

An Explanation of Your Consolidated 1989 Tax Reporting Statement

Enclosed is your Merrill Lynch Tax Reporting Statement (Forms 1099) for 1989 reportable income. This unique statement is designed to make it easier for you, or your tax advisor, to prepare your tax return. It contains required reportable tax information relating to activities in your Merrill Lynch account during 1989. Please note that some of the information reported on your statement is provided to Merrill Lynch from outside sources, and may occasionally be subject to change.

This booklet explains the information that is included on your Tax Reporting Statement and, in many cases, how that information should be reported on your tax return. We have noted specific IRS publications available from your local IRS office that can provide further clarification.

Our comments reflect our understanding of IRS reporting rules and regulations. Please keep in mind that this guide deals only with federal, not state or local, income tax laws and regulations. The booklet is not a substitute for professional advice. You should consult your tax advisor for information about the consequences of your personal tax strategies and the implications of any requirements applying to your particular tax situation.

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What Your Tax Reporting Statement Covers

- Your statement provides a summary of 1989 taxable activities in your account as well as a detailed, chronological breakdown of tax-reportable transactions grouped under the appropriate category: dividends and other distributions, interest income, original issue discount and gross proceeds from dispositions of securities.
- The statement contains the tax information that Merrill Lynch is required to report to the IRS regarding your account activity. It legally substitutes for IRS Forms 1099-DIV, 1099-INT, 1099-OID and 1099-B. As such, it is a valid source for documenting the information you must report to the IRS.
- The statement includes distributions by mutual funds held in your Merrill Lynch account and incorporates income from your taxable Merrill Lynch money market funds positions.
- If you own securities, including mutual funds, that are not held in your Merrill Lynch account, you should receive notices of dividend and interest payments directly from the paying entities or their agents.
- In most cases, if you transferred your account from one Merrill Lynch office to another in 1989, and the account ownership and Taxpayer Identification Number (the Social Security number for individuals) remained the same, you will receive one Tax Reporting Statement for the entire year's activity.

What to Do if You Require Additional Information

We have specially trained client service representatives available to answer your inquiries and requests for corrections Monday through Friday from 8:00 a.m. to 7:00 p.m. Eastern time at the following numbers:

| | |
|---|---------------------------|
| Employee Stock Purchase Plan accounts (ESPP®) | 1-800-621-ESPP (621-3777) |
| Blueprint SM Program accounts | 1-800-637-3766 |

If corrections are required on reportable transactions, we will adjust the information we provide to the IRS and issue you a corrected statement.

Using Your Statement

The following material explains the information shown on your statement summary page and on the itemized reportable transactions pages. This information is grouped on a transactional basis and an explanation is given on how to report the information on your tax return.

Please note that, in addition to the taxable transaction information discussed below, your statement summary page also provides information on debits to your account for federal income tax withheld and for foreign tax paid. See explanation on page 4.

Dividends and Other Distributions

1. Summary of 1989 Reportable Activity

All amounts reported on lines 1B through 1E are totaled under the first item, Gross Dividends and Other Distributions on Stock, unless these distributions in the aggregate are less than \$10.

Fourth Quarter Mutual Fund Distributions: Dividends declared in October, November or December by regulated investment companies (including mutual funds and some money market funds) must be treated as if received (by shareholders of record in such a month) on December 31st if the dividend is actually paid during January of the following year. 1990 distributions subject to this requirement are included in the dividends section of your 1989 Tax Reporting Statement.

Capital Gain Distributions: Indicates the total amount of long-term capital gain dividend distributions received from mutual funds which are included in line 1A.

Non-Taxable Distributions: Line 1D shows the total amount of certain distributions that may represent, in whole or in part, a non-taxable return of capital rather than a taxable dividend. *Please note that in many cases, the tax status of certain distributions has not been fully established by the paying corporation at the time of our reporting deadline. If the tax status has not been fully established, we must report the distribution as fully taxable. If the distributing corporation later determines that a portion of the distribution is non-taxable, you will be provided with this information. You should then make an adjustment on your return as explained below. See "How to Report Your Dividend Distributions."*

| DIVIDENDS AND OTHER DISTRIBUTIONS | | 1989-DIV | AMOUNT |
|-----------------------------------|--|----------|--------------|
| CPR NO. 1545-8110 | | | |
| 1A | GROSS DIVIDENDS AND OTHER DISTRIBUTIONS ON STOCK | | \$6,778.38 * |
| 1B | ORDINARY DIVIDENDS | | \$6,274.45 |
| 1C | CAPITAL GAIN DISTRIBUTIONS | | \$503.93 |
| 1D | NON-TAXABLE DISTRIBUTIONS | | \$0.00 |
| 1E | INVESTMENT EXPENSES INCLUDED IN LINE 1A | | \$0.00 |
| 2 | FEDERAL INCOME TAX WITHHELD | | \$61.91 |
| 3 | FOREIGN TAX PAID | | \$108.88 |
| 4 | FOREIGN COUNTRY OR U.S. POSSESSION | | VARIOUS |
| 5 | LIQUIDATION DISTRIBUTIONS - CASH | | \$0.00 |
| 6 | LIQUIDATION DISTRIBUTIONS - NON-CASH | | \$0.00 |

2. Reportable Transaction Summary-Details

This section itemizes all taxable dividends credited to your account through Merrill Lynch. One type of dividend distribution warrants special mention:

Capital Gain Distributions: In addition to regular dividends, mutual funds (even those

funds whose income is tax-free) often distribute certain profits from the sale of securities as long-term capital gain dividend distributions to shareholders. The total amount of these distributions should be reported as long-term capital gains on your return, as explained below regardless of how long you held the fund shares.

3. How to Report Your Dividend Distributions

First, list the total of all dividends received through Merrill Lynch, together with any other dividend items, under line 4 of Schedule B, Part II of Form 1040, and total the amounts on line 5. Refer to the Schedule B extract which follows.

[illegible]

If the total of your dividend distributions is \$400 or less, you do not need to use Schedule B. You may report directly on Form 1040, page 1, line 9.

Next, enter the total of any capital gain distributions (line 6) and any non-taxable distributions (line 7). Non-taxable distributions might include returns of capital. (Information regarding the tax status of such distributions will be provided by the issuer or its agent.)

Then, subtract the sum of your capital gain distributions and non-taxable distributions, line 8, from the total amount of your dividend items, line 5. The result is entered on line 9 of Schedule B and on line 9, page 1, of Form 1040.

Capital gain distributions from mutual funds, which are subtracted from your Schedule B, must be reported as long-term capital gains on line 13, Part II of Schedule D, if you have other capital gains and/or losses to report. (Please refer to the Schedule D extract which follows.)

If you have no other Schedule D transactions, enter the full amount of your long-term capital gain distributions on line 14, page 1 of Form 1040.

[illegible]

Interest Income

1. Summary of 1989 Reportable Activity

This section reports taxable interest credited to your account in 1989, including interest received from certificates of deposit and bonds.

When preparing your tax return please note that your reportable interest is the sum of lines 1 (Interest on Bonds and Certificates of Deposit) and 3 (U.S. Savings Bonds, etc.). The interest reported on line 1 includes interest, accrued interest earned, taxable interest on municipal securities, accrued interest earned on taxable municipal securities, and interest on mortgage-backed obligations. Interest and accrued interest earned on U.S. Treasury bills, bonds and notes is included on line 3.

| INTEREST INCOME | | 1989-INT | AMOUNT |
|-------------------|---|----------|--------------|
| OMB NO. 1545-8112 | | | |
| 1 | INTEREST ON BONDS AND CERTIFICATES OF DEPOSIT..... | | \$4,140.85 M |
| 2 | AMOUNT OF FORFEITURE..... | | \$0.00 |
| 3 | U.S. SAVINGS BONDS, ETC. POSSESSION..... | | \$4,249.15 M |
| 4 | FEDERAL INCOME TAX WITHHELD..... | | \$120.00 |
| 5 | FOREIGN TAX PAID..... | | \$0.00 |
| 6 | FOREIGN COUNTRY OR U.S. POSSESSION..... | | VARIOUS |
| 7 | YOUR TOTAL REPORTABLE INTEREST IS THE SUM OF LINES 1 AND 3. | | |
| 8 | INVESTMENT EXPENSES INCLUDED IN LINE 1..... | | \$28.00 |

2. Reportable Transaction Summary-Details

This section itemizes the taxable interest credited to your account by Merrill Lynch. Each item of interest income included in the total shown on line 1 of your statement's summary page is listed separately and all items are totaled. All line 3 items are treated in the same fashion. This allows you to easily cross-check the line 1 and line 3 interest income totals with the detailed transaction information provided in this section of your statement. One type of interest income requires further explanation.

Accrued Interest Earned: This section itemizes the accrued interest you earned in 1989 other than from municipal and government securities. If you sell a taxable bond between interest payment dates, the buyer pays you an amount of interest that represents your earnings from the last interest payment to the day of sale. This "accrued interest earned" is taxable to you as interest income and is not included in reported gross proceeds.

| | | |
|--------------------------------|--------------------------|--------|
| <u>ACCRUED INTEREST EARNED</u> | | |
| 05/29 | DI GIORGIO CV15SP1210000 | 046.67 |
| | TOTAL ACCRUED INTEREST | 046.67 |

Gross Proceeds from Dispositions of Securities

1. Summary of 1989 Reportable Activity

This section totals the gross proceeds received from dispositions of securities, including sales, redemptions, called bonds, tender offers, certain principal payments and other dispositions for cash.

GROSS PROCEEDS FROM DISPOSITIONS OF SECURITIES
OMB NO. 1545-0712 1989-B

1 GROSS PROCEEDS LESS COMMISSIONS..... \$44,695.81
2 FEDERAL INCOME TAX WITHHELD..... \$2,175.47

2. Reportable Transaction Summary - Details

This section summarizes all gross proceeds credited to your account by Merrill Lynch. As required by law, Merrill Lynch must report gross proceeds from dispositions of securities, for each such transaction, to the client and to the IRS.

The detailed gross proceeds section of your statement, a sample of which is shown below, indicates both the trade and settlement dates for sales transactions. We included the settlement date because it determines when transactions appear on a quarterly statement. This allows you to more easily match up the transaction information included here with your quarterly statements. However, the trade date must be used for tax reporting purposes.

For items such as principal payments, returns of capital and tenders, only the settlement date is shown. That is the date you use in reporting any gross proceeds from such non-sale transactions.

For dispositions of debt securities, your statement shows the total amount of gross proceeds after subtracting the amount of any accrued interest earned to the date of disposition.

| 1989 GROSS PROCEEDS FROM DISPOSITIONS OF SECURITIES 1989-B | | | | | |
|--|---------------|---------------------|--|----------|-------------------|
| DATE SETTLED | TRADE DATE | TRANSACTION TYPE | SECURITY DESCRIPTION | QUANTITY | GROSS PROCEEDS |
| 02/27 | | PRIN PAYMT | USIP F GMA SRS | 62623675 | \$46.58 |
| 03/24 | | REDEMPTION | CORPORATE FUND IAP | 25 | \$742.00 |
| 03/28 | 03/23 | SALE | 01 GIORGIO QUSSP120000 | 10000 | \$24,550.18 |
| 03/28 | | FED TAX | 28% FED INC TAX W/HOLD | | \$2,175.47 |
| 04/22 | 04/15 | SALE | UNOCAL CORP | 388 | \$1,721,918 |
| 05/04 | | TENDER | SIMONS A B | 315 | \$261,979.3 |
| 05/16 | 05/09 | SALE | TIGER SER 6 MAY15 93 9900 | 2000 | \$234,567.8 |
| 05/17 | 05/10 | SALE | US TST JAN17 8 5/8 9900 | 10000 | \$385,748.6 |
| 12/28 | 12/21 | SALE | N.J. SPORTS COMPLEX REV 11% JUN2005 | 10000 | \$864,914.0 |
| TOTAL GROSS PROCEEDS | | | | | \$44,695.81 |
| TOTAL WITHHELD ON GROSS PROCEEDS | | | | | \$2,175.47 |

3. How to Report Your Gross Proceeds

List gross proceeds amounts either under line 2a, column d (sales price), on Part I of Schedule D if the assets were held one year or less, or under line 9a, column d, on Part II of Schedule D if the assets were held more than one year. See the extract from Schedule D on page 3.

Please note that we show the net amount of gross proceeds after commissions on your

Tax Reporting Statement. This is the sales price that you report.

Keep in mind that the *trade* date now determines the year in which you must recognize a gain as well as a loss. So, if you sold securities for a gain close to year-end, you must report the gain in 1989 even if the trade did not settle until 1990.

What to Do if You Had Federal Income Taxes Withheld or Foreign Taxes Paid

Back-up Withholding

The law requires that 20% back-up withholding be deducted from all reportable dividends, interest and gross proceeds for U.S. citizens or residents who failed to furnish a valid Taxpayer Identification Number or the appropriate certification (Form W-9). If you are neither a U.S. citizen nor resident, and have an account in any U.S. or foreign office, you are required to file a Form W-8 (Certification of Foreign Status) to claim exemption from 20% back-up withholding. If you are currently subject to back-up withholding because you have not met the above requirements and you wish to avoid continued back-up withholding in 1990, immediately contact your customer service representative at the toll-free number listed on page 2.

Also note that back-up withholding is required if the IRS notifies Merrill Lynch that a taxpayer has underreported dividends or interest in the past.

When you file your 1989 return, include any back-up withholding (if it hasn't been refunded to you as a credit) as a payment toward your federal income tax liability on line 54 of Form 1040.

Foreign Tax

All dividends and interest received by U.S. citizens and residents from foreign corporations are reported to the IRS in the gross amount before reduction of foreign taxes withheld by the foreign payor. Any foreign taxes withheld by the foreign payor are shown as a debit on your consolidated statement.

You must report the gross amount of dividends and interest paid by foreign corporations on Schedule B even though you received only a net payment. Foreign tax withheld may be treated as a tax credit on your return or as an itemized deduction. For more information on claiming foreign tax credits or deductions, see IRS Publication 514, "Foreign Tax Credit for U.S. Citizens and Resident Aliens."

Frequently Asked Questions

Gross Proceeds

Q1. How much did I pay for my stock? How much money did I make when I sold my stock?

A1. The total price you originally paid for your stock is referred to as the cost basis. The cost basis can be determined by comparing the purchase price each time a purchase was made with the actual selling price of shares that were sold. The comparison of prices should be made on a first in, first out basis. This means the purchase price of the first shares you bought should be matched against the selling price of the first shares you sold.

Buying and selling prices are recorded on your quarterly statement during the quarter in which the transaction occurred.

Merrill Lynch cannot determine your cost basis for you. We will report to the IRS the proceeds of any sale paid to you. It is your responsibility to determine if your investment was sold at a profit or a loss.

Q2. I sold 200 shares of stock at a loss in 1989, and Merrill Lynch reported the sale under gross proceeds for the year. Why was the sale reported when I had no gain on the sale and, therefore, should owe no taxes on it?

A2. Merrill Lynch is required to report gross proceeds on most dispositions of securities even when transactions do not result in a taxable gain. When you report the transaction on Schedule D you will indicate not only the amount of the sale proceeds, but also your cost basis for the stock and the amount of your loss.

Q3. Why did Merrill Lynch report as dividends certain non-taxable distributions that I received, and how do I treat them on my tax return?

A3. As noted on page 2, the exact status of distributions has not always been determined by the distributing corporation at the time of our reporting deadline. In that case, we must report the distribution as fully taxable. If later information from the issuer changes the status from taxable to non-taxable, you should make an adjustment on your return as explained on page 2.

Other distributions that are made in the form of principal payments or returns of capital may be non-taxable distributions. However, if they have been reported to the IRS by Merrill Lynch on Form 1099-B (Gross Proceeds), you must attach a statement to Schedule D of Form 1040 explaining the difference between what we reported and what you reported on your tax return.

Although non-taxable distributions are usually returns of capital, once the distributions received equal your tax basis, any additional

amounts are taxable as capital gains even if reported as non-taxable. For more information, see IRS Publication 550, "Investment Income and Expenses."

Q4. How do I determine the tax basis of shares of stock acquired through automatic dividend reinvestment?

A4. Generally, the basis of shares purchased through an automatic reinvestment program is the amount of the dividend that was reinvested to purchase those shares. The holding period for those shares begins the day after the dividend distribution date. Because stock prices generally fluctuate over time, the number of shares acquired each quarter will most likely vary. The account statements will show the amount of the dividend and the number of shares acquired on each distribution date. In the case of mutual funds, the investor may elect to use an average cost method of basis computation.

Miscellaneous

Q5. Are any annual fees charged to my account tax deductible?

A5. Generally, yes. They are included in the total of miscellaneous itemized deductions, which are deductible to the extent that they exceed 2% of adjusted gross income. You should consult your tax advisor about your particular situation.

Q6. How do I get back copies of my quarterly statements?

A6. Quarterly statements for the last two quarters will be sent to you free of charge simply by calling the toll-free number and requesting copies of the statements needed.

Statements prior to September 1989 must be requested in writing. A fee of \$5 per statement must accompany your request. Requests for statements should be mailed to:

For Blueprint clients:

The Merrill Lynch Blueprint Program
P.O. Box 30412
New Brunswick, NJ 08989-0412
Attention: Tax Team

For ESPP clients:

Merrill Lynch Employee
Financial Services
P.O. Box 30430
New Brunswick, NJ 08989-0430
Attention: Tax Team

Please indicate your account number and the specific statement periods in which you are interested. Merrill Lynch is able to retrieve statement records for the previous seven years as required by law.