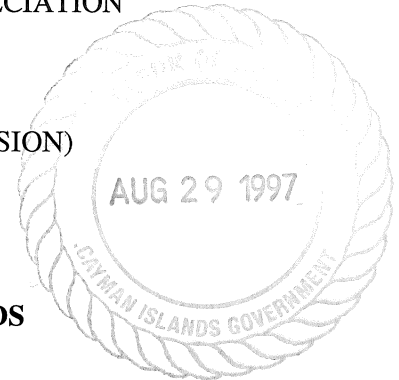


IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO. 655 OF 1997

IN THE MATTER OF: MERRILL LYNCH CAPITAL APPRECIATION
COMPANY LIMITED II

AND IN THE MATTER OF: THE COMPANIES LAW (1995 REVISION)



TO: HER MAJESTY'S GRAND COURT OF THE CAYMAN ISLANDS

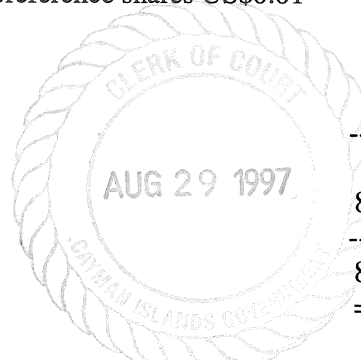
THE HUMBLE PETITION of the abovenamed MERRILL LYNCH CAPITAL APPRECIATION COMPANY LIMITED II ("the Company") whose registered office is situated at the offices of Caledonian Bank & Trust Limited, Caledonian House, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands, BWI, sheweth as follows:-

1. The object of this petition is to seek:-
 - (i) confirmation by the Court pursuant to Section 13(1) of the Companies Law (1995 Revision) ("the Law") of the reduction of the capital of the Company referred to in paragraph 8 below;
 - (ii) the leave of the Court to dispense with the requirements of Subsection (2) of Section 14 of the Law pursuant to Subsection (3) of Section 14 of the Law, and;
 - (iii) the leave of the Court to dispense with the requirements of Subsection (2) of Section 15 of the Law pursuant to Subsection (3) of Section 15 of the Law.
2. The Company was formed on and registered on 21st July, 1988 under the Companies Law, Cap. 22 as a Company limited by shares.
3. The registered office of the Company is situated at the offices of Caledonian Bank & Trust Limited, Caledonian House, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands, BWI.
4. The objects for which the Company was incorporated are unrestricted and the Company has full power and authority to carry out any object not prohibited by any law as provided by Section 6(4) of the Law.
5. After its incorporation the Company commenced business and has since continued to carry on business.
6. The authorised capital of the Company was originally US\$900,000.00 divided into 100 management shares of a nominal or par value of US\$1.00 each and 89,990,000 unclassified shares of a nominal or par value of US\$0.01 each. Of the 89,990,000 unclassified shares the following classified shares have been issued:-

Fully paid participating redeemable preference shares US\$0.01	203,701
Partially paid participating redeemable preference shares US\$0.01	47,565
Fully paid common shares US\$0.01	314
Partially paid common shares US\$0.01	13,693
Nominal shares US\$0.01	4,097,607

Total classified shares issued	4,362,880
Unclassified shares US\$0.01	85,627,120

TOTAL	89,990,000
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7. By article 10 of the Articles of Association of the Company it is provided that the directors may issue any of the unclassified shares in the capital of the Company as nominal shares, common shares or as participating shares. Further article 24 of the Articles of Association of the Company provides that participating shares and common shares shall be issued on such terms and at such times as may be determined by the directors.
8. It is proposed that the share capital of the Company will be reduced by paying to the holders of the partially paid participating redeemable preference shares of the Company (the "partially paid shares") the nominal value of the partially paid shares and thereafter cancelling the partially paid shares thereby extinguishing any previous liability in respect thereof. As indicated at paragraph 6 there are 47,565 partially paid participating redeemable preference shares in issue paid up in the amount of US\$0.01 each. These are the shares to be cancelled.
9. All of the shareholders of the Company entitled to vote have at an extraordinary general meeting of the Company adopted resolutions approving the proposed reduction in the share capital of the Company referred to at paragraph 8 above.
10. The holders of all the common shares, management shares, nominal shares and participating redeemable preference shares of the Company have at meetings of classes of such shareholders adopted resolutions approving the proposed reduction in the share capital of the Company referred to at paragraph 8 above.
11. By article 73 of the Articles of Association of the Company it is provided that the Company may by special resolution reduce its share capital in any way.
12. The form of minute proposed to be registered is as follows:-

"By virtue of a reduction of capital sanctioned by special resolutions of the shareholders of Merrill Lynch Capital Appreciation Company Limited II ("the Company") dated 20th June, 1997 and by unanimous resolutions of the holders of all the common shares, management shares, nominal shares and participating redeemable preference shares of the Company and by an Order of the Grand Court dated the day of , 1997, a reduction of the share capital of the Company was effected. The capital of the Company was reduced by paying to the holders of the partially paid participating redeemable preference shares of the Company (the "partially paid shares") the nominal value of the partially paid shares and thereafter cancelling the partially paid shares thereby extinguishing any previous liability in respect thereof. At the date of registration of this minute, the

authorised capital of the Company is US\$899,524.35 divided as follows:-

Fully paid participating redeemable preference shares US\$0.01	203,701
Fully paid common shares US\$0.01	314
Partially paid common shares US\$0.01	13,693
Nominal shares US\$0.01	4,097,607
Unclassified shares US\$0.01	85,627,120

TOTAL	89,942,435
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US\$ equivalent	US\$899,424.35
Add management shares US\$1.00	100.00

	US\$899,524.35
	===== "

Your Petitioner therefore humbly prays as follows:-

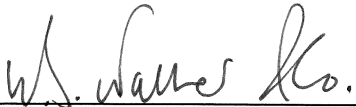
- (1) That the reduction of the capital described in paragraph 8 of this petition may be confirmed and the minutes set forth in paragraph 12 of this petition may be approved by the Court.
- (2) That Sections 14(2) and 15(2) of the Companies Law (1995 Revision) shall not apply.
- (3) That to this end all inquires and directions necessary and proper may be made or given.
- (4) That such other Order may be made in the premises as the Court shall deem meet.

And your Petitioner will ever pray.

NOTE: It is not intended to serve this Petition on any person.

DATED this 29th day of August, 1997.





W.S. WALKER & COMPANY
Attorneys-At-Law for the Petitioner



TIME ESTIMATE: The estimated length of the hearing of this Petition is 30 minutes.

THIS PETITION was filed by W.S. Walker & Company, Attorneys-at-Law for the Petitioner whose address for service is that of its said Attorneys-at-Law, Caledonian House, P.O. Box 265, George Town, Grand Cayman, Cayman Islands.