT TECHNOLOGY TRAKRS WILL TRADE ON THE CME UNDER THE TICKER SYMBOL "MLT".

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"TRAKRS", "Total Return Asset Contracts", "Long-Short Technology TRAKRS", and "Long-Short Technology TRAKRS Index" are service marks of Merrill Lynch & Co., Inc. TRAKRS are Patent Pending.

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The following summary contains information relating to Long-Short Technology TRAKRS. It may not contain all the information that is important to you, particularly because Long-Short Technology TRAKRS are non-traditional futures contracts that are offered and structured in a manner unlike other financial instruments. The “Summary of Contractual Terms” and “Description of the Long-Short Technology TRAKRS Index” sections of this Disclosure Document Supplement contain more detailed information regarding the terms and conditions of Long-Short Technology TRAKRS. You should carefully read this entire document, including the TRAKRS Disclosure Document. Trading Long-Short Technology 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, Long-Short Technology 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>.

GENERAL OVERVIEW OF TRAKRS

This overview is provided in this Disclosure Document Supplement as general background. Please see the more detailed description of TRAKRS in the TRAKRS Disclosure Document, dated July 1, 2002.

Long-Short Technology TRAKRS are unique, non-traditional futures contracts designed to provide investors with a simple, efficient, cost-effective way to invest in a long-short, hedge fund-like investment strategy. Traditional diversified investments and more sophisticated alternative investments generally are based upon the ownership of stocks, bonds, or other instruments. Many hedge funds, for example, seek to deliver superior market performance with less risk by building and managing a long-short investment portfolio. This process requires a hedge fund manager to buy and sell securities, incurring commissions and other costs (such as bid-ask spreads), as well as subjecting investors to potentially adverse tax consequences. In addition, hedge funds frequently charge investors performance fees that can reduce investor's returns beyond the asset-based management fee that accompanies nearly all managed products.

Long-Short Technology TRAKRS are instruments that are designed to deliver hedge fund-like investment performance characteristics to a wide variety of investors seeking the potential for enhanced technology investment returns with less risk. At the same time, Long-Short Technology TRAKRS minimize many of the inefficiencies associated with typical hedge fund investing because they do not require a fund or other investment vehicle to purchase and sell stocks and 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, the monthly changes to the components of a TRAKRS index do not require actual purchases or sales of stocks. 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.

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. Long TRAKRS positions, however, are not leveraged investments for non-institutional (i.e., retail) investors. This means that non-institutional (i.e., retail) 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 not receive any interest on their investment in TRAKRS.

Also, 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.

Different rules apply to institutional customers with more than \$100 million in assets. See the TRAKRS Disclosure Document for more details.

DESCRIPTION OF THE LONG-SHORT TECHNOLOGY TRAKRS INDEX

General

Long-Short Technology TRAKRS are unique, non-traditional futures contracts designed to provide investors with a simple, efficient, cost-effective way to invest in a long-short, hedge fund-like investment strategy. Long-Short Technology TRAKRS are designed to track the Long-Short Technology TRAKRS Index, a total return index designed to outperform the Nasdaq 100 Index with less risk. To seek to achieve this goal, the rules governing the component selection and weighting of the Long-Short Technology TRAKRS Index will combine fundamental stock analysis with dynamic asset allocation and strict risk management strategies. As a result, the Long-Short Technology TRAKRS Index will be comprised of long market positions in individual, liquid technology stocks and short market positions in technology sectors. These short-market positions will result in a positive “cash flow” that will be used to leverage the Index’s long stock exposure and/or generate additional yield.

The Long-Short Technology TRAKRS Index was designed and is maintained by Merrill Lynch’s Technology Strategy group. The primary engineer of the Index is Steven Milunovich, who is Merrill Lynch’s Chief Technology Strategist. Prior to joining Merrill Lynch in August 1997, he was a managing director at Morgan Stanley from 1992-1997 and worked at Salomon Brothers in 1991 and Credit Suisse First Boston from 1983-1991. He was ranked first in Enterprise Hardware on the Institutional Investor All-America Research Team for 12 straight years from 1989-2000. He is a Chartered Financial Analyst and has been published in the Financial Analysts Journal and Journal of Applied Corporate Finance. He received his B.B.A. with honors from the University of Wisconsin-Madison in 1982 and a Master of Management from Northwestern University (valedictorian) in 1983. Working closely with Mr. Milunovich on the Index is Zhen-Hong Fan, a Merrill Lynch Technology Strategist with a Ph.D. in Finance and Statistics from New York University.

Merrill Lynch has granted CME an exclusive license to use the Index in connection with Long-Short Technology TRAKRS.

Long-Short Investing

Long-short investing is a strategy that has been traditionally employed by hedge funds. Long-short investing differs from outright investing in traditional asset classes because it involves the “short sale” of securities or market sectors that the short seller believes is likely to decrease in value (or increase in value at a rate that is significantly slower than the rest of the market).

To sell a security “short”, a hedge fund manager will borrow that security from another party who owns the security and then sell it in the market. The manager has an obligation to “return” this security to the party from which it was borrowed upon that party’s request, and will do so by purchasing that security in the market. The short sale is only profitable to the short seller if the value of the security decreases in price. If the security increases in price, the short seller will experience a loss equal to the amount of the increase (which can be unlimited). See “Risks of Investing in Long-Short Technology TRAKRS—Risks of Long-Short Investing” below.

Because a short sale generates cash equal to the market price of a security, it creates an opportunity for leverage. The proceeds of a short sale can be used to increase the amount of an equity position beyond the actual amount of investment capital allocated to a long-short investment strategy. A hedge fund manager will thus seek to add capital (or “leverage”) to long-market positions that it believes will perform better than the short-market positions generating that capital. Long-short investing is typically long-biased, meaning that the net exposure between long investments and short investments is net long with the net long value varying from time to time depending on perceived market conditions. Short positions may be undertaken in environments where market conditions are bullish or bearish, creating the ability to outperform during a broad range of market environments.

In addition to creating leverage (which can enhance long-market returns), a short position can decrease the risk of a portfolio. Risk can be thought of as the probability of generating an economic loss, and a riskier mix of assets has a higher probability of generating a loss than a less risky mix of assets. A short sale of securities or market sectors within a portfolio can lower the risks of a decline in the overall value of a portfolio when the market is falling. This is because the decline of a security or market sector that has been sold short will result in positive returns that can be used to offset all or a portion of losses on the long investments. As a result, a long-short portfolio is likely to experience less price volatility in a downward market than a traditional portfolio comprised only of long investments. At the same time, the short positions will also increase the potential for returns since there is potential for profit during a broad range of market environments. At the same time, the short positions can decrease a portfolio's overall return in a rising market, and to the extent that the long positions decline in value and the short positions increase, the overall losses in the portfolio may be greater than a long-only portfolio. Although the Index is designed to outperform the Nasdaq 100 Index with less risk, if unfavorable market conditions were to occur, an investment in Long-Short Technology TRAKRS may be less profitable than a direct long-only investment in the Nasdaq 100 Index.

Long-short investing can be compared to traditional long-only investing through a graph called an "efficient frontier". The efficient frontier determines the combinations of asset classes that deliver the highest possible expected return for a given amount of risk in a portfolio. As demonstrated in the graph below, by adding a long-short strategy to a portfolio an investor may decrease risk and increase the potential return in a portfolio. The graph compares the risk/return profile of a direct investment in the Nasdaq 100 Index with Long-Short Technology TRAKRS.

[Efficient Frontier Graph to Come].

Risks of Investing in Long-Short Technology TRAKRS

General. Your investment in the Long-Short Technology TRAKRS involves risks similar to investing directly in each of the underlying instruments in the Long-Short Technology TRAKRS Index. In addition, because the Index has a short market component which will decline in value in a rising market, Long-Short Technology TRAKRS may still decline in value or fail to achieve their objective of outperforming the Nasdaq 100 Index even if the long stock positions in the Index appreciate in value. As a result, you may lose all or a substantial portion of your investment in the Long-Short Technology TRAKRS. You should carefully consider the following discussion of risks, together with the risks described under “Risk Factors” beginning on page __ of the TRAKRS Disclosure Document, before deciding whether an investment in the Long-Short Technology TRAKRS is suitable for you.

Risks of Investing in the Long-Short Technology TRAKRS. The stocks included in the Index will be selected from the application of a strict investment algorithm (described below) that is designed to outperform the Nasdaq 100 Index with less risk. There can be no assurance that this algorithm will be successful. [The Index is a newly designed index based on an investment algorithm without a track record. This is the first passive algorithm-based index that the Investment Manager has designed, and there is no assurance that the Index Manager’s active value investing experience will apply to passive index design.] The Long-Short Technology TRAKRS may underperform the Nasdaq 100 Index, other investment styles, or investments in indices that track other markets or sectors.

Successful operation of the investment algorithm depends on the availability, accuracy, and completeness of information. As discussed below, the investment algorithm selects the stocks to be included in the Index by evaluating certain measurements of technology stocks and the broader market environment. Information regarding these measurements will be taken from a number of market sources, and the Index Manager, Merrill Lynch and the Index Calculation and Dissemination Agent will not verify the accuracy or completeness of this data.

Unlike a traditional fund or investment portfolio, the Index is not “actively” managed. Although the Index Manager will adjust the relative weightings of the indicators and variables on a monthly basis, the Index Manager will not have any discretion to make changes to the composition of the Index to respond to issuer-specific or market-events that occur between monthly reconstitutions and rebalancings. Therefore, although the quality of a technology stock included as a component of the Index may deteriorate during the month, the Index Manager has no discretion to change or eliminate that stock, which could adversely affect the Index’s return.

Steven Milunovich, the primary engineer of the Index and the Index Manager, will maintain the Index, including making adjustments to the relative weightings of the indicators and variables on a monthly basis. Successful operation of the Index relies to a considerable extent on the expertise of Mr. Milunovich, who may be difficult to replace in the event of his death, disability or resignation.

In addition, the Index may include stocks of foreign issuers. Foreign stock holdings may involve greater risks than investments in stocks of domestic corporations. This is because the foreign stock’s performance may depend on issues other than the performance of a particular company. These issues include currency risk, political and economic risk, regulatory risk and market risk.

Risks of Investing in Technology Stocks and the Technology Sector. Because the Index will include only stocks of companies in the technology sector, it is less diversified than funds or other investment portfolios investing in a broader range of industries and, therefore, could experience significant volatility. Technology stocks are particularly volatile and subject to greater price swings, up and down, than the broad market. Therefore, the prospects for superior gains are balanced by the possibility of above-average losses. It is possible that companies whose products and services first appear promising may not prove commercially successful or may become obsolete quickly. Earnings projections for developing companies that are not met and intense competition for market share can result in sharp price declines. This may be true even in a generally rising stock market environment. These risks are increased by significant exposure to smaller companies with limited operating histories, and newly public companies. These companies may not have established products, experienced management, or an earnings history, and their stocks may lack liquidity.

Risks of Long-Short Investing. Long-Short Technology TRAKRS employ a long-short investment strategy. The underlying instruments in the Long-Short Technology TRAKRS Index have a short market component where

certain technology sub-sectors are sold short. The amount of the short market component will be determined by the investment algorithm. The short market component will decline in value in a rising market, and as result, the Long-Short Technology TRAKRS may decline in value or fail to achieve their objective of outperforming the Nasdaq 100 Index, even if the long stock positions in the Index appreciate in value. To the extent that the long positions decline in value and the short positions increase, the decline in the value of the Index may be greater than if the Index employed a long-only investment strategy. Although the Index is designed to outperform the Nasdaq 100 Index with less risk, if unfavorable market conditions were to occur, an investment in Long-Short Technology TRAKRS may be less profitable than a direct long-only investment in the Nasdaq 100 Index.

Because stock prices can theoretically increase in value without limits, the short component of the Index theoretically could force the TRAKRS index value to an amount that would be less than zero. To eliminate this risk, the Index incorporates intra-month automatic rebalancing rules that will reduce the Index's short-market exposure if this exposure exceeds certain pre-determined levels. These rules limit the amount of leverage that can ultimately be realized and in certain market scenarios could have an adverse impact on the performance of the TRAKRS.

Index Overview

The Index is created from a strict set of rules designed by the Index Manager to outperform the Nasdaq 100 Index. To seek to achieve this goal, the rules governing the component selection and weighting of the Long-Short Technology TRAKRS Index will combine fundamental and technical stock analysis with dynamic asset allocation and strict risk management strategies. To accomplish this, the Index Manager has defined a series of rules that will define a long-market and short-market universe of investments, determine a long-short asset allocation strategy, and populate and weight the Index based upon a set of fundamental and technical investment variables.

Top-Down Asset Allocation

Step 1. Define the Long-Market Universe and the Short-Market Universe

Long-Market Universe

- Begin with Global Information Technology Stocks
- Eliminate Non-U.S. companies not traded in U.S.
- Screen for minimum market cap
- Screen for minimum liquidity

Short-Market Universe

- Defined to include certain exchange-traded funds (ETFs), HOLDRS, and other financial instruments that either in whole or in part represent the broad technology sector or sub-sectors.

Step 2. Determine Market Condition and Allocate

- The Index Manager has identified 6 broad Market Condition Indicators, which represent 10 Market Condition Variables.
- Each month, the Index Manager use these variables to determine a Sentiment Score.
- The Sentiment Score in turn will be used to establish an asset allocation among long-market, short-market, and cash components.



Bottom-Up Investment Selection

Step 3. Evaluate and Select Long Investments

Step 4. Evaluate and Select Short Investments

Long-Market Universe

- The Index Manager has identified 4 broad Stock Quality Indicators, which represent 10 Stock Quality Variables.
- Each month, the Index Manager will assign a weight to the Stock Quality Variables.
- Each stock in the Long-Market Universe will be ranked in each variable, and will receive a corresponding score depending on that variable's weight.
- The top 35 stocks will then be selected and weighted relative to each other on the basis of their aggregate scores.
- The final weighting of the long-market components within the Index will equal the product of their relative weights and the percentage of Index allocated to the long side of the market.

Short-Market Universe

- The Index Manager has identified 3 broad Sector Weakness Indicators, which represent 7 Sector Weakness Variables.
- Each month, the Index Manager will assign a weight to the Sector Weakness Variables.
- Each Tech sector Investment in the Short-Market Universe will be ranked in each variable, and will receive a corresponding score depending on that variable's weight.
- The 3 weakest Tech Sector Investments will then be selected and weighted relative to each other on the basis of their aggregate scores.
- The final weighting of the short-market components within the Index will equal the product of their relative weights and the percentage of Index allocated to the short side of the market.

All of the data used in composing the Index comes from independent market information sources deemed by the Investment Manager to be reliable, and the Index Manager, the Index Calculation and Dissemination Agent, and Merrill Lynch do not independently verify or make any representation as to the accuracy or completeness of this data. The Index is calculated on a total return basis and reconstituted according to its rules on a monthly basis. The Index Manager retains the right to amend the Index rules on a monthly basis. Although the Index incorporates intra-month automatic rebalancing rules that will reduce the Index's short-market exposure if this exposure exceeds certain pre-determined levels, the Index Manager will not have any discretion to make changes to the composition of the Index or to amend the Index rules to respond to issuer-specific or market-events that occur between monthly reconstitutions and rebalancings. All changes to the Index's composition, weighting methodologies, and rules will be published at least three days prior to their effective date.

Index Construction Rules

Determine the Long, Short, and Cash Asset Allocation

1. Asset Allocation Framework. On each monthly Index reconstitution and rebalancing date, the Long-Short Technology TRAKRS Index will be set to have an exposure to its long-market components equal to at least 100% of the Index value and an exposure to its short-market components equal to 50% of the Index value. All or a portion of the "cash flow" generated from the 50% short-market exposure will be allocated either to:
 - (i) the long-market components to generate additional market exposure (*i.e.*, "leverage"), or
 - (ii) the cash component to generate a daily return equal to the daily Effective Federal Funds rate of return.
2. Define the Long-Market Universe. To determine the applicable universe of long-market stocks (the "Long-Market Universe"), all of the stocks included in the Information Technology Sector of Standard & Poor's Global Industry Classification Standard will be screened to eliminate:
 - (i) all companies with a market capitalization of less than \$500 million, and
 - (ii) all companies with average daily U.S. dollar trading volume over the prior 3-month period of less than \$7 million.
3. Define the Short-Market Universe. The universe of short-market technology sectors and sub-sectors (the "Short-Market Universe") will be defined to include the exchange-traded funds (ETFs), HOLDRS, futures, and other financial instruments ("Tech Sector Investments") listed in Schedule A to this Disclosure Document Supplement that either in whole or in part represent the broad technology sector or one of the following technology sub-sectors:

| Technology Sub-Sectors | |
|--|---------------------|
| Biotechnology | Telecommunications |
| Broadband Technology | Semiconductors |
| Enterprise Hardware and Personal Computers | Software |
| Internet | Wireless Technology |

4. **Determine a Sentiment Score.** The portion of the “cash flow” generated from the 50% short-market exposure that will be allocated to the long-market components will equal the “Sentiment Score”, a value between 0 and 100% that is determined through 6 Market Condition Indicators, which represent 10 separate Market Condition Variables:

| Market Condition Indicator | Market Condition Variable | Indicative Weight* |
|----------------------------|---------------------------|--------------------|
| Macro-Economics | • OECD Leading Indicators | 5% |
| | • Order Growth | 5% |
| Earnings | • Earnings Momentum | 20% |
| Valuation | • Relative P/E | 10% |
| | • Price-to-Sales ratio | 10% |
| Sentiment | • VIX | 10% |
| | • Put-to-Call Ratio | 10% |
| Technical | • Moving Average | 20% |
| Liquidity | • Monetary Policy | 5% |
| | • Mutual Fund Flows | 5% |

* These weights were used to determine the Indicative Index included in Schedule E.

- (i) Each Market Condition Variable will be assigned a raw score ranging from 0 to 1 based upon the specific criteria described in Schedule B. This raw score will then be multiplied by the weight between 0 and 100% assigned to the variable by the Index Manager to achieve a weighted score.
- (ii) The Sentiment Score will be a percentage between 0 and 100% equal to the sum of the weighted Market Condition Variable scores divided by 10 (i.e., the number of market condition variables).
5. **Set Asset Allocation.** The percentage asset allocation among the Index’s long, short, and cash components will be set as follows:
- (i) Short-Market Exposure = 50%
- (ii) Long-Market Exposure = 100% + (Sentiment Score * Short-Market Exposure)
- (iii) Cash Exposure = Short-Market Exposure * (1 - Sentiment Score).

Determine the Long-Market and Short-Market Components and Weight the Index

6. **Evaluate and Rank the Long-Market Universe.** Based upon the specific criteria described in Schedule C, each of the stocks included in the Long-Market Universe will be ranked by the following 4 Stock Quality Indicators, which represent 10 separate Stock Quality Variables:

| Stock Quality Indicator | Stock Quality Variable | Indicative Weight* |
|-------------------------|------------------------|--------------------|
| Fundamental | • Earnings Growth | 10% |
| | • Earnings Quality | 10% |
| | • Free Cash Flow | 10% |
| Valuation | • Estimated P/E | 5% |
| | • 12 month Prior P/E | 5% |
| | • Price-to-Sales Ratio | 5% |
| | • PEG Ratio | 5% |

| | | |
|------------|------------------|-----|
| Volatility | • Beta | 20% |
| Technical | • Moving Average | 15% |
| | • Price Momentum | 15% |

* This weight was used to determine the Indicative Index included in Schedule E.

7. Determine and Weight the Long-Market Components. Each stock's rank in each Stock Quality Variable will be multiplied by the weight between 0 and 100% assigned to the variable by the Index Manager to achieve a weighted score, and the stocks will then be assigned a final ranking based upon the sum of their weighted scores across all 10 Stock Quality Variables. Each of the 35 highest scoring stocks will then be selected and assigned a "Relative Long Component Weight" on the basis of their aggregate scores.
8. Evaluate and Rank the Short-Market Universe. Based upon the specific criteria described in Schedule D, each of the Tech Sector Investments included in the Short-Market Universe will be ranked by the following 3 Sector Weakness Indicators, which represent 7 separate Sector Weakness Variables:

| Sector Weakness Indicator | Sector Weakness Variable | Indicative Weight* |
|---------------------------|--------------------------|--------------------|
| Industry Fundamentals | • Earnings Momentum | 20% |
| Valuation | • Estimated P/E | 7.5% |
| | • 12 month Prior P/E | 7.5% |
| | • Price-to-Sales Ratio | 7.5% |
| | • PEG Ratio | 7.5% |
| Technical | • Moving Average | 25% |
| | • Price Momentum | 25% |

* This weight was used to determine the Indicative Index included in Schedule E.

9. Determine and Weight the Short-Market Components. Each Tech Sector Investment's rank in each Sector Weakness Variable will be multiplied by the weight between 0 and 100% assigned to the variable by the Index Manager to achieve a weighted score, and the Tech Sector Investments will then be assigned a final ranking based upon the sum of their weighted scores across all 7 Sector Weakness Variables. Each of the 3 lowest scoring Tech Sector Investments will then be selected and be assigned a "Relative Short Component Weight" on the basis of their aggregate score.
10. Weight the Long- and Short-Market Components within the Index. The weight of each of the long-market and short-market components will be set as follows:
 - (i) Short Component Index Weights = (Short-Market Exposure * Relative Short Component Weight)
 - (ii) Long Component Index Weights = (Long-Market Exposure * Relative Long Component Weight)

Index Maintenance Rules

1. Initial Index Value. It is expected that, at 3:00 p.m. (CST) on July 31, 2002, the initial Index divisor will be set to equal to a number that produces an Index value of [2,374]. The initial composition of the Index will be published on <http://www.trakrs.com> and on CME's website at <http://www.cme.com> on July 25, 2002, three business days prior to the launch of the Index on July 30, 2002 at 3:00 p.m. (CST). An indicative list of the investments is included in Schedule E to this Disclosure Document Supplement. The CME has the discretion to postpone the July 30, 2002 scheduled opening if it determines that, due to unusual market conditions, market makers would be unable to hedge their positions in TRAKRS.
2. Calculation of the Index Value. [Dow Jones Indexes] will serve as Index Calculation and Dissemination Agent (the "Calculation Agent"). The Calculation Agent will calculate and disseminate Index quotes every fifteen (15) seconds during the course of each trading day. The Index will be calculated on a total return basis (*i.e.*, the value will reflect price fluctuations plus dividends, if any, declared on the underlying securities, if any, plus the

daily rate of return associated with the cash component, if any). The Calculation Agent will make this calculation and disseminate an Index value based on the following formula:

$$\frac{[\sum (\text{Long Component Index Weights} * \text{Applicable Market Prices}) - \sum (\text{Short Component Index Weights} * \text{Applicable Market Prices}) + \text{Cash Component}]}{\text{Divisor}}$$

The Calculation Agent will adjust the value of the Index divisor in order to reflect dividends (including non-cash dividends) and certain corporate actions as they pertain to the underlying securities. For example, the number of stocks in the Index may change between monthly rebalancings as a result of mergers, spin-offs or other corporate actions that may dictate the removal of a stock from the Index. In the case of dividends, effective at 3:00 p.m. (Central Standard Time) on the trading day prior to the day an Index component stock will go ex-dividend, the Calculation Agent will adjust the last price of such stock downwards by a value equal to the dividend that will be paid on such stock. In either event, the Calculation Agent will adjust the value of the Index divisor such that the Index value subsequent to the ex-dividend adjustment or corporate action will equal the Index value prior to the adjustment.

3. Monthly Reconstitution and Rebalancing. The Index Manager will reconstitute and rebalance the Index on a monthly basis pursuant to the Index rules. As part of the reconstitution and rebalancing process, the Index Manager may adjust the weighting of each of the Market Condition, Stock Quality, and Sector Weakness Variables. This procedure will be conducted at 3:00 p.m. (CST) four business days prior to the last business day of each month, and will be published at 3:00 p.m. (CST) on the following business day. All published changes will take effect at 3:00 p.m. (CST) on the last business day of each month. The Calculation Agent will reset the value of the Index divisor so as to equate the Index values before and after the reconstitution and rebalancing procedures. Except as provided in the following paragraph, the Index will not be subject to intramonth reconstitutions and rebalancings.
4. Extraordinary Rebalancing. Because stock prices can theoretically increase in value without limits, the short component of the Index theoretically could force the TRAKRS index value to an amount that would be less than zero. To eliminate this risk, the Index incorporates intra-month automatic rebalancing rules that will reduce the Index's short-market exposure if this exposure exceeds certain pre-determined levels. If on any given day, the Short-Market Exposure equals or exceeds 75% of the Index value, the TRAKRS Index will be reconstituted at the close of the next business day and the Short-Market Exposure will be set to equal 50% of the Index value. Notwithstanding the prior sentence, if at any time the value of the Index equals or is less than zero, the TRAKRS will terminate immediately with a final settlement value equal to zero.
5. Index Amendments. The Index Manager retains the right to amend the Index Construction Rules and the Index Maintenance Rules on each monthly reconstitution and rebalancing date. Notice of such amendment will be published at 3:00 p.m. (CST) three business days in advance.

Back-Test Results of the Index

[To come.]

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT LONG-SHORT TECHNOLOGY TRAKRS WILL OR ARE LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

BECAUSE THERE ARE NO ACTUAL TRADING RESULTS FOR LONG-SHORT TECHNOLOGY TRAKRS TO COMPARE TO THE HYPOTHETICAL PERFORMANCE RESULTS CUSTOMERS SHOULD BE PARTICULAR WARY OF PLACING UNDUE RELIANCE ON THESE HYPOTHETICAL PERFORMANCE RESULTS.

[To come]

SCHEDULED OPENING, BROKER COMPENSATION, AND OTHER COSTS

The CME anticipates that Long-Short Technology TRAKRS will open for trading at 3:01 p.m. (Central Standard Time) on Tuesday, July 30, 2002 and at that time all orders to purchase TRAKRS entered prior to that time will be executed at a sequential best-price opening. It is anticipated that these orders will be executed at a price of approximately \$25.00. Any market orders to purchase or sell TRAKRS that are entered after 3:01 p.m. (Central Standard Time) on Tuesday, July 30, 2002 will be executed at the then-current market price. The CME has the discretion to postpone the July 30, 2002 scheduled opening if it determines that, due to unusual market conditions, market makers would be unable to hedge their positions in TRAKRS.

It is expected that Long-Short Technology 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 1.50% "Spread" disclosed in the "Summary of Contractual Terms" appearing at the end of this document. Non-institutional customers should view this Spread as an implicit 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 "Summary of Significant Terms—Interest Rate Pass-Through Feature" and "Description of TRAKRS—Implicit Costs of Holding a TRAKRS Position" in the TRAKRS Disclosure Document.

Customers buying and selling Long-Short Technology TRAKRS should consult with their brokers regarding the brokerage commissions and fees charged for all TRAKRS transactions, including the commissions and fees for orders executed at the inception of trading. In addition, customers of Merrill Lynch, Pierce, Fenner & Smith Incorporated should be aware that Merrill Lynch has elected to provide its brokers with additional compensation of 1.50% for all TRAKRS purchase orders entered before the July 30, 2002 scheduled opening of TRAKRS. This additional broker compensation does not represent an additional cost to customers of Merrill Lynch.

WHERE YOU CAN FIND MORE INFORMATION

In selecting the underlying securities, neither the Index Manager and any of its affiliates nor Merrill Lynch nor any of its affiliates have performed any investigation or review of the selected companies, including the public filings by the companies, other than to the extent required to determine whether the companies satisfied the stated selection criteria. *Accordingly, before you purchase or sell Long-Short Technology TRAKRS, you should consider publicly available financial and other information about the issuers of the underlying securities.* See "Risk Factors" in the Disclosure Document. For more information about the issuers of the underlying securities, information provided to or filed with the Securities and Exchange Commission ("SEC") by the issuers of the underlying securities with respect to their registered securities can be inspected at the SEC's public reference facilities or accessed through the SEC's website at <http://www.sec.gov>. In addition, information regarding the issuers of the underlying securities may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated information.

Merrill Lynch and its affiliates are not affiliated with the issuers of the underlying securities, and the issuers of the underlying securities have no obligations with respect to Long-Short Technology TRAKRS. This Disclosure Document Supplement relates only to Long-Short Technology TRAKRS and does not relate to the common stock or other securities of the issuers of the underlying securities. Investors and market participants should not conclude that the inclusion of a company in the Index is any form of investment recommendation of that company by Merrill Lynch or any of its affiliates. The information in this Disclosure Document Supplement regarding the issuers of the underlying securities has been derived from the publicly available documents described in the preceding paragraph. Merrill Lynch has not participated in the preparation of these documents or made any due diligence inquiries with respect to the issuers of the underlying securities in connection with Long-Short Technology TRAKRS. Merrill Lynch makes no representation that these publicly available documents or any other publicly available information regarding the issuers of the underlying securities are accurate or complete. Furthermore, Merrill Lynch cannot assure you that all events occurring prior to the date of this Disclosure Document Supplement, including events that would affect the accuracy or completeness of the publicly available documents described in the preceding paragraph, that would affect the trading price of the common stock of the issuers of the underlying securities, and therefore the trading prices of Long-Short Technology TRAKRS, have been publicly disclosed.

SCHEDULE A

SHORT-MARKET TECH SECTOR INVESTMENTS

The universe of short-market technology sectors and sub-sectors is defined to include the following exchange-traded funds (ETFs), HOLDRS, futures, and other financial instruments (“Tech Sector Investments”) that either in whole or in part represent the broad technology sector and the following enumerated technology sub-sectors:

| Short-Market Technology Sectors And Sub-Sectors | Tech Sector Investment | Symbol |
|---|-------------------------------|--------|
| Broad-Based Technology Market | Technology Select Sector SPDR | XLK |
| Biotechnology | Biotech HOLDRS | BBH |
| Broadband Technology | Broadband HOLDRS | BDH |
| Enterprise Hardware and Personal Computers | Internet Architecture HOLDRS | IAH |
| Internet | Internet HOLDRS | HHH |
| Telecommunications | Telecom HOLDRS | TTH |
| Semiconductors | Semiconductor HOLDRS | SMH |
| Software | Software HOLDRS | SWH |
| Wireless Technology | Wireless HOLDRS | WMH |

SCHEDULE B

MARKET CONDITION VARIABLES

| Market Condition Indicator | Market Condition Variable | Description | Weight |
|----------------------------|---------------------------|---|--------|
| Macro-Economics | OECD Leading Indicator | (Current Month OECD Leading Indicators USA) / (Prior Month's OECD Leading Indicators USA) . If the OECD Leading Indicator is greater than one, the variable receives a score of 1, if less than or equal to one, the variable receives a score of 0. | 5% |
| | Order Growth | (Current Month Technology Orders) / (Prior Month Technology Orders) , as measured by the monthly order data reported in Durable Goods New Orders Computers and Electronic Products. If Order Growth is greater than one, the variable receives a score of 1, if less than or equal to one, the variable receives a score of 0. | 5% |
| Earnings | Earnings Momentum | (Current Month's Estimated EPS / 12 Months Prior Estimated EPS) / (Prior Month's Estimated EPS / 13 Months Prior Estimated EPS) , as measured by IBES. If the ratio of Earnings Momentum is greater than one, the variable receives a score of 1, if less than or equal to one, the variable receives a score of 0. | 20% |
| Valuation | Relative P/E | (Current Market Price / Estimated EPS) / (Current SPX Value / Estimated SPX Earnings) , as measured by IBES and Bloomberg. If the ratio of the Relative P/E is less than or equal to 1.1, the variable receives a score of 1; if between 1.1 and 1.7, the variable receives a score of .5; and greater than 1.7, the variable receives a score of 0. | 10% |
| | Price-to-Sales ratio | (Current Market Price) / (Sales Per Share) If the Price to Sales Ratio is less than or equal to 2, the variable receives a score of 1, between 2 and 4, the variable receives a score of .5, greater than or equal to 4, the variable receives a score of 0. | 10% |
| Sentiment | VIX | The Chicago Board Options Exchange Volatility Index ("VIX") If the VIX is greater than or equal to 30, the variable receives a score of 1, between 20 and 30, the variable receives a score of .5, less than or equal to 20, the variable receives a score of 0. | 10% |
| | Put-to-Call Ratio | 25 Day Moving Average Put/Call Ratio as measured by CBOE. If the Put to Call Ratio is greater than or equal to .85, the variable receives a score of 1, between .65 and .85, the variable receives a score of .5, less than or equal to .65, the variable receives a score of 0. | 10% |
| Technical | Moving Average | Current Market Price / 150 Day Moving Average If the Moving Average Ratio is greater than one, the variable receives a score of 1, less than one or equal to one, the variable receives a score of 0. | 20% |
| Liquidity | Monetary Policy | (Current Month's M3 Money Supply) / (Prior Month's M3 Money Supply) , as reported by the Federal Reserve. If the Monetary Policy Ratio is greater than one, the variable receives a score of 1, less than one or equal to one, the variable receives a score of 0. | 5% |
| | Mutual Fund Flows | (Current Month's Growth Funds Net New Cash Flow) / (Prior Month's Growth Funds Net New Cash Flow) , as reported by the Investment Company Institute. If the Mutual Fund Flow Indicator is greater than one, the variable receives a score of 1, less than one or equal to one, the variable receives a score of 0. | 5% |

SCHEDULE C

STOCK QUALITY VARIABLES

| Stock Quality Indicator | Stock Quality Variable | Description | Weight |
|-------------------------|------------------------|--|--------|
| Fundamental | Earnings Growth | (Current Year Estimated EPS) / (Prior Year's Estimated EPS) Stocks with higher Earnings Growth Ratios will rank higher in category. | 10% |
| | Earnings Quality | (Operating Cash Flow) / (Net Operating Income) Stocks with higher Earnings Quality Ratios will rank higher in the category. | 10% |
| | Free Cash Flow | (Cash Flow) – (Capital Expenditures)/Equity Stocks with a larger Free Cash Flow will rank higher in the category. | 10% |
| Valuation | Estimated P/E | (Price) / (Estimated EPS) Stocks with lower Estimated P/E Ratios will rank higher in the category. | 5% |
| | 12 month Prior P/E | (Price) / (Prior 12 Month EPS) Stocks with lower Prior 12 Months P/E Ratios will rank higher in the category. | 5% |
| | Price-to-Sales Ratio | (Price) / (Prior 12 Month Sales) Stocks with lower Price to Sales Ratios will rank higher in the category. | 5% |
| | PEG Ratio | (Price / Estimated EPS) / (Long Term Growth Rate) Stocks with lower PEG Ratios will rank higher in the category. | 5% |
| Volatility | Beta | Beta In months where the Sentiment Indicator is greater than or equal to .5, stocks with lower Betas will rank higher in the category. In months where the Sentiment Indicator is lower than .5, stocks with higher Betas will rank higher in the category. | 20% |
| Technical | Moving Average | Current Market Price / 150 Day Moving Sectors with higher Moving Average Ratios will rank higher in the category. | 15% |
| | Price Momentum | 30 Day Relative Strength Index ("RSI") Stocks with a lower Price Momentum variable will rank higher in this category. | 15% |

SCHEDULE D

SECTOR WEAKNESS VARIABLES

| Sector Indicator | Sector Weakness Variable | Description | Weight |
|-----------------------|--------------------------|---|--------|
| Industry Fundamentals | Earnings Momentum | [(Current Month's Estimated EPS) / (12 Months Prior Estimated EPS)] / [(Prior Month's Estimated EPS) / (13 Months Prior Estimated EPS)] Sectors with higher Earnings Momentum Ratios will rank higher in the index. | 20% |
| Valuation | Estimated P/E | (Price) / (Estimated EPS) Sectors with lower Estimated P/E Ratios will rank higher in the category. | 7.5% |
| | 12 month Prior P/E | (Price) / (Prior 12 Month EPS) Sectors with lower Prior 12 Months P/E Ratios will rank higher in the category. | 7.5% |
| | Price-to-Sales Ratio | (Price) / (Prior 12 Month Sales) Sectors with lower Price to Sales Ratios will rank higher in the category. | 7.5% |
| | PEG Ratio | [(Price) / (Estimated EPS)] / (Long Term Growth Rate) Sectors with lower PEG Ratios will rank higher in the category. | 7.5% |
| Technical | Moving Average | Current Market Price / 150 Day Moving Sectors with higher Moving Average Ratios will rank higher in the category. | 25% |
| | Price Momentum | 30 Day Relative Strength Index ("RSP") Stocks with a lower Price Momentum variable will rank higher in this category. | 25% |

SCHEDULE E
INDICATIVE INDEX

SUMMARY OF CONTRACTUAL TERMS

| | |
|--|--|
| Underlying Index and Index Manager: | The Long-Short Technology TRAKRS Index, managed by Merrill Lynch's Technology Strategy group, including Steven Milunovich and Zhen-Hong Fan. |
| Maturity: | Long-Short Technology TRAKRS will have a 3-year expiration term and will be cash-settled at the Final Settlement Price. |
| Long-Short Technology TRAKRS Pricing: | \$1.00 multiplied by 1/100 of the value of the Index. On the trading day prior to the first full day of trading of Long-Short Technology TRAKRS, the value of the Index will be set to equal [2,374]. |
| Interest Rate Pass-Through Amount: | Daily Federal Funds Effective Rate less the Spread, unless the Daily Effective Federal Funds Rate is less than the Spread, in which case the Interest Rate Pass-Through Amount will be equal to the Spread less the Daily Effective Federal Funds Rate. |
| Spread: | 1.50%. |
| Interest Rate Pass-Through Mechanics: | <p>Each trading day after the determination of the daily settlement price, each clearing FCM that maintains long Long-Short Technology TRAKRS positions will pay the CME Clearing House (based on the amount of long Long-Short Technology TRAKRS the clearing FCM maintains multiplied by the Long-Short Technology TRAKRS Settlement Price) a daily market rate of interest equal to the Federal Funds Effective Rate less 1.50%. The CME Clearing House in turn will pay each clearing FCM that maintains short Long-Short Technology TRAKRS positions (based on the amount of short Long-Short Technology TRAKRS the clearing FCM maintains multiplied by the Long-Short Technology TRAKRS Settlement Price), a daily market rate of interest equal to the Federal Funds Effective Rate less 1.50%.</p> <p>If, on any day, the Federal Funds Effective Rate is less than 1.50%, then each clearing FCM that maintains short Long-Short Technology TRAKRS positions will be required to pay to the CME Clearing House (based on the amount of short Long-Short Technology TRAKRS the clearing FCM maintains multiplied by the Long-Short Technology TRAKRS Settlement Price) a daily market rate of interest equal to 1.50% less the Federal Funds Effective Rate. The CME Clearing House in turn will pay each clearing FCM that maintains long Long-Short Technology TRAKRS positions (based on the amount of long Long-Short Technology TRAKRS the clearing FCM maintains multiplied by the Long-Short Technology TRAKRS Settlement Price) a daily market rate of interest equal to 1.50% less the Federal Funds Effective Rate.</p> <p>Each trading day after the determination of the daily settlement price, each institutional customer holding long Long-Short Technology TRAKRS positions must pay its long clearing FCM (based on the amount of long Long-Short Technology TRAKRS held by the institutional customer multiplied by the Long-Short Technology TRAKRS Settlement Price) a daily market rate of interest equal to the Federal Funds Effective Rate less 1.50%, which the clearing FCM will pass on to the CME Clearing House. The CME Clearing House in turn will pay to each short clearing FCM for institutional customers a daily market rate of interest</p> |

equal to the Federal Funds Effective Rate less 1.50%, and each institutional customer holding short Long-Short Technology TRAKRS positions will receive this amount from its short clearing FCM (based on the amount of short Long-Short Technology TRAKRS held by the institutional customer multiplied by the Long-Short Technology TRAKRS Settlement Price).

If, on any day, the Federal Funds Effective Rate is less than 1.50%, then each institutional customer holding short Long-Short Technology TRAKRS positions will be required to pay its short clearing FCM (based on the amount of short Long-Short Technology TRAKRS held by the institutional customer multiplied by the Long-Short Technology TRAKRS Settlement Price) a daily market rate of interest equal to 1.50% 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 1.50% less the Federal Funds Effective Rate, and each institutional customer holding long Long-Short Technology TRAKRS positions will receive this amount from its long clearing FCM (based on the amount of long Long-Short Technology TRAKRS held by the institutional customer multiplied by the Long-Short Technology TRAKRS Settlement Price).

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

Position Limit:

A person may not own or control more than [] contracts, net long or net short, of Long-Short Technology TRAKRS. The position limit does not apply to certain types of bona fide hedging transactions, risk management positions and independently controlled positions. Prospective purchasers of Long-Short Technology TRAKRS should consult with their broker about the exemptions to the Long-Short Technology TRAKRS position limit prior to trading.

Minimum Price Fluctuation:

0.01 Index points, which is equivalent to \$0.01 per Long-Short Technology TRAKRS.

Calculation Agent:

An independent calculation agent will calculate and disseminate Index quotes every fifteen seconds during [regular trading hours]. See “Description of the Long-Short Technology TRAKRS Index.”

Last Trading Day:

July 30, 2005.

Final Settlement Date:

[Actual date].

Final Settlement Price:

Long-Short Technology TRAKRS Settlement Price, as calculated on the closing of the Final Settlement Date.