

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 27, 1996 Commission file number 1-7182

MERRILL LYNCH & CO., INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-2740599
(I.R.S. Employer
Identification No.)

World Financial Center - North Tower
250 Vesey Street
New York, New York
(Address of principal executive offices)

10281
(Zip Code)

Registrant's telephone number, including area code: (212) 449-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$1.33 1/3	New York Stock Exchange; Chicago Stock Exchange; The Pacific Stock Exchange; The Paris Stock Exchange; London Stock Exchange; and The Tokyo Stock Exchange
Depository Shares representing 1/400th share of 9% Cumulative Preferred Stock, Series A	New York Stock Exchange
Rights to Purchase Series A Junior Preferred Stock	New York Stock Exchange; Chicago Stock Exchange; The Pacific Stock Exchange; The Paris Stock Exchange; London Stock Exchange; and The Tokyo Stock Exchange
S&P 500 Market Index Target-Term Securities ("MITTS") due August 29, 1997; S&P 500 MITTS due July 31, 1998; S&P 500 MITTS due May 10, 2001; European Portfolio MITTS due June 30, 1999; Global Telecommunications Portfolio MITTS due October 15, 1998; S&P 500 MITTS due September 16, 2002; Technology MITTS due August 15, 2001; Top Ten Yield MITTS due August 15, 2006; Healthcare/Biotechnology Portfolio MITTS due October 31, 2001; Stock Market Annual Reset Term Notes ("SMART Notes") due December 31, 1997; SMART Notes due December 31, 1999 (Series A); Global Bond Linked Securities ("GloBLS") due December 31, 1998; Equity Participation Securities with Minimum Return Protection due June 30, 1999; Currency Protected Notes ("CPNs") due December 31, 1998; 6 1/2% Structured Yield Product Exchangeable for Stock ("STRYPES") due August 15, 1998; 6% STRYPES due June 1, 1999; 6 1/4% STRYPES due July 1, 2001; 7 1/4% STRYPES due June 15, 1999	New York Stock Exchange
Japan Index Equity Participation Securities with Minimum Return Protection due January 31, 2000; AMEX Oil Index SMART Notes due December 29, 2000; Greater of U.S. Dollar/Japanese Yen Put Currency	American Stock Exchange

Warrants, expiring May 15, 1997;
Russell 2000 Index Call Warrants
expiring November 17, 1998; AMEX
Hong Kong 30 Index Equity
Participation Notes due February
16, 1999

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. Yes [X] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 14, 1997, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$15.1 billion.

As of March 14, 1997, there were 166,901,160 shares of Common Stock outstanding (which amount includes 1,538,778 shares held by the Merrill Lynch & Co., Inc. Employee Stock Ownership Plan that are not considered outstanding for accounting purposes).

DOCUMENTS INCORPORATED BY REFERENCE:

1. Merrill Lynch & Co., Inc. 1996 Annual Report to Stockholders - Incorporated by reference in part in this Form 10-K in Parts I, II, and IV.
2. Merrill Lynch & Co., Inc. Proxy Statement for its 1997 Annual Meeting of Stockholders dated March 10, 1997 - Incorporated by reference in part in this Form 10-K in Parts III and IV.

=====

PART I

ITEM 1. BUSINESS

OVERVIEW

Merrill Lynch & Co., Inc.*, a Delaware corporation formed in 1973, is a holding company that, through its subsidiaries and affiliates, provides investment, financing, insurance, and related services on a global basis.** Such services include securities brokering, trading, and underwriting; investment banking, strategic services, and other corporate finance advisory activities, including loan syndication; asset management and other investment advisory and record-keeping services; trading of foreign exchange instruments, futures, commodities, and derivatives; securities clearance services; banking, trust, and lending services including mortgage lending and related services; and insurance sales and underwriting services. Merrill Lynch's subsidiaries and affiliates, which are organized and managed under a dual franchise consisting of the Merrill Lynch Private Client Group ("Private Client") and the Merrill Lynch Corporate and Institutional Client Group ("CICG"), provide these services to a wide array of clients, including individual investors, small businesses, corporations, governments and governmental agencies, and financial institutions. At the end of 1996, total assets in Merrill Lynch client accounts were \$839 billion. Merrill Lynch was the leading underwriter of U.S. and global debt and equity securities for 1996.

Merrill Lynch conducts its business from its World Headquarters facility in New York City, additional principal locations in New Jersey, London, Tokyo, Hong Kong, Singapore, various other regional facilities located in the United States and in other countries, and in numerous retail sales and other offices throughout the world. At December 27, 1996, Merrill Lynch employed approximately 49,800 people.

The financial services industry, in which Merrill Lynch is a leading participant, is highly competitive and highly regulated. It is directly affected by general economic conditions, trends in business and finance, government regulation, and investor sentiment, as well as by changes in market variables such as interest rates, currency rates, volatility in equity and commodity prices, and credit spreads both in the United States and throughout the world. Merrill Lynch's revenues are particularly sensitive to industry and general economic conditions, the volume of securities transactions, and securities price levels. In addition, its business is subject to currency rate fluctuations, regulation by the U.S. government and by non-U.S. governments, and other factors inherent in worldwide operations. Furthermore, its business activities are subject to varying degrees of risk and profitability depending upon the nature of the activity and the extent to

which it has placed its capital at risk in the conduct of a variety of transactions, including dealer transactions, investment banking, derivative transactions, syndicated and bridge loan financing, and other related transactions.

- - - - -

* Unless the context otherwise requires, the term "Merrill Lynch" means Merrill Lynch & Co., Inc. and includes the consolidated subsidiaries of Merrill Lynch & Co., Inc. The term "ML & Co." is used herein to refer to Merrill Lynch & Co., Inc., the parent holding company.

** In addition to historical information contained or incorporated by reference in this report on Form 10-K, Merrill Lynch may make or publish forward-looking statements about management expectations, strategic objectives, business prospects, anticipated financial performance, and other similar matters. In order to comply with the terms of the safe harbor for such statements provided by the Private Securities Litigation Reform Act of 1995, Merrill Lynch notes that a variety of factors, many of which are beyond its control, affect its operations, performance, business strategy, and results and could cause actual results and experience to differ materially from the expectations expressed in these statements. These factors include, but are not limited to, the effect of changing economic and market conditions, trends in business and finance and in investor sentiment, the volume of securities transactions, securities price levels, the level and volatility of interest rates, currency values and equity and commodity prices, the actions undertaken by both current and potential new competitors, the impact of current, pending, and future legislation and regulation both in the United States and throughout the world, and the other risks and uncertainties detailed in "Overview", "Competition", and "Regulation" contained in this Form 10-K, and in "Management's Discussion and Analysis" incorporated by reference herein. Merrill Lynch undertakes no responsibility to update publicly or revise any forward-looking statements.

Merrill Lynch conducts its worldwide business through a number of highly integrated subsidiaries and affiliates which frequently participate together in the facilitation and consummation of a single transaction. Financial information concerning Merrill Lynch for each of the three fiscal years ended on the last Friday in December of 1996, 1995 and 1994, including the amount of total revenue contributed by classes of similar products or services that accounted for 10% or more of its consolidated revenues in any one of these fiscal periods and information with respect to Merrill Lynch's operations by geographic area, is set forth in Merrill Lynch's Consolidated Financial Statements and the Notes thereto in the 1996 Annual Report to Stockholders, which are incorporated herein by reference.

The business activities of certain significant domestic and international Merrill Lynch subsidiaries that compose its Private Client and CICG dual franchise are described below.

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), which traces its origin to a brokerage business founded in 1820, is one of the largest securities firms in the world. It conducts both Private Client as well as CICG business activities. It is a leading broker in securities, options contracts, and commodity and financial futures contracts; a leading dealer in options and in corporate and municipal securities; a leading investment banking firm that provides advice to, and raises capital for, corporations and other institutional clients, sovereigns, and municipalities; and an underwriter of selected insurance products. Merrill Lynch Canada Inc. ("Merrill Lynch Canada"), a subsidiary of MLPF&S, provides certain of these financial services in Canada.

BROKERAGE TRANSACTIONS. A significant portion of MLPF&S's revenues is generated by the commissions that it earns as a broker (i.e., agent) for investors in the purchase and sale of corporate securities, primarily common and preferred stocks and bonds traded on securities exchanges or in the over-the-counter markets. MLPF&S also acts as a broker for investors in the purchase and sale of mutual funds, money market instruments, government securities, corporate and high-yield bonds, municipal securities, futures, and options, including option contracts for the purchase and sale of various types of securities. MLPF&S provides such services to individual and institutional investors.

MLPF&S has established commission rates for all brokerage services that it performs. For accounts that are actively traded, however, MLPF&S's policy is to negotiate commissions based on economies of size and the complexity of the particular trading transaction and, additionally, for its institutional customers, based on the competitive environment and trading opportunities. MLPF&S customers participating in the Blueprint(SM) program can purchase certain equity securities, mutual funds, and precious metals at a lower cost due to order processing efficiencies.

At December 27, 1996, there were approximately 8.1 million retail and institutional customer accounts worldwide at MLPF&S, compared to 7.6 million accounts at year-end 1995. These customer accounts were served by MLPF&S in the

United States and other Merrill Lynch affiliates outside the United States through approximately 14,400 retail financial consultants and institutional account executives, including trainees (as compared with approximately 13,900 at year-end 1995), in more than 500 branch offices and 150 special market offices ("SMOs") in the United States and various non-U.S. locations.

During 1996, Merrill Lynch began several initiatives to enhance client service and to support its network of financial consultants and institutional account executives. Merrill Lynch continued

2

to develop its Trusted Global Advisor(SM) technology ("TGA") in 1996, which is designed to assist Merrill Lynch financial consultants in financial planning for clients, client profiling, portfolio and performance modeling, news retrieval, order entry, and inventory tracking. By accessing the Merrill Lynch OnLine(SM) service, clients are able to access account information and communicate with their financial consultants through their personal computers.

As part of its brokerage activities, MLPF&S, as a futures commission merchant, introduces customers to its affiliate Merrill Lynch Futures Inc. ("MLF") for the purchase and sale of futures contracts and options on such futures contracts in substantially all exchange-traded commodity and financial futures products. MLPF&S and certain of its affiliates may also take proprietary market positions in futures and futures options in certain instances. MLF holds memberships on all major commodity and financial futures exchanges and clearing associations in the United States and it also carries positions reflecting trades executed on exchanges outside of the United States.

All futures and futures options transactions are cleared through and carried by MLF and other Merrill Lynch subsidiaries engaged in futures clearing activities. As a result of their membership in the clearing associations of various futures exchanges, these entities have potentially significant financial exposure in the event that other members of futures clearing houses default materially in their obligations to such clearing houses. In addition, as with any margin transaction, the risk of loss to MLF and its customers from the trading of futures contracts is greater than the risk in cash securities transactions, primarily as a result of the low initial margin requirements (good faith deposits) relative to the value of the actual futures contracts. MLF may have financial exposure if a customer fails to meet a margin call. Net worth requirements, financial reviews, margin procedures, and other credit standards established for MLF customer futures accounts are intended to limit any exposure to MLF resulting from its trading in futures accounts. For information concerning Merrill Lynch's credit management policies, see the information set forth in "Management's Discussion and Analysis -- Risk Management -- Credit Risk" in the 1996 Annual Report to Stockholders, which information is incorporated herein by reference.

DEALER TRANSACTIONS. MLPF&S regularly makes a market in the equity securities of approximately 870 U.S. corporations. In addition, it engages in market-making for approximately 4,800 securities of non-U.S. issuers traded in the over-the-counter markets. Its market-making activities are conducted with customers and other dealers. In addition, as a block positioner, MLPF&S regularly acts as a market-maker in certain listed securities. MLPF&S is also a dealer in municipal, mortgage-backed, asset-backed, and corporate fixed-income securities. MLPF&S engages in certain commodity-related transactions as a principal, such as purchase and repurchase transactions and precious metals consignments.

As an adjunct to its trading activities, MLPF&S places its capital at risk by engaging in block positioning to facilitate transactions in large blocks of listed and over-the-counter securities and by engaging, from time to time, in arbitrage transactions for its own account. In its block positioning activities, MLPF&S purchases securities, or sells securities short for its own account, without having full commitments for their resale or covering purchase, thereby employing its capital to effect large transactions. Such positioning activities are undertaken after analyzing a given security's marketability and any position taken typically is liquidated as soon as practicable. In addition, MLPF&S facilitates various trading strategies involving the purchase and sale of financial futures contracts and options, and, in connection with this activity, it may establish positions for its own account and risk.

3

Other Merrill Lynch subsidiaries act as dealers in certain specified securities, including governmental obligations; engage in interest rate and foreign currency swaps and other derivative product transactions with third parties on a principal or an intermediary basis; and act as foreign exchange dealers. For additional information on Merrill Lynch's dealer activities, see below "Merrill Lynch Government Securities Inc.", "Merrill Lynch's Derivative Products and Services", and "Merrill Lynch's Banking, Trust, and Mortgage Lending and Related Activities".

INVESTMENT BANKING. MLPF&S is a major investment banking firm that, participates in every aspect of investment banking for corporate, institutional, and governmental clients and acts in principal, agency, and advisory capacities. In addition to underwriting the sale of securities to the public, it arranges for the private placement of securities with investors. MLPF&S also provides a broad range of financial and corporate advisory services for its clients on strategic matters, including mergers and acquisitions, divestitures, restructurings, spin-offs, leveraged buyouts, defensive projects, project financing, mortgage and lease financing, capital structure, and specific financing opportunities.

MLPF&S, either directly or through affiliates, provides advice, valuation services, and financing assistance and engages in the underwriting and private placement of high-yield securities in connection with leveraged buyouts and other acquisition-related transactions. MLPF&S and its affiliates have, from time to time, taken principal positions in transactions. It may extend credit to clients in the form of senior and subordinated debt, as well as bridge financing on a select basis. In addition, it may syndicate loans in connection with corporate transactions, including leveraged transactions. Substantial funds may be provided to clients on a temporary basis until permanent financing is obtained. Additionally, MLPF&S and its affiliates occasionally retain equity interests in the subject companies in connection with their non-investment grade underwriting and merchant banking activities. Before MLPF&S and its affiliates engage in any of these financing activities, an analysis is performed to ascertain the underlying creditworthiness of the particular client and the liquidity of the market for securities that may be issued in connection with any such financings and to determine the likelihood of refinancing within a reasonable period.

Merrill Lynch, through various subsidiaries and affiliates, including Merrill Lynch Capital Partners, Inc. ("MLCP"), has made investments in equity and debt securities in acquisition transactions, including leveraged buyouts, for which MLPF&S has acted as financial advisor or underwriter. MLCP provides management services for two leveraged buyout funds (the "Funds") which have been funded primarily by private investors. Merrill Lynch, through MLPF&S and its other subsidiaries, may underwrite, trade, invest, and make markets in certain securities of companies in which the Funds have invested. In addition, it may provide financial advisory services to these companies. Merrill Lynch Capital Corporation ("ML Capital Corp.") has been a participant in middle-market leveraged acquisitions and, as principal, provides senior and subordinated financing to certain companies utilizing ML & Co.'s capital. By year-end 1996, ML Capital Corp. had disposed of substantially all of its equity investments.

For additional information on these investment banking activities, see "Management's Discussion and Analysis -- Non-Investment Grade Holdings and Highly Leveraged Transactions" in the 1996 Annual Report to Stockholders, which information is incorporated herein by reference.

MARGIN LENDING. MLPF&S also provides financing to clients, including margin lending and other extensions of credit. In a margin-based transaction, MLPF&S extends credit for a portion of the market value of the securities in the customer's account up to the limit imposed by

4

internal MLPF&S policies and applicable margin regulations. Since MLPF&S may have financial exposure if a customer fails to meet a margin call, any margin loan made by MLPF&S is collateralized by securities in the customer's margin account. Financial reviews, margin procedures, and other credit standards have been implemented in an effort to limit any exposures resulting from this margin lending activity. Interest on margin loans is an important source of revenue for MLPF&S. To finance margin loans, MLPF&S uses funds on which it pays interest (including parent company borrowings), funds on which it does not pay interest, including its own capital, funds derived from customers' free credit balances to the extent permitted by regulations, and funds derived from securities loaned. For additional information concerning Merrill Lynch's risk management policies in this area, see "Management's Discussion and Analysis -- Risk Management -- Credit Risk" in the 1996 Annual Report to Stockholders, which information is incorporated herein by reference.

RESEARCH ACTIVITIES AND DISTRIBUTION. The Global Securities Research and Economics Group provides equity, fixed-income, and economic research services on a global basis to Merrill Lynch's institutional and retail sales forces and their customers. This group covers and distributes fundamental equity and fixed-income research, technical market and quantitative analyses, convertible securities analyses, investment and fixed-income strategy recommendations, high-yield debt securities research, credit research on municipal securities, and futures research information. More than 2,800 companies located in 50 countries are covered by the group's analysts and other professionals, with at least half of the staff now dedicated to non-U.S. business. Information on industry sectors and countries is also gathered, analyzed, and distributed. Current information and investment opinions on these companies, industry sectors, and countries are available to all of Merrill Lynch's retail and institutional customers through their

financial consultants and account executives by means of a computer-based retrieval system available in each Merrill Lynch branch or affiliate office.

SECURITIES CLEARING SERVICES. MLPF&S provides securities clearing services through its subsidiaries, Broadcast Capital Corp. ("BCC") and Merrill Lynch Professional Clearing Corp. ("MLPCC"), formerly known as Wagner Stott Clearing Corp. BCC provides these services to approximately 91 unaffiliated broker-dealers. Those utilizing BCC's clearing services may also execute transactions through BCC's fixed-income desk and participate in underwritings of Defined Asset Funds(SM) sponsored by MLPF&S. While the introducing broker-dealer firm retains all sales functions with their customers, BCC services the customers' accounts and handles all settlement and credit aspects of transactions. MLPCC clears transactions for specialists and market-makers on various national and regional stock exchanges; clears commodities futures transactions for clients through a divisional clearing arrangement with MLF; and clears transactions of arbitrageurs, customers, and other professional trading entities.

SALES OF INVESTMENT PRODUCTS, ADVISORY PRODUCTS AND SERVICES, AND OTHER ACTIVITIES. In 1996, MLPF&S sold more than \$34 billion of mutual funds, including income, balanced, and growth funds, of which approximately \$16.4 billion represented sales of mutual funds advised by Merrill Lynch Asset Management, LP and Fund Asset Management, LP, its affiliates. MLPF&S sponsors the Defined Asset Fund product. This product consists of a series of funds that are unit investment trusts registered under the Investment Company Act of 1940 and that have invested in municipal obligations, corporate fixed-income securities, U.S. Government obligations, U.S. equity securities, and non-U.S. equity and debt securities. At the end of 1996, approximately \$15.0 billion of client funds were invested in Defined Asset Funds.

MLPF&S also provides a wide range of client services, including effecting trades in equity, fixed-income and other securities through its Cash Management Account(R) financial services

5

program (the "CMA(R) account service"). Participating customers may access their assets through VISA(R) cards issued by Merrill Lynch National Financial and Merrill Lynch Bank & Trust Co. and through checking services provided by Bank One, Columbus, N.A. Customers may also obtain, through a toll free information service and monthly account statements, information concerning the securities and balances in their CMA accounts and, if it includes a margin account, the loan value of margin securities in such account. At the end of 1996, there were more than 1.5 million CMA accounts held by Merrill Lynch's U.S. customers with aggregate assets of approximately \$368 billion and approximately 44,000 CMA accounts held by Merrill Lynch's clients outside the United States with aggregate assets of more than \$20 billion.

MLPF&S also offers the Capital Builder(SM) Account service ("CBA(R) account"), which was developed to meet the needs of the new investor. At the end of 1996, MLPF&S had more than 375,000 CBA accounts with assets of approximately \$18 billion.

MLPF&S offers various other services, including the Merrill Lynch Consults(R) service, the Asset Power(R) service, the Merrill Lynch Mutual Fund Advisor(SM) program, and the Financial Foundation(R) service. Merrill Lynch Consults is available for an annual fee to a retail or institutional client with at least \$100,000 to invest. Through the Merrill Lynch Consults service, MLPF&S assists in identifying such client's investment objectives so that appropriate third party investment managers can be selected for the client's investment. MLPF&S also provides periodic performance reports on the investment account. More than 25 of the investment managers participating in the Merrill Lynch Consults service manage portfolios in seven risk categories using varying proportions of equity and fixed-income instruments. At the end of 1996, approximately \$21 billion was held in approximately 87,000 client accounts subscribing to the Merrill Lynch Consults service.

The Asset Power service offers clients the option of paying an asset-based fee instead of paying commissions, loads, or similar charges. At the end of 1996, there were more than 21,000 Asset Power accounts with assets of approximately \$5.6 billion.

The Merrill Lynch Mutual Fund Advisor program is a discretionary investment advisory service investing in a portfolio of mutual funds selected from the Merrill Lynch Asset Management family of funds and many other top fund families. MLPF&S retains day-to-day management of each client's portfolio, customizing the asset allocation strategy where appropriate. At the end of 1996, there were more than 50,000 Merrill Lynch Mutual Fund Advisor accounts with assets of more than \$3.1 billion.

Through the Financial Foundation program, MLPF&S offers a planning tool that analyzes an individual client's assets, liabilities, and expectations to examine financial goals and to develop plans to address them. Merrill Lynch's financial consultants have provided over 500,000 Financial Foundation plans to customers.

MLPF&S also provides a wide variety of retirement plan products, particularly investment, employee education, and record-keeping services to 401(k) and other benefit plans. At the end of 1996, it provided these services to approximately 10,500 plans, representing \$45 billion in plan assets. MLPF&S also provides custodial services to individual investors in connection with the investors' maintenance of Individual Retirement Accounts (IRAs), including IRAs established under Simplified Employee Pension plans pursuant to Section 408 of the Internal Revenue Code and related Treasury Department regulations. At the end of 1996, there were approximately 2,010,000 accounts representing approximately \$111 billion in customer assets.

6

MERRILL LYNCH INTERNATIONAL INCORPORATED

Merrill Lynch International Incorporated ("MLI") and its subsidiaries and affiliates provide comprehensive investment, financing, and related services on a global basis outside the United States and Canada to individual investors and to sovereign governments, corporations, and other institutional clients. MLI's worldwide trading operations, particularly in London and Tokyo, make it one of the largest dealers and secondary market-makers in Eurobonds and other internationally traded securities and futures and a significant participant in the over-the-counter equity derivatives business. MLI also engages in foreign exchange transactions (including options on non-U.S. currencies) as a dealer and consequently assumes principal positions in numerous currencies and related options. For additional information on Merrill Lynch's dealer activities, see "Merrill Lynch Government Securities Inc.", "Merrill Lynch's Derivative Products and Services", and "Merrill Lynch's Banking, Trust, and Mortgage Lending and Related Activities".

MLI and its subsidiaries and affiliated companies are members of various non-U.S. stock and futures exchanges and engage in over-the-counter and exchange-listed trading of commodities, including precious and base metals. The investment, financing, and market-making operations of MLI and its affiliates are conducted through a network of offices, including representative and liaison offices, located in more than 40 countries outside the United States and Canada. This office network services major "money center" institutions as well as thousands of smaller regional institutions and individual investors.

In 1996, Merrill Lynch strengthened its presence in several major global financial markets through strategic acquisitions and initiatives. During 1996, Merrill Lynch acquired McIntosh Securities Limited, one of Australia's largest brokerage firms; purchased the business of a leading Spanish financial services company, FG Inversiones Bursatiles, which is engaged in the origination, research, trading, and distribution of Spanish securities and in the provision of asset management and advisory services; and acquired the Milan-based equity research and sales organization of Carnegie Italia. In addition, Merrill Lynch also increased its presence and the scope of its activities in India by entering into several separate joint ventures with DSP Financial Consultants Limited and expanded its activities in other countries, including Argentina, Brazil, France, and South Africa.

Information on the derivatives business and the international banking and foreign exchange activities of MLI and certain of its subsidiaries is set forth below under the captions "Merrill Lynch's Derivative Products and Services" and "Merrill Lynch's Banking, Trust, and Mortgage Lending and Related Activities".

MERRILL LYNCH'S ASSET MANAGEMENT ACTIVITIES

Merrill Lynch's asset management activities are conducted through, or managed by, Merrill Lynch Asset Management, LP, Fund Asset Management, LP, and their affiliates (together, "MLAM"). MLAM constitutes the investment management arm of Merrill Lynch and is one of the largest mutual fund managers in the world. By the end of 1996, total assets under management at MLAM approximated \$234 billion, as compared with \$196 billion at year-end 1995. In 1996, sales of equity and bond funds managed by MLAM approximated \$16.4 billion.

At the end of 1996, through portfolio managers located in the United States, Japan, Hong Kong, and throughout Europe, MLAM managed 222 portfolios representing a wide variety of investment objectives ranging from money market funds to long-term taxable and tax-exempt fixed-income funds, along a broad spectrum of quality ratings and maturities. In connection with its management activities, MLAM may access the global investment strategy, security analysis, and

7

economic research capabilities of Merrill Lynch's Global Securities Research and Economics Group.

In addition, MLAM offers a wide variety of equity funds which in the aggregate invest in more than 48 markets globally. MLAM open-end funds, other than

money-market funds, are generally offered pursuant to the Merrill Lynch Select Pricing(SM) System which allows investors four purchase alternatives.

MLAM's other major business activity is separate account management. Separate account assets under management were \$42.5 billion at the end of 1996 (which includes approximately \$3.5 billion of general account assets managed on behalf of insurance companies that are affiliates of MLAM) as compared with approximately \$26.2 billion in 1995 (which amount includes approximately \$3.9 billion of general account assets managed on behalf of insurance companies that are affiliates of MLAM).

In November 1996, Merrill Lynch Capital Management Group, the institutional asset management arm of MLAM, strengthened its institutional management capabilities and added to its assets under management through the acquisition of Hotchkis and Wiley, a Los Angeles-based institutional investment management firm. Hotchkis and Wiley, with a product range that includes U.S. and non-U.S. value-oriented equities, provides domestic and global asset management to an expanded segment of the institutional markets.

MERRILL LYNCH GOVERNMENT SECURITIES INC.

Merrill Lynch Government Securities Inc. ("MLGSI") is a primary dealer in obligations issued or guaranteed by the United States Government and by Federal agencies or other government-sponsored entities, including Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA"), and Federal Home Loan Mortgage Corporation ("FHLMC"). It is one of 37 primary government securities dealers that daily report positions and activities to the Federal Reserve Bank of New York. It is a dealer in GNMA, FNMA, and FHLMC mortgage-backed-pass-through certificates and deals in related futures, options, and forward contracts for its own account, to hedge its own risk, and to facilitate customers' transactions.

MLGSI's transactions in obligations of the United States Government, Federal agencies and government-sponsored entities involve large dollar amounts and small dealer spreads. As an integral part of its business, MLGSI enters into repurchase agreements whereby it obtains funds by pledging its own securities as collateral. The repurchase agreements provide financing for MLGSI's dealer inventory and serve as short-term investments for MLGSI's customers. MLGSI also enters into reverse repurchase agreements whereby it provides funds against the pledge of collateral by customers. Such agreements provide MLGSI with needed collateral and provide MLGSI's customers with temporary liquidity for their investments in United States Government and agency securities.

MERRILL LYNCH'S DERIVATIVE PRODUCTS AND SERVICES

Merrill Lynch Capital Services, Inc. ("MLCS") and Merrill Lynch Derivative Products AG ("MLDP") are Merrill Lynch's primary derivative product dealers and act as intermediaries and principals in a variety of interest-rate, currency, and other over-the-counter derivative transactions. In addition, Merrill Lynch Capital Markets PLC, and, effective January 1, 1997, Merrill Lynch International, engage in the equity derivatives business in the over-the-counter markets. Merrill Lynch Capital Markets Bank Limited ("ML Capital Markets Bank"), established

8

in Dublin, Ireland, is a credit intermediary and handles part of Merrill Lynch's non-dollar swap activities.

MLCS primarily acts as a counterparty for certain derivative financial products, including interest rate, currency, and commodity swaps, caps and floors, currency options, and credit derivatives. MLCS maintains positions in interest-bearing securities, financial futures, and forward contracts primarily to hedge its exposures. In the normal course of its business, MLCS enters into repurchase and resale agreements with certain affiliated companies.

MLDP acts as an intermediary for certain derivative products, including interest rate and currency swaps, between MLCS and counterparties that are highly rated or otherwise acceptable to MLDP. Its activities address the desire of certain swap customers to limit their trading with dealers having the highest credit quality. MLDP has been assigned an Aaa, AAA, and AAA counterparty rating by the rating agencies Moody's Investors Service, Inc., Standard & Poor's, and Fitch Investors Service, L.P., respectively. Customers meeting certain credit criteria enter into swaps with MLDP and, in turn, MLDP enters into offsetting mirror swaps with MLCS. However, MLCS is required to provide MLDP with collateral to meet certain exposures MLDP may have to MLCS.

For additional information regarding Merrill Lynch's derivatives business, including its accounting, risk, and credit policies, see "Management's Discussion and Analysis -- Derivative Financial Instruments" in the 1996 Annual Report to Stockholders and see Note 3 to the Consolidated Financial Statements under the caption "Trading Activities" in the 1996 Annual Report to Stockholders, which information is incorporated herein by reference.

MERRILL LYNCH MONEY MARKETS INC.

Merrill Lynch, through Merrill Lynch Money Markets Inc. ("MLMMI"), provides a full range of origination, trading, and marketing services with respect to money market instruments such as commercial paper, bankers' acceptances, and institutional certificates of deposit. MLMMI also originates medium-term notes issued by U.S. and non-U.S. corporations and short- and medium-term bank notes issued by financial institutions, and through MLPF&S, it trades and markets such notes. MLMMI is also a commercial paper dealer for U.S. and non-U.S. corporations and financial institutions. MLMMI also acts as a dealer for U.S. and non-U.S. financial institutions in the certificate of deposit and bankers' acceptance markets and in connection with the purchase of certificates of deposit from federally-insured depository institutions. Such instruments are resold to certain institutional customers such as banks, insurance companies, investment companies, pension plans, and state and local governments. MLMMI, in cooperation with MLPF&S, originates certificates of deposit issued by bank and thrift institutions that are sold to a broad range of retail customers of MLPF&S.

MERRILL LYNCH MORTGAGE CAPITAL INC.

Merrill Lynch Mortgage Capital Inc. ("MLMCI") is a dealer in whole loan mortgages and mortgage servicing. MLMCI, through its CMO Passport(SM) service, provides dealers and investors with general indicative information and analytic capability with respect to collateralized mortgage obligations ("CMOs") and asset-backed securities. As an integral part of its business, MLMCI enters into repurchase agreements whereby it obtains funds by pledging its own whole loans as collateral. The repurchase agreements provide financing for MLMCI's inventory and serve as short-term investments for MLMCI's customers. MLMCI also enters into reverse repurchase agreements through which it provides funds to customers collateralized by whole loan mortgages, thereby providing customers with temporary liquidity

9

for their investments in secured whole loans. MLMCI also has a mortgage conduit which purchases commercial and multi-family mortgage loans from lenders and securitizes these loans for sale to investors. In addition, MLMCI provides to its clients short-term financing secured by performing and non-performing commercial real estate.

MERRILL LYNCH INVESTMENT PARTNERS INC.

Merrill Lynch Investment Partners Inc. ("MLIP") serves principally as the general partner and commodity pool operator of public and privately offered commodity pools for which MLF acts as commodity broker and MLPF&S acts as selling agent. MLIP also structures and sponsors managed futures and alternative investment funds to meet a variety of client objectives. MLIP is one of the largest managed futures sponsors in the world as measured by assets under its management and by its financial resources. MLIP is an integrated business, the capabilities of which include research, trading services, finance, systems, operations, sales, and marketing. MLIP's responsibilities include selecting and monitoring trading advisors, as well as allocating and reallocating capital among them. At the end of 1996, approximately \$1.8 billion in equity was invested or was to be invested in 40 U.S. and non-U.S. commodity futures funds that MLIP has sponsored or been selected to manage.

MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.

Merrill Lynch Business Financial Services Inc. ("MLBFS") provides financing services to small- and medium-sized businesses in conjunction with the Working Capital Management(SM) account ("WCMA(R) account"), which MLPF&S markets to business customers. The WCMA account combines business checking, borrowing, investment, and electronic funds transfer services into one account for participating business customers. At the end of 1996, there were more than 131,000 WCMA accounts which, in the aggregate, had investment assets of more than \$69 billion. In addition to providing qualifying customers with short-term working capital financing through the WCMA commercial line of credit, MLBFS offers assistance to business customers with their term lending, equipment, and other asset-based financing needs, as well as financing for owner-occupied commercial real estate. In 1996, MLBFS originated more than \$672 million in new commercial loans for business customers and, at the end of 1996, total outstanding loans were \$886 million, of which approximately 95% were secured by tangible assets pledged by customers.

MERRILL LYNCH'S INSURANCE ACTIVITIES

Merrill Lynch's operations in insurance services consist of the underwriting of life insurance and annuity products by Merrill Lynch Life Insurance Company ("MLLIC") and ML Life Insurance Company of New York ("ML Life") and of the sale of proprietary and non-proprietary life insurance and annuity products through Merrill Lynch Life Agency Inc. and other insurance agencies affiliated or associated with MLPF&S.

MLLIC, an Arkansas stock life insurance company, is authorized to underwrite insurance and annuities products in 49 states, the District of Columbia, Guam, and the U.S. Virgin Islands. These products are then marketed to MLPF&S customers. Although authorized to do so, it does not presently underwrite accident and health insurance. At year-end 1996, MLLIC had approximately \$11.6 billion of life insurance in force. At year-end 1996, MLLIC had annuity contracts in force of approximately \$6.7 billion in value.

ML Life, a New York stock life insurance company, is authorized to underwrite life insurance, annuities, and accident and health insurance in nine states; however, it does not presently

10

underwrite accident and health insurance. At year-end 1996, ML Life had approximately \$2.3 billion of life insurance in force, which amount included \$1.4 billion reinsured from yearly renewable term insurance of an unaffiliated insurer. At year-end 1996, ML Life had annuity contracts in force of approximately \$504 million in value.

Through agency agreements, licensed affiliate insurance agencies and other insurance agencies associated with MLPF&S sell life and health insurance and annuities products. A significant portion of these sales consists of products underwritten by MLLIC and ML Life.

For additional information concerning Merrill Lynch's accounting policies relating to its insurance activities, see Note 1 to the Consolidated Financial Statements under the caption "Insurance" in the 1996 Annual Report to Stockholders.

MERRILL LYNCH'S BANKING, TRUST, AND MORTGAGE LENDING AND RELATED ACTIVITIES

Merrill Lynch Bank & Trust Co. ("MLBT") and Merrill Lynch National Financial ("MLNF"), both Federal Deposit Insurance Corporation-insured institutions, issue certificates of deposit and money market deposit accounts (including the Insured Savings(SM) Account for the CMA account service); make and purchase secured loans; and issue VISA(R) cards.

Merrill Lynch provides personal trust, employee benefit, trust, and custodial services in certain states through seven state-chartered trust institutions. Trust services outside of the United States are provided by Merrill Lynch Bank and Trust Company (Cayman) Limited.

Merrill Lynch International Bank Limited ("MLIB Limited"), a United Kingdom bank with branch offices in Germany, Singapore, Bahrain, Luxembourg, and Italy, provides foreign exchange trading and collateralized lending services and accepts deposits. Merrill Lynch International Bank, an Edge Act corporation ("MLIB"), provides foreign exchange trading services to corporations and institutions. Merrill Lynch Bank (Suisse) S.A., a Swiss bank, provides loans, deposits, portfolio management services, and individual client services to international private banking clients. ML Capital Markets Bank, an Irish bank with branch offices in Germany, Milan, and Tokyo, engages in capital markets activities such as underwriting, foreign exchange, and swap and other derivative transactions.

Merrill Lynch Credit Corporation ("MLCC") offers a broad selection of real estate-based lending products enabling clients to purchase and refinance their homes as well as to manage their other personal credit needs. MLCC, through Merrill Lynch financial consultants, offers a variety of adjustable-rate and fixed-rate first mortgage loans throughout the United States, including the PrimeFirst(R) mortgage program. In addition, MLCC originates and services home equity credit lines and other mortgage loans as well as services mortgage loans for affiliated and unaffiliated financial institutions. MLCC uses a variety of financing techniques to fund its loan portfolio, including securitizing its mortgages for sale into the secondary marketplace. MLCC also provides securities-based lending through its Omega(SM) account, a personal line of credit using eligible securities as collateral that is accessible by VISA(R) card and by check. In 1996, MLCC broadened its business by acquiring Lender's Service, Inc., a real estate appraisal, title, and closing management service company which is directed towards the residential lending community.

COMPETITION

All aspects of Merrill Lynch's business are intensely competitive, particularly in the current securities industry environment of global overcapacity in underwriting, trading, and operations.

11

Through its subsidiaries and affiliates, Merrill Lynch competes directly on a worldwide basis with other U.S. and non-U.S. trading, investment banking, and financial advisory service firms, brokers and dealers in securities and commodities, and with commercial banks and their affiliates, particularly in

its derivative and capital markets businesses. Many of Merrill Lynch's non-U.S. competitors may have competitive advantages in their home markets. Through its subsidiaries and affiliates, Merrill Lynch also competes for investment funds with mutual fund management companies, insurance companies, finance and investment advisory companies, banks, and trust companies and institutions. Its competitive position depends to an extent on prevailing worldwide economic conditions and U.S. and non-U.S. governmental policies.

Merrill Lynch competes for its retail and institutional customers on the basis of price, the range of products that it offers, the quality of its services, its financial resources, and product innovation. Financial services companies also compete to attract and retain successful financial consultants and other revenue-producing personnel.

There is increased competition from sources other than those traditionally engaged in the securities business, such as commercial banks and insurance companies. Certain U.S. judicial and regulatory actions in recent years concerning, among other things, the authority of bank affiliates to engage in securities underwriting and brokerage activities, have resulted in increased competition in those aspects of Merrill Lynch's business. In addition, certain U.S. bank regulatory changes adopted in 1996 that loosen certain restrictions on the securities activities of "Section 20 broker-dealer affiliates" of commercial banks may have the effect of increasing competition from commercial banks and their affiliates in the provision of securities-related services.

Merrill Lynch's insurance businesses operate in highly competitive environments. Many companies, both stock and mutual, are older and larger and have more substantial financial resources and larger agency relationships than do Merrill Lynch's insurance subsidiaries.

REGULATION

Certain aspects of Merrill Lynch's business, as that of its competitors and with the securities, commodities, and financial services industry in general, are subject to stringent regulation by U.S. federal and state regulatory agencies and non-U.S. governmental agencies or regulatory bodies which have been charged with the protection of the financial markets and the interests of those participating in those markets. These regulatory agencies include, among others, the Securities and Exchange Commission (the "SEC"), the Commodity Futures Trading Commission ("CFTC"), and the Federal Deposit Insurance Corporation (the "FDIC").

MLPF&S and certain other subsidiaries of ML & Co. are registered as broker-dealers with the SEC and as such are subject to regulation by the SEC and by self-regulatory organizations, such as the National Association of Securities Dealers, Inc. (the "NASD"). MLPF&S, other Merrill Lynch subsidiaries engaged in securities clearing services, and Merrill Lynch Specialists Inc., which acts as a specialist on certain securities exchanges, are also subject to regulation by the NASD and by the securities exchanges of which each is a member. Certain Merrill Lynch subsidiaries, including MLPF&S, MLAM, and MLIP, are registered as investment advisers with the SEC. MLPF&S and MLAM are registered as investment advisers with certain states requiring such registration.

Certain Merrill Lynch subsidiaries, including MLPF&S, are regulated as broker-dealers under the laws of the jurisdictions in which they operate. Merrill Lynch International, a registered

broker-dealer in the United Kingdom, is regulated by the Securities and Futures Authority ("SFA") and is subject to the capital requirements established by the SFA.

Those Merrill Lynch entities that are broker-dealers registered with the SEC and members of the U.S. national securities exchanges are subject to Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Exchange Act") which is designed to measure the general financial condition and liquidity of a broker-dealer. Under this rule, they are required to maintain the minimum net capital deemed necessary to meet broker-dealers' continuing commitments to customers and others. Under certain circumstances, this rule limits the ability of Merrill Lynch to make withdrawals of capital from such broker-dealers. Additional information regarding net capital requirements set forth in Note 11 to the Consolidated Financial Statements under the caption "Regulatory Requirements and Dividend Restrictions" in the 1996 Annual Report to Stockholders is incorporated herein by reference.

Certain Merrill Lynch subsidiaries are also subject to the temporary risk assessment rules adopted by the SEC under the Market Reform Act of 1990, which require, among other things, that certain broker-dealers maintain and preserve records and other information, describe risk management policies and procedures, and report on the financial condition of certain affiliates whose financial and securities activities are reasonably likely to have a material impact on the financial and operating condition of the broker-dealer.

Broker-dealers are also subject to other regulations covering the operations of their business, including sales and trading practices, use of client funds and securities, and conduct of directors, officers, and employees. Broker-dealers are also subject to regulation by state securities administrators in those states where they do business. Violations of the stringent regulations governing the actions of a broker-dealer can result in the revocation of broker-dealer licenses, the imposition of censures or fines, the issuance of cease and desist orders, and the suspension or expulsion from the securities business of a firm, its officers or employees. With the enactment of the Insider Trading and Securities Fraud Enforcement Act of 1988, the SEC and the securities exchanges have intensified their regulation of broker-dealers, emphasizing in particular the need for supervision and control by broker-dealers of their employees.

Furthermore, the SEC, various banking regulators, the Financial Accounting Standards Board and Congressional committees, among others, have launched a number of initiatives which have the effect of increasing regulation, and requiring greater disclosure, of financial instruments, including derivatives positions and activities. Merrill Lynch, along with certain other major U.S. securities firms, have implemented a voluntary oversight framework to address issues related to capital, management controls, and counterparty relationships arising out of the OTC derivatives activities of unregulated affiliates of SEC-registered broker-dealers and CFTC-registered futures commission merchants. Merrill Lynch formed the Risk Control Committee as an extension of its risk management process to provide general oversight of risk management for all of its institutional trading activities and to monitor compliance with its commitments respecting this voluntary oversight initiative. For further information on the activities of this committee, see "Management's Discussion and Analysis -- Risk Management" in the 1996 Annual Report to Stockholders.

Additional legislation and regulations and changes in rules promulgated by the SEC or other U.S. federal and state governmental regulatory authorities and self-regulatory organizations, and by non-U.S. governments and governmental regulatory agencies may directly affect the manner of operation and profitability of Merrill Lynch.

13

MLGSI is subject to regulation by the NASD and the Chicago Board of Trade and is required to maintain minimum net capital pursuant to rules of the U.S. Department of the Treasury. Merrill Lynch's futures commission merchants are regulated by the CFTC, the National Futures Association ("NFA") and the commodity exchanges of which each is a member. The CFTC and the NFA impose net capital requirements on these companies. MLIP is registered with the CFTC as a commodity pool operator and a commodity trading advisor and is a member of the NFA in such capacities.

Merrill Lynch Canada is an investment dealer in Canada and is regulated under the laws of the Canadian provinces by securities authorities and by the Investment Dealers Association of Canada. It is also a member of all major Canadian exchanges and is subject to their rules and regulations.

ML Life is subject to regulation and supervision by the New York State Insurance Department. MLLIC is subject to regulation and supervision by the Insurance Department of the State of Arkansas. Both MLLIC and ML Life are subject to similar regulation in the other states in which they are licensed.

MLBT is regulated primarily by the State of New Jersey and by the FDIC. Certain of the activities of MLBFS and MLCC are regulated by the New Jersey Department of Banking. MLCC is also licensed to conduct its lending activities in over 35 other states and as such is subject to regulation and examination by the appropriate authorities in these states. MLNF is regulated primarily by the State of Utah and by the FDIC. MLIB Limited is regulated by the New York State Banking Department and the Bank of England in the United Kingdom. MLIB is regulated by the Federal Reserve Bank of New York. Merrill Lynch Bank (Suisse) S.A. is regulated by the Swiss Federal Banking Commission. ML Capital Markets Bank is regulated by the Central Bank of Ireland. Merrill Lynch's U.S. trust institutions are subject to regulation by the governmental agencies in the states in which they are incorporated.

Merrill Lynch's business is also subject to extensive regulation by various non-U.S. governments, securities exchanges, central banks, and regulatory bodies, particularly in those countries where it has established an office. Merrill Lynch's subsidiaries engaged in banking and trust activities outside the United States are regulated by various governmental entities in the particular jurisdiction where they are chartered, incorporated and/or conduct their business activities.

ITEM 2. PROPERTIES

Merrill Lynch's executive offices and principal administrative offices are located in leased premises at the World Financial Center located in New York City at 250 Vesey Street in the North Tower (or Tower D) consisting of 1,799,702 square feet and at 225 Liberty Street in the South Tower (or Tower B) consisting of 2,490,581 square feet. Each tower was separately leased in 1988 by a different Merrill Lynch affiliate. Another Merrill Lynch affiliate is a

partner in the partnership that holds the ground lessee's interest in the North Tower. The information regarding property lease commitments of Merrill Lynch is set forth in Note 7 to the Consolidated Financial Statements under the caption "Leases" in the 1996 Annual Report to Stockholders, which information is incorporated herein by reference.

In New Jersey, separate Merrill Lynch affiliates own a 1.3 million square foot structure on a 245 acre campus in Plainsboro and a 414,000 square foot building on 34 acres at 300 Davidson Avenue in Somerset. MLPF&S holds a 590,174 square foot lease at 101 Hudson in Jersey City, and a 212,680 square foot lease in Somerset. In London, an MLI subsidiary leases

14

approximately 250,000 square feet at Ropemaker Place. The lease, which commenced in 1987, continues for 25 years with a right to cancel in 2002. This subsidiary also leases approximately 170,000 square feet at Farringdon Road. This lease, which has a twenty-five year term, commenced in 1990. In Tokyo, at the Ote Centre, Merrill Lynch's Japanese subsidiary holds a 97,000 square foot office lease which expires in 2003 but which can be canceled at any time on six months' notice.

In New York, MLPF&S also leases 139,700 square feet at 100 Church Street, 134,803 square feet at 717 Fifth Avenue and 662,675 square feet at 570 Washington Street. Merrill Lynch affiliates own a 60 acre campus in Jacksonville, Florida, which consists of three buildings with a fourth building currently under construction, and a 35 acre campus in Englewood, Colorado with two buildings currently under construction.

Substantially all other offices, including approximately 500 branch offices and 150 special market offices, of Merrill Lynch subsidiaries throughout the world, are located in leased premises. Facilities owned or occupied by Merrill Lynch are believed to be adequate for the purposes for which they are currently used and are well maintained.

ITEM 3. LEGAL PROCEEDINGS

ML & Co., certain of its subsidiaries, including MLPF&S, and other persons have been named as parties in civil actions and arbitration proceedings, including those described below. Each of the following actions is reported as of March 14, 1997.

ORANGE COUNTY LITIGATION. The following actions have been filed against or on behalf of ML & Co. in connection with Merrill Lynch's business activities with the Treasurer-Tax Collector of Orange County, California ("Orange County") or from the purchase of debt instruments issued by Orange County that were underwritten by MLPF&S. On December 6, 1994, bankruptcy petitions were filed on behalf of Orange County and the Orange County Investment Pools (the "Pools") in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court"). The Pools' bankruptcy petition subsequently was dismissed. On May 17, 1996, the Bankruptcy Court confirmed a plan pursuant to which Orange County emerged from bankruptcy. The currently pending actions involving Merrill Lynch and Orange County include, in the order summarized below, an action in the names of Orange County and the current Orange County Treasurer-Tax Collector; actions by investors and participants in the Pools; actions by investors in Merrill Lynch or affiliated entities; and actions by holders of bonds or other debt instruments issued by or on behalf of Orange County and other public entities with funds controlled by the Orange County Treasurer-Tax Collector.

On January 12, 1995, an action was commenced by Orange County and the Pools against ML & Co. and certain of its subsidiaries in the Bankruptcy Court pursuant to the automatic reference by law of all civil proceedings related to bankruptcy petitions (the "Orange County Action"). Orange County filed a first amended complaint on June 6, 1995, which was dismissed on October 17, 1995. Orange County filed a second amended complaint on October 25, 1995 adding John M.W. Moorlach, the current Orange County Treasurer-Tax Collector, as a plaintiff, and alleging, among other things, that Merrill Lynch's liquidation of certain securities entitles the plaintiffs to relief under Sections 362, 502, 510, 549, and 922 of the Bankruptcy Code; that various securities transactions between Orange County and/or the Pools and ML & Co. and its subsidiaries violated California law and are null and void; that ML & Co. and its subsidiaries violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, Section 25401 of the California Corporations Code (the "California Code"), Section 17200 of the California Business and

15

Professions Code, and Sections 1709-10 of the California Civil Code; breached fiduciary duties; aided and abetted breaches of fiduciary duty; and conspired to make unauthorized use of public funds. Damages in excess of \$2 billion, punitive damages in an unspecified amount, and injunctive and declaratory relief are sought.

On March 1, 1995, ML & Co. and Orange County entered into an agreement in

order to resolve a motion by Orange County seeking a temporary restraining order, a preliminary injunction, and a constructive trust with respect to the proceeds realized by Merrill Lynch from the sale of securities purchased by Merrill Lynch from Orange County pursuant to certain master repurchase agreements. Pursuant to this agreement, the proceeds from the sale of securities purchased by Merrill Lynch from Orange County were used to purchase short-term United States Treasury Bills or United States Treasury Notes that are identifiable and held separate and subject to any rights that Merrill Lynch may have in the master repurchase agreements. This agreement may be terminated by ML & Co. upon 30 days' written notice.

On October 17, 1996, on Merrill Lynch's motion, the United States District Court for the Central District of California (the "District Court") withdrew the prior automatic reference to the Bankruptcy Court of this action. The case now is pending in the District Court.

On December 13, 1994, a purported class action was commenced in the Superior Court of the State of California, Orange County, on behalf of individuals whose funds were deposited with the Orange County Treasurer-Tax Collector pursuant to proceedings in California Superior Court (the "DeLeon Action"). On December 27, 1994, plaintiffs filed a first amended class action complaint; on April 19, 1995, plaintiffs filed a second amended complaint which was dismissed on November 13, 1995; and, on December 18, 1995, plaintiffs filed a third amended complaint. As amended, the DeLeon Action is brought on behalf of the same individuals on whose behalf the action was originally brought and on behalf of individuals who invested funds in the Pools representing deferred compensation and/or retirement funds. The defendants include ML & Co., a subsidiary of ML & Co., and an employee of Merrill Lynch. Plaintiffs allege, among other things, that the defendants breached fiduciary duties, aided and abetted breaches of fiduciary duties, conspired to breach a fiduciary duty, and committed professional negligence in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector. Damages and punitive damages in unspecified amounts are sought. On May 10, 1996, the court stayed this action pending final resolution of the Orange County Action described above.

On January 10, 1995, a purported class action was commenced in the Superior Court of the State of California, Orange County, on behalf of persons whose funds were deposited in the Pools pursuant to proceedings in California Superior Court involving settlement funds belonging to minor children and other legally incapacitated or incompetent persons who had been injured in accidents and inheritances administered on behalf of minor children and other legally incapacitated or incompetent persons from estates (the "Small Action"). ML & Co., a subsidiary of ML & Co., an employee of Merrill Lynch, and Robert L. Citron, formerly the Treasurer-Tax Collector of Orange County, are named as defendants. Plaintiffs allege claims for breach of fiduciary duty and fraud in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector. Injunctive relief, damages, and punitive damages in unspecified amounts are sought. The complaint never was served.

On September 15, 1995, an action was commenced in the Superior Court of the State of California, San Francisco County, by twelve California public entities (the "Atascadero State Court Action"). On January 11, 1996, the case was transferred to the Superior Court of the State of California, Contra Costa County. On April 10, 1996, the plaintiffs filed an amended

complaint which was dismissed on November 5, 1996, and, on December 2, 1996, plaintiffs filed a second amended complaint adding two California public entities as plaintiffs. The current plaintiffs are the City of Atascadero, City of Buena Park, The Community Redevelopment Agency of the City of Buena Park, City of Claremont, City of Milpitas, City of Montebello, Community Redevelopment Agency of the City of Montebello, City of Mountain View, City of Santa Barbara, The Redevelopment Agency of the City of Santa Barbara, City of Yorba Linda, Yorba Linda Redevelopment Agency, Santiago County Water District, and Yorba Linda Water District. Named as defendants are ML & Co., certain Merrill Lynch subsidiaries, and three past or present employees of Merrill Lynch, two of whom were dismissed as defendants without prejudice on July 5, 1996. As amended, the complaint alleges, among other things, that the defendants committed fraud, deceit, and negligent misrepresentation; conspired to commit fraud; breached fiduciary duties; aided and abetted breaches of fiduciary duty; and violated California Penal Code Section 496 and the Racketeer Influenced and Corrupt Organizations Act ("RICO"), in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector. Damages, punitive damages, and treble damages in unspecified amounts are sought. On February 10, 1997, the court dismissed this action.

On November 27, 1995, an action was commenced in the United States District Court for the Central District of California by the fourteen California public

entities that are plaintiffs in the Atascadero State Court Action described above (the "Atascadero Federal Court Action"). On March 22, 1996, the plaintiffs filed a first amended complaint, which was voluntarily dismissed without prejudice on September 4, 1996. On February 19, 1997, plaintiffs filed a new complaint naming as defendants ML & Co. and certain Merrill Lynch subsidiaries. The complaint alleges, among other things, that the defendants committed fraud, deceit, and negligent misrepresentation; conspired to commit fraud; breached fiduciary duties; aided and abetted breaches of fiduciary duty; and violated California Penal Code Section 496 and RICO, in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector. Restitution and damages, treble damages, and punitive damages in unspecified amounts are sought.

On December 20, 1996, an action was commenced in the United States District Court for the Central District of California by Irvine Ranch Water District (the "Irvine Action"). ML & Co. is the sole defendant. The complaint alleges, among other things, that Merrill Lynch committed intentional and negligent misrepresentation, concealment, and breach of fiduciary duty in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector. Damages in excess of \$130 million and punitive damages in an unspecified amount are sought.

Beginning on December 5, 1994, five derivative actions purportedly brought on behalf of ML & Co. were filed in the Supreme Court of the State of New York, New York County (the "Wilson Action"). On February 21, 1995, the court consolidated the actions and, on June 5, 1995, an amended consolidated complaint was filed naming as defendants 22 present or past directors, officers or employees of ML & Co. and/or certain of its subsidiaries. The complaint alleges, among other things, breach of fiduciary duty, waste of corporate assets, and claims for indemnification in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector. Damages in an unspecified amount are sought on behalf of ML & Co. against the individuals named as defendants. Because this derivative action purports to be brought on behalf of ML & Co. and any recovery obtained by plaintiffs would belong to ML & Co., ML & Co. is named as a nominal defendant. On August 7, 1996, the court dismissed this action. On September 11, 1996, a notice of appeal was filed.

17

On December 16, 1994, a purported class action was commenced in the United States District Court for the Southern District of New York (the "Balan Action"). An amended complaint was filed on May 15, 1995. As amended, the Balan Action is brought on behalf of purchasers of ML & Co.'s common stock between March 31, 1994 and December 6, 1994, and names as defendants ML & Co. and two of its directors and officers. The plaintiff alleges, among other things, violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder in connection with Merrill Lynch's disclosure with respect to its business activities with the Orange County Treasurer-Tax Collector. Damages in an unspecified amount are sought.

Beginning on December 8, 1994, ten purported class actions were commenced in the United States District Court for the Central District of California on behalf of individuals who purchased bonds or other debt instruments issued by or on behalf of Orange County during various periods of time (the "Smith Federal Court Action"). Plaintiffs filed an amended consolidated complaint on January 27, 1995, and a first amended consolidated complaint on February 27, 1995. As amended, the Smith Federal Court Action purports to be brought on behalf of all persons who purchased bonds or other debt instruments between July 1, 1992 and December 6, 1994 that were issued by Orange County or other public entities with funds controlled by the Orange County Treasurer-Tax Collector. The defendants in the case are ML & Co., an employee of Merrill Lynch, Paine Webber, Inc., CS First Boston Corp., Smith Barney, Inc., Lehman Brothers, Inc., Donaldson, Lufkin & Jenrette, Inc., Kidder Peabody & Co., Inc., Stone & Youngberg, Rauscher Pierce Refsnes, Inc., Leifer Capital, Inc., Fieldman Rolapp & Associates, Inc., CGMS, Inc., and O'Brien Partners, Inc. Plaintiffs allege, among other things, that the defendants affiliated with Merrill Lynch violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Sections 25400, 25401, 25500, 25501, and 25504.1 of the California Code in connection with disclosure made with respect to the sale of bonds and other debt instruments issued by Orange County or other public entities with funds controlled by the Orange County Treasurer-Tax Collector. Damages in an unspecified amount are sought. On July 17, 1995, plaintiffs' state law claims were dismissed without prejudice. On April 1, 1996, all remaining claims were voluntarily dismissed without prejudice.

On September 28, 1995, a purported class action was commenced in the Superior Court of the State of California, Orange County, asserting the state law claims previously dismissed in the Smith Federal Court Action and a claim for fraud and deceit (the "Smith State Court Action"). The Smith State Court Action is brought on behalf of the same purported class as the Smith Federal Court Action. Named as defendants are ML & Co., an employee of Merrill Lynch, and the same defendants not affiliated with Merrill Lynch as in the Smith Federal Court Action and, in addition, KPMG Peat Marwick. Damages and punitive damages in unspecified amounts are sought. Certain of the defendants other than Merrill

Lynch and the employee of Merrill Lynch named as a defendant have entered into settlement agreements with the plaintiffs.

Merrill Lynch has also received formal and informal inquiries from various governmental entities and agencies examining the events underlying the above described litigation and is cooperating with these inquiries.

NASDAQ ANTITRUST LITIGATION. On December 16, 1994, a class action complaint consolidating a series of previously filed actions was filed in the United States District Court for the Southern District of New York. On August 22, 1995, plaintiffs filed a complaint entitled "refiled consolidated complaint". As amended, the complaint alleges that 33 market-makers, including a Merrill Lynch subsidiary, engaged in a conspiracy with respect to the "spread" between bid and ask prices for certain securities traded on NASDAQ by refusing to quote bid and ask prices in so-called "odd-eighths". The complaint alleges violations of antitrust laws and seeks

18

damages in an unspecified amount, treble damages, and declaratory and injunctive relief. On November 27, 1996, the court certified a class consisting of certain persons who purchased or sold certain securities on NASDAQ during specified time periods for each security during the period from May 1, 1989 to May 27, 1994.

On July 17, 1996, the Antitrust Division of the United States Department of Justice filed a civil antitrust complaint against firms that make markets in NASDAQ securities, including a subsidiary of ML & Co. The complaint alleges that the firms violated Section 1 of the Sherman Act through a "common understanding" to follow a "quoting convention" that the complaint asserts had inflated the "inside spread" (the difference between the best quoted buying price and the best quoted selling price on NASDAQ) in certain NASDAQ stocks. This allegedly resulted in investors having to pay higher transaction costs for buying and selling stocks than they would have paid otherwise. At the same time the complaint was filed, a proposed settlement of the action was announced, pursuant to which the market-maker defendants in the action have agreed not to engage in certain conduct. The proposed settlement, which is subject to court approval, provides, among other things, for the monitoring and tape-recording by each of the market-maker defendants of not less than 3.5 percent, or a maximum of 70 hours per week, of telephone conversations by its over-the-counter desk traders; the provision to the Department of Justice of any taped conversation that may violate the terms of the settlement; and for Department of Justice representatives to appear unannounced, during regular business hours, for the purpose of monitoring trader conversations as the conversations occur.

In connection with its industry-wide investigations into the NASDAQ market, Merrill Lynch, along with the other named defendants, has received inquiries from the SEC and is cooperating with these inquiries.

GSLIC LITIGATION. In October 1991, a derivative action purportedly brought on behalf of ML & Co. was filed in the Supreme Court of the State of New York, New York County, involving securities trading transactions that occurred at year-end 1984, 1985, 1986, and 1988 between subsidiaries of ML & Co. and a Florida insurance company, Guarantee Security Life Insurance Company ("GSLIC") that later was taken into liquidation. These year-end transactions, it is alleged, were entered into by GSLIC to distort its financial condition. Named as defendants are directors of ML & Co. who were directors at the time of the transactions described above and GSLIC's parent company, Transmark USA, Inc. ("Transmark") and one of Transmark's principals. The complaint alleges, among other things, breach of fiduciary duty by the directors of ML & Co. who are named as defendants. Damages in an unspecified amount are sought on behalf of ML & Co. Because this derivative action purports to be brought on behalf of ML & Co. and any recovery obtained by plaintiffs would belong to ML & Co., ML & Co. is named as a nominal defendant.

* * * *

ML & Co. believes it has strong defenses to, and will vigorously contest, the actions described above. Although the ultimate outcome of the actions described above and other civil actions, arbitration proceedings, and claims pending against ML & Co. or its subsidiaries as of March 14, 1997 cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of the management of Merrill Lynch that the resolution of these actions will not have a material adverse effect on the financial condition or the results of operations of Merrill Lynch as set forth in the Consolidated Financial Statements contained in the 1996 Annual Report to Stockholders.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

19

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning executive officers of ML & Co. as of March 14, 1997.

NAME AND AGE	PRESENT TITLE AND PRINCIPAL OCCUPATION SINCE MARCH 1992*
Herbert M. Allison, Jr., 53	President-elect and Chief Operating Officer-elect, effective April 15, 1997; Executive Vice President, Corporate and Institutional Client Group since January 1995; Executive Vice President, Investment Banking Group from May 1993 to January 1995; Executive Vice President, Finance and Administration from October 1990 to April 1993.
Edward L. Goldberg, 56	Executive Vice President, Operations, Services and Technology since April 1991 (and responsible for Corporate Real Estate and Purchasing since March 1993); Director and Executive Vice President of MLPF&S since May 1991.
Stephen L. Hammerman, 58	Vice Chairman of the Board since April 1992; Executive Vice President from June 1985 to April 1992; General Counsel since October 1984; General Counsel of MLPF&S from March 1981 to June 1996.
Jerome P. Kenney, 55	Executive Vice President, Corporate Strategy and Research since October 1990; also Executive Vice President, Corporate Credit from May 1993 to May 1995; Executive Vice President and President of the Capital Markets Sector from September 1984 to October 1990.
David H. Komansky, 57	Chairman of the Board-elect, effective April 15, 1997; Chief Executive Officer since December 1996; President and Chief Operating Officer since January 1995; President and Chief Executive Officer of MLPF&S since February 1995; Executive Vice President, Debt and Equity Markets Group from May 1993 to January 1995; Executive Vice President, Debt Markets Group from June 1992 to April 1993; Executive Vice President, Equity Markets Group from October 1990 to May 1992.

- - - - -
 * Unless otherwise indicated, the offices listed are of ML & Co. Under ML & Co.'s By-Laws, elected officers are elected annually to hold office until their successors are elected and qualify. All Executive Officers are elected by the Board of Directors of ML & Co.

20

NAME AND AGE	PRESENT TITLE AND PRINCIPAL OCCUPATION SINCE MARCH 1992*
Winthrop H. Smith, Jr., 47	Executive Vice President, International since June 1992; National Sales Director of Eastern Division from November 1990 to May 1992.
John L. Steffens, 55	Vice Chairman of the Board-elect, effective April 15, 1997; Executive Vice President, Private Client Group since October 1990; Executive Vice President and President of the Consumer Markets Sector from July 1985 to October 1990.
Daniel P. Tully, 65	Chairman of the Board since June 1993, retiring effective April 15, 1997; Chief Executive Officer from May 1992 to December, 1996; President and Chief Operating Officer from July 1985 to January 1995; Chairman of the Board, President, and Chief Executive Officer of MLPF&S from July 1985 to February 1995.
Joseph T. Willett, 45	Chief Financial Officer since April 1993; Controller from April 1992 to September 1995; Senior Vice President since February 1991; Treasurer from February 1991 to April 1992.

Executive Vice President, Asset Management Group since October 1990; Director, Corporate Strategy from July 1988 to October 1990; President and Chief Investment Officer of Merrill Lynch Asset Management since November 1976.

- -----

* Unless otherwise indicated, the offices listed are of ML & Co. Under ML & Co.'s By-Laws, elected officers are elected annually to hold office until their successors are elected and qualify. All Executive Officers are elected by the Board of Directors of ML & Co.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information relating to the principal market in which the Registrant's Common Stock is traded, the high and low sales prices per share for each full quarterly period within the two most recent fiscal years, the approximate number of holders of record of Common Stock, and the frequency and amount of any cash dividends declared for the two most recent fiscal years is set forth under the captions "Dividends Per Common Share" and "Stockholder Information" on page 68 of the 1996 Annual Report to Stockholders and such information is incorporated herein by reference.

The Common Stock of the Registrant (trading symbol MER) is listed on the following stock exchanges: New York Stock Exchange, Chicago Stock Exchange, The Pacific Stock Exchange, The Paris Stock Exchange, London Stock Exchange, and The Tokyo Stock Exchange.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the Registrant and its subsidiaries for each of the last five fiscal years is set forth in the financial table "Selected Financial Data" on page 24 of the 1996 Annual Report to Stockholders (excluding for this purpose the financial ratio, leverage, and employee information set forth under the headings "Financial Ratios" and "Employee Statistics"). Such information is incorporated herein by reference and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto on pages 41 to 66 in the 1996 Annual Report to Stockholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations is set forth on pages 25 to 40 of the 1996 Annual Report to Stockholders under the caption "Management's Discussion and Analysis" and is incorporated herein by reference. In addition, in response to this Item 7, the financial information set forth in the financial table "Selected Financial Data" under the caption "Financial Ratios-Average Leverage" on page 24 of the 1996 Annual Report to Stockholders and the information in Note 11 to the Consolidated Financial Statements in the 1996 Annual Report to Stockholders is incorporated herein by reference. All of such information should be read in conjunction with the Consolidated Financial Statements and the Notes thereto on pages 41 to 66 in the 1996 Annual Report to Stockholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Registrant and its subsidiaries, together with the Notes thereto and the Report of Independent Auditors thereon, are contained in the 1996 Annual Report to Stockholders on pages 41 to 67 and such information is incorporated herein by reference. In addition, the information on page 68 of the 1996 Annual Report to Stockholders under the caption "Quarterly Information" is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the caption "Election of Directors" on pages 4 to 7 of ML & Co.'s Proxy Statement dated March 10, 1997 for its 1997 Annual Meeting of Stockholders (the "1997 Proxy Statement") and the information set forth in Part I hereof under the caption "Executive Officers of the Registrant" is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation set forth on pages 17 to 31 of the 1997 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information respecting security ownership of management and certain beneficial owners set forth on pages 1 and 2 of the 1997 Proxy Statement and under the caption "Beneficial Ownership of Directors and Executive Officers" on pages 9 and 10 of the 1997 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions set forth under the caption "Certain Transactions" on pages 29 and 30 of the 1997 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

1. Financial Statements

The financial statements required to be filed hereunder are listed on page F-1 hereof by reference to the corresponding page number in the 1996 Annual Report to Stockholders.

2. Financial Statement Schedules

The financial statement schedules required to be filed hereunder are listed on page F-1 hereof and the schedules included herewith appear on pages F-3 through F-8 hereof.

3. Exhibits

Certain of the following exhibits were previously filed as exhibits to other reports or registration statements filed by the Registrant and are incorporated herein by reference to such reports or registration statements as indicated parenthetically below by the appropriate report reference date or registration statement number. For convenience, Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K, and Registration Statements on Form S-3 are designated herein as "10-Q", "10-K", "8-K", and "S-3", respectively.

23

(3) ARTICLES OF INCORPORATION AND BY-LAWS.

- (i) (a) Restated Certificate of Incorporation of ML & Co., as amended April 24, 1987 (Exhibit 3(i) to 10-K for fiscal year ended December 25, 1992 ("1992 10-K")).
- (b) Certificate of Amendment dated April 29, 1993 of the Certificate of Incorporation of ML & Co. (Exhibit 3(i) to 10-Q for the quarter ended March 26, 1993 ("1st Quarter 1993 10-Q")).
- (c) Form of certificate representing the 9% Cumulative Preferred Stock, Series A, par value \$1.00 per share, of ML & Co. (the "9% Preferred Stock") (Exhibit 4(i) to 10-Q for the quarter ended September 30, 1994 ("3rd Quarter 1994 10-Q")).
- (d) Form of Depositary Receipt evidencing the Depositary Shares for the 9% Preferred Stock (Exhibit 4(ii) to 3rd Quarter 1994 10-Q).
- (e) Certificate of Designation of ML & Co. establishing the rights, preferences, privileges, qualifications,

restrictions, and limitations relating to the 9% Preferred Stock (Exhibit 4(iii) to 3rd Quarter 1994 10-Q).

- (f) Deposit Agreement dated as of November 3, 1994 among ML & Co., Citibank, N.A. as Depositary, and the holders from time to time of the Depositary Receipts (Exhibit 4(iv) to 3rd Quarter 1994 10-Q).
- (g) Certificate of Designation dated December 17, 1987 for Series A Junior Preferred Stock (Exhibit 3(f) to S-3 (File No. 33-19975)).
- (h) Form of Rights Agreement dated as of December 16, 1987 between ML & Co. and The Chase Manhattan Bank (successor by merger to Manufacturers Hanover Trust Company and Chemical Bank) (Exhibit 3(iv) to 1992 10-K).

*(ii) By-Laws of ML & Co., effective as of December 28, 1996.

(4) INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES.

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant hereby undertakes to furnish to the Commission, upon request, copies of the instruments defining the rights of holders of long-term debt securities of the Registrant, none of which instruments authorize an amount of securities that exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis.

- (i) Senior Indenture dated as of April 1, 1983, as amended and restated, between ML & Co. and The Chase Manhattan Bank (successor by merger to Manufacturers Hanover Trust Company and Chemical Bank) and the Supplemental Indenture thereto dated as of March 15, 1990 (Exhibit 3 to ML & Co.'s Registration Statement on Form 8-A dated July 20, 1992).
- (ii) Supplemental Indenture dated as of October 25, 1993 to the Senior Indenture dated as of April 1, 1983 (Exhibit 4(b)(ii) to S-3 (File No. 33-61559)).

- - - - -
* Filed herewith.

24

- (iii) Senior Indenture dated as of October 1, 1993 between ML & Co. and The Chase Manhattan Bank (Exhibit 4 to 8-K dated October 7, 1993).
- (iv) Form of ML & Co.'s 7% Notes due January 15, 2007 (Exhibit 4 to 8-K dated January 13, 1997).
- (v) Form of ML & Co.'s S&P 500 Market Index Target-Term Securities due September 16, 2002 (Exhibit 4 to 8-K dated March 14, 1997).

(10) MATERIAL CONTRACTS.

MANAGEMENT CONTRACTS, COMPENSATION PLANS, AND OTHER EMPLOYEE ARRANGEMENTS:

- (i) ML & Co. 1978 Incentive Equity Purchase Plan, as amended through January 16, 1995 (Exhibit 10(i) to 10-K for the fiscal year ended December 30, 1994 ("1994 10-K")).
- (ii) Form of ML & Co. Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, as amended through November 10, 1994 (Exhibit 10(ii) to 1994 10-K).
- (iii) ML & Co. Long-Term Incentive Compensation Plan, as amended through October 21, 1996 (Exhibit 10(i) to 10-Q for the quarter ended September 27, 1996 (the "3rd Quarter 1996 10-Q")).
- (iv) ML & Co. Equity Capital Accumulation Plan, as amended through October 21, 1996 (Exhibit 10(ii) to 3rd Quarter 1996 10-Q).
- (v) ML & Co. Executive Officer Compensation Plan (Exhibit 10(i) to ML & Co.'s Proxy Statement for the 1994 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 14, 1994 ("1994 Proxy Statement")).

- (vi) Written description of Retirement Program for Non-Employee Directors of ML & Co., as amended June 29, 1988 (Pages 27 to 29 of ML & Co.'s Proxy Statement for the 1997 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 10, 1997 ("1997 Proxy Statement")).
- (vii) ML & Co. Non-Employee Directors' Equity Plan (Exhibit 10(iv) to 10-Q for the quarter ended September 25, 1992 (the "3rd Quarter 1992 10-Q")).
- * (viii) Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully.
- (ix) Amendment dated April 30, 1992 to Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully (Exhibit 10(ii) to 10-Q for the quarter ended June 26, 1992).
- * (x) Amendment dated January 27, 1997 to Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully.

- -----
* Filed herewith.

25

- (xi) Form of Severance Agreement between ML & Co. and certain of its directors and executive officers (Exhibit 10(x) to 10-K for fiscal year ended December 29, 1995 ("1995 10-K")).
- (xii) Form of Indemnification Agreement entered into with all current directors of ML & Co. and to be entered into with all future directors of ML & Co. (Exhibit 10(xi) to 10-K for the fiscal year ended December 31, 1993 ("1993 10-K")).
- (xiii) Written description of ML & Co.'s incentive compensation programs (Exhibit 10(xii) to 1993 10-K).
- (xiv) Written description of ML & Co.'s compensation policy for directors (Pages 17 and 18 of ML & Co.'s 1997 Proxy Statement).
- (xv) Merrill Lynch KECALP Growth Investments Limited Partnership 1983 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-81619)).
- (xvi) Merrill Lynch KECALP L.P. 1984 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-87962)).
- (xvii) Merrill Lynch KECALP L.P. 1986 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-99800)).
- (xviii) Merrill Lynch KECALP L.P. 1987 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-11355)).
- (xix) Merrill Lynch KECALP L.P. 1989 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-26561)).
- (xx) Merrill Lynch KECALP L.P. 1991 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-39489)).
- (xxi) Merrill Lynch KECALP L.P. 1994 (Exhibit 1(a)(ii) to Registration Statement on Form N-2 (File No. 33-51825)).
- (xxii) Merrill Lynch KECALP L.P. 1997 (Exhibit 1(a)(ii) to Registration Statement on Form N-2 (File No. 333-15035)).
- * (xxiii) ML & Co. Deferred Restricted Unit Plan for Executive Officers.
- (xxiv) ML & Co. 1995 Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(xxii) to 1994 10-K).
- * (xxv) ML & Co. Fee Deferral Plan for Non-Employee Directors, as amended through December 11, 1996.
- (xxvi) ML & Co. 1996 Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(i) to 10-Q).

for the quarter ended September 29, 1995).

*(xxvii) ML & Co. 1997 Deferred Compensation Plan for a Select Group of Eligible Employees.

- -----
* Filed herewith.

26

(xxviii) ML & Co. 1997 KECALP Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(iii) to 3rd Quarter 1996 10-Q).

(xxix) ML & Co. Deferred Unit and Stock Unit Plan for Non-Employee Directors (Exhibit 10(iv) to 3rd Quarter 1996 10-Q).

*(xxx) ML & Co. Long-Term Incentive Compensation Plan for Managers and Producers.

*(xxxi) Executive Annuity Agreement dated as of January 27, 1997 by and between ML & Co. and David H. Komansky.

*(xxxii) Amendment dated September 18, 1996 to Deferred Compensation Plans (amending the Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, the ML & Co. 1995 Deferred Compensation Plan for a Select Group of Eligible Employees, and the ML & Co. 1996 Deferred Compensation Plan for a Select Group of Eligible Employees).

AGREEMENTS RELATING TO THE WORLD FINANCIAL CENTER:

(xxxiii) The following documents relate to the Registrant's occupation of office space in buildings at the World Financial Center, New York, New York:

*(a) Amended and Restated Reimbursement Agreement between WFP Tower D Co. L.P. ("WFP/D") and MLPF&S dated as of November 21, 1996.

*(b) Amended and Restated Reimbursement Agreement between WFP Tower B Co. L.P. ("WFP/B") and Merrill Lynch/WFC/L, Inc. ("WFC/L") dated as of November 21, 1996.

+(c) Agreement of Lease (with respect to Parcel D) dated as of February 26, 1988 between WFC Tower D Company (formerly known as Olympia & York Tower D Company) ("D Company") and WFC/L (Exhibit 10(xxx) (c) to 1992 10-K).

+(d) Guaranty and Assumption Agreement dated as of February 26, 1988 between ML & Co. and D Company (Exhibit 19(xxx) (d) to 1992 10-K).

+(e) Agreement of Lease (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(i) to 1st Quarter 1993 10-Q).

+(f) Guaranty and Assumption Agreement dated as of September 29, 1988 between ML & Co. and B Company (Exhibit 10(ii) to 1st Quarter 1993 10-Q).

- -----
* Filed herewith.
+ Confidential treatment has been obtained for portions of this exhibit.

27

(xxxiv) The following are amendments to certain of the documents that are related to Registrant's occupation of office space in buildings at the World Financial Center, New York, New York:

(a) Amendment of Agreement of Lease (with respect to Parcel D) dated as of September 29, 1988 between D Company and WFC/L (Exhibit 10(vi) to 1st Quarter 1993 10-Q).

*(b) Second Amendment of Agreement of Lease (with respect to Parcel D) dated as of November 21, 1996 between WFP/D and MLPF&S.

*(c) Second Amendment of Agreement of Lease (with respect to

Parcel B) dated as of November 21, 1996 between WFP/B and WFC/L.

- * (11) STATEMENT RE COMPUTATION OF PER SHARE EARNINGS.
- * (12) STATEMENT RE COMPUTATION OF RATIOS.
- * (13) 1996 ANNUAL REPORT TO STOCKHOLDERS.
- * (21) SUBSIDIARIES OF THE REGISTRANT.
- * (23) CONSENT OF INDEPENDENT AUDITORS.
- * (27) FINANCIAL DATA SCHEDULE.

(B) REPORTS ON FORM 8-K:

The following Current Reports on Form 8-K were filed by the Registrant during the fourth quarter of 1996 with the Commission under the caption "Item 5. Other Events":

- (i) Current Report on Form 8-K dated October 15, 1996 for the purpose of filing Preliminary Unaudited Earnings Summaries for the three- and nine-month periods ended September 27, 1996.
- (ii) Current Report on Form 8-K dated October 30, 1996 for the purpose of filing ML & Co.'s Preliminary Unaudited Consolidated Balance Sheet as of September 27, 1996 and statements regarding computation of ratios.
- (iii) Current Report on Form 8-K dated October 30, 1996 for the purpose of filing the form of Registrant's Healthcare/Biotechnology Portfolio Market Index Target-Term Securities due October 31, 2001.

- -----
* Filed herewith.

28

INDEMNIFICATION

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned Registrant hereby undertakes as follows:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

DESCRIPTION OF COMMON STOCK

The authorized capital stock of ML & Co. consists of 500,000,000 shares of common stock, par value \$1.33 1/3 per share ("Common Stock"), and 25,000,000 shares of preferred stock, par value \$1.00 per share, issuable in series ("Preferred Stock"). As of March 14, 1997, 166,901,160 shares of Common Stock were outstanding (including 1,538,778 shares held by Merrill Lynch & Co., Inc. Employee Stock Ownership Plan that are not considered outstanding for accounting purposes). The shares of Common Stock have no preemptive or conversion rights, redemption provisions, or sinking fund provisions. The outstanding shares of Common Stock are duly and validly issued, fully paid, and nonassessable. Each share is eligible to participate under the Rights Agreement referenced below, to the extent specified therein, to purchase certain securities upon the occurrence of certain events specified in such Rights Agreement.

The Board of Directors of ML & Co., without further action by stockholders, has the authority to issue all of the 25,000,000 shares of Preferred Stock which are currently authorized, from time to time in one or more series and, with respect to each such series, has authority to fix the powers (including voting power), designations, preferences as to dividends and liquidation, and relative, participating, optional, or other special rights and any qualifications, limitations, or restrictions thereon. As of March 14, 1997, there were 17,000,000 Depositary Shares issued, each representing a one-four

hundredth interest in a share of the 9% Preferred Stock. The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425,000,000. As of March 14, 1997, there were 42,500 shares of 9% Preferred Stock outstanding. From time to time, MLPF&S may occasionally acquire a temporary position in the Depository Shares. As of March 14, 1997, the Depository Shares held by MLPF&S for the purpose of resale was not material. The 9% Preferred Stock has dividend and liquidation preference over the Common Stock and over the Series A Junior Preferred Stock issuable pursuant to a Rights Agreement dated as of December 16, 1987 between ML & Co. and The Chase Manhattan Bank (successor by merger to Manufacturers Hanover Trust Company and Chemical Bank).

29

MERRILL LYNCH & CO., INC.
INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
ITEMS 14(A) (1) AND 14(A) (2)

	Page Reference

	1996 Annual Report to Stockholders
Form 10-K	-----
-----	-----
FINANCIAL STATEMENTS	
- - - - -	
Statements of Consolidated Earnings, Year Ended Last Friday in December 1996, 1995, and 1994	41
Consolidated Balance Sheets, December 27, 1996 and December 29, 1995	42-43
Statements of Changes in Consolidated Stockholders' Equity, Year Ended Last Friday in December 1996, 1995, and 1994	44-45
Statements of Consolidated Cash Flows, Year Ended Last Friday in December 1996, 1995, and 1994	46
Notes to Consolidated Financial Statements	47-66
Independent Auditors' Report	67
FINANCIAL STATEMENT SCHEDULES	
- - - - -	
Independent Auditors' Report	F-2
Schedule I Condensed Financial Information of Registrant	F-3 to F-8
Specifically incorporated elsewhere herein by reference are certain portions of the following unaudited items:	
(i) Selected Financial Data	24
(ii) Management's Discussion and Analysis	25-40
(iii) Quarterly Information	68

Schedules not listed are omitted because of the absence of the conditions under which they are required or because the information is included in the Consolidated Financial Statements and Notes thereto in the 1996 Annual Report to Stockholders which are incorporated herein by reference.

F-1

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Merrill Lynch & Co., Inc.:

We have audited the consolidated financial statements of Merrill Lynch & Co., Inc. and subsidiaries ("Merrill Lynch") as of December 27, 1996 and December 29, 1995 and for each of the three years in the period ended December 27, 1996 and have issued our report thereon dated February 24, 1997; such consolidated financial statements and report are included in your 1996 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included Schedule I listed in the Index to Financial Statements and Financial Statement Schedules. This financial statement schedule is the responsibility of Merrill Lynch's management. Our responsibility is to

express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
 Deloitte & Touche LLP
 New York, New York

February 24, 1997

F-2

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
 MERRILL LYNCH & CO., INC.

(Parent Company Only)

CONDENSED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 27, 1996, DECEMBER 29, 1995, AND DECEMBER 30, 1994

(Dollars in Millions)

<TABLE>

<CAPTION>

	1996	1995	1994
REVENUES			
Interest (principally from affiliates).....	\$ 2,507	\$ 2,002	\$ 1,423
Management service fees (from affiliates)...	258	282	268
Other.....	33	80	14
Total Revenues.....	2,798	2,364	1,705
Interest Expense.....	2,598	2,061	1,514
Net Revenues.....	200	303	191
NON-INTEREST EXPENSES			
Compensation and benefits.....	285	198	186
Other.....	288	206	232
Total Non-Interest Expenses.....	573	404	418
EQUITY IN EARNINGS OF AFFILIATES.....	1,982	1,327	1,223
INCOME BEFORE INCOME TAX (BENEFIT) EXPENSE....	1,609	1,226	996
Income Tax (Benefit) Expense.....	(10)	112	(21)
NET EARNINGS.....	\$ 1,619	\$ 1,114	\$ 1,017
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS.....	\$ 1,572	\$ 1,066	\$ 1,004

</TABLE>

See Notes to Condensed Financial Statements

F-3

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
 MERRILL LYNCH & CO., INC.

(Parent Company Only)

CONDENSED BALANCE SHEETS

DECEMBER 27, 1996 AND DECEMBER 29, 1995

(Dollars in Millions, Except Per Share Amounts)

<TABLE>

<CAPTION>

	1996	1995
ASSETS		
Cash and cash equivalents.....	\$ -	\$ 37
Loans to, receivables from and preference securities of affiliates.....	55,435	39,366
Investments in affiliates, at equity.....	6,749	6,017
Property, leasehold improvements and equipment (net of accumulated depreciation and amortization of \$237 in 1996 and \$223 in 1995).....	135	153
Other receivables and assets.....	1,444	1,113
TOTAL ASSETS.....	\$ 63,763	\$ 46,686

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Commercial paper and other short-term borrowings.....	\$ 24,837	\$ 17,338
Loans from and payables to affiliates.....	1,543	2,657
Other liabilities and accrued interest.....	3,960	2,707
Long-term borrowings.....	26,531	17,843
Total Liabilities.....	56,871	40,545
STOCKHOLDERS' EQUITY		
Preferred Stockholders' Equity.....	619	619
Common Stockholders' Equity:		
Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000 shares; issued: 1996 and 1995 - 236,330,162 shares	315	315
Paid-in capital.....	1,304	1,237
Foreign currency translation adjustment.....	10	11
Net unrealized gains on investment securities available-for-sale (net of applicable income tax expense of \$5 in 1996 and \$13 in 1995).....	9	25
Retained earnings.....	7,868	6,492
Subtotal.....	9,506	8,080
Less: Treasury stock, at cost:		
1996- 70,705,598 shares		
1995- 60,929,278 shares	2,895	2,241
Unallocated ESOP reversion shares, at cost:		
1996- 1,538,778 shares		
1995- 4,012,519 shares	24	63
Employee stock transactions.....	314	254
Total Common Stockholders' Equity.....	6,273	5,522
Total Stockholders' Equity.....	6,892	6,141
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$ 63,763	\$ 46,686

See Notes to Condensed Financial Statements

</TABLE>

F-4

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
MERRILL LYNCH & CO., INC.

(Parent Company Only)

CONDENSED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 27, 1996, DECEMBER 29, 1995, AND DECEMBER 30, 1994

(Dollars in Millions)

	1996	1995	1994
Cash Flows from Operating Activities:			
Net earnings.....	\$ 1,619	\$ 1,114	\$ 1,017
Noncash items included in earnings:			
Equity in earnings of affiliates.....	(1,982)	(1,327)	(1,223)
Depreciation and amortization.....	31	31	38

Other.....	50	(35)	57
(Increase) decrease in:			
Other operating assets, net of liabilities.....	915	649	(12)
Dividends from affiliates and partnerships distributions.....	1,367	1,455	947
	-----	-----	-----
Cash Provided by (Used for) Operating Activities.....	2,000	1,887	824
	-----	-----	-----
Cash Flows from Investing Activities:			
Proceeds from (payments for):			
Payments for property, leasehold improvements and equipment.....	(18)	(12)	(33)
Investments in affiliates.....	(132)	(363)	(90)
Loans to affiliates, net of payments.....	(17,171)	(5,608)	(435)
	-----	-----	-----
Cash (Used for) Provided by Investing Activities.....	(17,321)	(5,983)	(558)
	-----	-----	-----
Cash Flows from Financing Activities:			
Proceeds from (payments for):			
Commercial paper and other short-term borrowings.....	7,499	2,592	(978)
Issuance and resale of long-term borrowings.....	15,019	9,458	8,450
Settlement and repurchases of long-term borrowings.....	(6,070)	(6,883)	(6,917)
Issuance of 9% Cumulative Preferred Stock.....	--	--	425
Common stock transactions.....	(921)	(894)	(1,048)
Dividends to shareholders.....	(243)	(228)	(188)
	-----	-----	-----
Cash Provided by (Used for) Financing Activities.....	15,284	4,045	(256)
	-----	-----	-----
(Decrease) Increase in Cash and Cash Equivalents.....	(37)	(51)	10
Cash and Cash Equivalents, beginning of year.....	37	88	78
	-----	-----	-----
Cash and Cash Equivalents, end of year.....	\$ 0	\$ 37	\$ 88
	-----	-----	-----

</TABLE>

Supplemental Disclosure of Cash Flow Information:

Cash paid for:

Income taxes totaled \$949 in 1996, \$487 in 1995, and \$1,057 in 1994.

Interest totaled \$2,517 in 1996, \$2,086 in 1995, and \$1,490 in 1994.

See Notes to Condensed Financial Statements

F-5

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
MERRILL LYNCH & CO., INC.
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

The condensed financial statements of Merrill Lynch & Co., Inc. (the "Parent Company") should be read in conjunction with the consolidated financial statements of Merrill Lynch & Co., Inc. and subsidiaries (the "Corporation") and the notes thereto incorporated elsewhere herein by reference. Certain limited reclassification and format changes have been made to prior years' amounts to conform to the current year presentation.

LONG-TERM BORROWINGS AND GUARANTEES

Reference is made to pages 55 thru 57 of the Annual Report for additional information on Parent Company long-term borrowings. At December 27, 1996, Parent Company borrowings totaling \$554 were held for purposes of resale by affiliates, which also purchased \$1,370 and resold \$1,435 of such borrowings during the year.

In certain instances, the Parent Company guarantees obligations of subsidiaries that may include obligations associated with foreign exchange forward contracts and swap transactions.

Substantially all of the Parent Company's fixed-rate long-term borrowings are swapped into floating interest rates. These swaps and other derivatives, generally made with an affiliated dealer in such instruments, are used to hedge interest rate, foreign currency, and equity exposures associated with long-term borrowings. At December 27, 1996 and December 29, 1995, the notional

amounts of these instruments were \$24,737 and \$20,337, respectively.

F-6

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
MERRILL LYNCH & CO., INC.
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

EMPLOYEE INCENTIVE PLANS

The Parent Company accounts for costs of stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," rather than the fair value based method in Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

Reference is made to page 64 of the Annual Report for related pro forma disclosures.

PREFERRED SECURITIES ISSUED BY SUBSIDIARIES AND STOCKHOLDERS' EQUITY

PREFERRED SECURITIES ISSUED BY SUBSIDIARIES

In December 1996, Merrill Lynch Preferred Capital Trust I (the "Trust") issued \$275 of its 7.75% Trust Originated Preferred Securities (the "Trust Preferred") to unrelated parties and \$9 in common securities to the Parent Company. Concurrently, Merrill Lynch Preferred Funding I, L.P. (the "Partnership") issued \$284 of its 7.75% Partnership Preferred Securities representing limited partner interests to the Trust, and received capital of \$50 from the Parent Company representing the general partner interest in the Partnership. The Trust and Partnership are affiliated entities of the Parent Company.

The Partnership's assets include \$330 million in Debentures issued by the Parent Company and a subsidiary (the "Debentures"). The Debentures have a term of approximately 20 years and bear interest at 7.75%. The interest payment dates and redemption provisions of the Debentures include an option to redeem the Debentures on or after December 30, 2006.

F-7

CONDENSED FINANCIAL INFORMATION OF REGISTRANT
MERRILL LYNCH & CO., INC.
(PARENT COMPANY ONLY)
NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

Subsequent to year-end, Merrill Lynch Capital Trust II, an affiliate of the Parent Company, issued \$300 of 8% Trust Originated Preferred Securities. The proceeds of the offering were invested in 8% Partnership Preferred Securities of Merrill Lynch Preferred Funding II, L.P., also an affiliate of the Parent Company, which, in turn, invested in Debentures issued by the Parent Company.

9% CUMULATIVE PREFERRED STOCK, SERIES A

In 1994, the Parent Company issued 17,000,000 Depositary Shares, each representing a one-four-hundredth interest in a share of 9% Cumulative Preferred Stock, Series A, \$10,000 liquidation preference per share ("9% Preferred Stock"). The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425.

REMARKETED PREFERRED STOCK, SERIES C

The Parent Company has issued 3,000 shares of Remarketed Preferred Stock, Series C ("RP Stock"), of which 1,938 shares were outstanding as of December 27, 1996. Dividend rates in effect during 1996 on the RP Stock ranged from 3.80% to 4.56% per annum.

Subsequent to year-end, the Parent Company implemented a plan to redeem all of the outstanding RP Stock. The RP Stock will be redeemed on the dividend reset date of each series, and the redemptions are expected to be completed by March

4, 1997. As of February 19, 1997, \$155 of RP Stock, representing 1,548 shares, had been redeemed.

Reference is made to pages 57 and 58 of the Annual Report for additional information on Stockholders' Equity.

COMMITMENTS AND CONTINGENCIES

Reference is made to page 58 and 59 of the Annual Report for additional information on commitments and contingencies.

F-8

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 21st day of March, 1997.

MERRILL LYNCH & CO., INC.

By: /s/ Daniel P. Tully

Daniel P. Tully
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the 21st day of March, 1997.

Signature

Title

/s/ Daniel P. Tully

(Daniel P. Tully) Chairman of the Board and
Director

/s/ David H. Komansky

(David H. Komansky) Chief Executive Officer
President, Chief Operating
Officer and Director

/s/ Joseph T. Willett

(Joseph T. Willett) Senior Vice President and
Chief Financial Officer

/s/ Michael J. Castellano

(Michael J. Castellano) Senior Vice President and
Controller

/s/ Herbert M. Allison, Jr.

(Herbert M. Allison, Jr.) Director

/s/ William O. Bourke

(William O. Bourke) Director

/s/ W.H. Clark

(W.H. Clark) Director

Signature

Title

/s/ Jill K. Conway
Director

(Jill K. Conway)

/s/ Stephen L. Hammerman Director

(Stephen L. Hammerman)

/s/ Earle H. Harbison, Jr. Director

(Earle H. Harbison, Jr.)

/s/ George B. Harvey Director

(George B. Harvey)

/s/ William R. Hoover Director

(William R. Hoover)

/s/ Robert P. Luciano Director

(Robert P. Luciano)

/s/ David K. Newbigging Director

(David K. Newbigging)

/s/ Aulana L. Peters Director

(Aulana L. Peters)

/s/ John J. Phelan, Jr. Director

(John J. Phelan, Jr.)

/s/ John L. Steffens Director

(John L. Steffens)

/s/ William L. Weiss Director

(William L. Weiss)

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

MERRILL LYNCH & CO., INC.

EXHIBITS TO

FORM 10-K
ANNUAL REPORT PURSUANT TO
SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FORM 10-K EXHIBIT INDEX

<TABLE>
<CAPTION>

<S> Exhibit No. -----	<C> Description -----	<C> Page -----
3(i)(a)	Restated Certificate of Incorporation of ML & Co., as amended April 24, 1987 (Exhibit 3(i) to 10-K for fiscal year ended December 25, 1992 ("1992 10-K")).	
3(i)(b)	Certificate of Amendment dated April 29, 1993 of the Certificate of Incorporation of ML & Co. (Exhibit 3(i) to 10-Q for the quarter ended March 26, 1993 ("1st Quarter 1993 10-Q")).	
3(i)(c)	Form of certificate representing the 9% Cumulative Preferred Stock, Series A, par value \$1.00 per share, of ML & Co. (the "9% Preferred Stock") (Exhibit 4(i) to 10-Q for the quarter ended September 30, 1994 ("3rd Quarter 1994 10-Q")).	
3(i)(d)	Form of Depositary Receipt evidencing the Depositary Shares for the 9% Preferred Stock (Exhibit 4(ii) to 3rd Quarter 1994 10-Q).	
3(i)(e)	Certificate of Designation of ML & Co. establishing the rights, preferences, privileges, qualifications, restrictions, and limitations relating to the 9% Preferred Stock (Exhibit 4(iii) to 3rd Quarter 1994 10-Q).	
3(i)(f)	Deposit Agreement dated as of November 3, 1994 among ML & Co., Citibank, N.A. as Depositary, and the holders from time to time of the Depositary Receipts (Exhibit 4(iv) to 3rd Quarter 1994 10-Q).	
3(i)(g)	Certificate of Designation dated December 17, 1987 for Series A Junior Preferred Stock (Exhibit 3(f) to S-3 (File No. 33-19975)).	
3(i)(h)	Form of Rights Agreement dated as of December 16, 1987 between ML & Co. and The Chase Manhattan Bank (successor by merger to Manufacturers Hanover Trust Company and Chemical Bank) (Exhibit 3(iv) to 1992 10-K).	
*3(ii)	By-Laws of ML & Co., effective as of December 28, 1996.	
4(i)	Senior Indenture dated as of April 1, 1983, as amended and restated, between ML & Co. and The Chase Manhattan Bank (successor by merger to Manufacturers Hanover Trust Company and Chemical Bank) and the Supplemental Indenture thereto dated as of March 15, 1990 (Exhibit 3 to ML & Co.'s Registration Statement on Form 8-A dated July 20, 1992).	
4(ii)	Supplemental Indenture dated as of October 25, 1993 to the Senior Indenture dated as of April 1, 1983 (Exhibit 4(b)(ii) to S-3 (File No. 33-61559)).	
4(iii)	Senior Indenture dated as of October 1, 1993 between ML & Co. and The Chase Manhattan Bank (Exhibit 4 to 8-K dated October 7, 1993).	

Certain of the exhibits in this index were previously filed to other reports or registration statements filed by the Registrant and are incorporated herein by reference to such reports or registration statements as indicated parenthetically by the appropriate report reference date or registration statement number. For convenience, Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K, and Registration

Statements on Form S-3 are designated herein as "10-Q", "10-K", "8-K", and "S-3", respectively.

* Filed herewith.

</TABLE>

E-1

<TABLE>
<CAPTION>

<S> Exhibit No. - - - - -	<C> Description - - - - -	<C> Page - - - - -
4(iv)	Form of ML & Co.'s 7% Notes due January 15, 2007 (Exhibit 4 to 8-K dated January 13, 1997).	
4(v)	Form of ML & Co.'s S&P 500 Market Index Target-Term Securities due September 16, 2002 (Exhibit 4 to 8-K dated March 14, 1997).	
10(i)	ML & Co. 1978 Incentive Equity Purchase Plan, as amended through January 16, 1995 (Exhibit 10(i) to 10-K for the fiscal year ended December 30, 1994 ("1994 10-K")).	
10(ii)	Form of ML & Co. Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, as amended through November 10, 1994 (Exhibit 10(ii) to 1994 10-K).	
10(iii)	ML & Co. Long-Term Incentive Compensation Plan, as amended through October 21, 1996 (Exhibit 10(i) to 10-Q for the quarter ended September 27, 1996 (the "3rd Quarter 1996 10-Q")).	
10(iv)	ML & Co. Equity Capital Accumulation Plan, as amended through October 21, 1996 (Exhibit 10(ii) to 3rd Quarter 1996 10-Q).	
10(v)	ML & Co. Executive Officer Compensation Plan (Exhibit 10(i) to ML & Co.'s Proxy Statement for the 1994 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 14, 1994 ("1994 Proxy Statement")).	
10(vi)	Written description of Retirement Program for Non-Employee Directors of ML & Co., as amended June 29, 1988 (Pages 27 to 29 of ML & Co.'s Proxy Statement for the 1997 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 10, 1997 ("1997 Proxy Statement")).	
10(vii)	ML & Co. Non-Employee Directors' Equity Plan (Exhibit 10(iv) to 10-Q for the quarter ended September 25, 1992 (the "3rd Quarter 1992 10-Q")).	
* 10(viii)	Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully.	
10(ix)	Amendment dated April 30, 1992 to Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully (Exhibit 10(ii) to 10-Q for the quarter ended June 26, 1992).	
* 10(x)	Amendment dated January 27, 1997 to Executive Annuity Agreement dated July 24, 1991 by and between ML & Co. and Daniel P. Tully.	
10(xi)	Form of Severance Agreement between ML & Co. and certain of its directors and executive officers (Exhibit 10(x) to 10-K for fiscal year ended December 29, 1995 ("1995 10-K")).	
10(xii)	Form of Indemnification Agreement entered into with all current directors of ML & Co. and to be entered into with all future directors of ML & Co. (Exhibit 10(xi) to 10-K for the fiscal year ended December 31, 1993 ("1993 10-K")).	
10(xiii)	Written description of ML & Co.'s incentive compensation programs (Exhibit 10(xii) to 1993 10-K).	

- - - - -
* Filed herewith.

</TABLE>

E-2

<TABLE>
<CAPTION>

<S> Exhibit No. -----	<C> Description -----	<C> Page -----
10(xiv)	Written description of ML & Co.'s compensation policy for directors (Pages 17 and 18 of ML & Co.'s 1997 Proxy Statement).	
10(xv)	Merrill Lynch KECALP Growth Investments Limited Partnership 1983 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-81619)).	
10(xvi)	Merrill Lynch KECALP L.P. 1984 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-87962)).	
10(xvii)	Merrill Lynch KECALP L.P. 1986 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-99800)).	
10(xviii)	Merrill Lynch KECALP L.P. 1987 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-11355)).	
10(xix)	Merrill Lynch KECALP L.P. 1989 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-26561)).	
10(xx)	Merrill Lynch KECALP L.P. 1991 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-39489)).	
10(xxi)	Merrill Lynch KECALP L.P. 1994 (Exhibit 1(a)(ii) to Registration Statement on Form N-2 (File No. 33-51825)).	
10(xxii)	Merrill Lynch KECALP L.P. 1997 (Exhibit 1(a)(ii) to Registration Statement on Form N-2 (File No. 333-15035)).	
* 10(xxiii)	ML & Co. Deferred Restricted Unit Plan for Executive Officers.	
10(xxiv)	ML & Co. 1995 Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(xxii) to 1994 10-K).	
* 10(xxv)	ML & Co. Fee Deferral Plan for Non-Employee Directors, as amended through December 11, 1996.	
10(xxvi)	ML & Co. 1996 Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(i) to 10-Q for the quarter ended September 29, 1995).	
* 10(xxvii)	ML & Co. 1997 Deferred Compensation Plan for a Select Group of Eligible Employees.	
10(xxviii)	ML & Co. 1997 KECALP Deferred Compensation Plan for a Select Group of Eligible Employees (Exhibit 10(iii) to 3rd Quarter 1996 10-Q).	
10(xxix)	ML & Co. Deferred Unit and Stock Unit Plan for Non-Employee Directors (Exhibit 10(iv) to 3rd Quarter 1996 10-Q).	
* 10(xxx)	ML & Co. Long-Term Incentive Compensation Plan for Managers and Producers.	
* 10(xxxi)	Executive Annuity Agreement dated as of January 27, 1997 by and between ML & Co. and David H. Komansky.	

* File herewith.

E-3

</TABLE>

<TABLE>
<CAPTION>

<S> Exhibit No. -----	<C> Description -----	<C> Page -----
-----------------------------	-----------------------------	----------------------

*10(xxxii)	Amendment dated September 18, 1996 to Deferred Compensation Plans (amending the Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, the ML & Co. 1995 Deferred Compensation Plan for a Select Group of Eligible Employees, and the ML & Co. 1996 Deferred Compensation Plan for a Select Group of Eligible	
------------	--	--

Employees).

- *10(xxxiii) (a) Amended and Restated Reimbursement Agreement between WFP Tower D Co. L.P. ("WFP/D") and MLPF&S dated as of November 21, 1996.
- *10(xxxiii) (b) Amended and Restated Reimbursement Agreement between WFP Tower B Co. L.P. ("WFP/B") and Merrill Lynch/WFC/L, Inc. ("WFC/L") dated as of November 21, 1996.
- +10(xxxiii) (c) Agreement of Lease (with respect to Parcel D) dated as of February 26, 1988 between WFC Tower D Company (formerly known as Olympia & York Tower D Company) ("D Company") and WFC/L (Exhibit 10(xxx) (c) to 1992 10-K).
- +10(xxxiii) (d) Guaranty and Assumption Agreement dated as of February 26, 1988 between ML & Co. and D Company (Exhibit 19(xxx) (d) to 1992 10-K).
- +10(xxxiii) (e) Agreement of Lease (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(i) to 1st Quarter 1993 10-Q).
- **10(xxxiii) (f) Guaranty and Assumption Agreement dated as of September 29, 1988 between ML & Co. and B Company (Exhibit 10(ii) to 1st Quarter 1993 10-Q).
- 10(xxxiv) (a) Amendment of Agreement of Lease (with respect to Parcel D) dated as of September 29, 1988 between D Company and WFC/L (Exhibit 10(vi) to 1st Quarter 1993 10-Q).
- *10(xxxiv) (b) Second Amendment of Agreement of Lease (with respect to Parcel D) dated as of November 21, 1996 between WFP/D and MLPF&S.
- *10(xxxiv) (c) Second Amendment of Agreement of Lease (with respect to Parcel B) dated as of November 21, 1996 between WFP/B and WFC/L.
- *(11) Statement re computation of per share earnings.
- *(12) Statement re computation of ratios.
- *(13) 1996 Annual Report to Stockholders.
- *(21) Subsidiaries of the Registrant.
- *(23) Consent of Independent Auditors.
- *(27) Financial Data Schedule.

* Filed herewith.

+ Confidential treatment has been obtained for portions of this exhibit.

</TABLE>

BY-LAWS
OF
MERRILL LYNCH & CO., INC.

Effective December 28, 1996

INDEX
to
BY-LAWS
of
MERRILL LYNCH & CO., INC.

	PAGE
ARTICLE I - OFFICES	1
ARTICLE II - MEETINGS OF STOCKHOLDERS	
Section 1. Annual Meeting.....	1
Section 2. Special Meetings	1
Section 3. Notice of, and Business at, Meetings.....	1
Section 4. Waiver of Notice	3
Section 5. Organization.....	3
Section 6. Inspectors of Election.....	3
Section 7. Stockholders Entitled to Vote.....	4
Section 8. Quorum and Adjournment.....	4
Section 9. Order of Business.....	4
Section 10. Vote of Stockholders.....	4
Section 11. Shares Entitled to More or Less Than One Vote.....	5
ARTICLE III - BOARD OF DIRECTORS	
Section 1. Election and Term.....	5
Section 2. Qualification.....	5
Section 3. Number.....	5
Section 4. General Powers.....	6
Section 5. Place of Meetings.....	6
Section 6. Organization Meetings.....	6
Section 7. Regular Meetings	6
Section 8. Special Meetings; Notice and Waiver of Notice.....	6
Section 9. Organization of Meetings.....	7
Section 10. Quorum and Manner of Acting.....	7
Section 11. Voting.....	7
Section 12. Action without a Meeting.....	7

	PAGE
Section 13. Resignations.....	8
Section 14. Removal of Directors.....	8
Section 15. Vacancies.....	8
Section 16. Directors' Compensation.....	8
ARTICLE IV - COMMITTEES	
Section 1. Constitution and Powers.....	8

Section 2.	Place of Meetings.....	9
Section 3.	Meetings; Notice and Waiver of Notice.....	9
Section 4.	Organization of Meetings.....	9
Section 5.	Quorum and Manner of Acting.....	9
Section 6.	Voting.....	10
Section 7.	Records	10
Section 8.	Vacancies.....	10
Section 9.	Members' Compensation.....	10
Section 10.	Emergency Management Committee.....	10

ARTICLE V - THE OFFICERS

Section 1.	Officers - Qualifications	11
Section 2.	Term of Office; Vacancies	11
Section 3.	Removal of Elected Officers.....	11
Section 4.	Resignations.....	11
Section 5.	Officers Holding More Than One Office.....	11
Section 6.	The Chairman of the Board	11
Section 7.	The President.....	12
Section 8.	The Vice Chairmen of the Board.....	12
Section 9.	The Executive Vice Presidents.....	12
Section 10.	The Senior Vice Presidents.....	12
Section 11.	The Vice Presidents.....	13
Section 12.	The Secretary.....	13
Section 13.	The Treasurer.....	13
Section 14.	Additional Duties and Authority.....	13
Section 15.	Compensation.....	13

ARTICLE VI - STOCK AND TRANSFERS OF STOCK

Section 1.	Stock Certificates.....	14
Section 2.	Transfers of Stock.....	14
Section 3.	Lost Certificates.....	14
Section 4.	Determination of Holders of Record for Certain Purposes.....	14

ARTICLE VII - CORPORATE SEAL

Section 1.	Seal.....	15
Section 2.	Affixing and Attesting.....	15

ARTICLE VIII - MISCELLANEOUS

Section 1.	Fiscal Year.....	15
Section 2.	Signatures on Negotiable Instruments.....	15
Section 3.	References to Article and Section Numbers and to the By-Laws and the Certificate of Incorporation.....	15

ARTICLE IX - AMENDMENTS..... 16

BY-LAWS

OF

MERRILL LYNCH & CO., INC.

ARTICLE I.

OFFICES

Merrill Lynch & Co., Inc. (hereinafter called the "Corporation") may establish or discontinue, from time to time, such offices and places of business within or without the State of Delaware as the Board of Directors may deem proper for the conduct of the Corporation's business.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

Section 1. Annual Meeting. The annual meeting of the holders of shares of such classes or series of stock as are entitled to notice thereof and to vote thereat pursuant to the provisions of the Certificate of Incorporation (hereinafter called the "Annual Meeting of Stockholders") for the purpose of electing directors and transacting such other business as may come before it

shall be held in each year at such time, on such day and at such place, within or without the State of Delaware, as shall be designated by the Board of Directors.

Section 2. Special Meetings. In addition to such meetings as are provided for by law or by the Certificate of Incorporation, special meetings of the holders of any class or series or of all classes or series of the Corporation's stock may be called at any time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board of Directors and may be held at such time, on such day and at such place, within or without the State of Delaware, as shall be designated by the Board of Directors.

Section 3. Notice of, and Business at, Meetings.

a. Notice. Except as otherwise provided by law, written notice of each meeting of stockholders shall be given either by delivering a notice personally or mailing a notice to each stockholder of record entitled to vote thereat. If mailed, the notice shall be directed to the stockholder in a postage-prepaid envelope at his address as it appears on the stock books of the Corporation unless, prior to the time of mailing, he shall have filed with the Secretary a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. Notice of each meeting of stockholders shall be in such form as is approved by the Board of Directors and shall state the purpose or purposes for which the meeting is

2

called, the date and time when and the place where it is to be held, and shall be delivered personally or mailed not more than sixty (60) days and not less than ten (10) days before the day of the meeting. Except as otherwise provided by law, the business which may be transacted at any special meeting of stockholders shall consist of and be limited to the purpose or purposes so stated in such notice. The Secretary or an Assistant Secretary or the Transfer Agent of the Corporation shall, after giving such notice, make an affidavit stating that notice has been given, which shall be filed with the minutes of such meeting.

b. Business. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation who (i) is a stockholder of record on the date of the giving of the notice provided for in this Section 3(b) and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) complies with the notice procedures set forth in this Section 3(b).

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received by the Secretary of the Corporation not less than fifty (50) days prior to the date of the annual meeting of stockholders; provided, that in the event that less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

3

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 3(b), provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 3(b) shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Section 4. Waiver of Notice. Whenever notice is required to be given under any provision of law or of the Certificate of Incorporation or the By-Laws, a waiver thereof in writing or by telegraph, cable or other form of recorded communication, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the person attends such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of stockholders need be specified in any waiver of notice unless so required by the Certificate of Incorporation.

Section 5. Organization. The Chairman of the Board shall act as chairman at all meetings of stockholders at which he is present, and as such chairman shall call such meetings of stockholders to order and preside thereat. If the Chairman of the Board shall be absent from any meeting of stockholders, the duties otherwise provided in this Section 5 of Article II to be performed by him at such meeting shall be performed at such meeting by the officer prescribed by Section 6 of Article V. The Secretary of the Corporation shall act as secretary at all meetings of the stockholders, but in his absence the chairman of the meeting may appoint any person present to act as secretary of the meeting.

Section 6. Inspectors of Election. a. The Chairman of the Board shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Chairman of the Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

b. The inspectors shall: (1) ascertain the number of shares outstanding and the voting power of each; (2) determine the shares represented at a meeting and the validity of proxies and ballots; (3) count all votes and ballots; (4) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and (5) certify their determination of the number of

4

shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties.

Section 7. Stockholders Entitled to Vote. The Board of Directors may fix a date not more than sixty (60) days nor less than ten (10) days prior to the date of any meeting of stockholders, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting and any adjournment thereof, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid. No record date shall precede the date on which the Board of Directors establishes such record date. The Secretary shall prepare and make or cause to be prepared and made, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order and showing the address of each such stockholder and the number of shares registered in the name of each such stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place, specified in the notice of the meeting, within the city where the meeting is to be held, or, if not so specified, at the place where the meeting is to be held. Such list shall be produced and kept at the time and place of the meeting during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 8. Quorum and Adjournment. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the shares of stock entitled to vote at the meeting present in person or by proxy without regard to class or series shall constitute a quorum at all meetings of the stockholders. In the absence of a quorum, the holders of a majority of such shares of stock present in person or by proxy may adjourn any meeting, from time to time, until a quorum shall be present. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned, provided that if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, then a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. Order of Business. The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

Section 10. Vote of Stockholders. Except as otherwise required by law or by the Certificate of Incorporation or by the By-Laws, all action by stockholders shall be taken at a stockholders' meeting. Every stockholder of record, as determined pursuant to Section 7 of this Article II, and who is entitled to vote, shall, except as otherwise expressly provided in the Certificate of Incorporation with respect to any class or series

5

of the Corporation's capital stock, be entitled at every meeting of the stockholders to one vote for every share of stock standing in his name on the books of the Corporation. Every stockholder entitled to vote may authorize another person or persons to act for him by proxy duly appointed by an instrument in writing, subscribed by such stockholder and executed not more than three (3) years prior to the meeting, unless the instrument provides for a longer period. The attendance at any meeting of stockholders of a stockholder who may theretofore have given a proxy shall not have the effect of revoking such proxy. Election of directors shall be by written ballot but, unless otherwise provided by law, no vote on any question upon which a vote of the stockholders may be taken need be by ballot unless the chairman of the meeting shall determine that it shall be by ballot or the holders of a majority of the shares of stock present in person or by proxy and entitled to participate in such vote shall so demand. In a vote by ballot each ballot shall state the number of shares voted and the name of the stockholder or proxy voting. Except as otherwise provided in Sections 14 and 15 of Article III or by the Certificate of Incorporation, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Except as otherwise provided by law or by the Certificate of Incorporation, the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject shall be the act of the stockholders.

Section 11. Shares Entitled to More or Less than One Vote. If any class or series of the Corporation's capital stock shall be entitled to more or less than one vote for any share, on any matter, every reference in the By-Laws to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock.

ARTICLE III.

BOARD OF DIRECTORS

Section 1. Election and Term. Except as otherwise provided by law or by the Certificate of Incorporation, and subject to the provisions of Sections 13, 14 and 15 of this Article III, directors shall be elected at the Annual Meeting of Stockholders to serve until the Annual Meeting of Stockholders in the third year following their election and until their successors are elected and qualify or until their earlier resignation or removal.

Section 2. Qualification. No one shall be a director who is not the owner of shares of Common Stock of the Corporation. Acceptance of the office of director may be expressed orally or in writing.

Section 3. Number. The number of directors may be fixed from time to time by resolution of the Board of Directors but shall not be less than three (3) nor more than thirty (30).

6

Section 4. General Powers. The business, properties and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors, which, without limiting the generality of the foregoing, shall have power to elect and appoint officers of the Corporation, to appoint and direct

agents, to grant general or limited authority to officers, employees and agents of the Corporation to make, execute and deliver contracts and other instruments and documents in the name and on behalf of the Corporation and over its seal, without specific authority in each case, and, by resolution adopted by a majority of the whole Board of Directors, to appoint committees of the Board of Directors in addition to those appointed pursuant to Article IV hereof, the membership of which may consist of one or more directors, and which may advise the Board of Directors with respect to any matters relating to the conduct of the Corporation's business. The Board of Directors may designate one or more directors as alternate members of any committee, including those appointed pursuant to Article IV hereof, who may replace any absent or disqualified member at any meeting of the committee. In addition, the Board of Directors may exercise all the powers of the Corporation and do all lawful acts and things which are not reserved to the stockholders by law or by the Certificate of Incorporation.

Section 5. Place of Meetings. Meetings of the Board of Directors may be held at any place, within or without the State of Delaware, from time to time designated by the Board of Directors.

Section 6. Organization Meeting. A newly elected Board of Directors shall meet and organize, and also may transact any other business which might be transacted at a regular meeting thereof, as soon as practicable after each Annual Meeting of Stockholders, at the place at which such meeting of stockholders took place, without notice of such meeting, provided a majority of the whole Board of Directors is present. If such a majority is not present, such organization meeting may be held at any other time or place which may be specified in a notice given in the manner provided in Section 8 of this Article III for special meetings of the Board of Directors, or in a waiver of notice thereof.

Section 7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times as may be determined by resolution of the Board of Directors and no notice shall be required for any regular meeting. Except as otherwise provided by law, any business may be transacted at any regular meeting of the Board of Directors.

Section 8. Special Meetings; Notice and Waiver of Notice. Special meetings of the Board of Directors shall be called by the Secretary on the request of the Chairman of the Board, the President or a Vice Chairman of the Board, or on the request in writing of any three other directors stating the purpose or purposes of such meeting. Notice of any special meeting shall be in form approved by the Chairman of the Board, the President or a Vice Chairman of the Board, as the case may be. Notices of special meetings shall be mailed to each director, addressed to him at his residence or usual place of business, not later than two (2) days before the day on which the meeting is to be held, or shall be sent to him at such place by telegraph, cable or other form of recorded communication or be delivered personally or by telephone, not later than the

7

day before such day of meeting. Notice of any meeting of the Board of Directors need not be given to any director if he shall sign a written waiver thereof either before or after the time stated therein, or if he shall attend a meeting, except when he attends such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in any notice or written waiver of notice unless so required by the Certificate of Incorporation or by the By-Laws. Unless limited by law, by the Certificate of Incorporation or by the By-Laws, any and all business may be transacted at any special meeting.

Section 9. Organization of Meetings. The Chairman of the Board shall preside at all meetings of the Board of Directors at which he is present. If the Chairman of the Board shall be absent from any meeting of the Board of Directors, the duties otherwise provided in this Section 9 of Article III to be performed by him at such meeting shall be performed at such meeting by the officer prescribed by Section 6 of Article V. If no such officer is present at such meeting, one of the directors present shall be chosen by the members of the Board of Directors present to preside at such meeting. The Secretary of the Corporation shall act as the secretary at all meetings of the Board of Directors, and in his absence a temporary secretary shall be appointed by the chairman of the meeting.

Section 10. Quorum and Manner of Acting. Except as otherwise provided by Section 6 of this Article III, at every meeting of the Board of Directors one-third (1/3) of the total number of directors constituting the whole Board of Directors shall constitute a quorum but in no event shall a quorum be constituted by less than two (2) directors. Except as otherwise provided by law or by the Certificate of Incorporation, or by Section 15 of this Article III, or by Section 1 or Section 8 of Article IV, or by Section 3 of Article V, or by Article IX, the act of a majority of the directors present at

any such meeting, at which a quorum is present, shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present may adjourn any meeting, from time to time, until a quorum is present. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned. Members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by a member of the Board of Directors in a meeting pursuant to this Section 10 of Article III shall constitute his presence in person at such meeting.

Section 11. Voting. On any question on which the Board of Directors shall vote, the names of those voting and their votes shall be entered in the minutes of the meeting if any member of the Board of Directors so requests at the time.

Section 12. Action without a Meeting. Except as otherwise provided by law or by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a

8

meeting, if prior to such action all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or the committee.

Section 13. Resignations. Any director may resign at any time upon written notice of resignation to the Corporation. Any resignation shall be effective immediately unless a date certain is specified for it to take effect, in which event it shall be effective upon such date, and acceptance of any resignation shall not be necessary to make it effective, irrespective of whether the resignation is tendered subject to such acceptance.

Section 14. Removal of Directors. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, (i) any director, or the entire Board of Directors, may be removed from office at any time, but only for cause, by the affirmative vote of the holders of record of outstanding shares representing at least 80% of the voting power of all the shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class, and (ii) any director may be removed from office at any time, but only for cause, by the affirmative vote of a majority of the entire Board of Directors.

Section 15. Vacancies. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, any vacancies in the Board of Directors for any reason, including by reason of any increase in the number of directors, shall, if occurring prior to the expiration of the term of office of the class in which such vacancy occurs, be filled only by the Board of Directors, acting by the affirmative vote of a majority of the remaining directors then in office, although less than a quorum, and any directors so elected shall hold office until the next election of the class for which such directors have been elected and until their successors are elected and qualify.

Section 16. Directors' Compensation. Any and all directors may receive such reasonable compensation for their services as such, whether in the form of salary or a fixed fee for attendance at meetings, with expenses, if any, as the Board of Directors may from time to time determine. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV.

COMMITTEES

Section 1. Constitution and Powers. The Board of Directors may, by resolution adopted by affirmative vote of a majority of the whole Board of Directors, appoint one or more committees of the Board of Directors, which committees shall have such powers and duties as the Board of Directors shall properly determine. Unless otherwise provided by the Board of Directors, no such other committee of the Board of Directors shall be composed of fewer than two (2) directors.

9

Section 2. Place of Meetings. Meetings of any committee of the Board of Directors may be held at any place, within or without the State of Delaware, from time to time designated by the Board of Directors or such committee.

Section 3. Meetings; Notice and Waiver of Notice. Regular meetings of any committee of the Board of Directors shall be held at such times as may be determined by resolution either of the Board of Directors or of such committee and no notice shall be required for any regular meeting. Special meetings of any committee shall be called by the secretary thereof upon request of any two members thereof. Notice of any special meeting of any committee shall be in form approved by the Chairman of the Board, the President or a Vice Chairman of the Board, as the case may be. Notices of special meetings shall be mailed to each member, addressed to him at his residence or usual place of business, not later than two (2) days before the day on which the meeting is to be held, or shall be sent to him at such place by telegraph, cable or any other form of recorded communication, or be delivered personally or by telephone, not later than the day before such day of meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of any committee, need be specified in any notice or written waiver of notice unless so required by the Certificate of Incorporation or the By-Laws. Notices of any such meeting need not be given to any member of any committee, however, if waived by him as provided in Section 8 of Article III, and the provisions of such Section 8 with respect to waiver of notice of meetings of the Board of Directors shall apply to meetings of any committee as well.

Section 4. Organization of Meetings. The most senior officer of the Corporation present, if any be members of the committee, and, if not, the director present who has served the longest as a director, except as otherwise expressly provided by the Board of Directors or the committee, shall preside at all meetings of any committee. The Secretary of the Corporation, except as otherwise expressly provided by the Board of Directors, shall act as secretary at all meetings of any committee and in his absence a temporary secretary shall be appointed by the chairman of the meeting.

Section 5. Quorum and Manner of Acting. One-third (1/3) of the members of any committee then in office shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present, shall be the act of such committee. In the absence of a quorum, a majority of the members of any committee present, or, if two or fewer members shall be present, any member of the committee present or the Secretary, may adjourn any meeting, from time to time, until a quorum is present. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned. The provisions of Section 10 of Article III with respect to participation in a meeting of a committee of the Board of Directors and the provisions of Section 12 of Article III with respect to action taken by a committee of the Board of Directors without a meeting shall apply to participation in meetings of and action taken by any committee.

10

Section 6. Voting. On any question on which any committee shall vote, the names of those voting and their votes shall be entered in the minutes of the meeting if any member of such committee so requests.

Section 7. Records. All committees shall keep minutes of their acts and proceedings, which shall be submitted at the next regular meeting of the Board of Directors unless sooner submitted at an organization or special meeting of the Board of Directors, and any action taken by the Board of Directors with respect thereto shall be entered in the minutes of the Board of Directors.

Section 8. Vacancies. Any vacancy among the appointed members or alternate members of any committee of the Board of Directors may be filled by affirmative vote of a majority of the whole Board of Directors.

Section 9. Members' Compensation. Members of all committees may receive such reasonable compensation for their services as such, whether in the form of salary or a fixed fee for attendance at meetings, with expenses, if any, as the Board of Directors may from time to time determine. Nothing herein contained shall be construed to preclude any member of any committee from serving the Corporation in any other capacity and receiving compensation therefor.

Section 10. Emergency Management Committee. In the event that a quorum of the Board of Directors cannot readily be convened as a result of emergency conditions following a catastrophe or disaster, then all the powers and duties vested in the Board of Directors shall vest automatically in an Emergency Management Committee which shall consist of all readily available members of the Board of Directors and which Committee shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation. Two members shall constitute a quorum. Other provisions of these By-Laws notwithstanding, the Emergency Management Committee shall call a meeting of the Board of Directors as soon as circumstances permit, for the purpose of filling vacancies on the Board of Directors and its committees and to take such other action as may be appropriate; and if the Emergency Management Committee determines that less than

a majority of the members of the Board of Directors are available for service, the Emergency Management Committee shall, as soon as practicable, issue a call for a special meeting of stockholders for the election of directors. The powers of the Emergency Management Committee shall terminate upon the convening of the meeting of the Board of Directors above prescribed at which a majority of the members thereof shall be present, or upon the convening of the above prescribed meeting of stockholders, whichever first shall occur.

11

ARTICLE V.

THE OFFICERS

Section 1. Officers-Qualifications. The elected officers of the Corporation shall be a Chairman of the Board, a President, a Secretary and a Treasurer and may also include one or more Vice Chairmen of the Board, one or more Executive Vice Presidents, one or more Senior Vice Presidents and one or more Vice Presidents. The elected officers shall be elected by the Board of Directors. The Chairman of the Board, the President and each Vice Chairman of the Board shall be selected from the directors. Assistant Secretaries, Assistant Treasurers and such other officers as may be deemed necessary or appropriate may be appointed by the Board of Directors or may be appointed pursuant to Section 7 of this Article V.

Section 2. Term of Office; Vacancies. So far as is practicable, all elected officers shall be elected at the organization meeting of the Board of Directors in each year, and except as otherwise provided in Sections 3 and 4, and subject to the provisions of Section 7, of this Article V, shall hold office until the organization meeting of the Board of Directors in the next subsequent year and until their respective successors are elected and qualify or until their earlier resignation or removal. All appointed officers shall hold office during the pleasure of the Board of Directors and the President. If any vacancy shall occur in any office, the Board of Directors may elect or appoint a successor to fill such vacancy for the remainder of the term.

Section 3. Removal of Elected Officers. Any elected officer may be removed at any time, either for or without cause, by affirmative vote of a majority of the whole Board of Directors, at any regular meeting or at any special meeting called for the purpose and, in the case of any officer not more senior than a Senior Vice President, by affirmative vote of a majority of the whole committee of the Board of Directors so empowered at any regular meeting or at any special meeting called for the purpose.

Section 4. Resignations. Any officer may resign at any time, upon written notice of resignation to the Corporation. Any resignation shall be effective immediately unless a date certain is specified for it to take effect, in which event it shall be effective upon such date, and acceptance of any resignation shall not be necessary to make it effective, irrespective of whether the resignation is tendered subject to such acceptance.

Section 5. Officers Holding More Than One Office. Any officer may hold two or more offices the duties of which can be consistently performed by the same person.

Section 6. The Chairman of the Board. As provided in Section 5 of Article II, the Chairman of the Board shall act as chairman at all meetings of the stockholders at which he is present, and, as provided in Section 9 of Article III, he shall preside at all meetings of the Board of Directors at which he is present. In the absence of the Chairman of the Board, his duties shall be performed and his authority may be exercised by the President, and, in the absence of the Chairman of the Board and the President, such duties shall be performed and such authority may be exercised by such

12

officer as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made. The office of Chairman of the Board shall be senior to the offices of Vice Chairman of the Board and Executive Vice President.

Section 7. The President. The President shall be the chief executive officer of the Corporation and, unless he shall have designated another officer to so serve, shall also be the chief operating officer of the Corporation. He shall direct, coordinate and control the Corporation's business and activities and its operating expenses and capital expenditures, and shall have general authority to exercise all the powers necessary for the chief executive officer of the Corporation, all in accordance with basic policies established by and subject to the control of the Board of Directors. He shall establish operating and administrative plans and policies and direct and coordinate the Corporation's organizational components, within the scope of the authority

delegated to him by the Board of Directors. He shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation and responsibility for the employment or appointment of such employees, agents and officers (except officers to be elected by the Board of Directors pursuant to Section 1 of this Article V) as may be required for the conduct of the business and the attainment of the objectives of the Corporation and authority to fix compensation as provided in Section 15 of this Article V. He shall have authority to suspend or to remove any employee, agent or appointed officer of the Corporation and to suspend for cause any elected officer of the Corporation and, in the case of the suspension for cause of any such elected officer, to recommend to the Board of Directors what further action should be taken. As provided in Section 6 of this Article V, in the absence of the Chairman of the Board, the President shall perform all the duties and exercise the authority of the Chairman of the Board. In the absence of the President, his duties shall be performed and his authority may be exercised by the Chairman of the Board. In the absence of the President and the Chairman of the Board, the duties of the President shall be performed and his authority may be exercised by such officer as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made.

Section 8. The Vice Chairmen of the Board. The several Vice Chairmen of the Board, if any, shall perform such duties and may exercise such authority as may from time to time be conferred upon them by the Board of Directors, the Chairman of the Board or the President.

Section 9. The Executive Vice Presidents. The several Executive Vice Presidents, if any, shall perform such duties and may exercise such authority as may from time to time be conferred upon them by the Board of Directors or the President.

Section 10. The Senior Vice Presidents. The several Senior Vice Presidents, if any, shall perform such duties and may exercise such authority as may from time to

13

time be conferred upon them by the Board of Directors, the President, any Vice Chairman of the Board or any Executive Vice President.

Section 11. The Vice Presidents. The several Vice Presidents, if any, shall perform such duties and may exercise such authority as may from time to time be conferred upon them by the Board of Directors, the President, any Vice Chairman of the Board or any Executive Vice President.

Section 12. The Secretary. The Secretary shall attend to the giving of notice of all meetings of stockholders and of the Board of Directors and committees thereof, and, as provided in Section 5 of Article II and Section 9 of Article III, shall keep minutes of all proceedings at meetings of the stockholders and of the Board of Directors at which he is present, as well as of all proceedings at all meetings of committees of the Board of Directors at which he has served as secretary, and where some other person has served as secretary thereto, the Secretary shall maintain custody of the minutes of such proceedings. As provided in Section 2 of Article VII, he shall have charge of the corporate seal and shall have authority to attest any and all instruments or writings to which the same may be affixed. He shall keep and account for all books, documents, papers and records of the Corporation, except those for which some other officer or agent is properly accountable. He shall generally perform all the duties usually appertaining to the office of secretary of a corporation. In the absence of the Secretary, such person as shall be designated by the President shall perform his duties.

Section 13. The Treasurer. The Treasurer shall have the care and custody of all the funds of the Corporation and shall deposit the same in such banks or other depositories as the Board of Directors or any officer or officers, or any officer and agent jointly, thereunto duly authorized by the Board of Directors, shall, from time to time, direct or approve. Except as otherwise provided by the Board of Directors or in the Corporation's plan of organization, the Treasurer shall keep a full and accurate account of all moneys received and paid on account of the Corporation, shall render a statement of accounts whenever the Board of Directors shall require, shall perform all other necessary acts and duties in connection with the administration of the financial affairs of the Corporation and shall generally perform all the duties usually appertaining to the office of the treasurer of a corporation. Whenever required by the Board of Directors, the Treasurer shall give bonds for the faithful discharge of the duties of that office in such sums and with such sureties as the Board of Directors shall approve. In the absence of the Treasurer, such person as shall be designated by the President shall perform such duties.

Section 14. Additional Duties and Authority. In addition to the foregoing specifically enumerated duties and authority, the several officers of the Corporation shall perform such other duties and may exercise such further authority as the Board of Directors may, from time to time, determine, or as may

be assigned to them by any superior officer.

Section 15. Compensation. Except as fixed or controlled by the Board of Directors or otherwise, compensation of all officers and employees shall be fixed by the

14

President or by other officers of the Corporation exercising authority granted to them under the plan of organization of the Corporation.

ARTICLE VI.

STOCK AND TRANSFERS OF STOCK

Section 1. Stock Certificates. The capital stock of the Corporation shall be represented by certificates signed by, or in the name of the Corporation by, the Chairman of the Board, the President or a Vice Chairman of the Board, and by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer, and sealed with the seal of the Corporation. If such stock certificate is countersigned by a Transfer Agent other than the Corporation or its employee or by a Registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile, engraved or printed. Such seal may be a facsimile, engraved or printed. In case any such officer, Transfer Agent or Registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, Transfer Agent or Registrar before such certificate is issued by the Corporation, it may nevertheless be issued by the Corporation with the same effect as if such officer, Transfer Agent or Registrar had not ceased to be such at the date of its issue. The certificates representing the capital stock of the Corporation shall be in such form as shall be approved by the Board of Directors.

Section 2. Transfers of Stock. Transfers of stock shall be made on the books of the Corporation by the person named in the certificate, or by an attorney lawfully constituted in writing, and upon surrender and cancellation of a certificate or certificates for a like number of shares of the same class or series of stock, duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and with such proof of the authenticity of the signatures as the Corporation or its agents may reasonably require and with all required stock transfer tax stamps affixed thereto and canceled or accompanied by sufficient funds to pay such taxes.

Section 3. Lost Certificates. In case any certificate of stock shall be lost, stolen or destroyed, the Board of Directors, in its discretion, or any officer or officers thereunto duly authorized by the Board of Directors, may authorize the issue of a substitute certificate in place of the certificate so lost, stolen or destroyed; provided, however, that, in each such case, the applicant for a substitute certificate shall furnish evidence to the Corporation, which it determines in its discretion is satisfactory, of the loss, theft or destruction of such certificate and of the ownership thereof, and also such security or indemnity as may be required by it.

Section 4. Determination of Holders of Record for Certain Purposes. In order to determine the stockholders or other holders of securities entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of capital stock or

15

other securities or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, not more than sixty (60) days prior to the date of payment of such dividend or other distribution or allotment of such rights or the date when any such rights in respect of any change, conversion or exchange of stock or securities may be exercised, and in such case only holders of record on the date so fixed shall be entitled to receive payment of such dividend or other distribution or to receive such allotment of rights, or to exercise such rights, notwithstanding any transfer of any stock or other securities on the books of the Corporation after any such record date fixed as aforesaid. No record date shall precede the date on which the Board of Directors establishes such record date.

ARTICLE VII.

CORPORATE SEAL

Section 1. Seal. The seal of the Corporation shall be in the form of a circle and shall bear the name of the Corporation and in the center of the circle the words "Corporate Seal, Delaware" and the figures "1973".

Section 2. Affixing and Attesting. The seal of the Corporation shall

be in the custody of the Secretary, who shall have power to affix it to the proper corporate instruments and documents, and who shall attest it. In his absence, it may be affixed and attested by an Assistant Secretary, or by the Treasurer or an Assistant Treasurer or by any other person or persons as may be designated by the Board of Directors.

ARTICLE VIII.

MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Corporation shall end on the last Friday of December in each year and the succeeding fiscal year shall begin on the day next succeeding the last day of the preceding fiscal year.

Section 2. Signatures on Negotiable Instruments. All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officers or agents and in such manner as, from time to time, may be prescribed by resolution (whether general or special) of the Board of Directors, or may be prescribed by any officer or officers, or any officer and agent jointly, thereunto duly authorized by the Board of Directors.

Section 3. References to Article and Section Numbers and to the By-Laws and the Certificate of Incorporation. Whenever in the By-Laws reference is made to an Article or Section number, such reference is to the number of an Article or Section of the By-Laws. Whenever in the By-Laws reference is made to the By-Laws, such reference is to these By-Laws of the Corporation, as amended, and whenever reference is made to the Certificate of Incorporation, such reference is to the Certificate of

16

Incorporation of the Corporation, as amended, including all documents deemed by the General Corporation Law of the State of Delaware to constitute a part thereof.

ARTICLE IX.

AMENDMENTS

The By-Laws may be altered, amended or repealed at any Annual Meeting of Stockholders, or at any special meeting of holders of shares of stock entitled to vote thereon, provided that in the case of a special meeting notice of such proposed alteration, amendment or repeal be included in the notice of meeting, by a vote of the holders of a majority of the shares of stock present in person or by proxy at the meeting and entitled to vote thereon, or (except as otherwise expressly provided in any By-Law adopted by the stockholders) by the Board of Directors at any valid meeting by affirmative vote of a majority of the whole Board of Directors.

The undersigned, duly qualified Secretary of Merrill Lynch & Co., Inc., a Delaware corporation, hereby certifies the foregoing to be a true and complete copy of the By-Laws of the said Merrill Lynch & Co., Inc. in effect on this date.

Secretary

Dated:

Executive Annuity Agreement

Executive Annuity Agreement dated July 24, 1991, by and between Merrill Lynch & Co., Inc. ("ML & Co.") and Daniel P. Tully (the "Executive").

WHEREAS, the Executive has worked for ML & Co. for an extended period and is at present President at ML & Co.; and

WHEREAS, ML & Co. desires to establish an incentive for the Executive, based on the Executive's compensation and total period of qualifying service, to continue to serve in the above-referenced position with ML & Co., or in such other high senior executive position as the Board of Directors of ML & Co. may hereafter specify, until such time as the Executive retires from ML & Co.;

WHEREAS, the Executive's substantial expertise and knowledge relating to the operation of the activities of ML & Co. and its affiliates is such that ML & Co. desires that the Executive not compete with ML & Co. and its affiliates in certain respects following the Executive's retirement from ML & Co.; and

WHEREAS, in view of the foregoing ML & Co. has decided that an appropriate benefit for the Executive, conditioned on continuing executive service and non-competition after retirement, would be to provide the Executive, and the Executive's surviving spouse, if any, with a retirement annuity which supplements retirement benefits otherwise payable to the Executive and the Executive's surviving spouse; and

WHEREAS, the Executive is willing to enter into this Agreement;

NOW THEREFORE, in consideration of the foregoing and the Executive's further service with ML & Co. in a qualifying capacity, ML & Co. and the Executive agree as follows:

SECTION 1

Definitions

In addition to the defined terms indicated above, unless otherwise required by the context for purposes of

this Agreement, each of the following terms shall have the meaning indicated for that term:

"Affiliate" means any subsidiary or other entity that is owned at least 50% by ML & Co. or by another such subsidiary or entity, or that is designated by ML & Co. as an Affiliate for purposes of this Agreement.

"Agreement" means this Executive Annuity Agreement, as it may be amended from time to time.

"Beneficiary" means the Executive's surviving spouse, if any.

"Board" means the Board of Directors of ML & Co.

"Committee" means the Management Development and Compensation Committee of the Board, as constituted from time to time.

"Compensation" means the highest consecutive five calendar year average of the Executive's Eligible compensation, as defined in the Merrill Lynch & Co., Inc. Retirement Accumulation Plan, as amended from time to time, included in the Retirement Program, but without regard to the \$200,000 (as indexed) limit prescribed under Internal Revenue Code Section 401(a)(17).

"Disability" means a physical or mental impairment as a result of which the Executive is entitled to receive, or is in receipt of, long term disability benefits under the Merrill Lynch & Co., Inc. Basic Long Term Disability Plan, as amended from time to time.

"Executive Annuity" means the annual amount determined under Section 3.

"401(k) Savings Plan" means the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan, effective October 1, 1987, as amended from time to time.

"Merrill Lynch" means ML & Co. and each Affiliate.

"Metropolitan Contract" means Group Annuity Contract No. 10438 issued as of December 29, 1988

2

by Metropolitan Life Insurance Company to the Trustees of the Pension Plan for Employees of Merrill Lynch & Co., Inc. and Affiliates (terminated as of December 13, 1988) to provide for the payment of Pension Plan Annuities as provided therein.

"PAYSOP" means the Payroll-Based Stock Ownership Plan for Employees of Merrill Lynch & Co., Inc. and Affiliates, as at January 1, 1983, as amended from time to time.

"Qualifying position" means an elected office of Merrill Lynch with seniority level equal to or greater than that of an Executive Vice President of ML & Co.

"Qualified Retirement Annuity" means an annual amount calculated as the sum of the following, payable monthly for the life of the Executive commencing as of the Retirement Date provided in Section 4:

- (a) the Pension Plan Annuity, if any, of the Executive under the provisions of the Metropolitan Contract, and
- (b) the annuitized value of the aggregate of the Executive's account balances under the Retirement Program, the 401(k) Savings Plan as adjusted to reflect only the balance thereunder allocable to employer contributions and investment experience thereon (not including any amount allocable to elective 401(k) deferrals or investment experience thereon), and the PAYSOP, such value to be calculated by dividing such aggregate by the applicable conversion factor for immediate annuities payable at or after age 55 as set forth in the table attached hereto as Appendix "A". Arithmetic interpolation (in increments of one-twelfth for each month or any part thereof, rounded up to the third decimal place) between the conversion factors for two consecutive ages shall be used to determine the conversion factor for Retirement Dates that are not coincident with or next following the Executive's birthday. Annuitized values shall be determined based

3

upon the quarterly (in the case at the Retirement Program and PAYSOP) or monthly (in the case of the 401(k) Savings Plan) valuation occurring coincident with or immediately preceding the Executive's Retirement Date or death while in Merrill Lynch employment, as applicable.

"Retirement" means termination of the Executive's employment with Merrill Lynch while holding a Qualifying Position, except that Retirement shall not include such termination by (a) affirmative vote of a majority of the whole Board, either for or without cause, unless the Board specifically directs that such termination shall be treated as Retirement, or (b) resignation of the Executive without the approval of the Board, which shall not be unreasonably withheld.

"Retirement Date" means the first day of any month coincident with or next following the Executive's Retirement as of which payment of the Executive Annuity to or in respect of the Executive is to commence as provided in Section 4.

"Retirement Program" means the Merrill Lynch & Co., Inc. Retirement Accumulation Plan, effective January 1, 1969, as amended from time to time, and the Merrill Lynch & Co., Inc. Employee Stock Ownership Plan, effective July 1, 1969, as amended from time to time.

"Service" means the aggregate number of years and months (any fractional part of a month being treated as a full month) of the Executive's employment, whether or not consecutive, up to the earliest of the Executive's 65th birthday, Retirement, or the date of termination of this Agreement, as determined for purposes of computing the amount of Company Retirement Contributions on behalf of the Executive under Article III of the Merrill Lynch & Co., Inc. Retirement Accumulation Plan, as amended from time to time, included in the Retirement Program. Service includes all periods of Disability.

SECTION 2

Eligibility

An Executive Annuity shall be payable to or in respect of the Executive only in the event of either the Retirement or death of the Executive, in either case, while holding a Qualifying Position or, if applicable, while on Disability, provided the Executive held a Qualifying Position immediately preceding such Disability.

SECTION 3

Amount

Except as otherwise provided in Section 6, the amount of the Executive Annuity to or in respect of the Executive shall be an annual sum equal to 1.25% of the Executive's Compensation multiplied by the Executive's Service, reduced by the Executive's Qualified Retirement Annuity, and further reduced by (a) 10% multiplied by the number of years and months (any fractional part of a month being treated as a full month) less than 10 years that the Executive did not hold a Qualifying Position, up to a maximum reduction of 50%, and, (b) if the Executive's Retirement Date or date of death is prior to the Executive's 60th birthday, 4% multiplied by the number of years and months (any fractional part of a month being treated as a full month) between such Retirement Date or date of death and such 60th birthday.

The amount of an Executive Annuity as determined under this Section 3 will neither be increased by any cost of living adjustments nor reduced by any such adjustments made to the Pension Plan Annuity under the Metropolitan Contract.

SECTION 4

Time and Forms of Payment

One-twelfth of the Executive Annuity shall be payable monthly commencing as of the Executive's Retirement Date, which shall be at the same time and in the same form, namely, as a Life Annuity, a 50% Joint and Survivor Life Annuity, a 100% Joint and Survivor Life Annuity, or a 10-Year Certain and Life Annuity, as the Pension Plan Annuity under the Metropolitan Contract that is actually so payable to or in respect of the Executive. For purposes of

computing an amount payable under this Agreement, the computation shall be made in all cases by applying the relevant reduction factors provided for in the Metropolitan Contract with reference to the Beneficiary, whether or not the Beneficiary is also the Executive's beneficiary, if any, under the Metropolitan Contract.

Notwithstanding the foregoing, in the event of the death of the Executive while in Merrill Lynch employment and before Retirement, payments to the Beneficiary, if any, shall be made as if the Executive's Retirement was on the day before the Executive's death with the Executive having elected a 100% Joint and Survivor Life Annuity, computed as stated in the foregoing paragraph.

SECTION 5

Administration

The Committee is authorized in its sole and absolute discretion, without limitation, to make all determinations which it deems necessary or advisable for the operation of this Agreement, to construe and interpret the Agreement, to establish such rules and to delegate such of its authority as it deems appropriate, and to perform all other acts believed reasonable and proper in connection with this Agreement.

SECTION 6

Amendment and Termination

ML & Co. reserves the right to amend, modify, restate, or terminate this Agreement in whole or in part, at any time for any reason; provided, however, that no such action shall reduce the amount of the Executive Annuity determined under Section 3, based on the Executive's Compensation and Service as of the effective date of such action, but with the Qualified Retirement Annuity for purposes of the offset under Section 3 to be determined as of the Executive's Retirement Date, or otherwise deprive the Executive or Beneficiary of any entitlement to such Executive Annuity determined as of the effective date of such action.

SECTION 7

Miscellaneous

7.1 Source of Payments

The obligation of ML & Co. to pay the Executive Annuity shall be unfunded and is solely an unsecured Promise by ML & Co. All monthly payments shall be made, as and when due, from the general assets of ML & Co. ML & Co. is not obligated to, but may, in its sole and absolute discretion, make arrangements with banks or insurance companies, and establish special reserves, accounts or funds, including a "grantor trust," and may make such investments as deemed desirable, to assist in meeting its obligations under this Agreement. Any such arrangements with their underlying assets, reserves, accounts, or funds shall at all times remain general assets of ML & Co., subject to the claims of its general creditors, and neither the Executive nor the Beneficiary shall have any right, title, or interest whatsoever therein.

7.2 Non-Alienation

No payment or right under this Agreement is subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any such action, shall be void and of no effect; nor are any such payments subject to seizure, attachment, execution, garnishment, or other legal or equitable process, or for the payment of any debts, judgments, alimony, or separate maintenance; nor are such payments transferable by operation of law in the event of bankruptcy, insolvency, or similar occurrence of the Executive or Beneficiary. In the event a person who is receiving or is entitled to receive payments under this Agreement attempts to assign, transfer, or dispose of such payment or right, or if an attempt is made to subject said payment or right to such process, such assignment, transfer, or disposition shall be null and void.

7.3 Forfeiture

The Executive and the Beneficiary, in the sole discretion of the Committee, shall forfeit any right to payments under this Agreement not yet made in the event that the Executive, following Retirement, enters into any employment, consulting, or other relationship with any person or entity which the Committee determines, in its sole discretion, to be in competition with Merrill Lynch.

7

Competition, for purposes of this section, means any involvement in any business in the financial services industry, including, but not limited to, investment banking, securities brokerage, securities trading, asset management, insurance, and banking.

7.4 Merger, Consolidation, Sale, or Transfer of Assets

In the event ML & Co. is merged or consolidated with another entity, or all or substantially all of the assets of ML & Co. are sold or otherwise transferred to another entity, this Agreement shall be binding upon and inure to the benefit of the successor or transferee resulting from or of such merger, consolidation, sale, or transfer.

7.5 Agreement Not a Condition of Employment

Nothing in this Agreement or any action taken hereunder shall be deemed or construed as giving the Executive any right to continued employment or as affecting the right of Merrill Lynch to discipline (including, without limitation, the right to discharge) the Executive at any time.

7.6 No Trust or Fiduciary Relationship Created

Nothing contained in this Agreement and no action taken pursuant to the provisions of this Agreement shall create or be construed to create a trust of any kind or a fiduciary relationship between Merrill Lynch, the Executive, or any Beneficiary.

7.7 Application for Payments

An application for payments under this Agreement shall be in a form acceptable to the Committee. The Committee may require any applicant to furnish the Committee with such documented evidence or information as the Committee may consider reasonably necessary or desirable.

7.8 Claims Procedure

- (a) If an application for payments under this Agreement is denied, in whole or in part, the Committee shall promptly give the applicant written notice of the denial, setting forth the

specific reasons therefor. The notice shall include the following:

8

- (i) The basis for the denial;
 - (ii) A reference to each Agreement provision on which the denial is based;
 - (iii) A description of any additional information required of the applicant; and
 - (iv) An explanation of the procedure for having a denied application reviewed under this Agreement.
- (b) The applicant may, upon receipt of a notice of a denied application, request a review of the application by the Committee. Such request shall be delivered in writing to any member of the Committee. After the Committee has reviewed the application, the final decision of the Committee shall be communicated in writing to the applicant. Such communication shall set forth the specific reasons for the decision with reference to each appropriate Agreement provision.

7.9 Payments to Incompetents

If the Committee receives evidence satisfactory to it that the Executive or Beneficiary entitled to receive any payment under this Agreement is, at the time when such payment becomes payable, physically or mentally incompetent to receive such payment and to give a valid release therefor and that another person or institution is then maintaining or has custody of the Executive or Beneficiary, and that no guardian, committee, or other representative of the estate of the Executive or Beneficiary shall have been duly appointed, the Committee may direct payment of such payment otherwise payable to the Executive or Beneficiary to such other person or institution, and the release of such other person or institution shall be a valid and complete discharge for the payments.

7.10 Governing Law and Exclusive Venue

This Agreement shall be construed, performed and enforced under the laws of the State of New York, without giving effect to its conflict of laws rules, except to the extent such laws are pre-empted by federal law. The venue with respect to any litigation involving the Agreement and a claimant shall lie exclusively in either (a) the Supreme

9

Court of the State at New York, New York County, or (b) the United States District Court for the Southern District of New York. By continuing in employment with Merrill Lynch after executing this Agreement, the Executive, on behalf of the Executive and the Executive's Beneficiary, hereby waives any right to a trial by jury in connection with any dispute relating to this Agreement.

IN WITNESS WHEREOF, the Executive and ML & Co. have duly executed this Agreement.

Merrill Lynch & Co., Inc.

By: /s/ Patrick J. Walsh

Name: Patrick J. Walsh
Title: Senior Vice President,
Director of Human Resources

Executive

/s/ Daniel P. Tully

Daniel P. Tully

10

APPENDIX "A"

(See "Qualified Retirement Annuity" under Section 1)

CONVERSION FACTORS FOR IMMEDIATE ANNUITIES

UP 1984 Mortality - 8% p.a. Discount Rate

Age at birthday coincident
with or immediately preceding
Retirement Date

Conversion Factor

55	9.955
56	9.801
57	9.642
58	9.477
59	9.308
60	9.133
61	8.954
62	8.770
63	8.582
64	8.390
65	8.196
66	7.999
67	7.801
68	7.601
69	7.399
70	7.192
71	6.983
72	6.771
73	6.556
74	6.339
75	6.122
76	5.905
77	5.690
78	5.476
79	5.264
80	5.053

Amendment
to
Executive Annuity Agreement

Amending Agreement dated as of January 27, 1997 by and between Merrill Lynch & Co., Inc. ("ML & Co.") and Daniel P. Tully (the "Executive").

WHEREAS, ML & Co. and the Executive entered into an Executive Annuity Agreement dated July 24, 1991, which agreement was amended as of April 30, 1992, (the "Executive Annuity Agreement"); and

WHEREAS, ML & Co. desires to further amend the Executive Annuity Agreement to provide for an inflation adjustment to the maximum amount which may become payable thereunder and to make a technical change to the manner in which such maximum amount is determined; and

WHEREAS, the Executive is agreeable to such amendment;

NOW, THEREFORE, in consideration of the foregoing and the continuation of the Executive Annuity Agreement and the Executive's further services for ML & Co., ML & Co. and the Executive hereby agree that notwithstanding any provision of Section 6 of the Executive Annuity Agreement to the contrary, the Executive Annuity Agreement is hereby amended, effective as of January 27, 1997 as follow:

1. Section 1 is amended by adding the following two new definitions following the definition of "401(k) Savings Plan" therein:

"'Index Value' means the 'Personal Consumption Expenditures' index amount published by the Economics and Statistics Administration of the U.S. Department of Commerce for the period ending on the December 31 or June 30 immediately prior to the relevant date or, if such index amount is no longer published on a regular basis, such successor index published by an agency or instrumentality of the United States government as the Committee determines in its sole and absolute discretion to most closely replace that index.

'Initial Index Value' means the Index Value as of January 1, 1997."

2. The last sentence of the first paragraph of Section 3 is amended to read as follows:

"Notwithstanding the foregoing, however, the sum of the amount payable annually to or in respect of the Executive under this Agreement shall not exceed (i) \$1,620,000, if the Executive's Executive Annuity is payable as a Life Annuity, or a 10-year Certain and Life Annuity as referred to in Section 4, or (ii) \$1,370,000, if the Executive's Executive Annuity is payable as a 50% or 100% Joint and Survivor Life Annuity as referred to in Section 4, in either case less the amount of the Executive's Qualified Retirement Annuity."

3. Section 3 is amended by adding the following as a new second paragraph:

"The \$1,620,000 and \$1,370,000 limits established under the preceding paragraph shall be adjusted as of each December 31 and June 30 prior to the earlier of the Executive's Retirement or death by multiplying the respective amount by a fraction, the numerator of which is the Index Value as of the relevant date and the denominator of which is the Initial Index Value; provided that no adjustment shall be made as of any December 31 or June 30 if such adjustment would result in a decrease in the limit then in effect."

4. The last paragraph of Section 3 is amended by deleting the initial word "The" and by inserting "Following the Executive's Retirement or death, the" in lieu thereof.

IN WITNESS WHEREOF, the Executive and ML & Co. have duly executed this Agreement.

Merrill Lynch & Co., Inc.

By: _____
Name: Patrick J. Walsh
Title: Senior Vice President,
Director of Human Resources

Executive

Daniel P. Tully

MERRILL LYNCH & CO., INC.
DEFERRED RESTRICTED UNIT PLAN
FOR EXECUTIVE OFFICERS

Purpose and Intent.

The purpose of this Deferred Restricted Unit Plan for Executive Officers is to allow the deferral of certain Restricted Units under the Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan that have been awarded to Executive Officers of Merrill Lynch & Co., Inc. ("Executive Officers"), the terms of which awards specify that Executive Officers receiving them defer payment of any such awards until after their Retirement from the Company. The obligations of ML & Co. under this Plan are intended to be unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Title I of ERISA, and all decisions concerning who is to be considered a member of that select group and how this Agreement shall be administered and interpreted shall be consistent with this intention.

1. Definitions.

"Account Balance" means, as of any date, Deferred Amounts credited to a Participant's Account that are benchmarked to Benchmark Return Options other than the KECALP Return Option, adjusted in accordance with Section 4 to reflect the performance of the Participant's Selected Benchmark Return Options and any payments made from the Account to the Participant prior to that date.

"Account" means the reserve account established on the books and records of ML & Co. for each Participant to record the Participant's interest under the Plan (other than with respect to the KECALP Return Option).

"Administrator" means the Director of Human Resources of ML & Co., or his functional successor, or any other person or committee designated as Administrator of the Plan by the MDCC.

"Affiliate" means any corporation, partnership, or other organization of which ML & Co. owns or controls, directly or indirectly, not less than 50% of the total combined voting power of all classes of stock or other equity interests.

"Benchmark Return Options" means such Merrill Lynch mutual funds or other investment vehicles as the Administrator may from time to time designate for the purpose of indexing Accounts hereunder. In the event a Benchmark Return Option ceases to exist or is no longer to be a Benchmark Return Option, the Administrator may designate a substitute Benchmark Return Option for such discontinued option.

"Board of Directors" means the Board of Directors of ML & Co.

"Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"Company" means ML & Co. and all of its Affiliates.

"Deferred Award" means the Restricted Unit Award deferred by a Participant under this Agreement.

"Deferred Amounts" means the dollar value of the Restricted Units credited to the Participant under Section 3 hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Fiscal Year" means the annual period used by ML & Co. for financial accounting purposes.

"KECALP Return Option" means the election to have all or a portion of Deferred Amounts benchmarked to the performance of Merrill Lynch KECALP L.P. 1997 in accordance with the KECALP Deferred Compensation Plan.

"KECALP Deferred Compensation Plan" means the Merrill Lynch & Co., Inc. KECALP 1997 Deferred Compensation Plan for a Select Group of Eligible Employees attached hereto as Annex A.

"LTICP" means ML & Co.'s Long Term Incentive Compensation Plan.

"MDCC" means the Management Development and Compensation Committee of the Board of Directors.

"ML & Co." means Merrill Lynch & Co., Inc.

"Net Asset Value" means, with respect to each Benchmark Return Option that is a mutual fund or other commingled investment vehicle for which such values are determined in the normal course of business, the net asset value, on the date in question, of the Selected Benchmark Return Option for which the value is to be determined.

"Participant" means an Executive Officer whose Restricted Units have been deferred under the Plan.

"Plan" means this Merrill Lynch & Co., Inc. Deferred Restricted Unit Plan for Executive Officers.

"Restricted Unit Award" means an award of Restricted Units, as defined in LTICP, that was granted to the Participant in February 1994.

"Retirement" means a Participant's (i) termination of employment with the Company for reasons other than for cause on or after the Participant's 65th birthday, or (ii) resignation on or after the Participant's 55th birthday if the Participant has at least 10 years of service, or (iii) resignation at any age with the express approval of the Administrator,

which will be granted only if the termination is found by the Administrator to be in, or not contrary to, the best interests of the Company.

"Selected Benchmark Return Option" means a Benchmark Return Option (other than the KECALP Return Option) selected by the Participant in accordance with Section 4. Participants will be offered the option of using Merrill Lynch KECALP L.P. 1997 as a benchmark, in which case, the terms of their deferral will be governed by the KECALP Deferred Compensation Plan except to the extent provided in Section 4.

2. Deferral.

By their terms, Restricted Unit Awards are automatically deferred upon vesting until after Retirement. Participants may select their Benchmark Return Options or the KECALP Return Option, as provided in Section 4, by filing out the Election Form enclosed herewith. Deferral of the receipt of any Restricted Unit Award is irrevocable.

3. Crediting of the Deferred Award.

In the event that a Participant's Restricted Unit Award becomes vested and payable, the dollar amount of such vested and payable award, calculated pursuant to Section 3.6(b) of LTICP, shall be credited to a book reserve account, established for this purpose in your name, as soon as practicable (but in no event later than 90 days) after the date on which such vested Restricted Unit Award would, but for deferral, have become payable. The Account Balance will thereafter be accounted for in accordance with Section 4 hereof (except as provided therein).

4. Return Alternatives.

(a) Selection of Benchmark Funds. A Participant must select one or more Benchmark Return Options and the percentage of the Participant's Account to be adjusted to reflect the performance of each Selected Benchmark Return Option. All elections of Selected Benchmark Return Options shall be in multiples of 10% unless the Administrator determines that lower increments are administratively feasible, in which case such lower increment shall apply. A Participant may, by complying with such procedures as the Administrator may prescribe on a uniform and nondiscriminatory basis, including procedures specifying the frequency with respect to which such changes may be effected (but not more than twelve times in any calendar year), change the Selected Benchmark Return Options to be applicable with respect to a Participant's Account. For Participants who designate Benchmark Return Options (other than the KECALP Return Option), the amounts so deferred will be governed by this Plan.

(b) Adjustment of Account. While an Account does not represent the ownership of, or any ownership interest in, any particular assets, the Account shall be adjusted to reflect the investment experience of the Participant's Selected Benchmark Return Options in the same manner as if investments in accordance with a Participant's elections had actually been made through the ML Benefit Services Platform and ML II Core Recordkeeping System, or any successor system used for keeping records of Accounts (the "ML II System"). In adjusting Accounts, the timing of receipt of the Participant's instructions by the ML II System shall control the timing and pricing of the notional investments in the Participant's Selected Benchmark Return Options in accordance with

the rules of operation of the ML II System and its requirements for placing corresponding investment orders, as if orders to make corresponding investments were actually to be made, except that in connection with the crediting of Deferred Amounts to the Participant's Account and distributions from the Account, appropriate deferral allocation instructions shall be treated as received from you prior to the close of transactions through the ML II System on the relevant day. Each Selected Benchmark Return Option shall be valued using

the Net Asset Value of the Selected Benchmark Return Option as of the relevant day; provided, that, in valuing a Selected Benchmark Return Option for which a Net Asset Value is not computed, the value of the security involved for determining the Participant's rights under the Plan shall be the price reported for actual transactions in that security through the ML II System on the relevant day, without giving effect to any transaction charges or costs associated with such transactions; provided, further, that, if there are no such transactions effected through the ML II System on the relevant day, the value of the security shall be:

- (i) if the security is listed for trading on one or more national securities exchanges, the average of the high and low sale prices for that day on the principal exchange for such security, or if such security is not traded on such principal exchange on that day, the average of the high and low sales prices on such exchange on the first day prior thereto on which such security was so traded;
- (ii) if the security is not listed for trading on a national securities exchange but is traded in the over-the-counter market, the average of the highest and lowest bid prices for such security on the relevant day; or
- (iii) if neither clause (i) nor (ii) applies, the value determined by the Administrator by whatever means he considers appropriate in his sole discretion.

(c) Selection of the KECALP Return Option. Participants will be asked in 1997 to determine whether they wish all or a specified percentage of their Deferred Amounts to be benchmarked to Merrill Lynch KECALP L.P. 1997. In such event, the amounts so deferred shall be accounted for, credited to Participants, adjusted and paid out to Participants in the manner described in the KECALP Deferred Compensation Plan attached hereto as Annex A, except that: (1) such Participants shall not be eligible for Leverage under the KECALP Deferred Compensation Plan; (2) no Annual Charge shall apply to such Deferred Amounts; and (3) Deferred Amounts indexed to the KECALP Return Option, which cannot be paid in installments as they are payable only as there are distributions available from Merrill Lynch KECALP L.P. 1997, shall not be paid out until after Retirement, as defined in this Plan. For Participants who elect to index all or a portion of their Deferred Amounts to the KECALP Return Option, such Deferred Amounts will be indexed to the Benchmark Return Options until the closing of Merrill Lynch KECALP L.P. 1997. Once the closing of Merrill Lynch KECALP L.P. 1997 has occurred, Participants who have chosen the KECALP Return Option will not be able to change their election.

5. No Trust or Fund Created; General Creditor Status.

Nothing contained herein and no action taken pursuant hereto will be construed to create a trust or separate fund of any kind or a fiduciary relationship between ML & Co. and you, your beneficiary or estate, or any other person. Title to and beneficial ownership of any funds represented by the Account Balance will at all times remain in ML & Co.; such funds will continue for all purposes to be a part of the general funds of ML & Co. and may be used for any corporate purpose. No person will, by virtue of the provisions of this Agreement, have any interest whatsoever in any specific assets of ML & Co., including any such funds. TO THE EXTENT THAT ANY PERSON ACQUIRES A RIGHT TO RECEIVE PAYMENTS FROM ML & CO. UNDER THIS AGREEMENT, SUCH RIGHT WILL BE NO GREATER THAN THE RIGHT OF ANY UNSECURED GENERAL CREDITOR OF ML & CO.

6. Non-Assignability.

The Participant's right or the right of any other person to the Account Balance or any other benefits hereunder cannot be assigned, alienated, sold, garnished, transferred, pledged, or encumbered except by a written designation of beneficiary under this Plan, by written will, or by the laws of descent and distribution.

7. Effect of Deferral on Benefits Under Pension and Welfare Benefit Plans.

The effect of deferral on pension and welfare benefit plans in which the Participant may be a participant will depend upon the provisions of each such plan, as amended from time to time.

8.1 Payment Date.

(a) Regular Payment Elections. A Participant's Account Balance will be paid by ML & Co., as elected by the Participant at the time of his or her deferral election, either in a single payment to be made, or in the number of annual installments (not to exceed 15) chosen by the Participant to commence, (i) in the month following the month of the Participant's Retirement or death or (ii) in any month in the calendar year following the Participant's Retirement; provided that no election may result in the payment (in the case of a single payment) or commencement of payment (in the case of installment payments) later than the month following the Participant's 70th birthday. The amount of each annual installment, if applicable, shall be determined by multiplying the

Account Balance as of the last day of the month immediately preceding the month in which the payment is to be made by a fraction, the numerator of which is one and the denominator of which is the number of remaining installment payments (including the installment payment to be made). For Participants who have chosen to have a specified portion of their Deferred Amounts benchmarked to Merrill Lynch KECALP L.P. 1997, payment elections must be made in accordance with the KECALP Deferred Compensation Plan, provided that no such payments shall occur until after Retirement as defined in this Plan.

(b) Modified Installment Payments. In lieu of one of the regular payment elections provided for in Section 8.1(a), a Participant may elect to receive the Account Balance in at least 11 but no more than 15 annual installment payments ("modified installment payments"), such modified installment payments to commence on the last

business day in March in the year following the Participant's Retirement or death (the "Initial Payment Date"). The modified installment payments shall be computed in accordance with the last sentence of Section 8.1(a) and will in all other respects be treated like regular installment payments under the Plan. By electing modified installment payments, the Participant agrees that at any time prior to the last day of February immediately preceding a Participant's Initial Payment Date (the "Determination Date"), ML & Co. shall have the right, without the consent of the Participant or any beneficiary, to change the Participant's method of payment to 11 annuitized payments ("annuitized payments"), in the event that the Administrator, in his sole discretion, determines that such a change is necessary or appropriate in order to preserve the intended state tax benefits of the modified installment payments to the Participant or any beneficiary. In the event that the Administrator determines that annuitized payments shall be made, the amount of the annuitized payments will be determined by applying the Discount Rate, as defined below, to the Account Balance as of the Determination Date to create a stream of 11 equal annual payments. If annuitized payments are to be made, then the Account Balance shall cease to be adjusted pursuant to Sections 4(b) as of the Determination Date and the Company's only obligation to the Participant shall be to make the annuitized payments when due. As used herein, Discount Rate shall mean ML & Co.'s then-applicable cost of borrowing and is defined as the sum of: (i) the annual yield on the then-current 5-year U.S. Treasury Note, and (ii) a spread (which will not be less than 0.10%) indicative of ML & Co.'s borrowing cost for transactions of similar structure and average maturity to the annuity, as determined by ML & Co.

8.2 Termination of Employment.

(a) Death or Retirement. Upon a Participant's death or Retirement prior to payment, the Account Balance will be paid, in accordance with the Participant's elections and as provided in Section 8.1(a) or (b), as applicable, to the Participant (in the event of Retirement) or to the Participant's beneficiary (in the event of death); provided, however, that in the event that a beneficiary is the Participant's estate or is otherwise not a natural person, then (i) if the Participant has elected a regular payment election pursuant to Section 8.1(a), the applicable portion of the Account Balance will be paid in a single payment to such beneficiary notwithstanding any election of installment payments, and (ii) if the Participant has elected modified installment payments pursuant to Section 8.1(b), the applicable portion of the Account Balance will continue to be payable as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the administrator or executor of the Participant's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

(b) Other Termination of Employment. If the Participant's employment terminates at any time for any reason other than death or Retirement, the Account Balance will be paid to the Participant, in a single payment, as soon thereafter as is practicable, notwithstanding the Participant's elections hereunder.

(c) Leave of Absence, Transfer or Disability. The Participant's employment will not be considered as terminated if the Participant is on an approved leave of absence or if the Participant transfers or is transferred but remains in the employ of the Company or

if the Participant is eligible to receive disability payments under the ML & Co. Basic Long-Term Disability Plan.

(d) Discretion to Alter Payment Date. Notwithstanding the provisions of Sections 8.2(a) and (b), if the Participant's employment terminates for any reason, the Administrator may, in his sole discretion, direct that the Account Balance be paid at some other time or that it be paid in installments; provided, that no such direction that adversely affects the rights of the Participant or his or her beneficiary under this Plan shall be implemented without the consent of the affected Participant or beneficiary. This direction may be revoked by the Administrator at any time in his sole discretion.

8.3 Withholding of Taxes.

ML & Co. will deduct or withhold from any payment to be made or deferred hereunder any U.S. Federal, state or local or foreign income or employment taxes required by law to be withheld or require the Participant or the Participant's beneficiary to pay any amount, or the balance of any amount, required to be withheld.

8.4 Beneficiary.

(a) Designation of Beneficiary. The Participant may designate, in a writing delivered to the Administrator or his designee before the Participant's death, a beneficiary to receive payments in the event of the Participant's death. The Participant may also designate a contingent beneficiary to receive payments in accordance with this Plan if the primary beneficiary does not survive the Participant. The Participant may designate more than one person as the Participant's beneficiary or contingent beneficiary, in which case (i) no contingent beneficiary would receive any payment unless all of the primary beneficiaries predeceased the Participant, and (ii) the surviving beneficiaries in any class shall share in any payments in proportion to the percentages of interest assigned to them by the Participant.

(b) Change in Beneficiary. The Participant may change his or her beneficiary or contingent beneficiary (without the consent of any prior beneficiary) in a writing delivered to the Administrator or his designee before the Participant's death. Unless the Participant states otherwise in writing, any change in beneficiary or contingent beneficiary will automatically revoke prior such designations of the Participant's beneficiary or of the Participant's contingent beneficiary, as the case may be, under this Plan only; and any designations under other deferral agreements or plans of the Company will remain unaffected.

(c) Default Beneficiary. In the event a Participant does not designate a beneficiary, or no designated beneficiary survives the Participant, the Participant's beneficiary shall be the Participant's surviving spouse, if the Participant is married at the time of his or her death and not subject to a court-approved agreement or court decree of separation, or otherwise the person or persons designated to receive benefits on account of the Participant's death under the ML & Co. Basic Group Life Insurance Plan (the "Life Insurance Plan"). However, if an unmarried Participant does not have coverage in effect under the Life Insurance Plan, or the Participant has assigned his or her death benefit

under the Life Insurance Plan, any amounts payable to the Participant's beneficiary under the Plan will be paid to the Participant's estate.

(d) If the Beneficiary Dies During Payment. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the Participant dies, but before all the payments have been made, the portion of the Account Balance to which that beneficiary was entitled will be paid as soon as practicable in one lump sum to such beneficiary's estate and not to any contingent beneficiary the Participant may have designated; provided, however, that if the beneficiary was receiving modified installment payments or annuitized payments pursuant to Section 8.1(b), the remaining portion of the Account Balance will continue to be paid as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the administrator or executor of the beneficiary's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

8.5 Hardship Distributions.

ML & Co. may pay to the Participant, on such terms and conditions as the Administrator may establish, such part or all of the Account Balance as he may, in his sole discretion based upon substantial evidence submitted by the Participant, determine necessary to alleviate hardship caused by an unanticipated emergency or necessity outside of the Participant's control affecting the Participant's personal or family affairs. Such payment will be made only at the Participant's written request and with the express approval of the Administrator and will be made on the date selected by the Administrator in his sole discretion. The balance of the Account, if any, will continue to be governed by the terms of this Plan. Hardship shall be deemed to exist only on account of expenses for medical care (described in Code Section 213(d)) of the Participant, the Participant's spouse or the Participant's dependents (described in Code Section 152); payment of unreimbursed tuition and related educational fees for the Participant, the Participant's spouse or the Participant's dependents; the need to prevent the Participant's eviction from or, foreclosure on, the Participant's principal residence; unreimbursed damages resulting from a natural disaster; or such other financial need deemed by the Administrator in his sole discretion to be immediate and substantial.

8.6 Domestic Relations Orders.

Notwithstanding the Participant's elections hereunder, ML & Co. will pay to, or to the Participant for the benefit of, the Participant's spouse or former spouse the portion of the Participant's Account Balance specified in a valid court order entered in a domestic relations proceeding involving the

Participant's divorce or legal separation. Such payment will be made net of any amounts the Company may be required to withhold under applicable federal, state or local law. After such payment, references herein to the Participant's "Deferred Amounts" shall mean the Participant's original Deferred Amounts times an amount equal to one minus a fraction, the numerator of which is the gross amount (prior to withholding) paid pursuant to the order, and the denominator of which is the Participant's Account Balance immediately prior to payment.

9.1 Powers of the Administrator.

The Administrator has full power and authority to interpret, construe and administer this Plan so as to ensure that it provides deferred compensation for the Participant as a member of a select group of management or highly compensated employees within the meaning of Title I of ERISA. The Administrator's interpretations and construction hereof, and actions hereunder, including any determinations regarding the amount or recipient of any payments, will be binding and conclusive on all persons for all purposes. The Administrator will not be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan unless attributable to his willful misconduct or lack of good faith. The Administrator may designate persons to carry out the specified responsibilities of the Administrator and shall not be liable for any act or omission of a person as designated.

9.2 Payments on Behalf of an Incompetent.

If the Administrator finds that any person who is entitled to any payment hereunder is a minor or is unable to care for his or her affairs because of disability or incompetency, payment of the Account Balance may be made to anyone found by the Administrator to be the committee or other authorized representative of such person, or to be otherwise entitled to such payment, in the manner and under the conditions that the Administrator determines. Such payment will be a complete discharge of the liabilities of ML & Co. hereunder with respect to the amounts so paid.

9.3 Corporate Books and Records Controlling.

The books and records of the Company will be controlling in the event a question arises hereunder concerning the amount of the Deferred Amounts, the Account Balance, the designation of a beneficiary, or any other matters.

10.1 Litigation.

The Company shall have the right to contest, at its expense, any ruling or decision, administrative or judicial, on an issue that is related to the Plan and that the Administrator believes to be important to Participants, and to conduct any such contest or any litigation arising therefrom to a final decision.

10.2 Headings Are Not Controlling.

The headings contained in this Plan are for convenience only and will not control or affect the meaning or construction of any of the terms or provisions of this Plan.

10.3 Governing Law.

TO THE EXTENT NOT PREEMPTED BY APPLICABLE U.S. FEDERAL LAW, THIS PLAN WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AS TO ALL MATTERS, INCLUDING, BUT NOT LIMITED TO, MATTERS OF VALIDITY, CONSTRUCTION, AND PERFORMANCE.

10.4 Amendment and Termination.

ML & Co., through the Administrator, reserves the right to amend or terminate this Plan at any time, except that no such amendment or termination shall adversely affect the right of a Participant to his or her Account Balance.

As amended through December 11, 1996

MERRILL LYNCH & CO., INC.

FEE DEFERRAL PLAN

FOR NON-EMPLOYEE DIRECTORS

MERRILL LYNCH & CO., INC.

FEE DEFERRAL PLAN FOR NON-EMPLOYEE DIRECTORS

Table of Contents

	Page

I. GENERAL	1
1.1 Purpose	1
1.2 Definitions	1
II. DEFERRAL ELECTIONS; ACCOUNT(S)	5
2.1 Deferral Elections	5
(a) Timing and Manner of Making of Elections	5
(b) Irrevocability of Deferral Elections	5
2.2 Crediting to Accounts	5
(a) Mutual Fund Index Deferred Amounts	5
(b) ML Stock Unit Deferred Amounts	5
(c) KECALP Deferred Amounts	6
2.3 Adjustment of Mutual Fund Index Accounts; Mutual Fund	
Index Account Return Options	6
(a) Selection of Mutual Fund Index Account	
Return Options	6
(b) Adjustment of Mutual Fund Index Accounts	6
2.4 Adjustment of ML Stock Unit Accounts.....	7
(a) Dividend Equivalents	7
(b) Changes in Capitalization	7
2.5 Rescission of Mutual Fund Index Deferral Elections	8
(a) Adverse Tax Determination	8
(b) Rescission For Amounts Not Yet Earned	8
(c) No Rescission of ML Stock Unit Deferral Elections	8
III. STATUS OF ACCOUNT(S)	8
3.1 No Trust or Fund Created; General Creditor Status	8
3.2 Non-Assignability	9
3.3 Effect of Deferral on Benefits Under Pension and	
Welfare Benefit Plans	9
IV. PAYMENT OF ACCOUNT(S)	9
4.1 Payment	9
(a) Regular Payment Election	9
(b) Modified Installment Payments.....	9
(c) Payment of ML Stock Units	10
(d) Payment of Amounts Indexed to the KECALP	
Return Option.....	10
(e) Death Prior to Payment	10
(f) Discretion to Alter Payment Date for Mutual	
Fund Index Account Balance	10
4.2 Change in Control	10
(a) Payment of Mutual Fund Index Account Balance	10
(b) ML Stock Unit Account Balance Unaffected	11
4.3 Withholding of Taxes	11
4.4 Beneficiary	11
(a) Designation of Beneficiary	11
(b) Change in Beneficiary	11
(c) Default Beneficiary	11
(d) If the Beneficiary Dies During Payment	11
V. ADMINISTRATION OF THE PLAN	12
5.1 Powers of the Administrator	12
5.2 Payments on Behalf of an Incompetent	12
5.3 Corporate Books and Records Controlling	12
VI. MISCELLANEOUS PROVISIONS	12
6.1 Litigation	12
6.2 Headings Are Not Controlling	12
6.3 Governing Law	13
6.4 Amendment and Termination	13

MERRILL LYNCH & CO., INC.

FEE DEFERRAL PLAN
FOR NON-EMPLOYEE DIRECTORS

ARTICLE I

GENERAL

1.1 Purpose.

The purpose of the Plan is to provide non-employee Directors of Merrill Lynch & Co., Inc. ("ML & Co.") with flexibility in meeting their future income needs, and to provide an additional incentive to highly qualified individuals to serve as Directors.

1.2 Definitions.

For the purpose of the Plan, the following terms shall have the meanings indicated.

"Account(s)," with respect to any Plan Year, means the Participant's Mutual Fund Index Account and/or ML Stock Unit Account.

"Account Balance(s)" with respect to any Plan Year means the Participant's Mutual Fund Index Account Balance and/or ML Stock Unit Account Balance.

"Administrator" means the Director of Human Resources of ML & Co., or his or her functional successor.

"Affiliate" means any corporation, partnership, or other organization of which ML & Co. owns or controls, directly or indirectly, not less than 50% of the total combined voting power of all classes of stock or other equity interests.

"Annual Meeting" means the annual meeting of stockholders of ML & Co.

"Board of Directors" or "Board" means the Board of Directors of Merrill Lynch & Co., Inc.

"Business Day" shall mean any day on which the New York Stock Exchange, Inc. is open for business.

"Change in Control" means a change in control of ML & Co. of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not ML & Co. is then subject to such reporting requirement; provided, however, that, without limitation, a Change in Control shall be deemed to have occurred if:

(a) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, other than ML & Co.'s employee stock ownership plan, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of ML & Co. representing 30% or more of the combined voting power of ML & Co.'s then outstanding securities entitled to vote in the election of directors of ML & Co.;

(b) during any period of two consecutive years (not including any period prior to the adoption of this Plan), individuals who at the beginning of such period constituted the Board of Directors and any new Directors whose election by the Board of Directors or nomination for election by the stockholders of ML & Co. was approved by a vote of at least three quarters of the Directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or

(c) all or substantially all of the assets of ML & Co. are liquidated or distributed.

"Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"Common Stock" means the Common Stock, par value \$1.33 1/3 per share, of ML & Co., and a "share of Common Stock" means one share of Common Stock together with, for so long as Rights are outstanding, the number of Rights then associated with one share of Common Stock (whether trading with the Common Stock or separately).

"Company" means ML & Co. and all of its Affiliates.

"Current Market Value" per share of Common Stock, for any date, shall mean the average of the Daily Market Prices of a share of Common Stock for each Business Day for which such Daily Market Prices are available during a period

commencing on a date 21 consecutive Business Days prior to such date and ending on the second Business Day prior to such date.

"Daily Market Price" of shares of Common Stock on any given date(s) shall be: (a) the mean of the high and low sales prices reported on the New York Stock Exchange--Composite Tape (or, if shares of Common Stock are not traded on the New York Stock Exchange, the mean of the high and low sales prices reported on any securities exchange or quotation service on which the shares of Common Stock are listed or traded) of such shares on the date(s) in question, or (b) if shares of Common Stock are not then listed or admitted to trading on any securities exchange as to which reported sales prices are available, the mean of reported high bid and low asked prices on any such date(s), as reported by a reputable quotation service, or by The Wall Street Journal, Eastern Edition or a newspaper of general circulation in the Borough of Manhattan, City and State of New York.

"Deferred Amounts" with respect to any Plan Year means the Participant's Mutual Fund Index Deferred Amounts and/or ML Stock Unit Deferred Amounts and/or KECALP Deferred Amounts.

"Director" means a member of the Board of Directors.

"Election Year" with respect to any Plan Year, means the calendar year immediately preceding the Plan Year.

"End of Service Date" means the date on which a Participant ceases to serve as a Director for any reason.

"Exchange Act" means the Securities Exchange Act of 1934.

"Executive Committee" means the Executive Committee of the Board of Directors.

2

"Fees" means the annual cash base compensation, committee membership fees, if any, and committee chair fees, if any, payable to a Participant for service on the Board and any committees of the Board during the relevant Plan Year.

"KECALP Deferral Percentage," for the 1997 Plan Year, means the percentage specified by the Participant to be the percentage of such Participant's Annual Fees for 1997 that he or she wishes to defer into the KECALP Unit Account.

"KECALP Deferred Compensation Plan" means the 1997 KECALP Deferred Compensation Plan for a Select Group of Eligible Employees, attached hereto as Exhibit A.

"KECALP Deferred Amounts," for the 1997 Plan Year, means the aggregate dollar amount of Fees actually deferred by the Participant into a KECALP Unit Account in the manner specified in the KECALP Deferred Compensation Plan.

"KECALP Prospective Remaining 1997 Deferred Amounts," for the 1997 Plan Year, means aggregate dollar amount of Fees that would be paid to the Participant in months remaining in 1997 following the closing of Merrill Lynch KECALP L.P. 1997 multiplied by the Participant's KECALP Deferral Percentage.

"KECALP Return Option" means the option of indexing returns to the performance of Merrill Lynch KECALP L.P. 1997, in the manner specified in the KECALP Deferred Compensation Plan.

"KECALP Unit Account" means the account established for each Participant electing the KECALP Return Option in the manner specified in the KECALP Deferred Compensation Plan.

"ML Stock Unit" means a unit representing ML & Co.'s obligation to pay an amount equal to the then Current Market Value of a share of Common Stock in cash in accordance with the terms of the Plan.

"ML Stock Unit Account," with respect to any Plan Year, means the reserve account established for such Plan Year on the books and records of ML & Co. to record a Participant's ML Stock Unit Account Balance with respect to such Plan Year.

"ML Stock Unit Account Balance," with respect to any Plan Year, means, as of any date, the ML Stock Units credited to a Participant's ML Stock Unit Account for such Plan Year, adjusted in accordance with Section 2.4 to reflect the addition of dividend equivalents and any changes in capitalization and adjusted for any payments made from the ML Stock Unit Account to the Participant prior to that date.

"ML Stock Unit Deferral Percentage," with respect to any Plan Year, means the percentage specified by the Participant to be the percentage of each payment of Fees he or she wishes to defer into an ML Stock Unit Account under the Plan during such Plan Year.

"ML Stock Unit Deferred Amounts," with respect to any Plan Year, means the dollar amounts of Fees actually deferred by the Participant into an ML Stock Unit Account under the Plan for such Plan Year.

"Mutual Fund Index Account," with respect to any Plan Year, means the reserve account established for such Plan Year on the books and records of ML & Co. to record a Participant's Mutual Fund Index Account Balance with respect to such Plan Year.

3

"Mutual Fund Index Account Balance," with respect to any Plan Year, means, as of any date, the Mutual Fund Index Deferred Amounts credited to a Participant's Mutual Fund Index Account for such Plan Year, adjusted in accordance with Section 2.3 to reflect the performance of the Participant's Selected Mutual Fund Index Account Return Options and adjusted for any payments made from the Mutual Fund Index Account to the Participant prior to that date.

"Mutual Fund Index Account Return Options" means such Merrill Lynch mutual funds or other investment vehicles as the Administrator may from time to time designate for the purpose of indexing Mutual Fund Index Accounts hereunder. In the event a Mutual Fund Index Account Return Option ceases to exist or is no longer to be a Mutual Fund Index Account Return Option, the Administrator may designate a substitute Mutual Fund Index Account Return Option for such discontinued option. In no event may the Administrator designate as a Mutual Fund Index Account Return Option any equity security of ML & Co. or any security that would be deemed to be a "derivative security" as defined in Rule 16a-1 of the Exchange Act with respect to any ML & Co. equity security.

"Mutual Fund Index Deferral Percentage," with respect to any Plan Year, means the percentage specified by the Participant to be the percentage of each payment of Fees he or she wishes to defer into a Mutual Fund Index Account under the Plan during such Plan Year.

"Mutual Fund Index Deferred Amounts" with respect to any Plan Year means the dollar amounts of Fees actually deferred by the Participant into a Mutual Fund Index Account under this Plan for such Plan Year.

"Net Asset Value" means, with respect to each Mutual Fund Index Account Return Option that is a mutual fund or other commingled investment vehicle for which such values are determined in the normal course of business, the net asset value, on the date in question, of the Selected Mutual Fund Index Account Return Option for which the value is to be determined.

"Non-Employee Director" means a Director who is not an employee of the Company.

"Participant," with respect to any Plan Year, means a Non-Employee Director who has elected to defer Fees under the Plan for such Plan Year.

"Plan" means this Merrill Lynch & Co., Inc. Fee Deferral Plan for Non-Employee Directors.

"Plan Year" means any calendar year for which Non-Employee Directors are offered the opportunity to defer Fees under the Plan.

"Rights" means the Rights to Purchase Units of Series A Junior Preferred Stock, par value \$1.00 per share, of ML & Co. issued pursuant to the Rights Agreement dated as of December 16, 1987 between ML & Co. and Manufacturers Hanover Trust Company, Rights Agent, as amended from time to time.

"Selected Mutual Fund Index Account Return Option" means a Mutual Fund Index Account Return Option selected by the Participant in accordance with Section 2.3.

"Tender Offer" shall mean an offer to purchase all or a portion of the outstanding shares of Common Stock that is subject to Section 14D of the Exchange Act, provided that such offer, if consummated, would result in a Change in Control.

4

ARTICLE II

DEFERRAL ELECTIONS; ACCOUNT(S)

2.1 Deferral Elections.

(a) Timing and Manner of Making of Elections. An election to defer Fees for payment in accordance with Section 4.1 shall be made by submitting to the Administrator such forms as the Administrator may prescribe. Each election submitted must specify a Mutual Fund Index Deferral Percentage and/or a ML Stock

Unit Deferral Percentage, which will be applied to reduce all payments of Fees during the Plan Year. All elections by a Participant to defer Fees under the Plan must be received by the Administrator or such person as he or she may designate for the purpose by the date specified by the Administrator, which shall be no later than the last Business Day of the Election Year; provided, however, that any Non-Employee Director who is first nominated for election to the Board at the Annual Meeting occurring in the Plan Year may make an election to defer Fees for the Plan Year by submitting the appropriate forms to the Administrator or his designee no later than ten business days prior to the date of such Annual Meeting. For the 1997 Plan Year, Participants who have elected to defer all or a portion of their Fees will be given the opportunity in the first half of 1997 to elect to have all or a portion of Fees (other than those indexed to ML Stock) indexed to the KECALP Return Option.

(b) Irrevocability of Deferral Elections. Except as provided in Section 2.5, an election to defer the receipt of any Fees made under Section 2.1(a) is irrevocable once submitted to the Administrator or his or her designee. Furthermore, an election to defer Fees into a Mutual Fund Index Account may not subsequently be changed to an election to defer Fees into a ML Stock Unit Account, and an election to defer Fees into a ML Stock Unit Account may not subsequently be changed to an election to defer Fees into a Mutual Fund Index Account or a KECALP Unit Account. Participants who elect to defer Fees into a Mutual Fund Index Account will be given the opportunity in 1997 to elect that all or a portion of those Fees may be indexed to the KECALP Return Option as of the closing of Merrill Lynch KECALP L.P. 1997. Once Merrill Lynch KECALP L.P. 1997 has closed, such election may not be changed.

2.2 Crediting to Accounts.

(a) Mutual Fund Index Deferred Amounts. A Participant's Mutual Fund Index Deferred Amounts will be credited to the Participant's Mutual Fund Index Account as a dollar-denominated balance as soon as practicable (but in no event later than the end of the following month) after the last day of the Fiscal Month during which such Deferred Amounts would, but for deferral, have been paid and will be accounted for in accordance with Section 2.3. No interest will accrue, nor will any adjustment be made to the Account, for the period until the Deferred Amounts are credited. (Mutual Fund Index Deferred Amounts may not subsequently be converted to ML Stock Unit Deferred Amounts. After the closing of Merrill Lynch KECALP L.P. 1997, Mutual Fund Index Deferred Amounts may not be converted to KECALP Deferred Amounts.

(b) ML Stock Unit Deferred Amounts. A Participant's ML Stock Unit Deferred Amounts will be converted to ML Stock Units and credited to the Participant's ML Stock Unit Account as soon as practicable (but in no event later than the end of the following month) after the last day of the Fiscal Month during which such Deferred Amounts would, but for deferral, have been paid, and will be accounted for in accordance with Section 2.4. The number of ML Stock Units to be credited will be determined by dividing the ML Stock Unit Deferred Amounts for the relevant calendar month by the

Daily Market Price per share of Common Stock for the last Business Day in such calendar month and rounding the result to the nearest 1/100th of an ML Stock Unit (with .005 being rounded upwards). ML Stock Unit Deferred Amounts may not subsequently be converted to Mutual Fund Index Deferred Amounts or KECALP Deferred Amounts.

(c) KECALP Deferred Amounts. In 1997, Participants who have elected to defer Fees under this Agreement into a Mutual Fund Index Account will be asked if they wish to elect that all or a portion of such Deferred Amounts be indexed to the KECALP Return Option. If such election is made, upon the closing of Merrill Lynch KECALP L.P. 1997 an amount equal to: (i) all or a portion of such Participant's Mutual Fund Index Account Balance plus (ii) such Participant's KECALP Prospective Remaining 1997 Deferred Amounts shall be credited to the Participant's KECALP Unit Account as a dollar-denominated balance as soon as practicable, provided that, in the event that a Participant's End of Service Date occurs prior to the end of 1997, the Participant's KECALP Unit Account Balance shall be restated by the Administrator to reflect the forfeiture of any KECALP Units attributable to any KECALP Remaining 1997 Deferred Amounts relating to any full month for which Fees were not payable to such Participant. KECALP Deferred Amounts shall be credited to such Participant, accounted for, adjusted and paid out to Participants in the manner described in the KECALP Deferred Compensation Plan attached hereto as Annex A, except that: (1) such Participants shall not be eligible for Leverage under the KECALP Deferred Compensation Plan, and (2) no Annual Charge shall apply to such Deferred Amounts. Payouts relating to KECALP Deferred Amounts cannot be made in installments as they are payable only as distributions become available from Merrill Lynch KECALP L.P. 1997. KECALP Deferred Amounts may not subsequently be converted to Mutual Fund Index Deferred Amounts or ML Stock Unit Deferred Amounts, except that, when distributions occur under Merrill Lynch KECALP L.P. 1997 that are not by the terms of a Participant's election immediately payable to such Participant, such distributions will be paid into and adjusted in accordance with such Participant's Selected Mutual Fund Index Account Return Options.

2.3 Adjustment of Mutual Fund Index Accounts; Mutual Fund Index Account Return Options.

(a) Selection of Mutual Fund Index Account Return Options. Coincident with the Participant's election to defer Fees into a Mutual Fund Index Account, the Participant must select one or more Mutual Fund Index Account Return Options and the percentage of the Participant's Mutual Fund Index Account to be adjusted to reflect the performance of each Selected Mutual Fund Index Account Return Option. A Participant may, by complying with such procedures as the Administrator may prescribe, including procedures specifying the frequency with respect to which such changes may be effected (but not more than twelve times in any calendar year), change the Selected Mutual Fund Index Account Return Options to be applicable with respect to his or her Mutual Fund Index Account.

(b) Adjustment of Mutual Fund Index Accounts. While a Participant's Mutual Fund Index Account does not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Mutual Fund Index Account shall be adjusted to reflect the investment experience of the Participant's Selected Mutual Fund Index Account Return Options in the same manner as if investments in accordance with the Participant's elections had actually been made through the ML Benefit Services Platform and ML II Core Recordkeeping System, or any successor system used for keeping records of Participants' Mutual Fund Index Accounts (the "ML II System"). In adjusting Mutual Fund Index Accounts, the timing of receipt of Participant instructions by the ML II System shall control the timing and pricing of the notional investments in the Participant's Selected Mutual Fund Index Account Return Options in accordance with the rules of operation of the ML II System and its requirements for placing corresponding investment orders, as if orders to make

6

corresponding investments were actually to be made, except that in connection with the crediting of Mutual Fund Index Deferred Amounts to the Participant's Mutual Fund Index Account and distributions from the Mutual Fund Index Account, deferral allocation instructions shall be treated as if received by the ML II System prior to the close of transactions through the ML II System on the relevant day. Each Selected Mutual Fund Index Account Return Option shall be valued using the Net Asset Value of the Selected Mutual Fund Index Account Return Option as of the relevant day, provided, that, in valuing a Selected Mutual Fund Index Account Return Option for which a Net Asset Value is not computed, the value of the security involved for determining Participants' rights under the Plan shall be the price reported for actual transactions in that security through the ML II System on the relevant day, without giving effect to any transaction charges or costs associated with such transactions, provided, further, that, if there are no such transactions effected through the ML II System on the relevant day, the value of the security shall be:

- (i) if the security is listed for trading on one or more national securities exchanges, the average of the high and low sale prices for that day on the principal exchange for such security, or if such security is not traded on such principal exchange on that day, the average of the high and low sales prices on such exchange on the first day prior thereto on which such security was so traded;
- (ii) if the security is not listed for trading on a national securities exchange but is traded in the over-the-counter market, the average of the highest and lowest bid prices for such security on the relevant day; or
- (iii) if neither clause (i) nor (ii) applies, the value determined by the Administrator by whatever means he or she considers appropriate in his or her sole discretion.

2.4 Adjustment of ML Stock Unit Accounts.

(a) Dividend Equivalents. Whenever a cash dividend is paid on a share of Common Stock, a Participant's ML Stock Unit Account will be adjusted by adding to the ML Stock Unit Account the number of ML Stock Units determined by multiplying the per share amount of the cash dividend by the ML Stock Unit Account Balance on the record date for the cash dividend, dividing the result by the price per share of Common Stock used for purposes of the reinvestment of such cash dividend in the Merrill Lynch & Co., Inc. Dividend Reinvestment Program currently administered by Group Employee Services, or if at any time there is no Dividend Reinvestment Program, the Daily Market Price of a share of Common Stock on the date the cash dividend is paid, and rounding the result to the nearest 1/100th of a ML Stock Unit (with .005 being rounded upwards); provided that, if the Participant's ML Stock Unit Account Balance is fully distributed (i.e., reduced to zero) in accordance with the Plan between the record date and the payment date for such cash dividend, then, in lieu of such adjustment, the Participant will be paid the amount of cash determined by multiplying the per share amount of the cash dividend by the ML Stock Unit Account Balance on the record date for the cash dividend and rounding the result

to the nearest whole cent, at the same time and in the same manner as such cash dividend is paid to the holders of the Common Stock.

(b) Changes in Capitalization. Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends), including, without limitation, a merger or other reorganization event in which the shares of Common Stock cease to exist, the Executive Committee or the Board of Directors shall make such adjustments to ML Stock Unit Accounts, if any, as shall be necessary to maintain the proportionate

7

interest of the Participants and to preserve, without exceeding, the value of their ML Stock Unit Account Balances. In the event of a change in the presently authorized shares of Common Stock that is limited to a change in the designation thereof or a change of authorized shares with par value into the same number of shares with a different par value or into the same number of shares without par value, the shares resulting from any such change shall be deemed to be shares of Common Stock within the meaning of the Plan.

2.5 Rescission of Mutual Fund Index Deferral Elections.

(a) Adverse Tax Determination. Notwithstanding the provisions of Section 2.1(b), an election to defer Fees into a Mutual Fund Index Account may be rescinded at any time if (i) a final determination is made by a court or other governmental body of competent jurisdiction that the election was ineffective to defer income for purposes of U.S. Federal, state, local or foreign income taxation and the time for appeal from this determination has expired, and (ii) the Administrator, in his or her sole discretion, decides, upon the Participant's request and upon evidence of the occurrence of the events described in (i) hereof that he or she finds persuasive, to rescind the election. Upon such rescission, the Mutual Fund Index Account Balance will be paid to the Participant as soon as practicable, and no additional amounts will be deferred into the Participant's Mutual Fund Index Account pursuant to this Plan.

(b) Rescission For Amounts Not Yet Earned. Upon the Participant's written request, the Administrator may in his or her sole discretion terminate any election to defer Fees into a Mutual Fund Index Account made hereunder with respect to Fees not yet earned and no further amounts will be deferred into the Participant's Mutual Fund Index Account. Fees previously deferred into the Mutual Fund Index Account will continue to be governed by the terms of this Plan.

(c) No Rescission of ML Stock Unit or KECALP Deferral Elections. No rescission of an election to defer Fees into an ML Stock Unit Account or a KECALP Unit Account shall be permitted under the Plan.

ARTICLE III

STATUS OF ACCOUNT(S)

3.1 No Trust or Fund Created; General Creditor Status.

Nothing contained herein and no action taken pursuant hereto will be construed to create a trust or separate fund of any kind or a fiduciary relationship between ML & Co. and any Participant, the Participant's beneficiary or estate, or any other person. Title to and beneficial ownership of any funds represented by the Account Balance(s) will at all times remain in ML & Co.; such funds will continue for all purposes to be a part of the general funds of ML & Co. and may be used for any corporate purpose. No person will, by virtue of the provisions of this Plan, have any interest whatsoever in any specific assets of the Company. TO THE EXTENT THAT ANY PERSON ACQUIRES A RIGHT TO RECEIVE PAYMENTS FROM ML & CO. UNDER THIS PLAN, SUCH RIGHT WILL BE NO GREATER THAN THE RIGHT OF ANY UNSECURED GENERAL CREDITOR OF ML & CO.

8

3.2 Non-Assignability.

The Participant's right or the right of any other person to the Account Balance(s) or any other benefits hereunder cannot be assigned, alienated, sold, garnished, transferred, pledged, or encumbered except by a written designation of beneficiary under this Plan, by written will, or by the laws of descent and distribution; provided, however, that the specified portion of the Participant's Account(s) will be paid to the Participant's spouse or former spouse to the extent directed by a valid court order entered in a domestic relations proceeding involving the Participant's divorce or legal separation.

3.3 Effect of Deferral on Benefits Under Pension and Welfare Benefit Plans.

The effect of deferral on pension and welfare benefit plans in which the Participant may be a participant will depend upon the provisions of each such plan, as amended from time to time.

ARTICLE IV

PAYMENT OF ACCOUNT(S)

4.1 Payment.

(a) Regular Payment Election. A Participant's Account Balance(s) (other than a KECALP Unit Account Balance) will be paid in cash by ML & Co., as elected by the Participant at the time of his or her deferral election, either in a single payment to be made, or in the number of annual installment payments (not to exceed 15) chosen by the Participant to commence, (i) in the month following the month of the Participant's End of Service Date or death, (ii) in any month and year selected by the Participant not less than seven months after the end of the Plan Year, or (iii) in any month in the calendar year following the Participant's End of Service Date. The amount of each annual installment payment, if applicable, shall be determined by multiplying the Account Balance(s) as of the last day of the month immediately preceding the month in which the payment is to be made by a fraction, the numerator of which is one and the denominator of which is the number of remaining installment payments (including the installment payment to be made).

(b) Modified Installment Payments. In lieu of one of the regular payment elections provided for in Section 4.1(a), a Participant may elect to receive the Account Balance(s) (other than a KECALP Unit Account Balance) in at least 11 but no more than 15 annual installment payments ("modified installment payments"), such modified installment payments to commence on the last business day in March in the year following the Participant's Retirement or death (the "Initial Payment Date"). The modified installment payments shall be computed in accordance with the last sentence of Section 4.1(a) and will in all other respects be treated like regular installment payments under the Plan. By electing modified installment payments, the Participant agrees that at any time prior to the last day of February immediately preceding a Participant's Initial Payment Date (the "Determination Date"), ML & Co. shall have the right, without the consent of the Participant or any beneficiary, to change the Participant's method of payment to 11 annuitized payments ("annuitized payments"), in the event that the Administrator, in his sole discretion, determines that such a change is necessary or appropriate in order to preserve the intended state tax benefits of the modified installment payments to the Participant or any beneficiary. In the event that the Administrator determines that annuitized payments shall be made, the amount of the annuitized payments will be determined by applying the Discount Rate, as defined below, to the Account Balance as of the Determination Date to create a stream of 11 equal annual payments. If annuitized payments are to be made, then the Account Balance shall cease to be adjusted pursuant to Sections 2.3 and 2.4 as

9

of the Determination Date and the Company's only obligation to the Participant shall be to make the annuitized payments when due. As used herein, Discount Rate shall mean ML & Co.'s then-applicable cost of borrowing and is defined the sum of: (i) the annual yield on the then-current 5-year U.S. Treasury Note, and (ii) a spread (which will not be less than 0.10%) indicative of ML & Co.'s borrowing cost for transactions of similar structure and average maturity to the annuity, as determined by ML & Co.

(c) Payment of ML Stock Units. ML Stock Units will be paid only in cash. The amount of any payment of ML Stock Units (whether pursuant to the Participant's election or otherwise pursuant to the Plan) will be determined by multiplying the number of ML Stock Units to be paid by the Current Market Value per share of Common Stock for the last day of the month immediately preceding the month in which the payment is to be made and rounding the result to the nearest whole cent.

(d) Payment of Amounts Indexed to KECALP Return Option. Notwithstanding any elections made under this Plan, KECALP Deferred Amounts cannot be paid in installments as they are payable only as distributions become available from Merrill Lynch KECALP L.P. 1997. Participants electing the KECALP Return Option in 1997 will be asked at the time such election is made to make elections concerning the timing of their payouts that are in accordance with the KECALP Deferred Compensation Plan.

(e) Death Prior to Payment. If the Participant dies prior to payment, then the Account Balance(s) (other than a KECALP Unit Account Balance) will be paid to the Participant's beneficiary in accordance with the Participant's election of either installment payments or a single payment, provided, however, that in the event that a beneficiary of the Participant's Account is the Participant's estate or is otherwise not a natural person, then (i) if the Participant has elected a regular payment election pursuant to Section 4.1(a), the applicable portion of the Account Balance will be paid in a single payment to such

beneficiary notwithstanding any election of installment payments, and (ii) if the Participant has elected modified installment payments pursuant to Section 4.1(b), the applicable portion of the Account Balance will continue to be payable as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the administrator or executor of the Participant's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

(f) Discretion to Alter Payment Date for Mutual Fund Index Account Balance. Notwithstanding the other provisions of this Section 4.1, if the Participant ceases to be a Director for any reason, the Administrator may, in his or her sole discretion, direct that any Mutual Fund Index Account Balance be paid at some other time or that it be paid in installments; provided, that no such direction that adversely affects the rights of the Participant or his or her beneficiary under this Plan shall be implemented without the consent of the affected Participant or beneficiary. This direction may be revoked by the Administrator at any time in his or her sole discretion. This Section 4.1(f) shall not be applicable to the payment of any ML Stock Unit Account Balance.

4.2 Change in Control.

(a) Payment of Mutual Fund Index Account Balance. Notwithstanding any other provision of this Plan, in the event that (i) ML & Co. receives a Tender Offer Statement on Schedule 14D-1 under the Securities Exchange Act of 1934 relating to a Tender Offer or (ii) a Change in Control shall occur, any Mutual Fund Index Account Balance will be paid to the Participant in a lump

10

sum as soon as practicable after the receipt of such Tender Offer Statement or the occurrence of such Change in Control, and in any event, not later than 30 days thereafter.

(b) ML Stock Unit Account Balance Unaffected. The occurrence of an event specified in Section 4.2(a)(i) or (ii) hereof shall have no effect on the timing of payment or the obligation of ML & Co. to pay a Participant's ML Stock Unit Account Balance, which shall continue to be governed by Section 4.1 hereof.

4.3 Withholding of Taxes.

ML & Co. will deduct or withhold from any payment to be made or deferred hereunder any U.S. Federal, state or local or foreign income or employment taxes required by law to be withheld or require the Participant or the Participant's beneficiary to pay any amount, or the balance of any amount, required to be withheld.

4.4 Beneficiary.

(a) Designation of Beneficiary. The Participant may designate, in a writing delivered to the Administrator or his or her designee before the Participant's death, a beneficiary to receive payments in the event of the Participant's death. The Participant may also designate a contingent beneficiary to receive payments in accordance with this Plan if the primary beneficiary does not survive the Participant. The Participant may designate more than one person as the Participant's beneficiary or contingent beneficiary, in which case (i) no contingent beneficiary would receive any payment unless all of the primary beneficiaries predeceased the Participant, and (ii) the surviving beneficiaries in any class shall share in any payments in proportion to the percentages of interest assigned to them by the Participant.

(b) Change in Beneficiary. The Participant may change his or her beneficiary or contingent beneficiary (without the consent of any prior beneficiary) in a writing delivered to the Administrator or his or her designee before the Participant's death. Unless the Participant states otherwise in writing, any change in beneficiary or contingent beneficiary will automatically revoke such prior designations of the Participant's beneficiary or of the Participant's contingent beneficiary, as the case may be, under this Plan only; and any designations under other deferral agreements or plans of the Company will remain unaffected.

(c) Default Beneficiary. In the event a Participant does not designate a beneficiary, or no designated beneficiary survives the Participant, the Participant's beneficiary shall be the Participant's surviving spouse, if the Participant is married at the time of his or her death and not subject to a court-approved agreement or court decree of separation, or otherwise the person or persons designated to receive benefits on account of the Participant's death under the ML & Co. pre-retirement death benefit for Non-Employee Directors, unless the rights to such benefit have been assigned, in which case any amounts payable to the Participant's beneficiary under the Plan will be paid to the Participant's estate.

(d) If the Beneficiary Dies During Payment. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the

Participant but before all the payments have been made, the portion of the Account Balance(s) to which that beneficiary was entitled will be paid as soon as practicable in a single payment to such beneficiary's estate and not to any contingent beneficiary the Participant may have designated provided, however, that if the beneficiary was receiving modified installment payments or annuitized payments pursuant to Section 4.1(b), the applicable portion of the Account Balance will continue to be paid as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the

11

administrator or executor of the beneficiary's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

ARTICLE V

ADMINISTRATION OF THE PLAN

5.1 Powers of the Administrator.

The Administrator has full power and authority to interpret, construe, and administer this Plan. The Administrator's interpretations and construction hereof, and actions hereunder, including any determinations regarding the amount or recipient of any payments, will be binding and conclusive on all persons for all purposes. The Administrator will not be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan unless attributable to his or her willful misconduct or lack of good faith. The Administrator may designate persons to carry out the specified responsibilities of the Administrator and shall not be liable for any act or omission of a person as designated.

5.2 Payments on Behalf of an Incompetent.

If the Administrator finds that any person who is presently entitled to any payment hereunder is a minor or is unable to care for his or her affairs because of disability or incompetency, payment of the Account Balance(s) may be made to anyone found by the Administrator to be the committee or other authorized representative of such person, or to be otherwise entitled to such payment, in the manner and under the conditions that the Administrator determines. Such payment will be a complete discharge of the liabilities of ML & Co. hereunder with respect to the amounts so paid.

5.3 Corporate Books and Records Controlling.

The books and records of the Company will be controlling in the event a question arises hereunder concerning the amount of the Deferred Amounts, the Account Balance(s), the designation of a beneficiary, or any other matters.

ARTICLE VI

MISCELLANEOUS PROVISIONS

6.1 Litigation.

The Company shall have the right to contest, at its expense, any ruling or decision, administrative or judicial, on an issue that is related to the Plan and that the Administrator believes to be important to Participants, and to conduct any such contest or any litigation arising therefrom to a final decision.

6.2 Headings Are Not Controlling.

The headings contained in this Plan are for convenience only and will not control or affect the meaning or construction of any of the terms or provisions of this Plan.

12

6.3 Governing Law.

To the extent not preempted by applicable U.S. Federal law, this Plan will be construed in accordance with and governed by the laws of the State of New York as to all matters, including, but not limited to, matters of validity, construction, and performance.

6.4 Amendment and Termination.

The Executive Committee or the Board of Directors may amend or terminate this Plan at any time, provided that no amendment or termination may be made that adversely affect the right of a Participant to his or her Account Balance(s) as of the date of such amendment or termination.

MERRILL LYNCH & CO., INC.

1997 DEFERRED COMPENSATION PLAN

FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

DATED AS OF JANUARY 27, 1997

THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.

MERRILL LYNCH & CO., INC.
1997 DEFERRED COMPENSATION PLAN
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

Table of Contents

	Page

I. GENERAL	1
1.1 Purpose and Intent	1
1.2 Definitions	1
II. ELIGIBILITY	4
2.1 Eligible Employees	4
(a) General Rule	4
(b) Individuals First Employed During Election Year or Plan Year ...	4
(c) Disqualifying Factors	4
III. DEFERRAL ELECTIONS; ACCOUNTS	4
3.1 Deferral Elections	4
(a) Timing and Manner of Making of Elections	4
(b) Irrevocability of Deferral Election	5
(c) Application of Election	5
3.2 Crediting to Accounts	5
3.3 Minimum Requirements for Deferral	5
(a) Minimum Requirements	5
(b) Failure to Meet Requirements	5
3.4 Benchmark Return Options; Adjustment of Accounts	6
(a) Selection of Benchmark Return Options	6
(b) Adjustment of Accounts	6
(c) Annual Charge	7
3.5 Rescission of Deferral Election	7
(a) Prior to December 1, 1996	7
(b) Adverse Tax Determination	7
(c) Rescission For Amounts Not Yet Earned	7
IV. STATUS OF DEFERRED AMOUNTS AND ACCOUNT	8
4.1 No Trust or Fund Created; General Creditor Status	8
4.2 Non-Assignability	8
4.3 Effect of Deferral on Benefits Under Pension and Welfare Benefit Plans	8
V. PAYMENT OF ACCOUNT	8
5.1 Manner of Payment	8
(a) Payment Elections	8
(b) Modified Installment Payments	9
5.2 Termination of Employment	9
(a) Death or Retirement	9
(b) Other Termination of Employment	9
(c) Leave of Absence, Transfer or Disability	10
(d) Discretion to Alter Payment Date	10

	Page

5.3 Withholding of Taxes	10
5.4 Beneficiary	10
(a) Designation of Beneficiary	10
(b) Change in Beneficiary	10
(c) Default Beneficiary	10
(d) If the Beneficiary Dies During Payment	11
5.5 Hardship Distributions	11
5.6 Domestic Relations Orders	11
VI. ADMINISTRATION OF THE PLAN	12
6.1 Powers of the Administrator	12
6.2 Payments on Behalf of an Incompetent	12
6.3 Corporate Books and Records Controlling	12
VII. MISCELLANEOUS PROVISIONS	12

7.1 Litigation	12
7.2 Headings Are Not Controlling	12
7.3 Governing Law	13
7.4 Amendment and Termination	13

MERRILL LYNCH & CO., INC.
1997 DEFERRED COMPENSATION PLAN
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

ARTICLE I

GENERAL

1.1 Purpose and Intent.

The purpose of the Plan is to encourage the employees who are integral to the success of the business of the Company to continue their employment by providing them with flexibility in meeting their future income needs. It is intended that this Plan be unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Title I of ERISA, and all decisions concerning who is to be considered a member of that select group and how this Plan shall be administered and interpreted shall be consistent with this intention.

1.2 Definitions.

For the purpose of the Plan, the following terms shall have the meanings indicated.

"Account Balance" means, as of any date, the Deferred Amounts credited to a Participant's Account, adjusted in accordance with Section 3.4 to reflect the performance of the Participant's Selected Benchmark Return Options, the Annual Charge and any payments made from the Account to the Participant prior to that date.

"Account" means the reserve account established on the books and records of ML & Co. for each Participant to record the Participant's interest under the Plan.

"Adjusted Compensation" means the financial consultant incentive compensation, account executive incentive compensation or estate planning and business insurance specialist incentive compensation, in each case exclusive of base salary, earned by a Participant during the Fiscal Year ending in 1997, and payable after January 1, 1997, as a result of the Participant's production credit level, or such other similar items of compensation as the Administrator shall designate as "Adjusted Compensation" for purposes of this Plan.

"Administrator" means the Director of Human Resources of ML & Co., or his functional successor, or any other person or committee designated as Administrator of the Plan by the MDCC.

"Affiliate" means any corporation, partnership, or other organization of which ML & Co. owns or controls, directly or indirectly, not less than 50% of the total combined voting power of all classes of stock or other equity interests.

"Annual Charge" means the charge to the Participant's Account provided for in Section 3.4(c).

"Benchmark Return Options" means such Merrill Lynch mutual funds or other investment vehicles as the Administrator may from time to time designate for the purpose of indexing Accounts hereunder. In the event a Benchmark Return Option ceases to exist or is no longer to be a Benchmark Return Option, the Administrator may designate a substitute Benchmark Return Option for such discontinued option.

"Board of Directors" means the Board of Directors of ML & Co.

"Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"Company" means ML & Co. and all of its Affiliates.

"Compensation" means, as relevant, a Participant's Adjusted Compensation, Variable Incentive Compensation and/or Sign-On Bonus, or such other items or items of compensation as the Administrator, in his sole discretion, may specify in a particular instance.

"Deferral Percentage" means the percentage (which, unless the Administrator, in his sole discretion, determines otherwise, shall be in whole percentage increments and not more than 90%), specified by the Participant to be

the percentage of each payment of Compensation he or she wishes to defer under the Plan.

"Deferred Amounts" means, except as provided in Section 5.6, the amounts of Compensation actually deferred by the Participant under this Plan.

"Election Year" means the 1996 calendar year.

"Eligible Compensation" means a Participant's "eligible compensation" as determined, from time to time, for purposes of ML & Co.'s Basic Group Life Insurance Plan.

"Eligible Employee" means an employee eligible to defer amounts under this Plan, as determined under Section 2.1 hereof.

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time.

"Fiscal Month" means the monthly period used by ML & Co. for financial accounting purposes.

"Fiscal Year" means the annual period used by ML & Co. for financial accounting purposes.

"Full-Time Domestic Employee" means a full-time employee of the Company paid from the Company's domestic based payroll (other than any U.S. citizen or "green card" holder who is employed outside the United States).

"Full-Time Expatriate Employee" means a U.S. citizen or "green card" holder employed by the Company outside the United States and selected by the Administrator as eligible to participate in the Plan (subject to the other eligibility criteria).

"Maximum Deferral" means the whole dollar amount specified by the Participant to be the amount of Compensation he or she elects to be deferred under the Plan.

"MDCC" means the Management Development and Compensation Committee of the Board of Directors.

"ML & Co." means Merrill Lynch & Co., Inc.

2

"Net Asset Value" means, with respect to each Benchmark Return Option that is a mutual fund or other commingled investment vehicle for which such values are determined in the normal course of business, the net asset value, on the date in question, of the Selected Benchmark Return Option for which the value is to be determined.

"Participant" means an Eligible Employee who has elected to defer Compensation under the Plan.

"Plan" means this Merrill Lynch & Co., Inc. 1997 Deferred Compensation Plan for a Select Group of Eligible Employees.

"Plan Year" means the Fiscal Year ending in 1997.

"Remaining Deferred Amounts" means a Participant's Deferred Amounts times a fraction equal to the number of remaining installment payments divided by the total number of installment payments.

"Retirement" means a Participant's (i) termination of employment with the Company for reasons other than for cause on or after the Participant's 65th birthday, or (ii) resignation on or after the Participant's 55th birthday if the Participant has at least 10 years of service, or (iii) resignation at any age with the express approval of the Administrator, which will be granted only if the termination is found by the Administrator to be in, or not contrary to, the best interests of the Company.

"Selected Benchmark Return Option" means a Benchmark Return Option selected by the Participant in accordance with Section 3.4.

"Sign-On Bonus" means a single-sum amount paid or payable to a new Eligible Employee during the Plan Year upon commencement of employment, in addition to base pay and other Compensation, to induce him or her to become an employee of the Company, or any similar item of compensation as the Administrator shall designate as "Sign-On Bonus" for purposes of this Plan.

"Variable Incentive Compensation" means the variable incentive compensation or office manager incentive compensation that is paid in cash to certain employees of the Company generally in January or February of the Plan Year with respect to the prior Fiscal Year, which for purposes of this Plan is considered earned during the Plan Year regardless of when it is actually paid to

the Participant, or such other similar items of compensation as the Administrator shall designate as "Variable Incentive Compensation" for purposes of this Plan.

"401(k) Plan" means the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan.

3

ARTICLE II

ELIGIBILITY

2.1 Eligible Employees.

(a) General Rule. An individual is an Eligible Employee if he or she (i) is a Full-Time Domestic Employee or a Full-Time Expatriate Employee, (ii) has at least \$200,000 of Eligible Compensation for the Election Year, (iii) has attained at least the title of Vice President, Director or Managing Director, or holds a National Sales Management position with the Company (a "National Sales Manager"), and (iv) (A) is a financial consultant or an estate planning and business insurance specialist, who was a member in 1996 of the Chairman's Club, the Charles E. Merrill Circle, the Society of Eagles, the Falcons Club or the Win Smith Fellows, (B) is a National Sales Manager (C) is a member of the International Private Banking Group, (D) is employed as an Investment Manager for Merrill Lynch Asset Management, (E) is a non-producing employee in the Senior Manager or Senior Consultant Band (Q Band) or above, or (F) is a producing employee in grade 95 or above; provided, that non-producing employees in the Director Band (R Band) or above and producing employees in grade 97 or above (or their executive equivalents) shall not be required to meet condition (ii) hereof, and provided, further, that employees who were 1994 Win Smith Fellows shall not be required to meet condition (iii) hereof.

(b) Individuals First Employed During Election Year or Plan Year. Subject to the approval of the Administrator in his sole discretion, an individual who is first employed by the Company during the Election Year or the Plan Year is an Eligible Employee if his or her Eligible Compensation is greater than \$200,000 and he or she is either employed as a National Sales Manager or is to be nominated for at least the title of Vice President, Director or Managing Director at the first opportunity following his or her commencement of employment with the Company.

(c) Disqualifying Factors. An individual shall not, however, be an Eligible Employee if either (i) as of the deadline for submission of elections specified in Section 3.1(a) the individual's wages have been attached or are being garnished or are otherwise restrained pursuant to legal process or (ii) within 13 months prior to the deadline for submission of elections specified in Section 3.1(a), the individual has made a hardship withdrawal of Elective 401(k) Deferrals as defined under the 401(k) Plan.

ARTICLE III

DEFERRAL ELECTIONS; ACCOUNTS

3.1 Deferral Elections.

(a) Timing and Manner of Making of Elections. An election to defer Compensation for payment in accordance with Section 5.1 shall be made by submitting to the Administrator such forms as the Administrator may prescribe. Each election submitted must specify a Maximum Deferral and a Deferral Percentage with respect to each category of Compensation to be deferred. All elections by a Participant to defer Compensation under the Plan must be received by the Administrator or such person as he may designate for the purpose by no later than September 30 of the Election Year (or such later date at the Administrator, in his sole discretion, may specify in any particular instance) or, in the event such date is not a business day, the immediately preceding business day; provided, however, that the Eligible Employee's election to defer a Sign-On Bonus

4

must be part of such Eligible Employee's terms and conditions of employment agreed to prior to the Eligible Employee's first day of employment with the Company.

(b) Irrevocability of Deferral Election. Except as provided in Sections 3.5 and 5.5, an election to defer the receipt of any Compensation made under Section 3.1(a) is irrevocable once submitted to the Administrator or his designee. The Administrator's acceptance of an election to defer Compensation shall not, however, affect the contingent nature of such Compensation under the plan or program under which such Compensation is payable.

(c) Application of Election. The Participant's Deferral Percentage will be

applied to each payment of Compensation to which the Participant's deferral election applies, provided, that the aggregate of the Participant's Deferred Amounts shall not exceed the Participant's Maximum Deferral. If a Participant has made deferral elections with respect to more than one category of Compensation, this Section 3.1(c) shall be applied separately with respect to each such category.

3.2 Crediting to Accounts.

A Participant's Deferred Amounts will be credited to the Participant's Account, as soon as practicable (but in no event later than the end of the following month) after the last day of the Fiscal Month during which such Deferred Amounts would, but for deferral, have been paid and will be accounted for in accordance with Section 3.4. No interest will accrue, nor will any adjustment be made to the Account, for the period until the Deferred Amounts are credited.

3.3 Minimum Requirements for Deferral.

(a) Minimum Requirements. Notwithstanding any other provision of this Plan, no deferral will be effected under this Plan with respect to a Participant if:

- (i) the Participant is not an Eligible Employee as of December 31, 1996,
- (ii) the Participant's election as applied to the Participant's Variable Incentive Compensation (determined by substituting the Election Year for the Plan Year) or Adjusted Compensation (determined by substituting the Fiscal Year immediately prior to the Fiscal Year ending in the Election Year for the Fiscal Year ending in the Plan Year) would have resulted in an annual deferral of less than \$15,000, or
- (iii) the greater of (A) the sum of (1) the "Medicare wages" amount listed on the Participant's W-2 form for the Plan Year and (2) any Compensation that is accelerated which the Participant may receive in December of the Election Year which would have been payable in the Plan Year in the absence of the action of the Company to accelerate the payment, and (B) the Participant's Eligible Compensation for the Plan Year, is less than \$200,000;

provided, that any Participant who first becomes an employee of the Company during the Plan Year shall not be required to satisfy conditions (i) and (ii). Condition (ii) shall not be construed to require a Participant's elections to result in an actual deferral of at least \$15,000.

(b) Failure to Meet Requirements. If the requirements of Section 3.3(a) (i) or (ii) are not met by a Participant to whom such requirements are applicable, such Participant's Deferred Amounts, if any, will be paid to such Participant, without adjustment to reflect the performance of any Selected Benchmark Return Option, as soon as practicable after it has been determined that

5

the requirements have not been met. If the requirements of Section 3.3(a) (iii) are not met by a Participant, the greater of such Participant's Deferred Amounts or Account Balance will be paid to such Participant as soon as practicable after it has been determined that the requirements have not been met.

3.4 Benchmark Return Options; Adjustment of Accounts.

(a) Selection of Benchmark Return Options. Coincident with the Participant's election to defer Compensation, the Participant must select one or more Benchmark Return Options and the percentage of the Participant's Account to be adjusted to reflect the performance of each Selected Benchmark Return Option. All elections of Selected Benchmark Return Options shall be in multiples of 10% unless the Administrator determines that lower increments are administratively feasible, in which case such lower increment shall apply. A Participant may, by complying with such procedures as the Administrator may prescribe on a uniform and nondiscriminatory basis, including procedures specifying the frequency with respect to which such changes may be effected (but not more than twelve times in any calendar year), change the Selected Benchmark Return Options to be applicable with respect to his or her Account.

(b) Adjustment of Accounts. While each Participant's Account does not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Account shall be adjusted to reflect the investment experience of the Participant's Selected Benchmark Return Options in the same manner as if investments in accordance with the Participant's elections had actually been made through the ML Benefit Services Platform and ML II Core Recordkeeping System, or any successor system used for keeping records of Participants' Accounts (the "ML II System"). In adjusting Accounts, the timing of receipt of Participant instructions by the ML II System shall control the timing and pricing of the notional investments in the Participant's Selected

Benchmark Return Options in accordance with the rules of operation of the ML II System and its requirements for placing corresponding investment orders, as if orders to make corresponding investments were actually to be made, except that in connection with the crediting of Deferred Amounts to the Participant's Account and distributions from the Account, appropriate deferral allocation instructions shall be treated as received from the Participant prior to the close of transactions through the ML II System on the relevant day. Each Selected Benchmark Return Option shall be valued using the Net Asset Value of the Selected Benchmark Return Option as of the relevant day; provided, that, in valuing a Selected Benchmark Return Option for which a Net Asset Value is not computed, the value of the security involved for determining Participants' rights under the Plan shall be the price reported for actual transactions in that security through the ML II System on the relevant day, without giving effect to any transaction charges or costs associated with such transactions; provided, further, that, if there are no such transactions effected through the ML II System on the relevant day, the value of the security shall be:

- (i) if the security is listed for trading on one or more national securities exchanges, the average of the high and low sale prices for that day on the principal exchange for such security, or if such security is not traded on such principal exchange on that day, the average of the high and low sales prices on such exchange on the first day prior thereto on which such security was so traded;
- (ii) if the security is not listed for trading on a national securities exchange but is traded in the over-the-counter market, the average of the highest and lowest bid prices for such security on the relevant day; or
- (iii) if neither clause (i) nor (ii) applies, the value determined by the Administrator by whatever means he considers appropriate in his sole discretion.

6

(c) Annual Charge. As of the last day of each Fiscal Year or such earlier day in December as the Administrator shall determine, an Annual Charge of 2.0% of the Participant's Deferred Amounts (exclusive of any appreciation or depreciation determined under Section 3.4 (b)) shall be applied to reduce the Account Balance (but not below zero). In the event that the Participant elects to have the Account Balance paid in installments, this Annual Charge will be charged on the Remaining Deferred Amounts after giving effect to the installment payments. In the event that the Account Balance is paid out completely during a Fiscal Year prior to the date that the Annual Charge is assessed, a pro rata Annual Charge will be deducted from amounts to be paid to the Participant to cover that fraction of the Fiscal Year that Deferred Amounts (or Remaining Deferred Amounts in the case of installment payments) were maintained hereunder. The Annual Charge shall be applied as a pro rata reduction of the portion of the Account Balance indexed to each of the Participant's Selected Benchmark Return Options. In applying the Annual Charge, the pricing principles set forth in Section 3.4(b) will be followed.

3.5 Rescission of Deferral Election.

(a) Prior to December 1, 1996. A deferral election hereunder may be rescinded at the request of a Participant only (i) on or before December 1, 1996, and (ii) if the Administrator, in his sole discretion and upon evidence of such basis that he finds persuasive (including a material applicable change in the Participant's U.S. Federal and/or foreign income tax rate during the period between October 1, 1996 and November 30, 1996), agrees to the rescission of the election. In the event the Administrator agrees to the rescission, the Deferred Amounts, if any, credited to the Participant's Account will be paid to the Participant as soon as practicable thereafter subject to reduction for any applicable withholding taxes.

(b) Adverse Tax Determination. Notwithstanding the provisions of Section 3.5(a), a deferral election may be rescinded at any time if (i) a final determination is made by a court or other governmental body of competent jurisdiction that the election was ineffective to defer income for purposes of U.S. Federal, state, local or foreign income taxation and the time for appeal from this determination has expired, and (ii) the Administrator, in his sole discretion, decides, upon the Participant's request and upon evidence of the occurrence of the events described in (i) hereof that he finds persuasive, to rescind the election. Upon such rescission, the Account Balance, including any adjustment for performance of the Selected Benchmark Return Options will be paid to the Participant as soon as practicable, and no additional amounts will be deferred pursuant to this Plan.

(c) Rescission For Amounts Not Yet Earned. Upon the Participant's written request, the Administrator may in his sole discretion terminate any deferral elections made hereunder with respect to Compensation not yet earned and no further amounts will be deferred. In addition, in the event a Participant receives a hardship withdrawal under the 401(k) Plan, the Administrator shall,

as of the date the Participant's Elective 401(k) Deferrals (as defined in the 401(k) Plan) are suspended under the 401(k) Plan as a result of such hardship withdrawal, terminate the Participant's deferrals under this Plan in accordance with the preceding sentence, as if the Participant had requested rescission in writing. In each case, amounts previously deferred will continue to be governed by the terms of this Plan.

7

ARTICLE IV

STATUS OF DEFERRED AMOUNTS AND ACCOUNT

4.1 No Trust or Fund Created; General Creditor Status.

Nothing contained herein and no action taken pursuant hereto will be construed to create a trust or separate fund of any kind or a fiduciary relationship between ML & Co. and any Participant, the Participant's beneficiary or estate, or any other person. Title to and beneficial ownership of any funds represented by the Account Balance will at all times remain in ML & Co.; such funds will continue for all purposes to be a part of the general funds of ML & Co. and may be used for any corporate purpose. No person will, by virtue of the provisions of this Plan, have any interest whatsoever in any specific assets of the Company. TO THE EXTENT THAT ANY PERSON ACQUIRES A RIGHT TO RECEIVE PAYMENTS FROM ML & CO. UNDER THIS PLAN, SUCH RIGHT WILL BE NO GREATER THAN THE RIGHT OF ANY UNSECURED GENERAL CREDITOR OF ML & CO.

4.2 Non-Assignability.

The Participant's right or the right of any other person to the Account Balance or any other benefits hereunder cannot be assigned, alienated, sold, garnished, transferred, pledged, or encumbered except by a written designation of beneficiary under this Plan, by written will, or by the laws of descent and distribution.

4.3 Effect of Deferral on Benefits Under Pension and Welfare Benefit Plans.

The effect of deferral on pension and welfare benefit plans in which the Participant may be a participant will depend upon the provisions of each such plan, as amended from time to time.

ARTICLE V

PAYMENT OF ACCOUNT

5.1 Manner of Payment.

(a) Regular Payment Elections. A Participant's Account Balance will be paid by ML & Co., as elected by the Participant at the time of his or her deferral election, either in a single payment to be made, or in the number of annual installments (not to exceed 15) chosen by the Participant to commence, (i) in the month following the month of the Participant's Retirement or death, (ii) in any month and year selected by the Participant after the end of 1997 or (iii) in any month in the calendar year following the Participant's Retirement; provided that no election may result in the payment (in the case of a single payment) or commencement of payment (in the case of installment payments) later than the month following the Participant's 70th birthday. The amount of each annual installment, if applicable, shall be determined by multiplying the Account Balance as of the last day of the month immediately preceding the month in which the payment is to be made by a fraction, the numerator of which is one and the denominator of which is the number of remaining installment payments (including the installment payment to be made).

8

(b) Modified Installment Payments. In lieu of one of the regular payment elections provided for in Section 5.1(a), a Participant may elect to receive the Account Balance in at least 11 but no more than 15 annual installment payments ("modified installment payments"), such modified installment payments to commence on the last business day in March in the year following the Participant's Retirement or death (the "Initial Payment Date"). The modified installment payments shall be computed in accordance with last sentence of Section 5.1(a) and will in all other respects be treated like regular installment payments under the Plan. By electing modified installment payments, the Participant agrees that at any time prior to the last day of February immediately preceding a Participant's Initial Payment Date (the "Determination Date"), ML & Co. shall have the right, without the consent of the Participant or any beneficiary, to change the Participant's method of payment to 11 annuitized payments ("annuitized payments"), in the event that the Administrator, in his sole discretion, determines that such a change is necessary or appropriate in order to preserve the intended state tax benefits of the modified installment payments to the Participant or any beneficiary. In the event that the Administrator determines that annuitized payments shall be made, the amount of

the annuitized payments will be determined by applying the Discount Rate, as defined below, to the Account Balance as of the Determination Date to create a stream of 11 equal annual payments. If annuitized payments are to be made, then the Account Balance shall cease to be adjusted pursuant to Sections 3.4(b) and (c) as of the Determination Date (except that a pro rata Annual Charge will be deducted from the Account Balance prior to calculation of the annuitized payments to cover the fraction of the Fiscal Year preceding the Determination Date) and the Company's only obligation to the Participant shall be to make the annuitized payments when due. As used herein, Discount Rate shall mean ML & Co.'s then-applicable after-tax cost of borrowing and is defined as $(A) \times (B)$, where (A) is equal to 1 minus ML & Co.'s then-effective tax rate, expressed as a decimal and (B) is equal to the sum of: (i) the annual yield on the then-current 5-year U.S. Treasury Note, and (ii) a spread (which will not be less than 0.10%) indicative of ML & Co.'s borrowing cost for transactions of similar structure and average maturity to the annuity, as determined by ML & Co.

5.2 Termination of Employment.

(a) Death or Retirement. Upon a Participant's death or Retirement prior to payment, the Account Balance will be paid, in accordance with the Participant's elections and as provided in Section 5.1(a) or (b), as applicable, to the Participant (in the event of Retirement) or to the Participant's beneficiary (in the event of death); provided, however, that in the event that a beneficiary of the Participant's Account is the Participant's estate or is otherwise not a natural person, then (i) if the Participant has elected a regular payment election pursuant to Section 5.1(a), the applicable portion of the Account Balance will be paid in a single payment to such beneficiary notwithstanding any election of installment payments, and (ii) if the Participant has elected modified installment payments pursuant to Section 5.1(b), the applicable portion of the Account Balance will continue to be payable as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the administrator or executor of the Participant's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

(b) Other Termination of Employment. If the Participant's employment terminates at any time for any reason other than death or Retirement, the Account Balance will be paid to the Participant, in a single payment, as soon thereafter as is practicable, notwithstanding the Participant's elections hereunder.

9

(c) Leave of Absence, Transfer or Disability. The Participant's employment will not be considered as terminated if the Participant is on an approved leave of absence or if the Participant transfers or is transferred but remains in the employ of the Company or if the Participant is eligible to receive disability payments under the ML & Co. Basic Long-Term Disability Plan.

(d) Discretion to Alter Payment Date. Notwithstanding the provisions of Sections 5.2(a) and (b), if the Participant's employment terminates for any reason, the Administrator may, in his sole discretion, direct that the Account Balance be paid at some other time or that it be paid in installments; provided, that no such direction that adversely affects the rights of the Participant or his or her beneficiary under this Plan shall be implemented without the consent of the affected Participant or beneficiary. This direction may be revoked by the Administrator at any time in his sole discretion.

5.3 Withholding of Taxes.

ML & Co. will deduct or withhold from any payment to be made or deferred hereunder any U.S. Federal, state or local or foreign income or employment taxes required by law to be withheld or require the Participant or the Participant's beneficiary to pay any amount, or the balance of any amount, required to be withheld.

5.4 Beneficiary.

(a) Designation of Beneficiary. The Participant may designate, in a writing delivered to the Administrator or his designee before the Participant's death, a beneficiary to receive payments in the event of the Participant's death. The Participant may also designate a contingent beneficiary to receive payments in accordance with this Plan if the primary beneficiary does not survive the Participant. The Participant may designate more than one person as the Participant's beneficiary or contingent beneficiary, in which case (i) no contingent beneficiary would receive any payment unless all of the primary beneficiaries predeceased the Participant, and (ii) the surviving beneficiaries in any class shall share in any payments in proportion to the percentages of interest assigned to them by the Participant.

(b) Change in Beneficiary. The Participant may change his or her beneficiary or contingent beneficiary (without the consent of any prior beneficiary) in a writing delivered to the Administrator or his designee before

the Participant's death. Unless the Participant states otherwise in writing, any change in beneficiary or contingent beneficiary will automatically revoke prior such designations of the Participant's beneficiary or of the Participant's contingent beneficiary, as the case may be, under this Plan only; and any designations under other deferral agreements or plans of the Company will remain unaffected.

(c) Default Beneficiary. In the event a Participant does not designate a beneficiary, or no designated beneficiary survives the Participant, the Participant's beneficiary shall be the Participant's surviving spouse, if the Participant is married at the time of his or her death and not subject to a court-approved agreement or court decree of separation, or otherwise the person or persons designated to receive benefits on account of the Participant's death under the ML & Co. Basic Group Life Insurance Plan (the "Life Insurance Plan"). However, if an unmarried Participant does not have coverage in effect under the Life Insurance Plan, or the Participant has assigned his or her death benefit under the Life Insurance Plan, any amounts payable to the Participant's beneficiary under the Plan will be paid to the Participant's estate.

10

(d) If the Beneficiary Dies During Payment. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the Participant dies, but before all the payments have been made, the portion of the Account Balance to which that beneficiary was entitled will be paid as soon as practicable in one lump sum to such beneficiary's estate and not to any contingent beneficiary the Participant may have designated; provided, however, that if the beneficiary was receiving modified installment payments or annuitized payments pursuant to Section 5.1(b), the applicable portion of the Account Balance will continue to be paid as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the administrator or executor of the beneficiary's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

5.5 Hardship Distributions.

ML & Co. may pay to the Participant, on such terms and conditions as the Administrator may establish, such part or all of the Account Balance as he may, in his sole discretion based upon substantial evidence submitted by the Participant, determine necessary to alleviate hardship caused by an unanticipated emergency or necessity outside of the Participant's control affecting the Participant's personal or family affairs. Such payment will be made only at the Participant's written request and with the express approval of the Administrator and will be made on the date selected by the Administrator in his sole discretion. The balance of the Account, if any, will continue to be governed by the terms of this Plan. Hardship shall be deemed to exist only on account of expenses for medical care (described in Code Section 213(d)) of the Participant, the Participant's spouse or the Participant's dependents (described in Code Section 152); payment of unreimbursed tuition and related educational fees for the Participant, the Participant's spouse or the Participant's dependents; the need to prevent the Participant's eviction from or, foreclosure on, the Participant's principal residence; unreimbursed damages resulting from a natural disaster; or such other financial need deemed by the Administrator in his sole discretion to be immediate and substantial.

5.6 Domestic Relations Orders.

Notwithstanding the Participant's elections hereunder, ML & Co. will pay to, or to the Participant for the benefit of, the Participant's spouse or former spouse the portion of the Participant's Account Balance specified in a valid court order entered in a domestic relations proceeding involving the Participant's divorce or legal separation. Such payment will be made net of any amounts the Company may be required to withhold under applicable federal, state or local law. After such payment, references herein to the Participant's "Deferred Amounts" (including, without limitation, for purposes of determining the Annual Charge applicable to any remaining Account Balance) shall mean the Participant's original Deferred Amounts times an amount equal to one minus a fraction, the numerator of which is the gross amount (prior to withholding) paid pursuant to the order, and the denominator of which is the Participant's Account Balance immediately prior to payment.

11

ARTICLE VI

ADMINISTRATION OF THE PLAN

6.1 Powers of the Administrator.

The Administrator has full power and authority to interpret, construe and administer this Plan so as to ensure that it provides deferred compensation for

the Participant as a member of a select group of management or highly compensated employees within the meaning of Title I of ERISA. The Administrator's interpretations and construction hereof, and actions hereunder, including any determinations regarding the amount or recipient of any payments, will be binding and conclusive on all persons for all purposes. The Administrator will not be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan unless attributable to his willful misconduct or lack of good faith. The Administrator may designate persons to carry out the specified responsibilities of the Administrator and shall not be liable for any act or omission of a person as designated.

6.2 Payments on Behalf of an Incompetent.

If the Administrator finds that any person who is entitled to any payment hereunder is a minor or is unable to care for his or her affairs because of disability or incompetency, payment of the Account Balance may be made to anyone found by the Administrator to be the committee or other authorized representative of such person, or to be otherwise entitled to such payment, in the manner and under the conditions that the Administrator determines. Such payment will be a complete discharge of the liabilities of ML & Co. hereunder with respect to the amounts so paid.

6.3 Corporate Books and Records Controlling.

The books and records of the Company will be controlling in the event a question arises hereunder concerning the amount of Adjusted Compensation, Incentive Compensation, Sign-On Bonus, Eligible Compensation, the Deferred Amounts, the Account Balance, the designation of a beneficiary, or any other matters.

ARTICLE VII

MISCELLANEOUS PROVISIONS

7.1 Litigation.

The Company shall have the right to contest, at its expense, any ruling or decision, administrative or judicial, on an issue that is related to the Plan and that the Administrator believes to be important to Participants, and to conduct any such contest or any litigation arising therefrom to a final decision.

7.2 Headings Are Not Controlling.

The headings contained in this Plan are for convenience only and will not control or affect the meaning or construction of any of the terms or provisions of this Plan.

12

7.3 Governing Law.

To the extent not preempted by applicable U.S. Federal law, this Plan will be construed in accordance with and governed by the laws of the State of New York as to all matters, including, but not limited to, matters of validity, construction, and performance.

7.4 Amendment and Termination.

ML & Co., through the Administrator, reserves the right to amend or terminate this Plan at any time, except that no such amendment or termination shall adversely affect the right of a Participant to his or her Account Balance (as reduced by the current year's Annual Charge, or pro rata portion thereof, as set forth in Section 3.4(c)) as of the date of such amendment or termination.

13

MERRILL LYNCH & CO., INC.
 LONG-TERM INCENTIVE COMPENSATION PLAN
 FOR MANAGERS AND PRODUCERS

TABLE OF CONTENTS

	PAGE
ARTICLE I - GENERAL.....	1
Section 1.1 Purpose.....	1
Section 1.2 Definitions.....	1
(a) "Board of Directors" or "Board".....	1
(b) "Code".....	1
(c) "Company".....	1
(d) "Committee".....	1
(e) "Common Stock".....	2
(f) "Disability".....	2
(g) "Fair Market Value".....	2
(h) "Junior Preferred Stock".....	2
(i) "Other ML & Co. Security".....	2
(j) "Participant".....	2
(k) "Performance Period".....	2
(l) "Performance Share".....	3
(m) "Performance Unit".....	3
(n) "Restricted Period".....	3
(o) "Restricted Share".....	3
(p) "Restricted Unit".....	3
(q) "Retirement".....	3
(r) "Rights".....	3
(s) "Rights Agreement".....	3
(t) "Stock Appreciation Right".....	3
(u) "Stock Option".....	4
(v) "Vesting Period".....	4
Section 1.3 Administration.....	4
Section 1.4 Shares Subject to the Plan.....	4
Section 1.5 Eligibility and Participation.....	5
ARTICLE II - PROVISIONS APPLICABLE TO PERFORMANCE SHARES AND PERFORMANCE UNITS.....	5
Section 2.1 Performance Periods and Restricted Periods.....	5
Section 2.2 Performance Objectives.....	5
Section 2.3 Grants of Performance Shares and Performance Units.....	6
	i
Section 2.4 Rights and Benefits During Performance Period.....	6
Section 2.5 Adjustment with respect to Performance Shares and Performance Units.....	7
Section 2.6 Payment of Performance Shares and Performance Units.....	7
(a) Performance Shares.....	7
(i) If a Restricted Period has been established...	7
(ii) If a Restricted Period has not been established.....	8
(b) Performance Units.....	8
Section 2.7 Termination of Employment.....	8
(a) Prior to the end of a Performance Period.....	8
(i) Death.....	8

(ii) Disability or Retirement.....	8
(iii) Other Terminations.....	9
(b) After the end of a Performance Period but prior to the end of a Restricted Period.....	9
(i) Death, Disability, or Retirement.....	9
(ii) Other Terminations.....	9
Section 2.8 Deferral of Payment.....	10

ARTICLE III - PROVISIONS APPLICABLE TO RESTRICTED SHARES AND RESTRICTED UNITS..... 10

Section 3.1 Vesting Periods and Restricted Periods.....	10
Section 3.2 Grants of Restricted Shares and Restricted Units.....	10
Section 3.3 Rights and Restrictions Governing Restricted Shares.....	11
Section 3.4 Rights Governing Restricted Units.....	11
Section 3.5 Adjustment with respect to Restricted Shares and Restricted Units.....	11
Section 3.6 Payment of Restricted Shares and Restricted Units.....	12

ii

(a) Restricted Shares.....	12
(b) Restricted Units.....	12
Section 3.7 Termination of Employment.....	12
(a) Prior to the end of a Vesting Period.....	12
(i) Death.....	12
(ii) Disability or Retirement.....	12
(iii) Other Terminations.....	12
(b) After the end of a Vesting Period but prior to the end of a Restricted Period.....	13
(i) Death, Disability, or Retirement.....	13
(ii) Other Terminations.....	13
Section 3.8 Extension of Vesting; Deferral of Payment.....	13

ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS..... 14

Section 4.1 Grants of Stock Options.....	14
Section 4.2 Option Documentation.....	14
Section 4.3 Exercise Price.....	14
Section 4.4 Exercise of Stock Options.....	14
(a) Exercisability.....	14
(b) Option Period.....	15
(c) Exercise in the Event of Termination of Employment.....	15
(i) Death.....	15
(ii) Disability or Retirement.....	15
(iii) Other Terminations.....	15
(d) Limitations on Transferability.....	16
Section 4.5 Payment of Purchase Price and Tax Liability Upon Exercise; Delivery of Shares.....	16
(a) Payment of Purchase Price.....	16
(b) Payment of Taxes.....	16
(c) Delivery of Shares.....	17

iii

Section 4.6 Limitation on Fair Market Value of Shares of Common Stock Received upon Exercise of Incentive Stock Options	17
---	----

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION

RIGHTS.....	17
Section 5.1 Grants of Stock Appreciation Rights.....	17
Section 5.2 Stock Appreciation Rights Granted in Connection with Incentive Stock Options.....	18
Section 5.3 Payment Upon Exercise of Stock Appreciation Rights.....	18
Section 5.4 Termination of Employment.....	18
(a) Death.....	18
(b) Disability.....	18
(c) Retirement.....	19
(d) Other Terminations.....	19
ARTICLE VI - PROVISIONS APPLICABLE TO OTHER ML & CO. SECURITIES.....	19
Section 6.1 Grants of Other ML & Co. Securities.....	19
Section 6.2 Terms and Conditions of Conversion or Exchange.....	20
ARTICLE VII - CHANGES IN CAPITALIZATION.....	20
ARTICLE VIII - PAYMENTS UPON TERMINATION OF EMPLOYMENT AFTER A CHANGE IN CONTROL.....	21
Section 8.1 Value of Payments Upon Termination After a Change in Control.....	21
(a) Performance Shares and Performance Units.....	21
(b) Restricted Shares and Restricted Units.....	22
(c) Stock Options and Stock Appreciation Rights.....	22
(d) Other ML & Co. Securities.....	23
Section 8.2 A Change in Control.....	23
Section 8.3 Effect of Agreement Resulting in Change in Control.....	24
Section 8.4 Termination for Cause.....	24
Section 8.5 Good Reason.....	25
(a) Inconsistent Duties.....	25
(b) Reduced Salary or Bonus Opportunity.....	25
(c) Relocation.....	25
(d) Compensation Plans.....	25
(e) Benefits and Perquisites.....	26
(f) No Assumption by Successor.....	26
Section 8.6 Effect on Plan Provisions.....	26
ARTICLE IX - MISCELLANEOUS.....	27
Section 9.1 Designation of Beneficiary.....	27
Section 9.2 Employment Rights.....	27
Section 9.3 Nontransferability.....	27
Section 9.4 Withholding.....	27
Section 9.5 Relationship to Other Benefits.....	28
Section 9.6 No Trust or Fund Created.....	28
Section 9.7 Expenses.....	28
Section 9.8 Indemnification.....	28
Section 9.9 Tax Litigation.....	28
ARTICLE X - AMENDMENT AND TERMINATION.....	28
ARTICLE XI - INTERPRETATION.....	29
Section 11.1 Governmental and Other Regulations.....	29
Section 11.2 Governing Law.....	29

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN
FOR MANAGERS AND PRODUCERS

ARTICLE I - GENERAL

Section 1.1 Purpose.

The purposes of the Long-Term Incentive Compensation Plan (the "Plan") for Managers and Producers are: (a) to enhance the growth and profitability of Merrill Lynch & Co., Inc., a Delaware corporation ("ML & Co."), and its subsidiaries by providing the incentive of long-term rewards to key employees who are capable of having a significant impact on the performance of ML & Co. and its subsidiaries; (b) to attract and retain employees of outstanding competence and ability; (c) to encourage long-term stock ownership by employees; and (d) to further the identity of interests of such employees with those of stockholders of ML & Co.

Section 1.2 Definitions.

For the purpose of the Plan, the following terms shall have the meanings indicated:

(a) "Board of Directors" or "Board" shall mean the Board of Directors of ML & Co.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor law thereto.

(c) "Company" shall mean ML & Co. and any corporation, partnership, or other organization of which ML & Co. owns or controls, directly or indirectly, not less than 50% of the total combined voting power of all classes of stock or other equity interests. For purposes of this Plan, the terms "ML & Co." and "Company" shall include any successor thereto.

(d) "Committee" shall mean the Management Development and Compensation Committee of the Board of Directors, or its functional successor or any other Board committee that has been designated by the Board of Directors to administer the Plan, or the Board of Directors.

1

(e) "Common Stock" shall mean the Common Stock, par value \$1.33 1/3 per share, of ML & Co. and a "share of Common Stock" shall mean one share of Common Stock together with, for so long as Rights are outstanding, one Right (whether trading with the Common Stock or separately).

(f) "Disability," unless otherwise provided herein, shall mean any physical or mental condition that, in the opinion of the Director of Human Resources of Merrill Lynch & Co., Inc. (or his or her functional successor), renders an employee incapable of engaging in any employment or occupation for which he is suited by reason of education or training.

(g) "Fair Market Value" of shares of Common Stock on any given date(s) shall be: (a) the mean of the high and low sales prices on the New York Stock Exchange--Composite Tape of such shares on the date(s) in question, or, if the shares of Common Stock shall not have been traded on any such date(s), the mean of the high and low sales prices on the New York Stock Exchange--Composite Tape on the first day prior thereto on which the shares of Common Stock were so traded; or (b) if the shares of Common Stock are not traded on the New York Stock Exchange, such other amount as may be determined by the Committee by any fair and reasonable means.

"Fair Market Value" of any Other ML & Co. Security on any given date(s) shall be: (a) the mean of the high and low sales prices of such Other ML & Co. Security on the principal securities exchange on which such Security is traded on the date(s) in question or, if such Other ML & Co. Security shall not have been traded on any such exchange on such date(s), the mean of the high and low sales prices on such exchange on the first day prior thereto on which such Other ML & Co. Security was so traded; or (b) if the Other ML & Co. Security is not publicly traded on a securities exchange, such other amount as may be determined by the Committee by any fair and reasonable means.

(h) "Junior Preferred Stock" shall mean ML & Co.'s Series A Junior Preferred Stock, par value \$1.00 per share.

(i) "Other ML & Co. Security" shall mean a financial instrument issued pursuant to Article VI.

(j) "Participant" shall mean any employee who has met the eligibility requirements set forth in Section 1.5 hereof and to whom a grant has been made and is outstanding under the Plan.

(k) "Performance Period" shall mean, in relation to Performance Shares or Performance Units, any period, for which performance objectives have been established, of not less than one nor more than ten consecutive ML & Co. fiscal years, commencing with the first day of the fiscal year in which such Performance Shares or Performance Units were granted.

2

(l) "Performance Share" shall mean a right, granted to a Participant pursuant to Article II, that will be paid out as a share of Common Stock.

(m) "Performance Unit" shall mean a right, granted to a Participant pursuant to Article II, to receive an amount equal to the Fair Market Value of one share of Common Stock in cash.

(n) "Restricted Period" shall mean, (i) in relation to shares of Common Stock receivable in payment for Performance Shares, the period beginning at the end of the applicable Performance Period during which restrictions on the transferability of such shares of Common Stock are in effect; and (ii) in relation to Restricted Shares, the period, beginning with the first day of the month in which Restricted Shares are granted, during which restrictions on the transferability of such Restricted Shares are in effect and which shall not be of shorter duration than the Vesting Period applicable to the same Restricted Shares.

(o) "Restricted Share" shall mean a share of Common Stock, granted to a Participant pursuant to Article III, subject to the restrictions set forth in Section 3.3 hereof.

(p) "Restricted Unit" shall mean the right, granted to a Participant pursuant to Article III, to receive an amount equal to the Fair Market Value of one share of Common Stock in cash.

(q) "Retirement" shall mean the cessation of employment by the Company (1) after reaching age 55 and having completed at least 5 years of service; (2) after reaching age 50 and having completed at least 10 years of service; (3) after reaching age 45 and having completed at least 15 years of service; or (4) having completed at least 20 years of service (in each case including approved leaves of absence of one year or less).

(r) "Rights" means the Rights to Purchase Units of Junior Preferred Stock issued pursuant to the Rights Agreement.

(s) "Rights Agreement" means the Rights Agreement dated as of December 16, 1987 between ML & Co. and Manufacturers Hanover Trust Company, Rights Agent, as amended from time to time.

(t) "Stock Appreciation Right" shall mean a right, granted to a Participant pursuant to Article V, to receive, in cash or shares of Common Stock, an amount equal to the increase in Fair Market Value, over a specified period of time, of a specified number of shares of Common Stock.

3

(u) "Stock Option" shall mean a right, granted to a Participant pursuant to Article IV, to purchase, before a specified date and at a specified price, a specified number of shares of Common Stock. Stock Options may be "Incentive Stock Options," which meet the definition of such in Section 422A of the Code, or "Nonqualified Stock Options," which do not meet such definition.

(v) "Vesting Period" shall mean, in relation to Restricted Shares or Restricted Units, any period of not less than 12 months beginning with the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective, during which such Restricted Shares or Restricted Units may be forfeited if the Participant terminates employment.

Section 1.3 Administration.

(a) The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to:

- (i) subject to Section 1.5 hereof, select Participants after receiving the recommendations of the management of the Company;
- (ii) determine the number of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Appreciation Rights, or Other ML & Co. Securities subject to each grant;
- (iii) determine the number of shares of Common Stock subject to each Stock Option grant;
- (iv) determine the time or times when grants are to be made or are

to be effective; (v) determine the terms and conditions subject to which grants may be made; (vi) extend the term of any Stock Option; (vii) provide at the time of grant that all or any portion of any Stock Option shall be canceled upon the Participant's exercise of any Stock Appreciation Rights; (viii) prescribe the form or forms of the instruments evidencing any grants made hereunder, provided that such forms are consistent with the Plan; (ix) adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (x) construe and interpret the Plan and all rules, regulations, and instruments utilized thereunder; and (xi) make all determinations deemed advisable or necessary for the administration of the Plan. All determinations by the Committee shall be final and binding.

(b) The Committee shall act in accordance with the procedures established for a Committee under ML & Co.'s Certificate of Incorporation and By-Laws or under any resolution of the Board.

Section 1.4 Shares Subject to the Plan.

The total number of shares of Common Stock that may be distributed under the Plan shall be 20,000,000 (whether granted as Restricted Shares or reserved for distribution upon grant of Performance Shares, Stock Options, Stock Appreciation Rights (to the extent they may be paid out in Common Stock), or Other ML & Co. Securities), subject to adjustment as provided in Article VII hereof. Shares of Common Stock distributed under the Plan may be treasury shares or authorized but unissued

4

shares. To the extent that awards of Other ML & Co. Securities are convertible into Common Stock or are otherwise equity securities (or convertible into equity securities) of ML & Co., they shall be subject to the limitation expressed above on the number of shares of Common Stock that can be awarded under the Plan. Any shares of Common Stock that have been granted as Restricted Shares or that have been reserved for distribution in payment for Performance Shares but are later forfeited or for any other reason are not payable under the Plan may again be made the subject of grants under the Plan. If any Stock Option, Stock Appreciation Right, or Other ML & Co. Security granted under the Plan expires or terminates, or any Stock Appreciation Right is paid out in cash, the underlying shares of Common Stock may again be made the subject of grants under the Plan. Units payable in cash that are later forfeited or for any reason are not payable under the Plan may again be the subject of grants under the Plan.

Section 1.5 Eligibility and Participation.

Participation in the Plan shall be limited to officers (who may also be members of the Board of Directors) and other salaried, key employees of the Company.

ARTICLE II - PROVISIONS APPLICABLE TO PERFORMANCE SHARES AND PERFORMANCE UNITS.

Section 2.1 Performance Periods and Restricted Periods.

The Committee shall establish Performance Periods applicable to Performance Shares and Performance Units and may establish Restricted Periods applicable to Performance Shares, at its discretion. Each such Performance Period shall commence with the beginning of a fiscal year in which the Performance Shares and Performance Units are granted and have a duration of not less than one nor more than ten consecutive fiscal years. Each such Restricted Period shall commence with the end of the Performance Period established for such Performance Shares and shall end on such date as may be determined by the Committee at the time of grant. There shall be no limitation on the number of Performance Periods or Restricted Periods established by the Committee, and more than one Performance Period may encompass the same fiscal year.

Section 2.2 Performance Objectives.

At any time before or during a Performance Period, the Committee shall establish one or more performance objectives for such Performance Period, provided that such performance objectives shall be established prior to the grant of any Performance Shares or Performance Units with respect to such Period. Performance objectives shall be based on one or more measures such as return on stockholders' equity, earnings, or any other standard deemed relevant by the Committee, measured internally or relative to other organizations and before or after extraordinary items, as may be determined by the Committee; provided, however, that any such measure shall

5

include all accruals for grants made under the Plan and for all other employee benefit plans of the Company. The Committee may, in its discretion, establish performance objectives for the Company as a whole or for only that part of the Company in which a given Participant is involved, or a combination thereof. In establishing the performance objective or objectives for a Performance Period,

the Committee shall determine both a minimum performance level, below which no Performance Shares or Performance Units shall be payable, and a full performance level, at or above which 100% of the Performance Shares or Performance Units shall be payable. In addition, the Committee may, in its discretion, establish intermediate levels at which given proportions of the Performance Shares or Performance Units shall be payable. Such performance objectives shall not thereafter be changed except as set forth in Sections 2.5 and 2.6 and Article VII hereof.

Section 2.3 Grants of Performance Shares and Performance Units.

The Committee may select employees to become Participants subject to the provisions of Section 1.5 hereof and grant Performance Shares or Performance Units to such Participants at any time prior to or during the first fiscal year of a Performance Period. Grants shall be deemed to have been made as of the beginning of the first fiscal year of the Performance Period. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Subject to the provisions of Section 2.7 hereof, a grant of Performance Shares or Performance Units shall be effective for the entire applicable Performance Period and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Performance Shares or Performance Units granted, the Performance Period, the performance objective or objectives, the proportion of payments for performance between the minimum and full performance levels, if any, the Restricted Periods and restrictions applicable to shares of Common Stock receivable in payment for Performance Shares, and any other terms, conditions, and rights with respect to such grant. At the time of any grant of Performance Shares, there shall be reserved out of the number of shares of Common Stock authorized for distribution under the Plan a number of shares equal to the number of Performance Shares so granted.

Section 2.4 Rights and Benefits During Performance Period.

The Committee may provide that, during a Performance Period, a Participant shall be paid cash amounts, with respect to each Performance Share or Performance Unit held by such Participant, in the same manner, at the same time, and in the same amount paid, as a dividend on a share of Common Stock.

6

Section 2.5 Adjustment with respect to Performance Shares and Performance Units.

Any other provision of the Plan to the contrary notwithstanding, the Committee may at any time adjust performance objectives (up or down) and minimum or full performance levels (and any intermediate levels and proportion of payments related thereto), adjust the way performance objectives are measured, or shorten any Performance Period or Restricted Period, if it determines that conditions, including but not limited to, changes in the economy, changes in competitive conditions, changes in laws or governmental regulations, changes in generally accepted accounting principles, changes in the Company's accounting policies, acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant.

Section 2.6 Payment of Performance Shares and Performance Units.

Within 90 days after the end of any Performance Period, the Company shall determine the extent to which performance objectives established by the Committee pursuant to Section 2.2 hereof for such Performance Period have been met during such Performance Period and the resultant extent to which Performance Shares or Performance Units granted for such Performance Period are payable. Payment for Performance Shares and Performance Units shall be as follows:

(a) Performance Shares:

(i) If a Restricted Period has been established in relation to the Performance Shares:

(A) At the end of the applicable Performance Period, one or more certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable shall be registered in the name of the Participant but shall be held by the Company for the account of the employee. Such shares will be nonforfeitable but restricted as to transferability during the applicable Restricted Period. During the Restricted Period, the Participant shall have all rights of a holder as to such shares of Common Stock, including the right to receive dividends, to exercise Rights, and to vote such Common Stock and any securities issued upon exercise of Rights, subject to the following restrictions: (1) the Participant shall not be entitled to delivery of certificates representing such shares of Common Stock and any other such securities until the expiration of the Restricted Period; and (2) none of such shares of Common Stock or Rights may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period. Any shares of Common Stock or other securities or property received with respect to such

shares shall be subject to the same restrictions as such shares; provided, however, that the Company shall not be required to register any fractional shares of Common Stock payable to any Participant, but will pay the value of such fractional shares, measured as set forth in Section 2.6(b) below, to the Participant.

7

(B) At the end of the applicable Restricted Period, all restrictions applicable to the shares of Common Stock, and other securities or property received with respect to such shares, held by the Company for the accounts of recipients of Performance Shares granted in relation to such Restricted Period shall lapse, and one or more stock certificates for such shares of Common Stock and securities, free of the restrictions, shall be delivered to the Participant, or such shares and securities shall be credited to a brokerage account if the Participant so directs.

(ii) If a Restricted Period has not been established in relation to the Performance Shares, at the end of the applicable Performance Period, one or more stock certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable, free of restrictions, shall be registered in the name of the Participant and delivered to the Participant, or such shares shall be credited to a brokerage account if the Participant so directs.

(b) Performance Units: At the end of the applicable Performance Period, a Participant shall be paid a cash amount equal to the number of Performance Units payable, times the mean of the Fair Market Value of Common Stock during the second calendar month following the end of the Performance Period, unless some other date or period is established by the Committee at the time of grant.

Section 2.7 Termination of Employment.

(a) Prior to the end of a Performance Period:

(i) Death: If a Participant ceases to be an employee of the Company prior to the end of a Performance Period by reason of death, any outstanding Performance Shares or Performance Units with respect to such Participant shall become payable and be paid to such Participant's beneficiary or estate, as the case may be, as soon as practicable in the manner set forth in Sections 2.6(a)(ii) and 2.6(b) hereof, respectively. In determining the extent to which performance objectives established for such Performance Period have been met and the resultant extent to which Performance Shares or Performance Units are payable, the Performance Period shall be deemed to end as of the end of the fiscal year in which the Participant's death occurred.

(ii) Disability or Retirement: The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article II, and such Participant shall not forfeit any Performance Shares or Performance Units held by him, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company during the remainder of the applicable Performance Period. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with

8

business engaged in by the Company shall be deemed to have terminated employment.

(iii) Other Terminations: If a Participant ceases to be an employee prior to the end of a Performance Period for any reason other than death, the Participant shall immediately forfeit all Performance Shares and Performance Units previously granted under the Plan and all right to receive any payment for such Performance Shares and Performance Units. The Committee may, however, direct payment in accordance with the provisions of Section 2.6 hereof for a number of Performance Shares or Performance Units, as it may determine, granted under the Plan to a Participant whose employment has so terminated (but not exceeding the number of Performance Shares or Performance Units that could have been payable had the Participant remained an employee) if it finds that the circumstances in the particular case so warrant. For purposes of the preceding sentence, the Performance Period over which performance objectives shall be measured shall be deemed to end as of the end of the fiscal year in which termination occurred.

(b) After the end of a Performance Period but prior to the end of a Restricted Period:

(i) Death, Disability, or Retirement: If a Participant ceases to be an employee of the Company by reason of death or in the case of the Disability or Retirement of a Participant, the Restricted Period shall be deemed to have ended and shares held by the Company shall be paid as soon as practicable in the

manner set forth in Section 2.6(a)(i)(B).

(ii) Other Terminations: Terminations of employment for any reason other than death after the end of a Performance Period but prior to the end of a Restricted Period shall not have any effect on the Restricted Period, unless the Committee, in its sole discretion, finds that the circumstances so warrant and determines that the Restricted Period shall end on an earlier date as determined by the Committee and that shares held by the Company shall be paid as soon as practicable following such earlier date in the manner set forth in Section 2.6(a)(i)(B).

(c) Except as otherwise provided in this Section 2.7, termination of employment after the end of a Performance Period but before the payment of Performance Shares or Performance Units relating to such Performance Period shall not affect the amount, if any, to be paid pursuant to Section 2.6 hereof. Approved leaves of absence of one year or less shall not be deemed to be terminations of employment under this Section 2.7. Leaves of absence of more than one year will be deemed to be terminations of employment under this Section 2.7, unless the Committee determines otherwise.

9

Section 2.8 Deferral of Payment.

The Committee may, in its sole discretion, offer a Participant the right, by execution of a written agreement, to defer the receipt of all or any portion of the payment, if any, for Performance Shares or Performance Units. If such an election to defer is made, the Common Stock receivable in payment for Performance Shares shall be deferred as stock units equal in number to and exchangeable, at the end of the deferral period, for the number of shares of Common Stock that would have been paid to the Participant. Such stock units shall represent only a contractual right and shall not give the Participant any interest, right, or title to any Common Stock during the deferral period. The cash receivable in payment for Performance Units or fractional shares receivable for Performance Shares shall be deferred as cash units. Deferred stock units and cash units may be credited annually with the appreciation factor contained in the deferred compensation agreement, which may include dividend equivalents. All other terms and conditions of deferred payments shall be as contained in the written agreement.

ARTICLE III - PROVISIONS APPLICABLE TO RESTRICTED SHARES AND RESTRICTED UNITS.

Section 3.1 Vesting Periods and Restricted Periods.

The Committee shall establish one or more Vesting Periods applicable to Restricted Shares and Restricted Units and one or more Restricted Periods applicable to Restricted Shares, at its discretion. Each such Vesting Period shall have a duration of not less than 12 months, measured from the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective. Each such Restricted Period shall have a duration of 12 or more consecutive months, measured from the first day of the month in which the grant of the applicable Restricted Shares is effective, but in no event shall any Restricted Period applicable to a Restricted Share be of shorter duration than the Vesting Period applicable to such Restricted Share.

Section 3.2 Grants of Restricted Shares and Restricted Units.

The Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant Restricted Shares or Restricted Units to such Participants at any time. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential.

Subject to the provisions of Section 3.7 hereof, a grant of Restricted Shares or Restricted Units shall be effective for the entire applicable Vesting and Restricted Periods and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Restricted Shares granted, the Vesting Period,

10

the Restricted Period, the restrictions applicable to such Restricted Shares, the nature and terms of payment of consideration, if any, and the consequences of forfeiture that will apply to such Restricted Shares, and any other terms, conditions, and rights with respect to such grant. Each grant to a Participant of Restricted Units shall be evidenced by a written instrument stating the number of Restricted Units granted, the Vesting Period, and all other terms, conditions and rights with respect to such grant.

Section 3.3 Rights and Restrictions Governing Restricted Shares.

At the time of grant of Restricted Shares, subject to the receipt by the

Company of any applicable consideration for such Restricted Shares, one or more certificates representing the appropriate number of shares of Common Stock granted to a Participant shall be registered either in his name or for his benefit either individually or collectively with others, but shall be held by the Company for the account of the Participant. The Participant shall have all rights of a holder as to such shares of Common Stock, including the right to receive dividends, to exercise Rights, and to vote such Common Stock and any securities issued upon exercise of Rights, subject to the following restrictions: (a) the Participant shall not be entitled to delivery of certificates representing such shares of Common Stock and any other such securities until the expiration of the Restricted Period; (b) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (c) all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company for the entire Vesting Period in relation to which such Restricted Shares were granted, except as otherwise allowed by Section 3.7 hereof. Any shares of Common Stock or other securities or property received with respect to such shares shall be subject to the same restrictions as such Restricted Shares.

Section 3.4 Rights Governing Restricted Units.

During the Vesting Period for Restricted Units, a Participant shall be paid, with respect to each Restricted Unit to which such Vesting Period is applicable, cash amounts in the same manner, at the same time, and in the same amount paid, as a dividend on a share of Common Stock.

Section 3.5 Adjustment with respect to Restricted Shares and Restricted Units.

Any other provision of the Plan to the contrary notwithstanding, the Committee may at any time shorten any Vesting Period or Restricted Period, if it determines that conditions, including but not limited to, changes in the economy, changes in competitive conditions, changes in laws or governmental regulations, changes in generally accepted accounting principles, changes in the Company's accounting

11

policies, acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant.

Section 3.6 Payment of Restricted Shares and Restricted Units.

(a) Restricted Shares: At the end of the Restricted Period, all restrictions contained in the Restricted Share Agreement and in the Plan shall lapse as to Restricted Shares granted in relation to such Restricted Period, and one or more stock certificates for the appropriate number of shares of Common Stock, free of restrictions, shall be delivered to the Participant or such shares shall be credited to a brokerage account if the Participant so directs.

(b) Restricted Units: At the end of the Vesting Period applicable to Restricted Units granted to a Participant, a cash amount equivalent in value to the Fair Market Value of one share of Common Stock on the last day of the Vesting Period, or during such period as is established by the Committee at the time of grant, shall be paid, with respect to each such Restricted Unit, to the Participant, or his beneficiary or estate, as the case may be.

Section 3.7 Termination of Employment.

(a) Prior to the end of a Vesting Period:

(i) Death: If a Participant ceases to be an employee of the Company prior to the end of a Vesting Period by reason of death, all Restricted Shares and Restricted Units granted to such Participant are immediately payable as set forth in Section 3.6.

(ii) Disability or Retirement: The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article III and such Participant shall not forfeit any Restricted Shares or Restricted Units held by him, provided that, during the remainder of the applicable Vesting Period, such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(iii) Other Terminations: If a Participant ceases to be an employee prior to the end of a Vesting Period for any reason other than death, the Participant shall immediately forfeit all Restricted Shares and Restricted Units previously granted with respect to such Vesting Period in accordance with the

provisions of Section 3.2 hereof, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and allows a Participant whose employment has so

12

terminated to retain any or all of the Restricted Shares or Restricted Units granted to such Participant.

(b) After the end of a Vesting Period but prior to the end of a Restricted Period:

(i) Death, Disability, or Retirement: If a Participant ceases to be an employee of the Company by reason of death, or in the case of the Disability or Retirement of a Participant, prior to the end of a Restricted Period, all Restricted Shares granted to such Participant are immediately payable in the manner set forth in Section 3.6.

(ii) Other Terminations: Terminations of employment for any reason other than death after the end of a Vesting Period but prior to the end of a Restricted Period shall not have any effect on the Restricted Period, unless the Committee, in its sole discretion, finds that the circumstances so warrant and determines that the Restricted Period shall end on an earlier date as determined by the Committee and that shares held by the Company shall be paid as soon as practicable following such earlier date in the manner set forth in Section 3.6.

(c) Approved leaves of absence of one year or less shall not be deemed to be terminations of employment under this Section 3.7. Leaves of absence of more than one year will be deemed to be terminations of employment under this Section 3.7, unless the Committee determines otherwise.

Section 3.8 Extension of Vesting; Deferral of Payment.

The Committee may, in its sole discretion, offer any Participant the right, by execution of a written agreement with ML & Co. containing such terms and conditions as the Committee shall in its sole discretion provide for, to extend the Vesting Period applicable to all or any portion of such Participant's Restricted Shares or Restricted Units, to convert all or any portion of such Participant's Restricted Shares into Restricted Units or to defer the receipt of all or any portion of the payment, if any, for such Participant's Restricted Units (including any Restricted Shares converted into Restricted Units). In the event that any Vesting Period with respect to Restricted Shares is extended pursuant to this Section 3.8, the Restricted Period with respect to such Restricted Shares shall be extended to the same date. The provisions of any written agreement with a Participant pursuant to this Section 3.8 may provide for the payment or crediting of interest, an appreciation factor or index or dividend equivalents, as appropriate.

13

ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS.

Section 4.1 Grants of Stock Options.

The Committee may select employees to become Participants (subject to Section 1.5 hereof) and grant Stock Options to such Participants at any time; provided, however, that Incentive Stock Options shall be granted within 10 years of the earlier of the date the Plan is adopted by the Board or approved by the stockholders. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Subject to the provisions of the Plan, the Committee shall also determine the number of shares of Common Stock to be covered by each Stock Option. The Committee shall have the authority, in its discretion, to grant "Incentive Stock Options" or "Nonqualified Stock Options," or to grant both types of Stock Options. Furthermore, the Committee may grant a Stock Appreciation Right in connection with a Stock Option, as provided in Article V.

Section 4.2 Option Documentation.

Each Stock Option granted under the Plan shall be evidenced by written documentation containing such terms and conditions as the Committee may deem appropriate and are not inconsistent with the provisions of the Plan.

Section 4.3 Exercise Price.

The Committee shall establish the exercise price at the time any Stock Option is granted at such amount as the Committee shall determine, except that such exercise price shall not be less than 50% of the Fair Market Value of the underlying shares of Common Stock on the day a Stock Option is granted and that, with respect to an Incentive Stock Option, such exercise price shall not be less than 100% of the Fair Market Value of the underlying shares of Common Stock on the day such Incentive Stock Option is granted. The exercise price will be

subject to adjustment in accordance with the provisions of Article VII of the Plan.

Section 4.4 Exercise of Stock Options.

(a) **Exercisability:** Stock Options shall become exercisable at such times and in such installments as the Committee may provide at the time of grant. The Committee may, however, in its sole discretion accelerate the time at which a Stock Option or installment may be exercised. A Stock Option may be exercised at any time from the time first set by the Committee until the close of business on the expiration date of the Stock Option. Notwithstanding the foregoing, in no event may a Participant, or a Participant's transferee pursuant to Section 4.4(d), exercise a Stock Option during the 12-month period following a hardship withdrawal by the Participant of Elective

14

401(k) Deferrals as defined under the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan.

(b) **Option Period:** For each Stock Option granted, the Committee shall specify the period during which the Stock Option may be exercised, provided that no Stock Option shall be exercisable after the expiration of 10 years from the date of grant of such Stock Option.

(c) Exercise in the Event of Termination of Employment:

(i) **Death:** If a Participant ceases to be an employee of the Company by reason of death prior to the exercise or expiration of Stock Options granted to him and outstanding on the date of death, such Stock Options may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant or under the terms of Section 4.4(a) hereof, by his estate or beneficiaries, as the case may be, if such Stock Options are outstanding in his name, or by his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, if such Stock Options are outstanding in the name of such transferee, at any time and from time to time, but in no event after the expiration date of such Stock Option.

(ii) **Disability or Retirement:** The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee in its sole discretion, determines to be competition with business engaged in by the Company shall be deemed to have terminated employment. In the case of Incentive Stock Options, Disability shall be as defined in Code Section 22(e)(3).

(iii) **Other Terminations:** If a Participant ceases to be an employee prior to the exercise or expiration of a Stock Option for any reason other than death, all outstanding Stock Options granted to such Participant, whether outstanding in his name or in the name of another person as a result of a transfer in accordance with Section 4.4(d), shall expire on the date of such termination of employment, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and determines that the Participant, his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, may exercise any such outstanding Stock Option (to the extent that any such outstanding Stock Option could have been exercised at the date of such termination of employment) at any time and from time to time within up to 5 years after such termination of employment but in no event after the expiration date of such Stock Option (the "Extended Period"). If a Participant dies during the Extended Period and prior to the exercise or expiration of a Stock Option, his estate or beneficiaries, as the case may be, if such Stock Option is outstanding in his

15

name, or his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, if such Stock Option is outstanding in the name of such transferee, may exercise such Stock Option (to the extent such Stock Option could have been exercised at the date of termination of employment) at any time and from time to time, but in no event after the end of the Extended Period.

(d) **Limitations on Transferability:** Stock Options are not transferable by a Participant except by will or the laws of descent and distribution and are exercisable during his lifetime only by him; provided, however, that the Committee shall have the authority, in its discretion, to grant (or to sanction by way of amendment of an existing grant) Stock Options which may be transferred by the Participant during his lifetime to any member of his immediate family or to a trust, limited liability corporation, family limited partnership or other equivalent vehicle, established for the exclusive benefit of one or more members of his immediate family, in which case the written documentation containing the

terms and conditions of such Stock Options shall so state. A transfer of a Stock Option pursuant to this subparagraph may only be effected by the Corporation at the written request of a Participant and shall become effective only when recorded in the Corporation's record of outstanding Stock Options. In the event a Stock Option is transferred as contemplated in this subparagraph, such Stock Option may not be subsequently transferred by the transferee except by will or the laws of descent and distribution. In the event a Stock Option is transferred as contemplated in this subparagraph, such Stock Option shall continue to be governed by and subject to the terms and limitations of the Plan and the relevant grant, and the transferee shall be entitled to the same rights as the Participant under Articles VII, VIII and X hereof, as if no transfer had taken place. As used in this subparagraph, "immediate family" shall mean, with respect to any person, any child, stepchild or grandchild, and shall include relationships arising from legal adoption.

Section 4.5 Payment of Purchase Price and Tax Liability Upon Exercise;
Delivery of Shares.

(a) Payment of Purchase Price: The purchase price of the shares as to which a Stock Option is exercised shall be paid to the Company at the time of exercise (i) in cash, (ii) by delivering freely transferable shares of Common Stock already owned by the person exercising the Stock Option having a total Fair Market Value on the date of exercise equal to the purchase price, (iii) a combination of cash and shares of Common Stock equal in value to the exercise price, or (iv) by such other means as the Committee, in its sole discretion, may determine.

(b) Payment of Taxes: Upon exercise, a Participant may elect to satisfy any federal, state or local taxes required by law to be withheld that arise as a result of the exercise of a Stock Option by directing the Company to withhold from the shares of Common Stock otherwise deliverable upon the exercise of such Stock Option, such number of shares as shall have a total Fair Market Value, on the date of exercise, at least equal to the amount of tax to be withheld.

16

(c) Delivery of Shares: Upon receipt by the Company of the purchase price, stock certificate(s) for the shares of Common Stock as to which a Stock Option is exercised (net of any shares withheld pursuant to Section 4.5(b) above) shall be delivered to the person in whose name the Stock Option is outstanding or such person's estate or beneficiaries, as the case may be, or such shares shall be credited to a brokerage account or otherwise delivered, in such manner as such person or such person's estate or beneficiaries, as the case may be, may direct.

Section 4.6 Limitation on Fair Market Value of Shares of Common Stock
Received upon Exercise of Incentive Stock Options.

The aggregate Fair Market Value (determined at the time an Incentive Stock Option is granted) of the shares of Common Stock with respect to which an Incentive Stock Option is exercisable for the first time by a Participant during any calendar year (under all plans of the Company) shall not exceed \$100,000 or such other limit as may be established from time to time under the Code.

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS.

Section 5.1 Grants of Stock Appreciation Rights.

The Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant Stock Appreciation Rights to such Participants at any time. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. The Committee shall have the authority to grant Stock Appreciation Rights in connection with a Stock Option or independently. The Committee may grant Stock Appreciation Rights in connection with a Stock Option, either at the time of grant or by amendment, in which case each such right shall be subject to the same terms and conditions as the related Stock Option and shall be exercisable only at such times and to such extent as the related Stock Option is exercisable. A Stock Appreciation Right granted in connection with a Stock Option shall entitle the holder to surrender to the Company the related Stock Option unexercised, or any portion thereof, and receive from the Company in exchange therefor an amount equal to the excess of the Fair Market Value of one share of the Common Stock on the day preceding the surrender of such Stock Option over the Stock Option exercise price times the number of shares underlying the Stock Option, or portion thereof, that is surrendered. A Stock Appreciation Right granted independently of a Stock Option shall entitle the holder to receive upon exercise an amount equal to the excess of the Fair Market Value of one share of Common Stock on the day preceding the exercise of the Stock Appreciation Right over the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted, or such other price determined by the Committee at the time of grant, which shall in no event be less than 50% of the Fair Market Value of one share of Common Stock on the date such Stock Appreciation

Right was granted. Stock Appreciation Rights are not transferable by a Participant except by will or the laws of descent and distribution and are exercisable during his lifetime only by him.

Section 5.2 Stock Appreciation Rights Granted in Connection with Incentive Stock Options.

(a) Stock Appreciation Rights granted in connection with Incentive Stock Options must expire no later than the last date the underlying Incentive Stock Option can be exercised.

(b) Such Stock Appreciation Rights may be granted for no more than 100% of the difference between the exercise price of the underlying Incentive Stock Option and the Fair Market Value of the Common Stock subject to the underlying Incentive Stock Option at the time the Stock Appreciation Right is exercised.

(c) Such Stock Appreciation Rights are transferable only to the extent and at the same time and under the same conditions as the underlying Incentive Stock Options.

(d) Such Stock Appreciation Rights may be exercised only when the underlying Incentive Stock Options may be exercised.

(e) Such Stock Appreciation Rights may be exercised only when the Fair Market Value of the shares of Common Stock subject to the Incentive Stock Options exceeds the exercise price of the Incentive Stock Options.

Section 5.3 Payment Upon Exercise of Stock Appreciation Rights.

The Company's obligation to any Participant exercising a Stock Appreciation Right may be paid in cash or shares of Common Stock, or partly in cash and partly in shares, at the sole discretion of the Committee.

Section 5.4 Termination of Employment.

(a) Death: If a Participant ceases to be an employee of the Company prior to the exercise or expiration of a Stock Appreciation Right outstanding in his name on the date of death, such Stock Appreciation Right may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant, by his estate or beneficiaries, as the case may be, at any time and from time to time within 12 months after the date of death but in no event after the expiration date of such Stock Appreciation Right.

(b) Disability: The Disability of a Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following the Disability such

Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(c) Retirement: The Retirement of a Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following Retirement such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company, and such Participant may exercise any Stock Appreciation Right outstanding in his name at any time and from time to time within 5 years after the date his Retirement commenced but in no event after the expiration date of such Stock Appreciation Right. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(d) Other Terminations: If a Participant ceases to be an employee prior to the exercise or expiration of a Stock Appreciation Right for any reason other than death, all outstanding Stock Appreciation Rights granted to such Participant shall expire on the date of such termination of employment, unless the Committee, in its sole discretion, determines that he may exercise any such outstanding Stock Appreciation Right (to the extent that he was entitled to do so at the date of such termination of such employment) at any time and from time to time within up to 5 years after such termination of employment but in no event after the expiration date of such Stock Appreciation Right.

ARTICLE VI - PROVISIONS APPLICABLE TO OTHER ML & CO. SECURITIES.

Section 6.1 Grants of Other ML & Co. Securities.

Subject to the provisions of the Plan and any necessary action by the Board of Directors, the Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant to Participants Other ML & Co. Securities or the right or option to purchase Other ML & Co. Securities on such terms and conditions as the Committee shall determine, including, without limitation, the period such rights or options may be exercised, the nature and terms of payment of consideration for such Other ML & Co. Securities, whether such Other ML & Co. Securities shall be subject to any or all of the provisions of Article III of the Plan applicable to Restricted Shares and/or Restricted Units, the consequences of termination of employment, and the terms and conditions, if any, upon which such Other ML & Co. Securities may or must be repurchased by the Company. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Each such Other ML & Co. Security shall be issued at a price that will not

19

exceed the Fair Market Value thereof on the date the corresponding right or option is granted. Other ML & Co. Securities may bear interest or pay dividends from such date and at a rate or rates or pursuant to a formula or formulas fixed by the Committee or any necessary action of the Board. Any applicable conversion or exchange rate with respect to Other ML & Co. Securities shall be fixed by, or pursuant to a formula determined by, the Committee or any necessary action of the Board at each date of grant and may be predicated upon the attainment of financial or other performance goals.

Section 6.2 Terms and Conditions of Conversion or Exchange.

Each Other ML & Co. Security may be convertible or exchangeable on such date and within such period of time as the Committee, or the Board if necessary, determines at the time of grant. Other ML & Co. Securities may be convertible into or exchangeable for (i) shares of Preferred Stock of ML & Co. or (ii) other securities of ML & Co. or any present or future subsidiary of ML & Co., whether or not convertible into shares of Common Stock, as the Committee, or the Board if necessary, determines at the time of grant (or at any time prior to the conversion or exchange date).

ARTICLE VII - CHANGES IN CAPITALIZATION.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends) including, without limitation, a merger or other reorganization event in which the shares of Common Stock cease to exist, or, if in the opinion of the Committee, after consultation with the Company's independent public accountants, changes in the Company's accounting policies, acquisitions, divestitures, distributions, or other unusual or extraordinary items have disproportionately and materially affected the value of shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, the Committee shall make such adjustments, if any, that it may deem necessary or equitable in (a) the maximum number of shares of Common Stock available for distribution under the Plan; (b) the number of shares subject to or reserved for issuance under outstanding Performance Share, Restricted Share, and Stock Option grants; (c) the performance objectives for the Performance Periods not yet completed, including the minimum, intermediate, and full performance levels and portion of payments related thereto; and (d) any other terms or provisions of any outstanding grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, in order to preserve the full benefits of such grants for the Participants, taking into account inflation, interest rates, and any other factors that the Committee, in its sole discretion, considers relevant. In the event of a change in the presently

20

authorized shares of Common Stock that is limited to a change in the designation thereof or a change of authorized shares with par value into the same number of shares with a different par value or into the same number of shares without par value, the shares resulting from any such change shall be deemed to be shares of Common Stock within the meaning of the Plan. In the event of any other change affecting the shares of Common Stock, Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

ARTICLE VIII - PAYMENTS UPON TERMINATION OF EMPLOYMENT AFTER A CHANGE IN CONTROL.

Section 8.1 Value of Payments Upon Termination After a Change in Control.

Any other provision of the Plan to the contrary notwithstanding and notwithstanding any election to the contrary previously made by the Participant, in the event a Change in Control shall occur and thereafter the Company shall terminate the Participant's employment without Cause or the Participant shall terminate his employment with the Company for Good Reason, the Participant shall be paid the value of his Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, and Other ML & Co. Securities in a lump sum in cash, promptly after termination of his employment but, without limiting the foregoing, in no event later than 30 days thereafter. Payments shall be calculated as set forth below:

(a) Performance Shares and Performance Units.

Any payment for Performance Shares and Performance Units pursuant to this Section 8.1(a) shall be calculated by applying performance objectives for any outstanding Performance Shares and Performance Units as if the applicable Performance Period and any applicable Restricted Period had ended on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(a) shall be reduced by the amount of any payment previously made to the Participant with respect to the Performance Shares and Performance Units, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Performance Shares and Performance Units payable pursuant to this Section 8.1(a) shall be the amount equal to the number of Performance Shares and Performance Units payable in accordance with the preceding sentence multiplied by the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated or, if higher, the highest Fair Market Value of a share of the Common Stock on any day during the 90-day period ending on the date of the Change in Control (the "Pre-CIC Value").

21

(b) Restricted Shares and Restricted Units.

Any payment under this Section 8.1(b) shall be calculated as if all the relevant Vesting and Restricted Periods had been fully completed immediately prior to the date on which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(b) shall be reduced by the amount of any payment previously made to the Participant with respect to the Restricted Shares and Restricted Units, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Restricted Shares and Restricted Units payable pursuant to this Section 8.1(b) shall be the amount equal to the number of the Restricted Shares and Restricted Units outstanding in a Participant's name multiplied by the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated or, if higher, the Pre-CIC Value.

(c) Stock Options and Stock Appreciation Rights.

Any payment for Stock Options and Stock Appreciation Rights pursuant to this Section 8.1(c) shall be calculated as if all such Stock Options and Stock Appreciation Rights, regardless of whether or not then fully exercisable under the terms of the grant, became exercisable immediately prior to the date on which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(c) shall be reduced by the amount of any payment previously made to a Participant with respect to the Stock Options and Stock Appreciation Rights, exclusive of any ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Stock Options and Stock Appreciation Rights payable pursuant to this Section 8.1(c) shall be

(i) in the case of a Stock Option, for each underlying share of Common Stock, the excess of the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the per share exercise price for such Stock Option;

(ii) in the case of a Stock Appreciation Right granted in tandem with a Stock Option, the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the Stock Option exercise price; and

(iii) in the case of a Stock Appreciation Right granted independently of a Stock Option, the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the Fair Market Value of one

Common Stock on the date such Stock Appreciation Right was granted, or such other price determined by the Committee at the time of grant.

(d) Other ML & Co. Securities.

Any payment for Other ML & Co. Securities under this Section 8.1(d) shall be calculated as if any relevant Vesting or Restricted Periods or other applicable conditions dependent on the passage of time and relating to the exercisability of any right or option to purchase Other ML & Co. Securities, or relating to the full and unconditional ownership of such Other ML & Co. Securities themselves, had been met on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(d) shall be reduced by the amount of any payment previously made to the Participant with respect to the Other ML & Co. Securities, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Other ML & Co. Securities payable pursuant to this Section 8.1(d) shall be

(i) in the case of an option or right to purchase such Other ML & Co. Security, for each underlying Other ML & Co. Security, the excess of the Fair Market Value of such Other ML & Co. Security on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the exercise price of such option or right; and

(ii) in the case of the Other ML & Co. Security itself (where there is no outstanding option or right relating to such Other ML & Co. Security), the Fair Market Value of the Other ML & Co. Security on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value.

Section 8.2 A Change in Control.

A "Change in Control" shall mean a change in control of ML & Co. of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, a Change in Control shall be deemed to have occurred if:

(a) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, other than the Company's employee stock ownership plan, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of ML & Co. representing 30% or more of the combined voting

power of ML & Co.'s then outstanding securities entitled to vote in the election of directors of ML & Co.;

(b) during any period of two consecutive years (not including any period prior to the Effective Date of this Plan) individuals who at the beginning of such period constituted the Board of Directors and any new directors, whose election by the Board of Directors or nomination for election by the stockholders of ML & Co. was approved by a vote of at least three quarters of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or

(c) all or substantially all of the assets of ML & Co. are liquidated or distributed.

Section 8.3 Effect of Agreement Resulting in Change in Control.

If ML & Co. executes an agreement, the consummation of which would result in the occurrence of a Change in Control as described in Section 8.2, then, with respect to a termination of employment without Cause or for Good Reason occurring after the execution of such agreement (and, if such agreement expires or is terminated prior to consummation, prior to such expiration or termination of such agreement), a Change in Control shall be deemed to have occurred as of the date of the execution of such agreement.

Section 8.4 Termination for Cause.

Termination of the Participant's employment by the Company for "Cause" shall mean termination upon:

(a) the willful and continued failure by the Participant substantially to perform his duties with the Company (other than any such failure resulting from the Participant's incapacity due to physical or mental illness or from the Participant's Retirement or any such actual or anticipated failure resulting from termination by the Participant for Good Reason) after a written demand for substantial performance is delivered to him by the Board of Directors, which demand specifically identifies the manner in which the Board of Directors believes that he has not substantially performed his duties; or

(b) the willful engaging by the Participant in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise.

No act or failure to act by the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

24

Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for him, together with counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, the Participant was guilty of conduct set forth above in clause (a) or (b) of the first sentence of this Section 8.4 and specifying the particulars thereof in detail.

Section 8.5 Good Reason.

"Good Reason" shall mean the Participant's termination of his employment with the Company if, without the Participant's written consent, any of the following circumstances shall occur:

(a) Inconsistent Duties. A meaningful and detrimental alteration in the Participant's position or in the nature or status of his responsibilities (including those as a director of ML & Co., if any) from those in effect immediately prior to the Change in Control;

(b) Reduced Salary or Bonus Opportunity. A reduction by the Company in the Participant's annual base salary as in effect immediately prior to the Change in Control; a failure by the Company to increase the Participant's salary at a rate commensurate with that of other key executives of the Company; or a reduction in the Participant's annual cash bonus below the greater of (i) the annual cash bonus that he received, or to which he was entitled, immediately prior to the Change in Control, or (ii) the average annual cash bonus paid to the Participant by the Company for the three years preceding the year in which the Change in Control occurs;

(c) Relocation. The relocation of the office of the Company where the Participant is employed at the time of the Change in Control (the "CIC Location") to a location that in his good faith assessment is an area not generally considered conducive to maintaining the executive offices of a company such as ML & Co. because of hazardous or undesirable conditions including without limitation a high crime rate or inadequate facilities, or to a location that is more than twenty-five (25) miles away from the CIC Location or the Company's requiring the Participant to be based more than twenty-five (25) miles away from the CIC Location (except for required travel on the Company's business to an extent substantially consistent with his customary business travel obligations in the ordinary course of business prior to the Change in Control);

(d) Compensation Plans. The failure by the Company to continue in effect any compensation plan in which the Participant participates, including but not limited to this Plan, the Company's retirement program, Employee Stock Purchase Plan, 1978

25

Incentive Equity Purchase Plan, Equity Capital Accumulation Plan, Canadian Capital Accumulation Plan, Management Capital Accumulation Plan, limited partnership offerings, cash incentive compensation or any other plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue the Participant's participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the level of his participation relative to other Participants, as existed immediately prior to the Change in Control;

(e) Benefits and Perquisites. The failure of the Company to continue to provide the Participant with benefits at least as favorable as those enjoyed by the Participant under any of the Company's retirement, life insurance, medical, health and accident, disability, deferred compensation or savings plans in which the Participant was participating immediately prior to the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by him immediately prior to the Change in Control, including, without limitation, the use of a car, secretary, office space, telephones, expense reimbursement, and club dues; or the failure by the Company to provide the Participant with the number of paid vacation days to which the Participant is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the Change in Control;

(f) No Assumption by Successor. The failure of ML & Co. to obtain a satisfactory agreement from any successor to assume and agree to perform a Participant's employment agreement as contemplated thereunder or, if the business of the Company for which his services are principally performed is sold at any time after a Change in Control, the purchaser of such business shall fail to agree to provide the Participant with the same or a comparable position, duties, compensation, and benefits as provided to him by the Company immediately prior to the Change in Control.

Section 8.6 Effect on Plan Provisions.

In the event of a Change in Control, no changes in the Plan, or in any documents evidencing grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities and no adjustments, determinations or other exercises of discretion by the Committee or the Board of Directors, that were made subsequent to the Change in Control and that would have the effect of diminishing a Participant's rights or his payments under the Plan or this Article shall be effective, including, but not limited to, any changes, determinations or other exercises of discretion made to or pursuant to the Plan. Once a Participant has received a payment pursuant to this Article VIII, shares of Common Stock that were reserved for issuance in connection with any Performance Shares, Restricted Shares, Stock Options, or Other ML & Co. Securities for which

26

payment is made shall no longer be reserved and shares of Common Stock that are Restricted Shares or that are restricted and held by the Company pursuant to Section 2.6(a)(i), for which payment has been made, shall no longer be registered in the name of the Participant and shall again be available for grants under the Plan. If the Participant's employment is terminated without Cause or for Good Reason after a Change in Control, any election to defer payment for Performance Shares or Performance Units pursuant to Section 2.8 hereof or Restricted Shares or Restricted Units pursuant to Section 3.8 hereof shall be null and void.

ARTICLE IX - MISCELLANEOUS.

Section 9.1 Designation of Beneficiary.

A Participant, or the transferee of a Stock Option pursuant to Section 4.4(d), may designate, in a writing delivered to ML & Co. before his death, a person or persons to receive, in the event of his death, any rights to which he would be entitled under the Plan. A Participant or Stock Option transferee, may also designate an alternate beneficiary to receive payments if the primary beneficiary does not survive the Participant or Stock Option transferee. A Participant or Stock Option transferee may designate more than one person as his beneficiary or alternate beneficiary, in which case such persons would receive payments as joint tenants with a right of survivorship. A beneficiary designation may be changed or revoked by a Participant or Stock Option transferee at any time by filing a written statement of such change or revocation with the Company. If a Participant or Stock Option transferee fails to designate a beneficiary, then his estate shall be deemed to be his beneficiary.

Section 9.2 Employment Rights.

Neither the Plan nor any action taken hereunder shall be construed as giving any employee of the Company the right to become a Participant, and a grant under the Plan shall not be construed as giving any Participant any right to be retained in the employ of the Company.

Section 9.3 Nontransferability.

Except as provided in Section 4.4(d), a Participant's rights under the Plan, including the right to any amounts or shares payable, may not be assigned, pledged, or otherwise transferred except, in the event of a Participant's death, to his designated beneficiary or, in the absence of such a

designation, by will or the laws of descent and distribution.

Section 9.4 Withholding.

The Company shall have the right, before any payment is made or a certificate for any shares is delivered or any shares are credited to any brokerage account, to

27

deduct or withhold from any payment under the Plan any Federal, state, local or other taxes, including transfer taxes, required by law to be withheld or to require the Participant or his beneficiary or estate, as the case may be, to pay any amount, or the balance of any amount, required to be withheld.

Section 9.5 Relationship to Other Benefits.

No payment under the Plan shall be taken into account in determining any benefits under any retirement, group insurance, or other employee benefit plan of the Company. The Plan shall not preclude the stockholders of ML & Co., the Board of Directors or any committee thereof, or the Company from authorizing or approving other employee benefit plans or forms of incentive compensation, nor shall it limit or prevent the continued operation of other incentive compensation plans or other employee benefit plans of the Company or the participation in any such plans by Participants in the Plan.

Section 9.6 No Trust or Fund Created.

Neither the Plan nor any grant made hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to a grant under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

Section 9.7 Expenses.

The expenses of administering the Plan shall be borne by the Company.

Section 9.8 Indemnification.

Service on the Committee shall constitute service as a member of the Board of Directors so that members of the Committee shall be entitled to indemnification and reimbursement as directors of ML & Co. pursuant to its Certificate of Incorporation, By-Laws, or resolutions of its Board of Directors or stockholders.

Section 9.9 Tax Litigation.

The Company shall have the right to contest, at its expense, any tax ruling or decision, administrative or judicial, on any issue that is related to the Plan and that the Company believes to be important to Participants in the Plan and to conduct any such contest or any litigation arising therefrom to a final decision.

28

ARTICLE X - AMENDMENT AND TERMINATION.

The Board of Directors or the Committee (but no other committee of the Board of Directors) may modify, amend or terminate the Plan at any time. No modification, amendment or termination of the Plan shall adversely affect the rights of a Participant under a grant previously made to him without the consent of such Participant.

ARTICLE XI - INTERPRETATION.

Section 11.1 Governmental and Other Regulations.

The Plan and any grant hereunder shall be subject to all applicable Federal and state laws, rules, and regulations and to such approvals by any regulatory or governmental agency that may, in the opinion of the counsel for the Company, be required.

Section 11.2 Governing Law.

The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the State of New York applicable to contracts entered into and performed entirely in such State.

ARTICLE XII - EFFECTIVE DATE.

The Plan shall not be effective unless it is approved by the Board of

Executive Annuity Agreement

Executive Annuity Agreement dated as of January 27, 1997, by and between Merrill Lynch & Co., Inc. ("ML & Co.") and David H. Komansky (the "Executive").

WHEREAS, the Executive has worked for ML & Co. for an extended period and is at present the Chief Executive Officer of ML & Co.; and

WHEREAS, ML & Co. desires to establish an incentive for the Executive, based on the Executive's compensation and total period of qualifying service, to continue to serve in the above-referenced position with ML & Co., or in such other high senior executive position as the Board of Directors of ML & Co. may hereafter specify, until such time as the Executive retires from ML & Co.;

WHEREAS, the Executive's substantial expertise and knowledge relating to the operation of the activities of ML & Co. and its affiliates is such that ML & Co. desires that the Executive not compete with ML & Co. and its affiliates in certain respects following the Executive's retirement from ML & Co.; and

WHEREAS, in view of the foregoing ML & Co. has decided that an appropriate benefit for the Executive, conditioned on continuing executive service until retirement and non-competition after retirement, would be to provide the Executive, and the Executive's surviving spouse, if any, with a retirement annuity which supplements retirement benefits otherwise payable to the Executive and the Executive's surviving spouse; and

WHEREAS, the Executive is willing to enter into this Agreement;

NOW THEREFORE, in consideration of the foregoing and the Executive's further service with ML & Co., ML & Co. and the Executive agree as follows:

SECTION 1

Definitions

In addition to the defined terms indicated above, unless otherwise required by the context for purposes of this Agreement, each of the following terms shall have the meaning indicated for that term:

"Affiliate" means any subsidiary or other entity that is owned at least 50% by ML & Co. or by another such subsidiary or entity, or that is designated by ML & Co. as an Affiliate for purposes of this Agreement.

"Agreement" means this Executive Annuity Agreement, as it may be amended from time to time.

"Beneficiary" means the Executive's surviving spouse, if any.

"Board" means that Board of Directors of ML & Co.

"Committee" means the Management Development and Compensation Committee of the Board, as constituted from time to time.

"Compensation" means the highest consecutive five calendar year average of the Executive's Eligible Compensation, as defined in the Merrill Lynch & Co., Inc. Retirement Accumulation Plan, as amended from time to time, included in the Retirement Program, but without regard to the limit prescribed under Internal Revenue Code Section 401(a)(17) and excluding for all years any non-recurring cash compensation awards such as awards under the Merrill Lynch & Co., Inc. ROE Incentive Compensation Plan.

"Disability" means a physical or mental impairment as a result of which the Executive is eligible to receive, or is in receipt of, long term disability benefits under the Merrill Lynch & Co., Inc. Basic Long Term Disability Plan, as amended from time to time.

"Executive Annuity" means the annual amount determined under Section 3.

"401(k) Savings Plan" means the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan, as amended from time to time and any successor plans thereto.

"Index Value" means the "Personal Consumption Expenditures" index amount published by the Economics and Statistics Administration of the U.S. Department of Commerce for the period ending on the December 31 or June 30 immediately prior to the relevant date or, if such index amount is no longer published on a regular basis, such successor index published by an agency or instrumentality of the United States government as the Committee determines in its sole and absolute discretion to most closely replace that index.

"Initial Index Value" means the Index Value as of January 1, 1997.

-2-

"Merrill Lynch" means ML & Co. and each Affiliate.

"Metropolitan Contract" means Group Annuity Contract No. 10438 issued as of December 29, 1988 by Metropolitan Life Insurance Company to the Trustees of the Pension Plan for Employees of Merrill Lynch & Co., Inc. and Affiliates (terminated as of December 13, 1988) to provide for the payment of Pension Plan Annuities as provided therein.

"Qualified Retirement Annuity" means an annual amount calculated as the sum of the following, payable monthly for the life of the Executive commencing as of the Retirement Date provided in Section 4:

- (a) the single life annuity, if any, of the Executive under the provisions of the Metropolitan Contract,
- (b) the annuitized value of the aggregate of the Executive's account balances under the Retirement Program and the 401(k) Savings Plan as adjusted to reflect only the balance in the SIP account thereunder allocable to employer contributions and investment experience thereon (not including any amount allocable to elective 401(k) deferrals or investment experience thereon), such value to be calculated by dividing such aggregate by the applicable conversion factor for immediate annuities payable at or after age 55 as set forth in the table attached hereto as Appendix "A". Arithmetic interpolation (in increments of one-twelfth for each month or any part thereof, rounded up to the third decimal place) between the conversion factors for two consecutive ages shall be used to determine the conversion factor for Retirement Dates that are not coincident with or next following the Executive's birthday, and
- (c) 50% of the Executive's Social Security Primary Insurance amount computed as of the Executive's Retirement Date.

Annuitized values shall be determined based upon the quarterly (in the case of the Retirement Program) or monthly (in the case of the 401(k) Savings Plan) valuation occurring coincident with or immediately preceding the Executive's Retirement Date or death while in Merrill Lynch employment, as applicable.

"Retirement" means termination of the Executive's employment with Merrill Lynch after attaining age 60, except that Retirement shall not include such termination by (a) affirmative vote of a majority of the whole Board, either for or without cause, unless the Board specifically directs that such termination shall be treated as Retirement, or (b) resignation of

-3-

the Executive without the approval of the Board, which shall not be unreasonably withheld.

"Retirement Date" means the first day of any month coincident with or next following the Executive's Retirement as of which payment of the Executive Annuity to or in respect of the Executive is to commence as provided in Section 4.

"Retirement Program" means the Merrill Lynch & Co., Inc. Retirement Accumulation Plan, as amended from time to time, and the Merrill Lynch & Co., Inc. Employee Stock Ownership Plan, as amended from time to time, and any successor plans thereto.

"Service", shall have the same meaning as under the Retirement Program for purposes of determining the Executive's "Basic Credits" thereunder, but excluding any periods after the Executive's 65th birthday, Retirement, or the date of termination of this Agreement. Service includes all periods of Disability.

SECTION 2

Eligibility

An Executive Annuity shall be payable to or in respect of the Executive only in the event of the Retirement or death of the Executive while in Merrill Lynch employment.

SECTION 3

Amount

Except as otherwise provided in Section 6, the amount of the Executive Annuity to or in respect of the Executive shall be an annual sum equal to 1.25% of the Executive's Compensation multiplied by the Executive's Service, reduced by the Executive's Qualified Retirement Annuity. Notwithstanding the foregoing, however, the sum of the amount payable annually to or in respect of the Executive under this Agreement shall not exceed (i) \$1,620,000, if the Executive's Executive Annuity is payable as a Life Annuity, or a 10-year Certain and Life Annuity as referred to in Section 4, or (ii) \$1,370,000, if the Executive's Executive Annuity is payable as a 50% or 100% Joint and Survivor Life Annuity as referred to in Section 4, in either case less the amount of the Executive's Qualified Retirement Annuity.

The \$1,620,000 and \$1,370,000 limits established under the preceding paragraph shall be adjusted as of each December 31 and June 30 prior to the earlier of the Executive's Retirement or death by multiplying the respective amount by a fraction,

-4-

the numerator of which is the Index Value as of the relevant date and the denominator of which is the Initial Index Value; provided that no adjustment shall be made as of any December 31 or June 30 if such adjustment would result in a decrease in the limit then in effect.

Following the Executive's Retirement or death, the amount of an Executive Annuity as determined under this Section 3 will neither be increased by any cost of living adjustments nor reduced by any such adjustments made to the Pension Plan Annuity under the Metropolitan Contract.

SECTION 4

Time and Forms of Payment

One-twelfth of the Executive Annuity shall be payable monthly commencing as of the Executive's Retirement Date, which shall be at the same time and in the same form (namely, as a Life Annuity, a 50% Joint and Survivor Life Annuity, a 100% Joint and Survivor Life Annuity, or a 10-Year Certain and Life Annuity) as the Pension Plan Annuity under the Metropolitan Contract that is actually so payable to or in respect of the Executive. For purposes of computing an amount payable under this Agreement, the computation shall be made in all cases by applying the relevant reduction factors provided for in the Metropolitan Contract with reference to the Beneficiary, whether or not the Beneficiary is also the Executive's beneficiary, if any, under the Metropolitan Contract.

Notwithstanding the foregoing, in the event of the death of the Executive while in Merrill Lynch employment and before Retirement, payments to the Beneficiary, if any, shall be made as if the Executive's Retirement was on the day before the Executive's death with the Executive having elected a 100% Joint and Survivor Life Annuity, computed as stated in the foregoing paragraph.

SECTION 5

Administration

The Committee is authorized in its sole and absolute discretion, without limitation, to make all determinations which it deems necessary or advisable for the operation of this Agreement, to construe and interpret the Agreement, to establish such rules and to delegate such of its authority as it deems appropriate, and to perform all other acts believed reasonable and proper in connection with this Agreement.

SECTION 6

Amendment and Termination

-5-

ML & Co. reserves the right to amend, modify, restate, or terminate this Agreement in whole or in part, at any time for any reason; provided, however, that no such action shall reduce the amount of the Executive Annuity determined under Section 3, based on the Executive's Compensation and Service as of the effective date of such action, but with the Qualified Retirement Annuity for purposes of the offset under Section 3 to be determined as of the Executive's Retirement Date, or otherwise deprive the Executive or Beneficiary of any entitlement to such Executive Annuity determined as of the effective date of such action.

SECTION 7

Miscellaneous

7.1 Source of Payments

The obligation of ML & Co. to pay the Executive Annuity shall be unfunded and is solely an unsecured Promise by ML & Co. All monthly payments shall be made, as and when due, from the general assets of ML & Co. ML & Co. is not obligated to, but may, in its sole and absolute discretion, make arrangements with banks or insurance companies, and establish special reserve, accounts or funds, including a "grantor trust", and may make such investments as deemed desirable, to assist in meeting its obligations under this Agreement. Any such arrangements with their underlying assets, reserves, accounts, or funds shall at all times remain general assets of ML & Co., subject to the claims of its general creditors, and neither the Executive nor the Beneficiary shall have any right, title, or interest whatsoever therein.

7.2 Non-Alienation

No payment or right under this Agreement is subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any such action, shall be void and of no effect; nor are any such payments subject to seizure, attachment, execution, garnishment, or other legal or equitable process, or for the payment of any debts, judgments, alimony, or separate maintenance; nor are such payments transferable by operation of law in the event of bankruptcy, insolvency, or similar occurrence of the Executive or Beneficiary. In the event a person who is receiving or is entitled to receive payments under this Agreement attempts to assign, transfer, or dispose of such payment or right, or if an attempt is made to subject said payment or right to such process, such assignment, transfer, or disposition shall be null and void.

7.3 Forfeiture

The Executive and the Beneficiary, in the sole discretion of the Committee, shall forfeit any right to payments under this Agreement not yet made in the event that the Executive, following Retirement, enters into any employment,

-6-

consulting, or other relationship with any person or entity which the Committee determines, in its sole discretion, to be in competition with Merrill Lynch. Competition, for purposes of this section, means any involvement in any business in the financial services industry, including, but not limited to, investment banking, securities brokerage, securities trading, asset management, insurance, and banking.

7.4 Merger, Consolidation, Sale, or Transfer of Assets

In the event ML & Co. is merged or consolidated with another entity, or all or substantially all of the assets of ML & Co. are sold or otherwise transferred to another entity, this Agreement shall be binding upon and inure to the benefit of the successor or transferee resulting from or of such merger, consolidation, sale or transfer.

7.5 Agreement Not a Condition of Employment

Nothing in this Agreement or any action taken hereunder shall be deemed or construed as giving the Executive any right to continued employment or as affecting the right of Merrill Lynch to discipline (including, without limitation, the right to discharge) the Executive at any time.

7.6 No Trust or Fiduciary Relationship Created

Nothing contained in this Agreement and no action taken pursuant to the provisions of this Agreement shall create or be construed to create a trust of any kind or a fiduciary relationship between Merrill Lynch, the Executive, or any Beneficiary.

7.7 Application for Payments

An application for payments under this Agreement shall be in a form acceptable to the Committee. The Committee may require any applicant to furnish the Committee with such documented evidence or information as the Committee may consider reasonably necessary or desirable.

7.8 Claims Procedure

- (a) If an application for payments under this Agreement is denied, in whole or in part, the Committee shall promptly give the applicant written notice of the denial, setting forth the specific reasons therefor. The notice shall include the following:
 - (i) The basis for the denial;
 - (ii) A reference to each Agreement provision on which the denial is based;

(iii) A description of any additional information required of the applicant; and

(iv) An explanation of the procedure for having a denied application reviewed under this Agreement.

(b) The applicant may, upon receipt of a notice of a denied application, request a review of the application by the Committee. Such request shall be delivered in writing to any member of the Committee. After the Committee has reviewed the application, the final decision of the Committee shall be communicated in writing to the applicant. Such communication shall set forth the specific reasons for the decision with reference to each appropriate Agreement provision.

7.9 Payments to Incompetents

If the Committee receives evidence satisfactory to it that the Executive or Beneficiary entitled to receive any payment under this Agreement is, at the time when such payment becomes payable, physically or mentally incompetent to receive such payment and to give a valid release therefor and that another person or institution is then maintaining or has custody of the Executive or Beneficiary, and that no guardian, committee, or other representative of the estate of the Executive or Beneficiary shall have been duly appointed, the Committee may direct payment of such payment otherwise payable to the Executive or Beneficiary to such other person or institution, and the release of such other person or institution shall be a valid and complete discharge for the payments.

7.10 Governing Law and Exclusive Venue

This Agreement shall be construed, performed and enforced under the laws of the State of New York, without giving effect to its conflict of laws rules, except to the extent such laws are pre-empted by Federal law. The venue with respect to any litigation involving the Agreement and a claimant shall lie exclusively in either (a) the Supreme Court of the State of New York, New York County, or (b) the United States District Court for the Southern District of New York. By continuing in employment with Merrill Lynch after executing this Agreement, the Executive, on behalf of the Executive and the Executive's Beneficiary, hereby waives any right to a trial by jury in connection with any dispute relating to this Agreement.

IN WITNESS WHEREOF, the Executive and ML & Co. have duly executed this Agreement.

Merrill Lynch & Co., Inc.

By: _____
Name: Patrick J. Walsh
Title: Senior Vice President,
Director of Human Resources
Executive

David H. Komansky

APPENDIX "A"

(See "Qualified Retirement Annuity" under Section 1)

CONVERSION FACTORS FOR IMMEDIATE ANNUITIES

UP 1984 Mortality - 8% p.a. Discount Rate

Age at birthday coincident with or immediately preceding Retirement Date	Conversion Factor
-----	-----
55	9.955
56	9.801
57	9.642
58	9.477
59	9.308

60	9.133
61	8.954
62	8.770
63	8.582
64	8.390
65	8.196
66	7.999
67	7.801
68	7.601
69	7.399
70	7.192
71	6.983
72	6.771
73	6.556
74	6.339
75	6.122
76	5.905
77	5.690
78	5.476
79	5.264
80	5.053

AMENDMENT TO DEFERRED COMPENSATION PLANS

I, Patrick J. Walsh, as Administrator of the Merrill Lynch & Co., Inc. Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, the Merrill Lynch & Co., Inc. 1995 Deferred Compensation Plan for a Select Group of Eligible Employees, and the Merrill Lynch & Co., Inc. 1996 Deferred Compensation Plan for a Select Group of Eligible Employees (collectively, the "Deferred Compensation Plans"), having determined, following consultation with Counsel, that such amendment will not adversely affect the Participants of the Deferred Compensation Plans, do hereby amend Sections 5.1, 5.2(a) and 5.4(d) in each of the Deferred Compensation Plans as follows:

Section 5.1 of the Plans has been amended to add the following paragraph at the end thereof:

"Notwithstanding Section 3.1(b) hereof, any Participant may change his or her original election regarding the timing and method of payment under the Plan, prior to September 30, 1996 to an election to receive the Account Balance in at least 11 but no more than 15 annual installment payments ("modified installment payments"), such modified installment payments to commence on the last business day in March in the year following the Participant's Retirement or death (the "Initial Payment Date"). The modified installment payments shall be computed in accordance with the last sentence of the first paragraph of this Section 5.1 and will in all other respects be treated like regular installment payments under the Plan. By electing modified installment payments, the Participant agrees that at any time prior to the last day of February immediately preceding a Participant's Initial Payment Date (the "Determination Date"), ML & Co. shall have the right, without the consent of the Participant or any beneficiary, to change the Participant's method of payment to 11 annuitized payments ("annuitized payments"), in the event that the Administrator, in his sole discretion, determines that such a change is necessary or appropriate in order to preserve the intended state tax benefits of the modified installment payments to the Participant or any beneficiary. In the event that the Administrator determines that annuitized payments shall be made, the amount of the annuitized payments will be determined by applying the Discount Rate, as defined below, to the Account Balance as of the Determination Date to create a stream of 11 equal annual payments. If annuitized payments are to be made, then the Account Balance shall cease to be adjusted pursuant to Sections 3.4 (b) and (c) as of the Determination Date (except that a pro rata Annual Charge will be deducted from the Account Balance prior to calculation of the annuitized payments to cover the fraction of the Fiscal Year preceding the Determination Date) and the Company's only obligation to the Participant shall be to make the annuitized payments when due. As used herein, Discount Rate shall mean ML & Co.'s then-applicable after-tax cost of borrowing and is defined as $(A) \times (B)$, where (A) is equal to 1 minus ML & Co.'s then-effective tax rate, expressed as a decimal, and (B) is equal to the sum of: (i) the annual yield on the then-current 5-year U.S. Treasury Note, and (ii) a

spread (which will not be less than 0.10%) indicative of ML & Co.'s borrowing cost for transactions of similar structure and average maturity to the annuity, as determined by ML & Co. Except as provided in this paragraph and in Sections 3.5 and 5.5 hereof, such changed election, once made, will be irrevocable as provided in Section 3.1 (b)."

Section 5.2(a) of the Plans has been amended in its entirety to read as follows:

"(a) Death or Retirement. Upon a Participant's death or Retirement prior to payment, the Account Balance will be paid, in accordance with the Participant's elections and as provided in Section 5.1, to the Participant (in the event of Retirement) or to the Participant's beneficiary (in the event of death); provided, however, that in the event that a beneficiary of the Participant's Account is the Participant's estate or is otherwise not a natural person, then (i) if the Participant has elected a regular payment election pursuant to the first paragraph of Section 5.1, the applicable portion of the Account Balance will be paid in a single payment to such beneficiary notwithstanding any election of installment payments, and (ii) if the Participant has elected modified installment payments pursuant to the second paragraph of Section 5.1, the applicable portion of the Account Balance will continue to be payable as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the administrator or executor of the Participant's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum)."

Section 5.4(d) of the Plans has been amended in its entirety to read as follows:

"(d) If the Beneficiary Dies During Payment. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the Participant dies, but before all the payments have been made, the portion of the Account Balance to which that beneficiary was entitled will be paid as soon as practicable in one lump sum to such beneficiary's estate and not to any

contingent beneficiary the Participant may have designated; provided, however, that if the beneficiary was receiving modified installment payments or annuitized payments pursuant to the second paragraph of Section 5.1, the applicable portion of the Account Balance will continue to be paid as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the administrator or executor of the beneficiary's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum)."

Patrick J. Walsh
Administrator

Date: September 18, 1996

AMENDED AND RESTATED
REIMBURSEMENT AGREEMENT

between

WFP TOWER D CO. L.P.

and

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

Premises

Parcel D
Battery Park City -- World Financial Center
New York, New York

Dated as of
November 21, 1996

AMENDED AND RESTATED REIMBURSEMENT AGREEMENT

TABLE OF CONTENTS

	Page

Recitals	1
Article 1 - Reimbursements.....	3
Article 2 - [Intentionally Omitted].....	17
Article 3 - Assignment.....	17
Article 4 - Notices.....	18
Article 5 - No Broker.....	21
Article 6 - Amendment.....	22
Article 7 - Termination.....	23
Article 8 - Integration; Conflict with Other Agreements.....	24
Article 9 - Miscellaneous.....	25
Article 10 - Definitions.....	29
Exhibit A - Description of Ground Lease D	
Exhibit B - List of Uninsurable Casualties	
Exhibit C - Form of Assignment and Assumption Agreement	

AMENDED AND RESTATED REIMBURSEMENT AGREEMENT, made as of November 21, 1996 and effective as of February 26, 1988, between WFP TOWER D CO. L.P. ("Landlord"), a New York limited partnership having an office at One Liberty Plaza, New York, New York 10006, and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("Tenant"), a New York corporation having an office c/o Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281-1219 (this "Agreement").

RECITALS

A. Landlord, the successor-in-interest to WFC Tower D Company ("WFC"), is the owner of the interest and estate of the tenant under that certain lease ("Ground Lease D") described in Exhibit A annexed hereto and made a part hereof, covering the land known as Parcel D ("Parcel D" or the "Parcel") more particularly described in Ground Lease D, and the buildings and other improvements now or hereafter erected thereon (such buildings and improvements collectively, "Building D" or the "Building"). Parcel D is located in the project (the "Project") known as the World Financial Center at Battery Park City in the City, County and State of New York.

B. WFC and Merrill Lynch/WFC/L, Inc. ("ML/WFC"), the predecessor-in-interest to Tenant, entered into that certain Agreement of Lease

dated as of February 26, 1988, as amended by the First Amendment of Lease dated as of September 29,

1988 and the Second Amendment of Lease dated as of the date hereof (collectively, "Lease D" or the "Lease") whereby, among other things, WFC demised and leased to ML/WFC Parcel D and Building D (except for certain excluded portions of such Building) (collectively, the "Premises" or "Premises D"), and ML/WFC hired Premises D from WFC, all upon and subject to the terms, covenants and conditions set forth in the Lease. WFC's interest in the Lease has as of the date hereof been assigned to Landlord.

C. Any capitalized term used in this Agreement which is not defined in this Agreement shall have the meaning provided for such term in the Lease, unless expressly provided otherwise; and all capitalized terms which are defined in this Agreement shall be defined in or listed with cross references in Article 10 hereof.

D. Solely for purposes of facilitating Landlord's financing, the Lease imposes upon Tenant obligations to perform certain actions and make certain payments on behalf of and for the benefit of Landlord. In order to carry out the true intent of Landlord and Tenant with respect to such obligations under the Lease, Landlord and Tenant agree that Landlord shall make certain reimbursements to Tenant, in accordance with the terms, covenants and conditions of this Agreement, which amends and restates in its entirety the Reimbursement Agreement between WFC and ML/WFC, dated as of August 24, 1984, as amended by the First Amendment to

-2-

Building D Agreement to Lease, Leasehold Improvements Agreement and Reimbursement Agreement, dated as of July 12, 1985, as further amended by the Second Amendment to Reimbursement Agreement, dated February 26, 1988 (collectively, the "Original Reimbursement Agreement"), which has been assigned by ML/WFC to Tenant and which has been assigned by WFC to, and assumed by, Landlord.

ACCORDINGLY, the parties hereto hereby agree that the Original Reimbursement Agreement is hereby amended and restated in its entirety by this Agreement, which shall have the terms, covenants and conditions hereinafter set forth without reference to prior agreements or amendments.

ARTICLE 1

REIMBURSEMENTS

1.1. (a) Notwithstanding anything which may be to the contrary in the Lease, during the Original Term of the Lease (except as otherwise provided in Section 1.1.(c) and subject to the provisions of Section 1.8. hereof), Landlord shall reimburse Tenant for:

(i) the actual and reasonable cost of any Restoration of the Building necessitated by damage due to any of the causes which Landlord and Tenant have agreed are not insurable, which causes are listed in Exhibit B annexed hereto and made a part hereof;

(ii) the actual and reasonable cost of repairing any latent defect in the Building of which Landlord is given

-3-

notice during the Original Term of the Lease, but only to the extent such cost is not covered by (x) any of the manufacturers' or contractors' warranties assigned to Tenant pursuant to the Leasehold Improvements Agreement dated as of August 24, 1984 between WFC (formerly known as Olympia & York Tower D Company) and ML/WFC, as amended (the "LIA") which are applicable to the latent defect in question, provided that Tenant, prior to seeking reimbursement from Landlord under this Section 1.1.(a), shall either (1) use its reasonable efforts to enforce such warranties or (2) reassign to Landlord and give Landlord a reasonable period of time in which to enforce such warranties, or (y) Tenant's casualty insurance (and would not be covered by Tenant's casualty insurance if Tenant, subject to Exhibit B, were carrying all of the casualty insurance required to be carried by Tenant under Article 7 of the Lease);

(iii) the actual and reasonable costs of any Restoration performed by Tenant pursuant to Section 9.03(b) of the Lease as a result of any partial condemnation, but only to the extent that such actual and reasonable costs exceed the award received by or made available to Tenant for such Restoration;

(iv) the amount that the abatement of Fixed Rents on account of any partial condemnation is less than the amount determined by the calculation prescribed in Section 9.03(d) of the Lease because Tenant is required under such Section

to pay Fixed Rents in a sufficient amount to cover Landlord's debt service for the First Mortgage, which amount shall be payable in installments at the times the installments of Fixed Rent to which such reimbursement pertains are payable under Lease D;

(v) the actual and reasonable costs of any work performed by Tenant pursuant to Section 30.01(b) or 30.02 of the Lease to preserve Building D from injury or damage due to any excavation on adjacent property, provided that prior to seeking reimbursement from Landlord under this Section 1.1.(a)(v), Tenant shall either (x) use reasonable efforts to obtain reimbursement for such cost from the Person who caused such excavation, or (y) assign to Landlord Tenant's right to receive such reimbursement from such Person;

(vi) the amounts, if any, paid (and not deducted by Tenant from any other Rental or paid to Tenant by the tenant under O&Y Lease D or on its behalf) by Tenant pursuant to Sections 3.01(j)(ii), 3.01(m)(iv), 3.02, 3.04, 3.05, 3.08, 4.01, 4.03, 5.01, 7.01(a), 12.01, 12.02, 12.03 and 14.01 of the Lease on account of any portions of Parcel D which are not part of the Premises, each of which amounts shall be payable by Landlord not more often than Tenant is required to pay the item with respect to which such reimbursement is being made; and

(vii) the amount, if any, paid by Tenant as Rental pursuant to Section 9.01(a) of the Lease with respect to the

period commencing on the date of taking (as such term is defined in the Lease) and ending on the date payment is made to Landlord or on its behalf pursuant to Section 9.01(c)(ii) of the Lease, which amount shall be payable in installments at the times the installments of Fixed Rent or other Rental to which such reimbursement pertains are payable under the Lease.

(b) For purposes of Section 1.1.(a), "latent defect" shall not include any damage or destruction from fire or other casualty, or any damage from ordinary or extraordinary wear and tear, or any damage caused by the negligence or wilful misconduct of Tenant, its Affiliates or Subtenants (or their respective agents, servants, employees, invitees and contractors), other than Landlord or its Affiliates (or their respective agents, servants, employees, invitees and contractors), but shall be limited to failures and flaws in the materials, fixtures, equipment and systems included in the Work (as defined in the LIA) or in the design thereof (unless designed by Tenant, its architect or its engineer, provided that if by Tenant's engineer, such design was prepared for Tenant and not for Landlord) or the installation thereof, and the failure of any such equipment or system to perform in accordance with its design specifications, provided (i) such materials, fixtures, equipment or systems are being used and maintained by Tenant substantially in accordance with the manufacturer's

instructions furnished to Tenant, and (ii) such defect could not normally be observed upon a reasonable inspection of the Premises or portion thereof in question made within thirty (30) days after the later of (x) the date the item or element in question was put into service for its intended use or (y) the date Tenant (or any Person claiming by, through or under Tenant) commenced occupancy of the Building or portion thereof in question for the conduct of its business, but in no event later than the date which is the later of twelve (12) months after (1) February 26, 1988 or the date Interim Rent (as defined in the LIA) commenced under the LIA for the portion(s) of the Premises in question, if earlier, and (2) the date the item or element in question becomes available for use.

(c) Notwithstanding anything to the contrary in Section 1.1.(a), Landlord shall continue to be obligated to make the reimbursements provided for (i) in clauses (i), (iii) and (iv) of such Section during the first Extended Term or the first and second Extended Terms if Tenant effectively exercises its option under Section 2.02 of the Lease for such Extended Term or Terms at least thirty-six (36) months prior to the expiration of the Original Term, and (ii) in clauses (v) and (vi) of such Section during any Extended Term(s) of the Lease.

(d) Subject to the provisions of Sections 1.1.(a)(iv), (a)(vi) and (a)(vii) in the case of the reimbursements re-

ferred to in such Sections, with respect to any reimbursement claimed by Tenant pursuant to this Section 1.1., Tenant shall submit a reasonably detailed statement therefor to Landlord, together with such supporting data as Landlord shall reasonably require (including, without limitation, copies of any statements furnished by the Operator under the Project Operating Agreement on

which Tenant's statements hereunder are based), and, subject to the limitation of Section 1.8.(a), within ten (10) Business Days (fifteen (15) Business Days in the case of reimbursements claimed pursuant to Section 1.1.(a)(vi)) after receipt of such statement and data, Landlord shall pay to Tenant the amount set forth in such statement. If Landlord disputes such amount or any portion thereof, such dispute shall be resolved by arbitration as provided in Article 36 of the Lease. Landlord shall, nevertheless, pay the amount set forth in such statement, without prejudice to Landlord's right to contest the same; and if it shall be determined that Landlord made an overpayment, Tenant shall refund to Landlord the amount of such overpayment within (10) Business Days after notice of the arbitrators' decision, together with interest thereon at the Prime Rate from the date of such overpayment to the date of such refund.

(e) If an arbitration proceeding pursuant to Section 1.1.(d) involves a dispute pertaining to a reimbursement for

-8-

amounts paid by Tenant pursuant to Section 12.03(b) of Lease D, the tenant under O&Y Lease D shall have the right, at its sole cost and expense, to participate in such arbitration.

1.2. Notwithstanding anything which may be to the contrary in the Lease, if Tenant is required to pay to the First Secured Lender an amount pursuant to Section 9.01(e) of the Lease, then Landlord shall reimburse Tenant for the amount of such payment by Tenant. Landlord shall pay such reimbursement to Tenant, subject to the limitation of Section 1.8.(a), within ten (10) Business Days after Tenant's statement therefor to Landlord, together with interest thereon at the Prime Rate from the date that such payment was made by Tenant.

1.3. Intentionally Omitted.

1.4. (a) Upon the expiration or earlier termination of the Lease (unless such earlier termination is due to an Event of Default under the Lease), Landlord shall reimburse Tenant for the then unamortized portion of the cost to Tenant of any repairs and replacements made by Tenant at Building D which (i) are to (A) any of the structural components of the Building or (b) any of the central systems or components of the central systems of the Building which in either case (1) Tenant is required to make under the terms of the Lease, (2) is not a repair or replacement for which Tenant is entitled to reimbursement from Landlord pursuant to Section 1.1., (3) is not a repair or replacement

-9-

covered by insurance proceeds or condemnation awards payable to Tenant, (4) is not a repair or replacement the need for which was caused by the negligence or wilful misconduct of Tenant, its Affiliates or Subtenants, or their respective agents, servants, employees, invitees or contractors (other than Landlord or its Affiliates or their respective agents, servants, employees, invitees or contractors) and (5) is a repair or replacement which Tenant is required to capitalize, and may not treat as an operating expense, under generally accepted accounting principles, (ii) are amortized over the useful life of the item(s) in question and in a manner consistent with past practices of Merrill Lynch & Co., Inc. ("Merrill"), provided that prior to making such repair or replacement, Tenant shall have obtained Landlord's written consent (which consent Landlord shall not unreasonably withhold or delay) to the specifications, budget, contractor and contract for such repair or replacement, and (iii) are not recovered by Tenant pursuant to Sections 9.01(c) and/or 9.09 of the Lease (if the Lease terminates pursuant to Section 9.01(a) thereof). Subject to Section 1.4.(b), such reimbursement shall be in the amount specified in a notice from Tenant to Landlord requesting the same, which notice shall be accompanied by (x) a certificate from an independent registered architect or licensed professional engineer as to the cost to Tenant of the repairs and replacements in question, (y) a certificate from

-10-

an authorized officer of Tenant as to the then unamortized portion of such cost and (z) such other information and documentation as Landlord shall reasonably require with respect to such repairs and replacements, including, without limitation, Tenant's accounting records with respect thereto, which records shall be kept in accordance with Merrill's past practices. Landlord shall pay such reimbursement to Tenant, subject to the limitation of Section 1.8.(a), within ten (10) Business Days after Tenant, pursuant to Article 33 of the Lease, has completed vacating the Premises.

(b) If Landlord disputes the amount of the reimbursement or the compliance of the repairs and replacements in question with any of the requirements set forth above, such dispute shall be submitted to and resolved by arbitration in accordance with Article 36 of the Lease. Landlord shall, nevertheless, pay the reimbursement in accordance with Tenant's notice, without prejudice to Landlord's right to contest the same; and if it shall be determined that Tenant

was not entitled to any reimbursement or that the reimbursement exceeded the amount to which Tenant was entitled, Tenant shall refund to Landlord the amount of the reimbursement, or such excess, as the case may be, within ten (10) Business Days after notice of the arbitrators' decision, together with interest thereon at the Prime Rate from the date such reimbursement was paid (or

-11-

dates, if the reimbursement was paid in installments) to the date of such refund.

1.5. Except as provided in Section 1.8. of this Agreement, any payment (other than a payment for interest) due from one party to the other under the provisions of this Article 1 which the party obligated to make such payment fails to pay within the period of ten (10) Business Days provided for the making of such payment shall bear interest at an annual rate equal to the Prime Rate plus two and one-half percent (2.5%) from the day next following the expiration of such period of ten (10) Business Days to the date of payment.

1.6. (a) Upon at least three (3) Business Days' notice from Landlord, Tenant shall make available to Landlord for inspection, and shall permit Landlord (at Landlord's sole cost and expense) to audit, during business hours on Business Days, the books and records of Tenant pertaining to or relevant to any reimbursements requested by Tenant pursuant to this Article 1.

(b) In connection with any reimbursement for amounts paid by Tenant pursuant to Section 12.03(b) of Lease D, Tenant shall permit the tenant under O&Y Lease D to (i) participate with Landlord, at such tenant's sole cost and expense, in any inspection or audit performed by Landlord pursuant to Section 1.6.(a) of this Agreement, and (ii) on at least two (2) Business Days' notice, to inspect, during

-12-

business hours on Business Days, any submeters located in the Premises which pertain to utilities furnished to the premises demised to the tenant under O&Y Lease D.

1.7. If Landlord, pursuant to the separate agreement referred to in Section 2.02(g) of the Lease (relating to the period after the Original Term), shall pay an amount for which Landlord must reimburse Tenant in whole or in part hereunder, then Landlord shall be relieved of such reimbursement obligation to the extent of the amount so paid to Tenant. In the event that Tenant shall receive a payment for all or a portion of the same item from Landlord both hereunder and under the Lease or hereunder and from the tenant under O&Y Lease D (or on its behalf), Tenant shall refund the extra payment to Landlord with interest at the Prime Rate from the date such extra payment was made until the date refunded.

1.8. (a) Until repayment in full of the loan in the aggregate principal amount of \$434,346,000 being made on the date hereof by Boatmen's National Mortgage, Inc. to Landlord (as the same may be modified, amended or refinanced to the extent provided in clause (a)(v) below or in Section 1.8.(b), the "Loan"), Landlord and Tenant agree (i) with respect to any payment due Tenant from Landlord hereunder and not paid by Landlord within the period of ten (10) Business Days provided for the making of such payment, such payment shall accrue and shall bear interest at an annual

-13-

rate equal to the Prime Rate plus three percent (3%), compounded monthly, from the day next following the expiration of such period of ten (10) Business Days to the date of payment and shall be enforceable against Landlord only in accordance with this Section 1.8.(a) and Section 1.8.(b) hereof, (ii) Tenant shall forbear its rights to pursue collection of such amounts due and interest accruing thereon and shall not exercise any remedies with respect thereto or of, under, or with respect to this Agreement against the Landlord or the Secured Lender, even if an Event of Default has occurred under the Loan, but Tenant's agreement to forbear shall terminate in the event of the bankruptcy of Landlord, (iii) in connection with the exercise of any enforcement rights by Tenant hereunder, Tenant agrees to waive any equitable right to the marshaling of the assets of Landlord by the Secured Lender and hereby grants to Secured Lender for its benefit an irrevocable (until the repayment in full of the Loan) power of attorney (coupled with an interest) to vote with respect to any claims Tenant may have hereunder in connection with a bankruptcy of Landlord (provided that Secured Lender in exercising such power of attorney shall take reasonable steps necessary as not to impair Tenant's claims against Landlord except to the extent necessary to subordinate Tenant's claim to repayment in full of the Loan), (iv) Tenant shall remit to Secured Lender any amounts collected

-14-

from Landlord in contravention of the terms and conditions hereof and shall have not right to subrogation against Secured Lender with respect to any amounts so remitted, and (v) Tenant's right to repayment hereunder shall be subordinate to the Loan, whether or not an event of bankruptcy with respect to Landlord shall have occurred, and to any modification or amendment of the Loan (including a refinancing thereof) which does not (A) increase the principal amount of the indebtedness thereunder or (B) change the requirement that the Loan shall be fully amortized over the Original Term of Lease D, except that after default thereunder, modifications or amendments (including a refinancing thereof) may provide for the extension of the maturity date, capitalization of accrued (but unpaid) interest (and default interest), the payment of protective advances (and interest thereon) and resetting of the interest rate and an increase in the principal amount to pay for the transaction costs incurred in connection with such extension, modification or amendment. Landlord agrees that Tenant's forbearance and subordination under this Section 1.8. shall not in any way prejudice or impair the validity or enforceability of Tenant's claims hereunder except to the extent provided herein and shall in no way restrict Tenant from exercising rights against any party other than Landlord or the Secured Lender. The rights of Tenant hereunder are subordinate in lien, right and payment

-15-

and in all other respects to the Loan, and the Tenant hereby agrees to reaffirm from time to time such subordination of its right as required by the holder of the Loan to confirm the foregoing. Notwithstanding anything to the contrary contained above, Tenant may, provided an Event of Default under the Loan shall not have occurred and be continuing, receive payment from the Landlord of amounts due hereunder, prior to payment in full of the Loan, to the extent such payment is made by Landlord from excess cashflow available to Landlord (i.e., after payment from rent received of all amounts then due under the Loan) or from other sources.

(b) With respect to any refinancing of the Loan, if such refinancing provides for funds available to Landlord, after any repayment of the Loan (as the same may have previously been modified or amended) and all financing expenses (including, without limitation, fees and expenses of counsel to Landlord, the prior lender and the new lender in connection therewith) which are not to be used or reserved for building expenditures at Building D, including, without limitation, capitalized interest and costs of leasing, owning, operating, maintaining and improving Building D and Project Operating Agreement Common Areas or Civic Facilities, then Landlord shall to the extent of such excess funds (i.e., above amount required for financing expenses and building expenditures) first pay all accrued and unpaid amounts due hereunder (subject to Landlord's

-16-

right to dispute such amounts due in accordance with Section 1.4.(b)). For purposes of this Section 1.8.(b), any new loan to Landlord made during the Original Term shall be considered a refinancing of the Loan.

1.9. Tenant shall in no event offset or deduct the amount of any payment due under this Agreement from Landlord to Tenant, and/or the interest thereon, against any Rental or other sums due or payable under the Lease. Tenant shall have recourse solely to the property of Landlord, and the direct or indirect partners, agents, employees, controlling persons, shareholders, trustees, directors, officers or other principals, if any, of Landlord shall have no personal liability under or in connection with this Agreement.

ARTICLE 2
[INTENTIONALLY OMITTED]

ARTICLE 3

ASSIGNMENT

3.1. This Agreement, and Tenant's rights hereunder, shall not be assigned by Tenant except to a Person to whom Tenant has the right, without the consent of Landlord, to assign the Lease pursuant to Article 10 thereof and to whom Tenant has assigned the Lease. Any other purported assignment by Tenant shall be null and void and of no force or effect.

-17-

3.2. If Tenant shall duly assign its rights hereunder, the assignee shall execute and deliver to Landlord an agreement in form and substance reasonably satisfactory to Landlord whereby the assignee shall assume the obligations hereunder on the part of Tenant to be performed or observed but Tenant shall remain fully liable for the payment and performance of the obligations hereunder to be paid, performed or observed by Tenant.

3.3. Notwithstanding anything which may be to the contrary hereinabove, if Tenant assigns its interest under the Lease to a Person to whom Tenant is not permitted to assign this Agreement, and Tenant is not released from its obligations under the Lease by reason of or in connection with such assignment, this Agreement shall remain in full force and effect as between Landlord and Tenant herein named (but not between Landlord and Tenant's assignee), and Tenant herein named shall be entitled to a reimbursement hereunder if, after Tenant's assignee fails to do so, Tenant herein named performs an obligation under the Lease which gives rise to a reimbursement or loan under this Agreement.

ARTICLE 4

NOTICES

Whenever it is provided in this Agreement that a notice, demand, request, consent, approval or other communication (each of which is herein referred to as a "Notice") shall or may be given to or served upon either of

-18-

the parties by the other, and whenever either of the parties shall desire to give or serve upon the other any Notice with respect hereto or the Premises, each such Notice shall be in writing and, any law or statute to the contrary notwithstanding, shall be effective for any purpose if given or served as follows:

(a) if by Landlord, by mailing the same to Tenant by certified or registered mail, postage prepaid, return receipt requested, by delivery by reputable overnight courier or by personal delivery, receipted on behalf of the party to whom addressed, addressed to Tenant at:

Merrill Lynch & Co., Inc.
World Financial Center-Tower B
225 Liberty Street, 12th Floor
New York, New York 10080-6112
Attention: Michael A. Loring
Director, Headquarters New York
Real Estate

and

Merrill Lynch & Co., Inc.
World Financial Center-Tower D
250 Vesey Street, 34th Floor,
New York, New York 10281-1334
Attention: Phyllis Safer
Corporate Law Department

with copies thereof to:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: James I. Black III, Esq.

or to such other address(es) and attorneys as Tenant may from time to time designate by Notice given to Landlord by certified or registered mail, reputable overnight courier or

-19-

personal delivery as aforesaid, except that at no time shall Landlord be required to give, in the aggregate, more than four Notices or copies thereof;

(b) if by Tenant, by mailing the same to Landlord by certified or registered mail, postage prepaid, return receipt requested, by reputable overnight courier or by personal delivery, receipted on behalf of the party to whom addressed, addressed to Landlord at:

WFP Tower D Co. L.P.
One Liberty Plaza
New York, New York 10006
Attention: Chief Financial Officer

with copies thereof to:

- (1) WFP Tower D Co. L.P.
One Liberty Plaza
New York, New York 10006
Attention: Managing Attorney
- (2) Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza

or to such other address(es) and attorneys as Landlord may from time to time designate by Notice given to Tenant by certified or registered mail, reputable overnight courier or personal delivery as aforesaid, except that at no time shall Tenant be required to give, in the aggregate, more than four Notices or copies thereof; and

(c) as long as the Loan remains outstanding, Tenant shall send to Secured Lender a Notice with respect to any Landlord default which Tenant has given to or served upon Landlord.

-20-

ARTICLE 5

NO BROKER

Landlord and Tenant each covenants, warrants and represents to the other that no broker was instrumental in bringing about or consummating this Agreement and that it had no dealings with any broker or other Person concerning the transactions referred to herein, other than Cushman Realty Corporation, Tenant's consultant, who is entitled to any brokerage commission or finder's fee by reason thereof. Tenant shall indemnify and hold Landlord harmless against and from, and Landlord shall indemnify and hold Tenant harmless against and from, any claims for any such brokerage commissions or fees, and all costs, expenses and liabilities in connection therewith, including, without limitation, attorneys' fees and expenses, arising out of any dealings had by the indemnifying party with any broker, consultant or other person alleging to have acted or dealt with the indemnifying party in connection with this transaction (including, without limitation, Cushman Realty Corporation in the case of the indemnification by Tenant). Tenant shall pay any and all fees, commissions and other charges of Cushman Realty Corporation.

-21-

ARTICLE 6

AMENDMENT

This Agreement may not be changed, modified, or terminated orally, nor may any provision hereof be waived orally, but only by a written instrument of change, modification, termination or waiver executed by the party against whom enforcement of any change, modification, or termination is sought. Until such time as the Loan is paid in full, Landlord and Tenant will not amend or modify this Agreement except (a) to add additional reimbursement obligations with respect to obligations which Tenant undertakes under Lease D, or (b) provided (i) such amendment or modification does not adversely affect the subordination effected by the Subordination and Forbearance Agreement (Amended and Restated Reimbursement Agreement Tower D), made as of the date hereof by Tenant in favor of Boatmen's National Mortgage Inc. (the "Forbearance Agreement"), (ii) such amendment or modification does not otherwise constitute a breach of the Forbearance Agreement, and (iii) Landlord (or any successor or assign) as obligor under the Loan, receives written confirmation from the Rating Agencies (as defined in the Forbearance Agreement) that such amendment or modification will not result in the rating of the Securities (as defined in the Forbearance Agreement) being withdrawn, downgraded or qualified.

-22-

ARTICLE 7

TERMINATION

7.1. Subject to the provisions of Section 7.3. hereof, this Agreement, and all of the obligations hereunder of the parties hereto shall terminate upon the termination, for any reason whatsoever, of Lease D.

7.2. Notwithstanding anything to the contrary hereinabove, Tenant shall not be entitled to receive, and Landlord shall have no obligation to make, any reimbursement pursuant to Article 1 hereof, at any time and for so long as an Event of Default under and as defined in the Lease has occurred and is continuing.

7.3. If this Agreement shall terminate as provided in Section 7.1. hereof, Tenant's subordination and standstill obligations under Section 1.8.(a) shall survive and the then accrued and unpaid obligations of each party to the other shall, nevertheless, survive such termination. Further, if Lease D shall terminate (a) pursuant to Section 9.01 of such Lease, Landlord's obligations under Section 1.2. hereof shall survive such termination, or (b) for any reason other than an Event of Default under the Lease, Landlord's obligations under

Section 1.4. hereof shall survive such termination.

-23-

ARTICLE 8

INTEGRATION; CONFLICT WITH OTHER AGREEMENTS

8.1. All understandings and agreements heretofore had between the parties hereto with respect to the matters covered by this Agreement are merged in this Agreement, which fully and completely expresses their agreement with respect to such matters, except to the extent such matters are covered by other written agreement between the parties dated on or prior to the date of this Agreement (in the case of prior agreements, only to the extent the parties have agreed such prior agreements survive pursuant to a separate agreement dated the date hereof).

8.2. This Agreement is intended to be read together with the Lease in determining the full rights and obligations of Landlord and Tenant under the Lease, notwithstanding anything contained to the contrary in Article 34 of the Lease. If there shall be any conflict between any provision of this Agreement and the Lease or any other written agreement between the parties, this Agreement shall prevail. However, nothing contained in this Agreement, whether express or implied, shall give to Tenant any right of abatement, reduction, setoff, counterclaim, defense or deduction with respect to any Rental or other sums due or payable under the Lease, and no default or other non-performance under this Agreement by Landlord shall

-24-

affect the validity of the Lease or Tenant's obligations under the Lease.

8.3. In no event shall this Agreement be binding upon the Ground Lessor or any Secured Lender or any Person who succeeds to the rights of the Landlord by foreclosure or assignment or deed/assignment in lieu of foreclosure or otherwise (except for a voluntary transfer made without Tenant's consent) nor shall the Ground Lessor, the Secured Lender or any such Person have any liability under this Agreement.

ARTICLE 9

MISCELLANEOUS

9.1. The captions and table of contents of this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of this Agreement.

9.2. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without the aid of any canon or rule of law requiring construction against the party drawing or causing this Agreement to be drawn.

9.3. (a) Except as otherwise expressly provided in this Agreement, the provisions of this Agreement shall bind and benefit the successors and assigns of the parties hereto with the same effect as if mentioned in each instance where a party is named or referred to; provided, however, that (i)

-25-

no violation of the provisions of Article 3 shall operate to vest any rights in any successor or assignee of Tenant and (ii) the provisions of this Section 9.3. shall not be construed to be a consent by a party to an assignment of this Agreement by another party.

(b) The provisions of this Agreement are intended to be for the sole benefit of the parties hereto and Merrill, and their respective successors and assigns, and none of the provisions of this Agreement are intended to be, nor shall they be construed to be, for the benefit of any third party, except that the provisions of Sections 1.8. and 8.3. shall benefit any Secured Lender or any Person who succeeds to the rights of the Landlord by foreclosure or assignment or deed/assignment in lieu of foreclosure or otherwise (except for a voluntary transfer made without Tenant's consent).

9.4. The parties shall and do hereby each waive trial by jury in any action, suit or proceeding arising out of or in connection with this Agreement, or the interpretation, construction or enforcement thereof.

9.5. (a) The parties each agrees to do such other and further acts and things, and to execute and deliver such instruments and documents, as a party may reasonably request from time to time, in furtherance of the purposes hereof.

(b) Without limitation of the provisions of Section 9.5.(a), the parties

hereto shall deliver to the other such evidence as may be reasonably required by the other of the

-26-

due authorization, execution and delivery of this Agreement, including, without limitation, legal opinions of the respective independent counsel for each party as to such due authorization, execution and delivery.

9.6. The terms "hereof," "herein" and "hereunder," and words of similar import, shall be construed to refer to this Agreement as a whole (including, without limitation, the annexed Exhibits), and not to any particular Article, Section, Exhibit or provision, unless expressly so stated.

9.7. All words or terms used in this Agreement, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender, as the context may require.

9.8. Landlord and Tenant each agrees at any time and from time to time, upon not less than ten (10) days' prior request by the other party, to execute, acknowledge and deliver to the other party a certificate in writing stating (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and (b) whether or not to the best knowledge of the Landlord or Tenant, as the case may be, (i) there is any unpaid sum owed either party to the other pursuant to this Agreement, (ii) there is any existing default under this Agreement on the part of either party hereto and, if

-27-

so, specifying each such default, and (iii) such other matters as the requesting party may reasonably request.

9.9. Tenant acknowledges that WFP Tower D Co. L.P. is a legal entity separate and distinct from any other Person (including, without limitation, the general partners of WFP Tower D Co. L.P., the tenant under O&Y Lease D, World Financial Properties, L.P. and any Affiliates of the foregoing). Tenant shall not seek to substantively consolidate WFP Tower D Co. L.P. with any other Person or such Person's assets or liabilities in any action or proceeding, and Tenant shall refrain from filing or otherwise initiating or supporting the filing of any motion in any bankruptcy or insolvency proceeding to substantively consolidate Landlord with any other Person or such Person's assets or liabilities.

9.10. In determining the fair market rental value of all or any portion of the Premises or the fair market value of the interest of Landlord in Ground Lease D and Parcel D, to the extent either such calculation is to be made under Lease D, then the rights of Tenant and the obligations of Landlord hereunder shall be taken into account in making such determination.

-28-

ARTICLE 10

DEFINITIONS

- 10.1. "Agreement": Defined in the heading hereof.
- 10.2. "Building," "Building D": Defined in Recital A.
- 10.3. "Forbearance Agreement": Defined in Article 6.
- 10.4. "Ground Lease D": Defined in Recital A.
- 10.5. "Interim Rent": Defined in Section 1.1.(b).
- 10.6. "Landlord": Defined in the heading of this Agreement.
- 10.7. "Lease," "Lease D": Defined in Recital B.
- 10.8. "LIA": Defined in Section 1.1.(a)(ii).
- 10.9. "Loan": Defined in Section 1.8.(a).
- 10.10. "Merrill": Defined in Section 1.4.(a).
- 10.11. "ML/WFC": Defined in Recital B.
- 10.12. "Original Reimbursement Agreement": Defined in Recital D.
- 10.13. "Parcel," "Parcel D": Defined in Recital A.
- 10.14. "Premises," "Premises D": Defined in Recital B.
- 10.15. "Project": Defined in Recital A.
- 10.16. "Tenant": Defined in the heading of this Agreement.
- 10.17. "WFC": Defined in Recital A.
- 10.18. "Work": Defined in Section 1.1.(b).

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of this day and year first written above.

WFP TOWER D CO. L.P.

By: WFP Tower D Co. G.P. Corp.,
general partner

By: _____
Name: _____
Title: _____

MERRILL LYNCH, PIERCE, FENNER &
SMITH INCORPORATED

By: _____
Name: _____
Title: _____

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this ____ day of _____, 1996, before me personally came _____ to me known, who, being by me duly sworn, did depose and say that he has an address at _____, that he is the _____ of MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, the corporation described in and which executed the foregoing instrument and that he signed his name thereto by order of the board of directors of said corporation.

Notary Public

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

On this ____ day of November, 1996, before me personally came _____ to me known, who, being by me duly sworn, did depose and say that he has an address at _____, that he is the _____ of WFP Tower D Co. G.P. Corp., the corporation described in the foregoing instrument and which executed same as partner of WFP TOWER D CO. L.P., a New York limited partnership; and that he signed his name thereto by the order of the board of directors of said corporation.

Notary Public

EXHIBIT A TO REIMBURSEMENT AGREEMENT
DESCRIPTION OF GROUND LEASE D

Agreement of Severance Lease for the premises known as Parcel D, Battery Park City --Commercial Center, New York, New York, dated as of June 15, 1983, made by the Battery Park City Authority, as landlord ("Landlord"), to and with Olympia & York Battery Park Company, as tenant ("Tenant"), a memorandum of which was recorded in the Office of the Register of the City of New York, New York County (the "Register's Office"), on June 20, 1983 in Reel 696, at Page 507.

The interest of the tenant under said Severance Lease was assigned by that certain Assignment and Assumption of Severance Lease dated as of October 7, 1983, made by Olympia & York Battery Park Company, as assignor, to and with Olympia & York Tower D Company, as assignee, and recorded in the office of the Register of the City of New York, New York County, on October 7, 1983 in Reel 724, at Page 1245, as amended by (i) an Unrecorded Agreement, made as of August 24, 1984, among Landlord, Tenant, and Merrill Lynch & Co., Inc. which Agreement is referred to in the recorded memorandum described in clause (ii) below, (ii) an Amendment of Severance Lease, made as of December 5, 1984, between Landlord and Tenant, a memorandum of which was recorded in the Register's Office on April 1, 1985, in Reel 892, at Page 1222, (iii) an Unrecorded Agreement made as of July 12, 1985, among Landlord, Tenant and Bankers Trust Company as Collateral Agent, which Agreement is referred to in the recorded memorandum described in clause (iv) below, (which agreement has been terminated according to the recorded memorandum described in paragraph (vi) below, (iv) an Amendment of Severance Lease, between Landlord and Tenant, made as of August 15, 1985, a memorandum of which was recorded in the Register's Office on May 19, 1986, in Reel 1065, Page 1567, (v) an Unrecorded Agreement made as of December 24, 1986,

among Landlord, Tenant, The Sumitomo Bank Limited New York Branch and Bankers Trust Company as Collateral Agent, which Agreement is referred to in the recorded memorandum described in clause (vi) below (which agreement has been terminated according to the recorded memorandum described in clause (vi) below), (vi) an Amendment of Severance Lease, made as of February 26, 1988, between Landlord and Tenant, a memorandum of which was recorded in the Register's Office on March 9, 1988, in Reel 1375, page 1520, and (vii) an Unrecorded Agreement, made as of February 26, 1988, among Landlord, Tenant and The Sumitomo Bank Limited New York Branch (which agreement is referred to in the recorded memorandum described in clause (vi) above).

The interest of the tenant under said Severance Lease was assigned by that certain Assignment and Assumption of Severance Lease, dated as of November 21, 1996, made by Olympia & York Tower D Company, as assignor, to and with, WFP Tower D Co. L.P., which is intended to be recorded.

A-1

EXHIBIT B TO REIMBURSEMENT AGREEMENT

LIST OF UNINSURABLE CASUALTIES

1. Nuclear reaction or nuclear radiation, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) insured against in the insurance policy obtained by Tenant pursuant to Article 7 of the Lease.
2. Except as otherwise provided in Section 7.01.(a)(i) of the Lease, hostile or warlike action in time of peace or war, including action in hindering, combating, or defending against an actual, impending, or expected attack
 - (a) by any government or sovereign power, (de jure or de facto) or by any authority maintaining or using military, naval or air forces;
 - (b) or by military, naval, or air forces;
 - (c) or by an agent of any such government, power authority, or forces,
3. Any weapon employing atomic fission.
4. Except as otherwise provided in Section 7.01 (a)(i) of the Lease, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating, or defending against such occurrence.
5. Seizure or destruction by order of public authority.
6. Inherent vice, termites and other insects, wet or dry rot, vermin and contamination.

B-1

AMENDED AND RESTATED
REIMBURSEMENT AGREEMENT

between

WFP TOWER B CO. L.P.

and

MERRILL LYNCH/WFC/L, INC.

Premises

Parcel B

Battery Park City - World Financial Center

New York, New York

Dated as of

November 21, 1996

AMENDED AND RESTATED REIMBURSEMENT AGREEMENT

TABLE OF CONTENTS

	Page

Recitals.....	1
Article 1 - Reimbursements.....	3
Article 2 - [Intentionally Omitted].....	21
Article 3 - Assignment.....	21
Article 4 - Notices.....	22
Article 5 - No Broker.....	26
Article 6 - Amendment.....	26
Article 7 - Termination.....	28
Article 8 - Integration; Conflict with Other Agreements.....	29
Article 9 - Miscellaneous.....	30
Article 10 - Definitions.....	33
Exhibit A - Description of Ground Lease B	
Exhibit B - List of Uninsurable Casualties	
Exhibit C - Form of Assignment and Assumption Agreement	

-i-

AMENDED AND RESTATED REIMBURSEMENT AGREEMENT, made as of November 21, 1996 and effective as of September 29, 1988, between WFP TOWER B CO. L.P. ("Landlord"), a New York limited partnership having an office at One Liberty Plaza, New York, New York 10006, and MERRILL LYNCH/WFC/L, INC. ("Tenant"), a New York corporation having an office at One Liberty Plaza, New York, New York 10080 (this "Agreement").

RECITALS

A. Landlord, the successor-in-interest to Olympia & York Tower B Company ("O&Y"), is the owner of the interest and estate of the tenant under that certain lease ("Ground Lease B") described in Exhibit A annexed hereto and made a part hereof, covering the land known as Parcel B ("Parcel B" or the "Parcel") more particularly described in Ground Lease B, and the buildings and other improvements now or hereafter erected thereon (such buildings and improvements collectively, "Building B" or the "Building"). Parcel B is located in the

project (the "Project") known as the World Financial Center at Battery Park City in the City, County and State of New York.

B. O&Y and Tenant entered into that certain Agreement of Lease dated as of September 29, 1988, as amended by the First Amendment of Lease dated as of December 14, 1988 and the Second Amendment of Lease dated as of the date hereof (collectively, "Lease B" or the "Lease") whereby, among other things, O&Y demised and leased to Tenant Parcel B and

Building B (except for certain excluded portions of such Building) (collectively, the "Premises" or "Premises B"), and Tenant hired Premises B from O&Y, all upon and subject to the terms, covenants and conditions set forth in the Lease. O&Y's interest in the Lease has, as of the date hereof, been assigned to Landlord.

C. Any capitalized term used in this Agreement which is not defined in this Agreement shall have the meaning provided for such term in the Lease, unless expressly provided otherwise; and all capitalized terms which are defined in this Agreement shall be defined in or listed with cross references in Article 10 hereof.

D. Solely for purposes of facilitating Landlord's financing, the Lease imposes upon Tenant obligations to perform certain actions and make certain payments on behalf of and for the benefit of Landlord. In order to carry out the true intent of Landlord and Tenant with respect to such obligations under the Lease, Landlord and Tenant agree that Landlord shall make certain reimbursements to Tenant, in accordance with the terms, covenants and conditions of this Agreement, which amends and restates in its entirety the Reimbursement Agreement between O&Y and Tenant, dated as of August 24, 1984, as amended by the First Amendment to Building B Agreement to Lease and Reimbursement Agreement and Second Amendment to Leasehold Improvements Agreement, dated as of July 12, 1985, as further amended by the Third

-2-

Amendment to Building B Agreement to Lease, Fourth Amendment to Leasehold Improvements Agreement and Second Amendment to Reimbursement Agreement, dated September 23, 1987, as amended and restated by an Amended and Restated Third Amendment to Building B Agreement to Lease, Fourth Amendment to Leasehold Improvements Agreement and Second Amendment to Reimbursement Agreement, dated as of September 29, 1988, and by the Amended and Restated Second Amendment to Reimbursement Agreement, dated as of September 29, 1988 (collectively, the "Original Reimbursement Agreement"), which has been assigned by O&Y to, and assumed by, Landlord.

ACCORDINGLY, the parties hereto hereby agree that the Original Reimbursement Agreement is hereby amended and restated in its entirety by this Agreement, which shall have the terms, covenants and conditions hereinafter set forth, without reference to prior agreements or amendments.

ARTICLE I

REIMBURSEMENTS

1.1. (a) Notwithstanding anything which may be to the contrary in the Lease, during the Original Term of the Lease (except as otherwise provided in Section 1.1.(c) and subject to the provisions of Section 1.8. hereof), Landlord shall reimburse Tenant for:

(i) the actual and reasonable cost of any Restoration of the Building necessitated by damage due to any of the causes which Landlord and Tenant have agreed are not

-3-

insurable, which causes are listed in Exhibit B annexed hereto and made a part hereof;

(ii) the actual and reasonable cost of repairing any latent defect in the Building of which Landlord is given notice during the Original Term of the Lease, but only to the extent such cost is not covered by (x) any of the manufacturers' or contractors' warranties assigned to Tenant pursuant to the Leasehold Improvements Agreement dated as of August 24, 1984 between O&Y and Tenant, as amended (the "LIA") which are applicable to the latent defect in question, provided that Tenant, prior to seeking reimbursement from Landlord under this Section 1.1.(a)(ii), shall either (1) use its reasonable efforts to enforce such warranties or (2) reassign to Landlord and give Landlord a reasonable period of time in which to enforce such warranties, or (y) Tenant's casualty insurance (and would not be covered by Tenant's casualty insurance if Tenant, subject to Exhibit B, were carrying all of the casualty insurance required to be carried by Tenant under Article 7 of the Lease); provided, however, that if Landlord is required to reimburse Tenant pursuant to this

clause (ii) with respect to latent defects of which Landlord is not given notice before the end of the period (the "Warranty Period") that begins on the later to occur of the date that Tenant (or any person claiming by, through or under Tenant) commences occupancy of the Building or portion thereof in

-4-

question for the conduct of its business or the date the defective item or element is put into service in the Building for its intended use, but in no event shall the Warranty Period begin more than twelve (12) months after the later to occur of September 29, 1988 (or the date the Interim Rent commenced for the portion(s) of the Building in question, if earlier) or the date the item or element in question is available for use in such portion(s) of the Building, and ends (i) two (2) years thereafter in the case of non-structural elements of the Building (the parties acknowledging that this period has expired) and (ii) ten (10) years thereafter in the case of structural elements or the roof of the Building, then Landlord shall only be obligated hereunder with respect to fifty-one percent (51%) of the amount that would otherwise be reimbursed to Tenant;

(iii) the actual and reasonable costs of any Restoration performed by Tenant pursuant to Section 9.03(b) of the Lease as a result of any partial condemnation, but only to the extent that such actual and reasonable costs exceed the award received by or made available to Tenant for such Restoration;

(iv) the amount that the abatement of Fixed Rents on account of any partial condemnation is less than the amount determined by the calculation prescribed in Section 9.03(d) of the Lease because Tenant is required under such Section to pay Fixed Rents in a sufficient amount to cover

-5-

Landlord's debt service for the First Mortgage, which amount shall be payable in installments at the times the installments of Fixed Rent to which such reimbursement pertains are payable under Lease B;

(v) the actual and reasonable costs of any work performed by Tenant pursuant to Section 30.01(b) or 30.02 of the Lease to preserve Building B from injury or damage due to any excavation on adjacent property, provided that prior to seeking reimbursement from Landlord under this Section 1.1.(a)(v), Tenant shall either (x) use reasonable efforts to obtain reimbursement for such cost from the Person who caused such excavation, or (y) assign to Landlord Tenant's right to receive such reimbursement from such Person;

(vi) the amounts, if any, paid (and not deducted by Tenant from any other Rental or paid to Tenant by the tenant under O&Y Lease B or on its behalf) by Tenant pursuant to Sections 3.01(j)(ii), 3.01(m)(iv), 3.02, 3.04, 3.05, 3.08, 4.01, 4.03, 5.01, 7.01(a), 12.01, 12.02, 12.03 and 14.01 of the Lease on account of any portions of Parcel B which are not part of the Premises, each of which amounts shall be payable by Landlord not more often than Tenant is required to pay the item with respect to which such reimbursement is being made; and

(vii) the amount, if any, paid by Tenant as Rental pursuant to Section 9.01 of the Lease with respect to the

-6-

period commencing on the date of taking (as such term is defined in the Lease) and ending on the date payment is made to Landlord or on its behalf pursuant to Section 9.01(c)(ii) of the Lease, which amount shall be payable in installments at the times the installments of Fixed Rent or other Rental to which such reimbursement pertains are payable under the Lease.

(b) For purposes of Section 1.1.(a), "latent defect" shall not include any damage or destruction from fire or other casualty, or any damage from ordinary or extraordinary wear and tear, or any damage caused by negligence or wilful misconduct of Tenant, its Affiliates or Subtenants (or their respective agents, servants, employees, invitees and contractors), other than Landlord or its Affiliates (or their respective agents, servants, employees, invitees and contractors), but shall be limited to failures and flaws in the materials, fixtures, equipment and systems included in the Work (as defined in the LIA) or in the design thereof (unless designed by Tenant, its architect or its engineer, provided that if by Tenant's engineer, such design was prepared for Tenant and not for Landlord) or the installation thereof, and the failure of any such equipment or system to perform in accordance with its design specifications, provided (i) such materials, fixtures, equipment or systems are being used and maintained by Tenant substantially in accordance with the manufacturer's instruc-

-7-

tions furnished to Tenant, and (ii) such defect could not normally be observed upon a reasonable inspection of the Premises or portion thereof in question made within thirty (30) days after the later of (x) the date the item or element in question was put into service for its intended use or (y) the date Tenant (or any Person claiming by, through or under Tenant) commenced occupancy of the Building or portion thereof in question for the conduct of its business, but in no event later than the date which is the later of twelve (12) months after (1) September 29, 1988 or the date Interim Rent (as defined in the LIA) commenced under the LIA for the portion(s) of the Premises in question, if earlier and (2) the date the item or element in question becomes available for use.

(c) Notwithstanding anything to the contrary in Section 1.1.(a), Landlord shall continue to be obligated to make the reimbursements provided for (i) in clauses (i), (iii) and (iv) of such Section during the first Extended Term or the first and second Extended Terms if Tenant effectively exercised its option under Section 2.02 of the Lease for such Extended Term or Terms at least thirty-six (36) months prior to the expiration of the Original Term, and (ii) in clauses (v) and (vi) of such Section during any Extended Term(s) of the Lease.

(d) Subject to the provisions of Sections 1.1.(a)(iv), (a)(vi) and (a)(vii) in the case of the reimbursements

-8-

referred to in such Sections, with respect to any reimbursement claimed by Tenant pursuant to this Section 1.1., Tenant shall submit a reasonably detailed statement therefor to Landlord, together with such supporting data as Landlord shall reasonably require (including, without limitation, copies of any statements furnished by the Operator under the Project Operating Agreement on which Tenant's statements hereunder are based, and, subject to the limitation of Section 1.8.(a), within ten (10) Business Days (fifteen (15) Business Days in the case of reimbursements claimed pursuant to Section 1.1.(a)(vi)) after receipt of such statement and data, Landlord shall pay to Tenant the amount set forth in such statement. If Landlord disputes such amount or any portion thereof, such dispute shall be resolved by arbitration as provided in Article 36 of the Lease. Landlord shall, nevertheless, pay the amount set forth in such statement, without prejudice to Landlord's right to contest the same; and if it shall be determined that Landlord made an overpayment, Tenant shall refund to Landlord the amount of such overpayment within ten (10) Business Days after notice of the arbitrators' decision, together with interest thereon at the Prime Rate from the date of such overpayment to the date of such refund.

(e) If an arbitration proceeding pursuant to Section 1.1(d) involves a dispute pertaining to a reimbursement for

-9-

amounts paid by Tenant pursuant to Section 12.03(b) of Lease B, the tenant under O&Y Lease B shall have the right, at its sole cost and expense, to participate in such arbitration.

1.2. Notwithstanding anything which may be to the contrary in the Lease, if Tenant is required to pay to the First Secured Lender an amount pursuant to Section 9.01(e) of the Lease, then Landlord shall reimburse Tenant for the amount of such payment by Tenant. Landlord shall pay such reimbursement to Tenant, subject to the limitation of Section 1.8.(a), within ten (10) Business Days after Tenant's statement therefor to Landlord, together with interest thereon at the Prime Rate from the date that such payment was made by Tenant.

1.3. Intentionally Omitted.

1.4. (a) Upon the expiration or earlier termination of the Lease (unless such earlier termination is due to an Event of Default under the Lease), Landlord shall reimburse Tenant for the then unamortized portion of the cost to Tenant of any repairs and replacements made by Tenant at Building B which (i) are to (A) any of the structural components of the Building or (B) any of the central systems or components of the central systems of the Building which in either case (1) Tenant is required to make under the terms of the Lease, (2) is not a repair or replacement for which Tenant is entitled to reimbursement from Landlord pursuant to Section 1.1., (3) is not a repair or replacement

-10-

covered by insurance proceeds or condemnation awards payable to Tenant, (4) is not a repair or replacement the need for which was caused by the negligence or wilful misconduct of Tenant, its Affiliates or Subtenants, or their respective agents, servants, employees, invitees or contractors (other than Landlord or its Affiliates or their respective agents, servants, employees, invitees or contractors) and (5) is a repair or replacement which Tenant is required to capitalize, and may not treat as an operating expense, under generally accepted accounting principles, (ii) are amortized over the useful life of the items(s) in question and in a manner consistent with past practices of Merrill Lynch &

Co., Inc. ("Merrill"), provided that prior to making such repair or replacement, Tenant shall have obtained Landlord's written consent (which consent Landlord shall not unreasonably withhold or delay) to the specifications, budget, contractor and contract for such repair or replacement, and (iii) are not recovered by Tenant pursuant to Sections 9.01(c) and/or 9.09 of the Lease (if the Lease terminates pursuant to Section 9.01(a) thereof). Subject to Section 1.4.(b), such reimbursement shall be in the amount specified in a notice from Tenant to Landlord requesting the same, which notice shall be accompanied by (x) a certificate from an independent registered architect or licensed professional engineer as to the cost to Tenant of the repairs and replacements in question, (y) a certificate from

-11-

an authorized officer of Tenant as to the then unamortized portion of such cost and (z) such other information and documentation as Landlord shall reasonably require with respect to such repairs and replacements, including, without limitation, Tenant's accounting records with respect thereto, which records shall be kept in accordance with Merrill's past practices. Landlord shall pay such reimbursement to Tenant, subject to the limitation of Section 1.8.(a), within ten (10) Business Days after Tenant, pursuant to Article 33 of the Lease, has completed vacating the Premises.

(b) If Landlord disputes the amount of the reimbursement or the compliance of the repairs and replacements in question with any of the requirements set forth above, such dispute shall be submitted to and resolved by arbitration in accordance with Article 36 of the Lease. Landlord shall, nevertheless, pay the reimbursement in accordance with Tenant's notice, without prejudice to Landlord's right to contest the same; and if it shall be determined that Tenant was not entitled to any reimbursement or that the reimbursement exceeded the amount to which Tenant was entitled, Tenant shall refund to Landlord the amount of the reimbursement, or such excess, as the case may be, within ten (10) Business Days after notice of the arbitrators' decision, together with interest thereon at the Prime Rate from the date such reimbursement was paid (or

-12-

dates, if the reimbursement was paid in installments) to the date of such refund.

1.5. Except as provided in Section 1.8. of this Agreement, any payment (other than a payment for interest) due from one party to the other under the provisions of this Article 1 which the party obligated to make such payment fails to pay within the period of ten (10) Business Days provided for the making of such payment shall bear interest at an annual rate equal to the Prime Rate plus two and one-half percent (2.5%) from the day next following the expiration of such period of ten (10) Business Days to the date of payment.

1.6. (a) Upon at least three (3) Business Days' notice from Landlord, Tenant shall make available to Landlord for inspection, and shall permit Landlord (at Landlord's sole cost and expense) to audit, during business hours on Business Days, the books and records of Tenant pertaining to or relevant to any reimbursements requested by Tenant pursuant to this Article 1.

-13-

(b) In connection with any reimbursement for amounts paid by Tenant pursuant to Section 12.03(b) of Lease B, Tenant shall permit the tenant under O&Y Lease B to (i) participate with Landlord, at such tenant's sole cost and expense, in any inspection or audit performed by Landlord pursuant to Section 1.6.(a) of this Agreement, and (ii) on at least two (2) Business Days' notice, to inspect, during business hours on Business Days, any submeters located in the Premises which pertain to utilities furnished to the premises demised to the tenant under O&Y Lease B.

1.7. If Landlord, pursuant to the separate agreement referred to in Section 2.02(g) of the Lease (relating to the period after the Original Term), shall pay an amount for which Landlord must reimburse Tenant in whole or in part hereunder, then Landlord shall be relieved of such reimbursement obligation to the extent of the amount so paid to Tenant. In the event that Tenant shall receive a payment for all or a portion of the same item from Landlord both hereunder and under the Lease or hereunder and from the tenant under O&Y Lease B (or on its behalf), Tenant shall refund the extra payment to Landlord with interest at the Prime Rate from the date such extra payment was made until the date refunded.

1.8. (a) Until repayment in full of the loan in the aggregate principal amount of \$873,436,000 being made on the date hereof by Boatmen's National Mortgage, Inc. to Landlord

-14-

(as the same may be modified, amended or refinanced to the extent provided in clause (a)(v) below or in Section 1.8.(b), the "Loan"), Landlord and Tenant agree (i) with respect to any payment due Tenant from Landlord hereunder and not paid by Landlord within the period of ten (10) Business Days provided for the making of such payment, such payment shall accrue and shall bear interest at an annual rate equal to the Prime Rate plus three percent (3%), compounded monthly, from the day next following the expiration of such period of ten (10) Business Days to the date of payment and shall be enforceable against Landlord only in accordance with this Section 1.8.(a) and Section 1.8.(b) hereof, (ii) Tenant shall forbear its rights to pursue collection of such amounts due and interest accruing thereon and shall not exercise any remedies with respect thereto or of, under, or with respect to this Agreement against the Landlord or the Secured Lender, even if an Event of Default has occurred under the Loan, but Tenant's agreement to forbear shall terminate in the event of the bankruptcy of Landlord, (iii) in connection with the exercise of any enforcement rights by Tenant hereunder, Tenant agrees to waive any equitable right to the marshaling of the assets of Landlord by the Secured Lender and hereby grants to Secured Lender for its benefit an irrevocable (until the repayment in full of the Loan) power of attorney (coupled with an interest) to vote with respect to any claims Tenant may have

-15-

hereunder in connection with a bankruptcy of Landlord (provided that Secured Lender in exercising such power of attorney shall take reasonable steps necessary so as not to impair Tenant's claims against Landlord except to the extent necessary to subordinate Tenant's claim to repayment in full of the Loan), (iv) Tenant shall remit to Secured Lender any amounts collected from Landlord in contravention of the terms and conditions hereof and shall have no right of subrogation against Secured Lender with respect to any amounts so remitted, and (v) Tenant's right to payment hereunder shall be subordinate to the Loan, whether or not an event of bankruptcy with respect to Landlord shall have occurred, and to any modification or amendment of the Loan (including a refinancing thereof) which does not (A) increase the principal amount of the indebtedness thereunder or (B) change the requirement that the Loan shall be fully amortized over the Original Term of Lease B, except that after default thereunder, modifications or amendments (including a refinancing thereof) may provide for the extension of the maturity date, capitalization of accrued (but unpaid) interest (and default interest), the payment of protective advances (and interest thereon) and resetting of the interest rate and an increase in the principal amount to pay for the transaction costs incurred in connection with such extension, modification or amendment. Landlord agrees that Tenant's forbearance and subordination under this Sec-

-16-

tion 1.8. shall not in any way prejudice or impair the validity or enforceability of Tenant's claims hereunder except to the extent provided herein and shall in no way restrict Tenant from exercising rights against any party other than Landlord or the Secured Lender. The rights of Tenant hereunder are subordinate in lien, right and payment and in all other respects to the Loan, and Tenant hereby agrees to reaffirm from time to time such subordination of its rights (including, without limitation, on the date of the securitization of the Loan) as required by the holder of the Loan to confirm the foregoing. Notwithstanding anything to the contrary contained above, Tenant may, provided an Event of Default under the Loan shall not have occurred and be continuing, receive payment from the Landlord of amounts due hereunder, prior to payment in full of the Loan, to the extent such payment is made by Landlord from excess cashflow available to Landlord (i.e., after payment from rent received of all amounts then due under the Loan) or from other sources.

(b) With respect to any refinancing of the Loan, if such refinancing provides for funds available to Landlord, after any repayment of the Loan (as the same may have previously been modified or amended) and the Zero Coupon Note, as defined in the mortgage securing the Loan, and all financing expenses (including, without limitation, fees and expenses of counsel to Landlord, the prior lender and the

-17-

new lender in connection therewith), which are not to be used or reserved for building expenditures at Building B, including, without limitation, costs of leasing, owning, operating, maintaining and improving, Building B and Project Operating Agreement Common Areas or Civic Facilities, then Landlord shall to the extent of such excess funds (i.e., above amount required for financing expenses and building expenditures) first pay all accrued and unpaid amounts due hereunder and provide such reserves or other security or credit support reasonably satisfactory to Tenant so that all amounts which Tenant believes are reasonably likely to be payable hereunder during the Original Term based on all of the applicable facts and circumstances, including the fact that other parties may be liable for such obligations (i.e., the Retail Tenant with respect to the

obligations of Landlord under Section 1.1.(a)(vi) hereof), will be paid when due. Within ten (10) days after Landlord shall request the same, Tenant shall deliver to Landlord and any proposed new lender specified by Landlord, a written instrument executed by Tenant regarding characterization of any use of funds from a refinancing referenced by Landlord in its request, whether reserves (or other security) are required, and, if so, in what amount. Such instrument shall be binding on Tenant. Other than making the payments of accrued amounts referenced above and providing the reserves (or other security) referenced above, there shall be no

-18-

other restrictions on distributions by Landlord or on the use of refinancing proceeds. Any dispute as to the amounts, if any, to be paid under this Section 1.8.(b) or whether reserves (or other security) are required or the amount or nature thereof, shall be submitted to and resolved by arbitration in accordance with Article 36 of the Lease. If Landlord, pending such arbitration, elects to close on a proposed refinancing and pay Tenant such amounts and provide Tenant with such reserves or other security as Tenant requires (although any of the same is the subject of such arbitration) and Landlord is successful in such arbitration, Tenant shall refund to Landlord any amounts determined in such arbitration not to be due to Tenant by Landlord hereunder together with interest thereon at the Prime Rate from the date paid by Landlord, Tenant shall return to Landlord any reserves or other security not required hereunder as determined in such arbitration and Tenant shall allow Landlord to substitute alternate security, as may be determined in such arbitration to be permitted hereunder. For purposes of this Section 1.8.(b), any new loan to Landlord made during the Original Term shall be considered a refinancing of the Loan.

(c) Landlord agrees that Landlord shall not sell or otherwise voluntarily transfer without Tenant's consent Landlord's interest in Lease B to any Person unless such transferee shall execute and deliver to Tenant an agreement

-19-

substantially in the form annexed hereto as Exhibit C whereby the transferee shall assume the obligations hereunder on the part of Landlord to be performed or observed, including all accrued payment obligations, and, if such agreement is not so delivered, any such purported sale or transfer shall be null and void and of no force or effect; provided, however, that no such consent shall be necessary with respect to an assignment to a transferee (a "Foreclosure Transferee") in lieu of foreclosure or to a purchaser at a foreclosure sale. At Landlord's request, Tenant shall deliver an acknowledgement at the closing that it received such agreement, but Tenant's failure to deliver such acknowledgement shall not affect the sale or the validity of the release as provided above. Upon Landlord's delivery of such agreement, Landlord shall be released from all liability arising under or in connection with this Agreement. In the event of a voluntary transfer of the Property made without Tenant's consent, Landlord agrees that any proceeds thereof, after any repayment of amounts owed to Secured Lenders (including holders of the Loan and the Zero Coupon Note) and payment of all expenses of sale or transfer, shall first be used to pay all accrued and unpaid amounts due hereunder. This Section 1.8.(c) shall not apply to any transfer of the type described in Section 8.3. Notwithstanding anything herein contained to the contrary, a Foreclosure Transferee shall take Landlord's interest in

-20-

Lease B free and clear of Landlord's obligations hereunder and any lien or security interest which may arise in connection therewith.

1.9. Tenant shall in no event offset or deduct the amount of any payment due under this Agreement from Landlord to Tenant, and/or the interest thereon, against any Rental or other sums due or payable under the Lease. Tenant shall have recourse solely to the property of Landlord, and the direct or indirect partners, agents, employees, controlling persons, shareholders, trustees, directors, officers or other principals, if any, of Landlord shall have no personal liability under or in connection with this Agreement.

ARTICLE 2

[INTENTIONALLY OMITTED]

ARTICLE 3

ASSIGNMENT

3.1. This Agreement, and Tenant's rights hereunder, shall not be assigned by Tenant except to a Person to whom Tenant has the right, without the consent of Landlord, to assign the Lease pursuant to Article 10 thereof and to whom Tenant has assigned the Lease. Any other purported assignment by Tenant shall be null and void and of no force or effect.

3.2. If Tenant shall duly assign its rights hereunder, the assignee shall execute and deliver to Landlord an agreement in form and substance reasonably satisfactory to Landlord whereby the assignee shall assume the obligations hereunder on the part of Tenant to be performed or observed but Tenant shall remain fully liable for the payment and performance of the obligations hereunder to be paid, performed or observed by Tenant.

3.3. Notwithstanding anything which may be to the contrary hereinabove, if Tenant assigns its interest under the Lease to a Person to whom Tenant is not permitted to assign this Agreement, and Tenant is not released from its obligations under the Lease by reason of or in connection with such assignment, this Agreement shall remain in full force and effect as between Landlord and Tenant herein named (but not between Landlord and Tenant's assignee), and Tenant herein named shall be entitled to a reimbursement hereunder if, after Tenant's assignee fails to do so, Tenant herein named performs an obligation under the Lease which gives rise to a reimbursement or loan under this Agreement.

ARTICLE 4

NOTICES

Whenever it is provided in this Agreement that a notice, demand, request, consent, approval or other communication (each of which is herein referred to as a "Notice") shall or may be given to or served upon either of the parties by the other, and whenever either of the parties shall desire to give or serve upon the other any Notice with respect hereto or the Premises, each such Notice shall be in writing and, any law or statute to the contrary notwithstanding, shall be effective for any purpose if given or served as follows:

(a) if by Landlord, by mailing the same to Tenant by certified or registered mail, postage prepaid, return receipt requested, by delivery by reputable overnight courier or by personal delivery, receipted on behalf of the party to whom addressed, addressed to Tenant at:

Merrill Lynch & Co., Inc.
World Financial Center-Tower B
225 Liberty Street, 12th Floor
New York, New York 10080-6112
Attention: Michael A. Loring
Director, Headquarters New York
Real Estate

and

Merrill Lynch & Co., Inc.
World Financial Center-Tower D
250 Vesey Street, 34th Floor,
New York, New York 10281-1334
Attention: Phyllis Safer
Corporate Law Department

with copies thereof to:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: James I. Black III, Esq.

or to such other address(es) and attorneys as Tenant may from time to time designate by Notice given to Landlord by certified or registered mail, reputable overnight courier or personal delivery as aforesaid, except that at no time shall Landlord be required to give, in the aggregate, more than four Notices or copies thereof;

(b) if by Tenant, by mailing the same to Landlord by certified or registered mail, postage prepaid, return receipt requested, by reputable overnight courier or by personal delivery, receipted on behalf of the party to whom addressed, addressed to Landlord at:

WFP Tower B Co. L.P.
One Liberty Plaza
New York, New York 10006
Attention: Chief Financial Officer

with copies thereof to:

- (1) WFP Tower B Co. L.P.
One Liberty Plaza
New York, New York 10006
Attention: Managing Attorney
- (2) Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
Attention: Joshua Mermelstein, Esq.

or to such other address(es) and attorneys as Landlord may from time to time designate by Notice given to Tenant by certified or registered mail, reputable overnight courier or personal delivery as aforesaid, except that at no time shall

-24-

Tenant be required to give, in the aggregate, more than four Notices or copies thereof; and

(c) as long as the Loan remains outstanding, Tenant shall send to Secured Lender a Notice with respect to any Landlord default which Tenant has given to or served upon Landlord.

-25-

ARTICLE 5

NO BROKER

Landlord and Tenant each covenants, warrants and represents to the other that no broker was instrumental in bringing about or consummating this Agreement and that it had no dealings with any broker or other Person concerning the transactions referred to herein, other than Cushman Realty Corporation, Tenant's consultant, who is entitled to any brokerage commission or finder's fee by reason thereof. Tenant shall indemnify and hold Landlord harmless against and from, and Landlord shall indemnify and hold Tenant harmless against and from, any claims for any such brokerage commissions or fees, and all costs, expenses and liabilities in connection therewith, including, without limitation, attorney's fees and expenses, arising out of any dealing had by the indemnifying party with any broker, consultant or other person alleging to have acted or dealt with the indemnifying party in connection with this transaction (including, without limitation, Cushman Realty Corporation in the case of the indemnification by Tenant). Tenant shall pay any and all fees, commissions and other charges of Cushman Realty Corporation.

ARTICLE 6

AMENDMENT

-26-

This Agreement may not be changed, modified, or terminated orally, nor may any provision hereof be waived orally, but only by a written instrument of change, modification, termination or waiver executed by the party against whom enforcement of any change, modification, or termination is sought. Until such time as the Loan is paid in full, Landlord and Tenant will not amend or modify this Agreement except (a) to add additional reimbursement obligations with respect to obligations which Tenant undertakes under Lease B, or (b) provided (i) such amendment or modification does not adversely affect the subordination effected by the Subordination and Forbearance Agreement (Amended and Restated Reimbursement Agreement Tower B), made as of the date hereof by Tenant in favor of Boatmen's National Mortgage Inc. (the "Forbearance Agreement"), (ii) such amendment or modification does not otherwise constitute a breach of the Forbearance Agreement, and (iii) Landlord (or any successor or assign) as obligor under the Loan, receives written confirmation from the Rating Agencies (as defined in the Forbearance Agreement) that such amendment or modification will not result in the rating of the Securities (as defined in the Forbearance Agreement) being withdrawn, downgraded or qualified.

-27-

ARTICLE 7

TERMINATION

7.1. Subject to the provisions of Section 7.3. hereof, this Agreement, and all of the obligations hereunder of the parties hereto shall terminate upon the termination, for any reason whatsoever, of Lease B.

7.2. Notwithstanding anything to the contrary hereinabove, Tenant shall not be entitled to receive, and Landlord shall have no obligation to make, any reimbursement pursuant to Article 1 hereof, at any time and for so long as an Event of Default under and as defined in the Lease has occurred and is continuing.

7.3. If this Agreement shall terminate as provided in Section 7.1. hereof, Tenant's subordination and standstill obligations under Section 1.8.(a) shall survive and the then accrued and unpaid obligations of each party to the other shall, nevertheless, survive such termination. Further, if Lease B shall terminate (a) pursuant to Section 9.01. of such Lease, Landlord's obligations under Section 1.2. hereof shall survive such termination, or (b) for any reason other than an Event of Default under the Lease, Landlord's obligations under Section 1.4. hereof shall survive such termination.

-28-

ARTICLE 8

INTEGRATION; CONFLICT WITH OTHER AGREEMENTS

8.1. All understandings and agreements heretofore had between the parties hereto with respect to the matters covered by this Agreement are merged in this Agreement, which fully and completely expresses their agreement with respect to such matters, except to the extent such matters are covered by any other written agreement between the parties dated on or prior to the date of execution of this Agreement (in the case of prior agreements, only to the extent the parties have agreed such prior agreements survive pursuant to a separate agreement dated the date hereof).

8.2. This Agreement is intended to be read together with the Lease in determining the full rights and obligations of Landlord and Tenant under the Lease, notwithstanding anything contained to the contrary in Article 34 of the Lease. If there shall be any conflict between any provision of this Agreement and the Lease, or any other written agreement between the parties, this Agreement shall prevail. However, nothing contained in this Agreement, whether express or implied, shall give to Tenant any right of abatement, reduction, setoff, counterclaim, defense or deduction with respect to any Rental or other sums due or payable under the Lease, and no default or other non-performance under this Agreement by Landlord shall affect

-29-

the validity of the Lease or Tenant's obligations under the Lease.

8.3. In no event shall this Agreement be binding upon the Ground Lessor or any Secured Lender or any Person who succeeds to the rights of the Landlord by foreclosure or assignment or deed/assignment in lieu of foreclosure or otherwise (except for a voluntary transfer made without Tenant's consent) nor shall the Ground Lessor, the Secured Lender or any such Person have any liability under this Agreement.

ARTICLE 9

MISCELLANEOUS

9.1. The captions and table of contents of this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of this Agreement.

9.2. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without the aid of any canon or rule of law requiring construction against the party drawing or causing this Agreement to be drawn.

9.3. (a) Except as otherwise expressly provided in this Agreement, the provisions of this Agreement shall bind and benefit the successors and assigns of the parties hereto with the same effect as if mentioned in each instance where a party is named or referred to; provided, however, that

-30-

(i) no violation of the provisions of Article 3 shall operate to vest any rights in any successor or assignee of Tenant and (ii) the provisions of this Section 9.3. shall not be construed to be a consent by a party to an assignment of this Agreement by another party.

(b) The provisions of this Agreement are intended to be for the sole benefit of the parties hereto and Merrill, and their respective successors and assigns, and none of the provisions of this Agreement are intended to be, nor shall they be construed to be, for the benefit of any third party, except that

the provisions of Sections 1.8. and 8.3. shall benefit any Secured Lender or any Person who succeeds to the rights of the Landlord by foreclosure or assignment or deed/assignment in lieu of foreclosure or otherwise (except for a voluntary transfer made without Tenant's consent).

9.4. The parties shall and do hereby each waive trial by jury in any action, suit or proceeding arising out of or in connection with this Agreement, or the interpretation, construction or enforcement thereof.

9.5. (a) The parties each agree to do such other and further acts and things, and to execute and deliver such instruments and documents, as a party may reasonably request from time to time, in furtherance of the purposes hereof.

(b) Without limitation of the provisions of Section 9.5.(a), the parties hereto shall deliver to the other such evidence as may be reasonably required by the

-31-

other of the due authorization, execution and delivery of this Agreement, including, without limitation, legal opinions of the respective independent counsel for each party as to such due authorization, execution and delivery.

9.6. The terms "hereof," "herein" and "hereunder," and words of similar import, shall be construed to refer to this Agreement as a whole (including, without limitation, the annexed Exhibits), and not to any particular Article, Section, Exhibit or provision, unless expressly so stated.

9.7. All words or terms used in this Agreement, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender, as the context may require.

9.8. Landlord and Tenant each agrees at any time and from time to time, upon not less than ten (10) days prior request by the other party, to execute, acknowledge and deliver to the other party a certificate in writing stating (a) that this Agreement is unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect as modified and stating the modifications) and (b) whether or not to the best knowledge of the Landlord or Tenant, as the case may be, (i) there is any unpaid sum owed by either party to the other pursuant to this Agreement, (ii) there is any existing default under this Agreement on the part of either party hereto and, if

-32-

so, specifying each such default, and (iii) such other matters as the requesting party may reasonably request.

9.9. Tenant acknowledges that WFP Tower B Co. L.P. is a legal entity separate and distinct from any other Person (including, without limitation, the general partner of WFP Tower B Co. L.P., the tenant under O&Y Lease B, World Financial Properties, L.P. and any Affiliates of the foregoing). Tenant shall not seek to substantively consolidate WFP Tower B Co. L.P. with any other Person or such Person's assets or liabilities in any action or proceeding, and Tenant shall refrain from filing or otherwise initiating or supporting the filing of any motion in any bankruptcy or insolvency proceeding to substantively consolidate Landlord with any other Person or such Person's assets or liabilities.

9.10. In determining the fair market rental value of all or any portion of the Premises or the fair market value of the interest of Landlord in the Ground Lease B and Parcel B, to the extent either such calculation is to be made under Lease B, then the rights of Tenant and the obligations of Landlord hereunder shall be taken into account in making such determination.

ARTICLE 10

DEFINITIONS

- 10.1. "Agreement": Defined in the heading hereof.
- 10.2. "Building," "Building B": Defined in Recital A.

-33-

- 10.3. "Forbearance Agreement": Defined in Article 6.
- 10.4. "Foreclosure Transferee": Defined in Section 1.8.(c).
- 10.5. "Ground Lease B": Defined in Recital A.
- 10.6. "Interim Rent": Defined in Section 1.1.(b).

- 10.7. "Landlord": Defined in the heading of this Agreement.
- 10.8. "Lease," "Lease B": Defined in Recital B.
- 10.9. "LIA": Defined in Section 1.1.(a)(ii).
- 10.10. "Loan": Defined in Section 1.8.(a).
- 10.11. "Merrill": Defined in Section 1.4.(a).
- 10.12. "Original Reimbursement Agreement": Defined in Recital D.
- 10.13. "O&Y": Defined in Recital A.
- 10.14. "Parcel," "Parcel B": Defined in Recital A.
- 10.15. "Premises," "Premises B": Defined in Recital B.
- 10.16. "Project": Defined in Recital A.
- 10.17. "Tenant": Defined in the heading of this Agreement.
- 10.18. "Work": Defined in Section 1.1.(b).

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of this day and year first written above.

WFP TOWER B CO. L.P.

By: WFP Tower B Co. G.P. Corp.,
 general partner

By: _____
 Name: _____
 Title: _____

MERRILL LYNCH/WFC/L, INC.

-34-

By: _____
 Name: _____
 Title: _____

-35-

STATE OF NEW YORK)
 : ss:
 COUNTY OF NEW YORK)

On this ___th day of _____, 1996, before me personally came _____ to me known, who, being by me duly sworn, did depose and say that he has an address at _____, that he is the _____ of MERRILL LYNCH/WFC/L, INC., the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the board of directors of said corporation.

 Notary Public

STATE OF NEW YORK)
 : ss:
 COUNTY OF NEW YORK)

On this ___th day of November, 1996, before me personally came _____ to me known, who, being by me duly sworn, did depose and say that he has an address at _____, that he is the _____ of WFP Tower B Co. G.P. Corp., the corporation described in the foregoing instrument and which executed same as general partner of WFP TOWER B CO. L.P., a New York limited partnership; and that he signed his name thereto by order of the board of directors of said corporation.

 Notary Public

-36-

Agreement of Severance Lease for the premises known as Parcel B, Battery Park City -- Commercial Center, New York, New York, dated as of June 15, 1983, made by the Battery Park City Authority, as Landlord, to and with Olympia & York Battery Park Company, as Tenant, a memorandum of which was recorded in the Office of the Register of the City of New York, New York County ("Register's Office"), on June 20, 1983 in Reel 696, at Page 495, as assigned and assumed pursuant to that certain Assignment and Assumption of Severance Lease dated as of October 7, 1983, made by Olympia & York Battery Park Company, as assignor, to and with Olympia & York Tower B Company, as assignee, and recorded on October 7, 1983 in Reel 724, at Page 1258, as amended by (i) an Unrecorded Agreement, dated as of August 24, 1984, among Battery Park City Authority, Olympia & York Tower B Company and Merrill Lynch & Co., Inc. as referred to in the recorded memorandum described in clause (ii) below, (ii) an Amendment of Severance Lease, dated as of December 5, 1984, between Battery Park City Authority and Olympia & York Tower B Company, a memorandum of which was recorded in the Register's Office on April 1, 1985, in Reel 892, at Page 1204, (iii) an Unrecorded Agreement, dated July 12, 1985, among Battery Park City Authority, Olympia & York Tower B Company and Bankers Trust Company, as Collateral Agent as referred to in the recorded memorandum described in clause (iv) below, (iv) an Amendment of Severance Lease, dated as of August 15, 1985, between Battery Park City Authority and Olympia & York Tower B Company, a memorandum of which was recorded in the Register's Office on May 19, 1986, in Reel 1065, at Page 1548, (v) an Unrecorded Agreement, dated as of January 30, 1987, by and among Battery Park City Authority, Olympia & York Tower B Company and Bankers Trust Company, as Collateral Agent as referred to in the recorded memorandum described in clause (ix) below, (vi) an Unrecorded Agreement, dated as of September 23, 1987, among Battery Park City Authority, Olympia & York Tower B Company, Bankers Trust Company, as Collateral Agent, ML Guarantor and Merrill Lynch/WFC/L, Inc. as referred to in the recorded memorandum described in clause (ix) below, (vii) an Unrecorded Agreement dated December 1987 between Battery Park City Authority and Olympia & York Tower B Company as referred to in the recorded memorandum described in clause (ix) below, (viii) an Unrecorded Agreement dated June 30, 1988 between Battery Park City Authority and Olympia & York Tower B Company as referred to in the recorded memorandum described in clause (ix) below, (ix) an Amendment of Severance Lease,

A-1

dated as of July 14, 1988, between Battery Park City Authority and Olympia & York Tower B Company, a memorandum of which was recorded in the Register's Office on October 4, 1988 in Reel 1473, Page 2124, and (x) an Unrecorded Letter Agreement dated December 14, 1988, between Bankers Trust Company as Collateral Agent, Olympia & York Tower B Company and Battery Park City Authority. The interest of the tenant under said Severance Lease was assigned by that certain Assignment and Assumption of Severance Lease, dated as of November 21, 1996, made by Olympia & York Tower B Company, as assignor, to and with, WFP Tower B Co. L.P., which is intended to be recorded.

A-2

EXHIBIT B TO REIMBURSEMENT AGREEMENT

LIST OF UNINSURABLE CASUALTIES

1. Nuclear reaction or nuclear radiation all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) insured against in the insurance policy obtained by Tenant pursuant to Article 7 of the Lease.
2. Except as otherwise provided in Section 7.01.(a)(i) of the Lease, hostile or warlike action in time of peace or war, including action in hindering, combating, or defending against an actual, impending, or expected attack.
 - (a). By any government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval or air forces;
 - (b). or by military, naval, or air forces;
 - (c). or by an agent of any such government, power, authority, or forces.
3. Any weapon employing atomic fission.
4. Except as otherwise provided in Section 7.01.(a)(i) of the Lease, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating, or defending against such occurrence.
5. Seizure or destruction by order of public authority.
6. Inherent vice, termites and other insects, wet or dry rot, vermin and contamination.

EXHIBIT C TO REIMBURSEMENT AGREEMENT

Form of Assignment and Assumption Agreement

This Assignment and Assumption Agreement is made and entered into as of _____, _____ by and between _____, a _____ ("Assignor") having an address at _____ and _____, a _____ having an address at _____ ("Assignee").

W I T N E S S E T H :

WHEREAS, Assignor, as successor-in-interest to WFP Tower B Co. L.P., and Merrill Lynch/WFC/L, Inc., a New York corporation ("Merrill") are parties to that certain Amended and Restated Reimbursement Agreement, dated as of November 21, 1996 (the "Reimbursement Agreement"), a copy of which is attached hereto; and

WHEREAS, Assignor is, simultaneously herewith, assigning Lease B (as defined in the Reimbursement Agreement) to Assignee; and

WHEREAS, Assignor desires to transfer and assign to Assignee all of its rights and interests in and all of its obligations under the Reimbursement Agreement, and Assignee is willing to accept and assume all of said rights, interests and obligations;

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

- 1. Assignor hereby assigns to Assignee all of Assignor's rights, title, interests in and obligations under the Reimbursement Agreement.
- 2. Assignee hereby accepts the foregoing assignment of the Reimbursement Agreement and agrees with Assignor that, effective as of the date hereof, Assignee unconditionally will, and hereby does, assume and shall pay for, satisfy, perform and observe any and all duties, liabilities and obligations under the Reimbursement Agreement (whether the same have accrued before or will accrue after the date hereof), and agrees to abide by and be bound by all of the terms and conditions of the Reimbursement Agreement in the place and stead of Assignor.
- 3. The assignment by Assignor in Paragraph 1 and the acceptance and assumption by Assignee in Paragraph 2

C-1

are made subject to all of the terms and conditions of the Reimbursement Agreement.

- 4. Assignor represents and warrants to Assignee, and Assignee represents and warrants to Assignor, that as of the date hereof:
 - (A) Such party has full power, authority and legal right to execute, deliver, perform and observe the provisions of this Assignment.
 - (B) The execution, delivery and performance by such party of this Assignment has been duly authorized.
 - (C) This Assignment constitutes the legal, valid and binding obligation of such party, enforceable in accordance with its terms.
 - (D) No authorization, approval, consent or permission (governmental or otherwise) of any court, agency, commission or other authority or entity is required for the due execution, delivery, performance or observance by such party of this Assignment which has not been obtained.
- 5. All Notices (as defined in the Reimbursement Agreement) to Assignee should be served as provided in Article 4 of the Reimbursement Agreement to the following address:

[to be filled in by Assignee]

- 6. This Assignment and Assumption Agreement may be separately executed in one or more counterparts, all of which taken together shall constitute one instrument.
- 7. This Assignment and Assumption Agreement shall be governed by the laws of

the State of New York.

8. This Assignment shall bind and inure to the benefit of the parties' respective successors and assigns.
9. Merrill is an intended third party beneficiary of this Agreement and shall have any rights or remedies available to Assignor by reason of this Assignment.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment and Assumption Agreement as of the date first above written.

C-2

ASSIGNOR:

By: _____
Name: _____
Title: _____

ASSIGNEE:

By: _____
Name: _____
Title: _____

C-3

SECOND AMENDMENT OF LEASE

Agreement, dated as of November 21, 1996, between WFP TOWER D CO. L.P., a New York limited partnership having an office at One Liberty Plaza, New York, New York 10006 ("Landlord"), and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, a New York corporation having an office c/o Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281-1219 ("Tenant").

WITNESSETH

WHEREAS, WFC Tower D Company ("WFC"), the predecessor-in-interest of Landlord, and Merrill Lynch/WFC/L, Inc., the predecessor-in-interest of Tenant ("ML/WFC"), entered into an Agreement of Lease, dated as of February 26, 1988 ("Original Lease D"), covering certain premises more particularly described in Original Lease D, consisting of (i) the parcel of land known as Parcel D at the World Financial Center of Battery Park City, New York, New York, and (ii) the buildings and improvements constructed on said parcel of land (collectively, "Building D"), except for certain retail and parking space at Building D, a memorandum of which lease was recorded in the Office of the Register of the City of New York, County of New York, on March 9, 1988, in Reel 1375, at Page 1549; and

WHEREAS, WFC and ML/WFC entered into an Amendment of Lease, dated as of September 29, 1988 (the "First Amendment"; Original Lease D, as modified by the First Amendment, is hereinafter referred to as "Lease D"), a memorandum of which amendment was recorded in the Office of the Register of the City of New York, County of New York, on May 12, 1995, in Reel 2206, at Page 2395; and

WHEREAS, Landlord and Tenant now desire to further amend Lease D as more particularly set forth in this Agreement.

NOW, THEREFORE, Landlord and Tenant agree as follows:

1. Capitalized Terms. All capitalized terms used in this Agreement which are not otherwise defined herein shall have the meanings ascribed to them in Lease D.

2. Modifications to Lease D. Effective as of the date this Agreement, Lease D is hereby modified as follows:

(a) Section 1.13 of Original Lease D is deleted in its entirety and the following is inserted in its place:

"1.13 "Business Days" shall mean all days which are not a Saturday, Sunday or a day observed as a holiday by either the State of New York or the federal government."

(b) The term "limited liability company" is inserted after the word "association" in the third line of Section 1.96 of Original Lease D.

(c) The clause "prime rates by Citibank, N.A., Manufacturers Hanover Trust Company and Chemical Bank" is deleted in the third and fourth lines of Section 1.105 of Original Lease D and the clause " base rate, prime rate or term of similar import by Citibank, N.A. and The Chase Manhattan Bank " is inserted in its place. The reference to "prime rates" on the fifth line of Section 1.107 of Original Lease D is replaced with the following: "base rate, prime rate or term of similar import."

(d) Section 3.01(a) (i) of Original Lease D is deleted in its entirety and the following is inserted in its place:

"(i) during the period (x) beginning on the Commencement Date and ending on November 30, 1996, Forty Five Million Eight Hundred Forty-One Thousand Six Hundred Fourteen and 84/100 Dollars (\$45,841,614.84), (y) during the period commencing December 1, 1996 and ending on November 30, 2001, Thirty Nine Million Four Hundred Thirteen Thousand Six Hundred Seventy and 48/100 Dollars (\$39,413,670.48) and (z) during the period commencing on December 1, 2001, and ending on the day immediately preceding the fifteenth (15th) anniversary of the Commencement Date, Forty Five Million Eight Hundred Forty-One Thousand Six Hundred Fourteen and 84/100 Dollars (\$45,841,614.84), as shown for each such period on "Exhibit I-1" annexed hereto and made a part hereof."

(e) Article 6 of Original Lease D is amended by inserting on the twenty-third line thereof after the word "to" the words "and including."

(f) The following is inserted at the end of Section 9.01(a) of Original Lease D:

"In each case under this Section 9.01(a) in which the Rental payable by Tenant is required to be apportioned, the entire amount of Fixed Rent that was due and payable on the first day of the month in which such apportionment occurs shall be retained by Landlord, and Tenant shall pay to Landlord on the date of such apportionment an additional payment of Fixed Rent (in the abated amount described above) in respect of the month in which such apportionment occurs, appropriately prorated to the date of apportionment."

(g) Section 9.01(e) of Original Lease D is amended by inserting the following sentence at the end thereof:

"Any amount payable by Tenant under this Section 9.01(e) shall be due within 15 days after Tenant is given notice that the award has been so paid to Landlord or Secured Lender."

(h) Sections 25.01(a) and (b) of Original Lease D are deleted in their entirety and the following is inserted in their place:

-2-

"(a) If by Tenant or Merrill, (i) by personal delivery of the same to and receipted on behalf of Landlord or (ii) by mailing the same to Landlord by certified or registered mail, postage prepaid, return receipt requested, addressed to Landlord at One Liberty Plaza, New York, New York 10006, Attention: Chief Financial Officer, with a copy thereof by personal delivery or certified or registered mail as aforesaid to (x) Landlord at One Liberty Plaza, New York, New York 10006, Attention: Managing Attorney and (y) Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004, Attention: Joshua Mermelstein, Esq., and/or to such other addressee(s) as Landlord may from time to time designate by Notice given to Tenant and Merrill by personal delivery of certified or registered mail as aforesaid, except that at no time shall Tenant and Merrill be required to give, in the aggregate, more than five (5) Notices or copies thereof.

(b) If by Landlord, (i) by personal delivery of the same to and receipted on behalf of Tenant and Merrill or (ii) by mailing the same to Tenant and Merrill by certified or registered mail, postage prepaid, return receipt requested, addressed to Tenant and Merrill at c/o Merrill Lynch & Co., Inc., Director, Corporate Real Estate, World Financial Center, 225 Liberty Street, 14th Floor, New York, New York 10080, Attention: H. Allen White, with a copy thereof by personal delivery or certified or registered mail as aforesaid to (w) Merrill Lynch & Co., Inc., Corporate Law Department, World Financial Center, 250 Vesey Street, 34th Floor, New York, New York 10281-1334, Attention: Phyllis Safer, Esq., and (x) Merrill Lynch & Co., Inc., World Financial Center, 225 Liberty Street, 12th Floor, New York, New York 10080-6105, Attention: Director, Headquarters Real Estate, (y) Sullivan & Cromwell, 125 Broad Street, New York, New York 10004, Attention: James I. Black III, Esq., and/or (z) such other addressee(s) as Tenant and Merrill may from time to time designate by Notice given to Landlord by personal delivery of certified or registered mail as aforesaid, except that at no time shall Landlord be required to give, in the aggregate, more than five (5) Notices or copies thereof."

(i) Exhibit "I-1" of Original Lease D is deleted in its entirety and Exhibit A annexed hereto is inserted in its place.

(j) Exhibit "M" of Original Lease D is deleted in its entirety and Exhibit B annexed hereto is inserted in its place.

3. Miscellaneous. (a) Except as specifically provided herein, nothing contained in this Agreement shall be deemed to modify in any respect the terms, provisions or conditions of Lease D, and such terms, provisions and conditions are hereby ratified and shall remain in full force and effect as modified hereby.

(b) If there is any inconsistency between the terms of this Agreement and the terms of Lease D, the terms of this Agreement shall govern and be controlling.

-3-

(c) This Agreement contains the sole and entire understanding and agreement of the parties with respect to its entire subject matter and all prior negotiations, discussions, representations, agreements, and understandings heretofore had among the parties with respect thereto are merged herein.

(d) This Agreement may be executed in duplicate counterparts, each

of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

(e) This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and permitted assigns under Lease D.

4. Reaffirmation of Guaranty. By its execution of this Agreement, Merrill hereby confirms that its obligations under the Guaranty are hereby ratified and shall remain and continue in full force and effect with respect to Lease D, as modified by this Agreement.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Agreement as of the date first above written.

LANDLORD: WFP TOWER D CO. L.P.

By: WFP Tower D Co. G.P. Corp., general partner

By: _____
Name:
Title:

TENANT: MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: _____
Name:
Title:

The undersigned agrees to be bound by the provisions of Section 4 of the foregoing Agreement:

MERRILL LYNCH & CO., INC.

By: _____
Name:
Title:

-4-

EXHIBIT A

EXHIBIT "I-1"

[CALCULATIONS BASED ON A SUM OF \$26,400,000 PLUS INTEREST AT THE RATE OF 9% PER ANNUM FOR THE PERIOD COMMENCING ON JULY 1, 1996 AND ENDING ON THE DATE OF EXECUTION, AMORTIZED OVER A PERIOD OF 5 YEARS USING AN ANNUAL DISCOUNT RATE (PAYABLE MONTHLY IN ADVANCE) OF 6.73%]

-5-

EXHIBIT B

EXHIBIT M

[TO MATCH THE PRINCIPAL AMOUNT AND AMORTIZATION SCHEDULE OF THE REFINANCED SECURITIZED LOAN TO ENCUMBER TOWER D WHICH SHALL BE SELF AMORTIZING OVER ORIGINAL TERM OF LEASE D]

-6-

SECOND AMENDMENT OF LEASE

Agreement, dated as of November 21, 1996, between WFP TOWER B CO. L.P., a New York limited partnership having an office at One Liberty Plaza, New York, New York 10006 ("Landlord"), and MERRILL LYNCH/WFC/L, INC., a New York corporation having an office c/o Merrill Lynch & Co., Inc., World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281-1219 ("Tenant").

WITNESSETH

WHEREAS, Olympia & York Tower B Company ("O&Y"), the predecessor-in-interest of Landlord, and Tenant entered into an Agreement of Lease, dated as of September 29, 1988 ("Original Lease B"), covering certain premises more particularly described in Original Lease B consisting of (i) the parcel of land known as Parcel B at the World Financial Center of Battery Park City, New York, New York, and (ii) the buildings and improvements constructed on said parcel of land (collectively, "Building B"), except for certain retail and storage space at Building B, a memorandum of which lease was recorded in the Office of the Register of the City of New York, County of New York, on October 4, 1988, in Reel 1473, at Page 2138; and

WHEREAS, O&Y and Tenant entered into an Amendment of Lease, dated as of December 14, 1988 (the "First Amendment"; Original Lease B, as modified by the First Amendment, is hereinafter referred to as "Lease B"), a memorandum of which amendment was recorded in the Office of the Register of the City of New York, County of New York, on December 14, 1988, in Reel 1506, at Page 2144; and

WHEREAS, Landlord and Tenant now desire to further amend Lease B as more particularly set forth in this Agreement.

NOW, THEREFORE, Landlord and Tenant agree as follows:

1. Capitalized Terms. All capitalized terms used in this Agreement which are not otherwise defined herein shall have the meanings ascribed to them in Lease B.

2. Modifications to Lease B. Effective as of the date of this Agreement, Lease B is hereby modified as follows:

(a) Section 1.13 of Original Lease B is deleted in its entirety and the following is inserted in its place:

"1.13 "Business Days" shall mean all days which are not a Saturday, Sunday or a day observed as a holiday by either the State of New York or the federal government."

(b) The term "limited liability company" is inserted after the word "association" in the third line of Section 1.97 of Original Lease B.

(c) The clause "prime rates by Citibank, N.A., Manufacturers Hanover Trust Company and Chemical Bank" is deleted in the third and fourth lines of Section 1.107 of Original Lease B and the clause "base rate, prime rate or term of similar import by Citibank, N.A. and The Chase Manhattan Bank" is inserted in its place. The reference to "prime rates" on the fifth line of Section 1.107 of Original Lease B is replaced with the following "base rate, prime rate or term of similar import."

(d) Landlord and Tenant acknowledge that the Tower Sublease no longer is in existence and, accordingly, agree as follows: (i) the provisions of Section 2.02(d) of Original Lease B will apply as if the Tower Sublease terminated as a result of a default by the Tenant thereunder and, accordingly, the Non-Subleased Premises will include all of the space originally leased under the Tower Sublease, (ii) all references in Section 2.02(g) of Original Lease B to the Tower Sublease shall continue to apply notwithstanding that the Tower Sublease is no longer in existence but shall refer to the form of Tower Sublease executed on September 29, 1988, (iii) the words "but only if at the time in question such floor is part of the Non-Subleased Premises" in the fourth and fifth lines of Section 3.01(o) of Original Lease B are hereby deleted, (iv) the words "the tenant under the Tower Sublease" in the fourth and fifth lines of Section 7.01(b) of Original Lease B and in the fifteenth and sixteenth lines of Section 7.02(j) of Original Lease B are hereby deleted, (v) all references to the Tower Sublease in Section 10.08 of Original Lease B are hereby deleted, other than the provisions of clause (c) thereof, which will continue to apply as if the Tower Sublease had continued in effect, and (vi) the provisions of Section 26.01(a) of Original Lease B shall be of no further force or effect.

(e) Landlord and Tenant acknowledge that as of December 14, 1988, the original schedule for the payment of Fixed Office Rent set forth in Sections 3.01(a)(i) - (iv) and Part A of Exhibit I-1 of Original Lease B was no longer applicable (the conditions therefor set forth in Original

Lease B having been satisfied) and that since such date Fixed Office Rent has been and continues to be payable in accordance with Sections 3.01(a)(1) - (3) and Part B of Exhibit I-1 of Original Lease B. Landlord and Tenant acknowledge that this Section 2(e) fully incorporates the provisions of that certain letter agreement, dated December 14, 1988, among O&Y, Tenant and Bankers Trust Company, as collateral agent, concerning the subject matter of this Section 2(e), and that no further reference to such letter agreement as an amendment of Original Lease B shall be required.

(f) Article 6 of the Original Lease is amended by inserting on the twenty-third line thereof after the word "to" the words "and including."

(g) The following is inserted at the end of Section 9.01(a) of Original Lease B:

"In each case under this Section 9.01(a) in which the Rental payable by Tenant is required to be apportioned, the entire amount of Fixed Rent that was due and payable on the first day of the month in which such apportionment occurs shall be retained by Landlord, and Tenant shall pay to Landlord on the date of such apportionment an additional payment of Fixed Rent (in the abated amount described above) in respect of the month in which such apportionment occurs, appropriately prorated to the date of apportionment."

-2-

(h) Section 9.01(e) of Original Lease B, as amended by the First Amendment, is hereby amended to replace "\$800,000,000" which constitutes clause (x) thereof with the following:

"(x) the amount for the period in which such Shortfall is paid set forth on the schedule annexed as Exhibit A to the Second Amendment of Lease, dated November 21, 1996, between Landlord and Tenant"

(i) Section 9.01(e) of Original Lease B, as amended pursuant to Section 2(g) above, is hereby further amended by inserting the following sentence at the end thereof:

"Any amount payable by Tenant under this Section 9.01(e) shall be due within 15 days after Tenant is given notice that the award has been so paid to Landlord or the Secured Lender."

(j) For purposes of Section 9.01(e) of Original Lease B, the term "Secured Lender" shall not include the holder of the Zero Coupon Note (as defined in Section 2(1) below).

(k) Sections 25.01(a) and (b) of Original Lease B are deleted in their entirety and the following is inserted in their place:

"(a) If by Tenant or Merrill, (i) by personal delivery of the same to and receipted on behalf of Landlord or (ii) by mailing the same to Landlord by certified or registered mail, postage prepaid, return receipt requested, addressed to Landlord at One Liberty Plaza, New York, New York 10006, Attention: Chief Financial Officer, with a copy thereof by personal delivery or certified or registered mail as aforesaid to (x) Landlord at One Liberty Plaza, New York, New York 10006, Attention: Managing Attorney and (y) Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004, Attention: Joshua Mermelstein, Esq., and/or to such other addressee(s) as Landlord may from time to time designate by Notice given to Tenant and Merrill by personal delivery of certified or registered mail as aforesaid, except that at no time shall Tenant and Merrill be required to give, in the aggregate, more than five (5) Notices or copies thereof.

(b) If by Landlord, (i) by personal delivery of the same to and receipted on behalf of Tenant and Merrill or (ii) by mailing the same to Tenant and Merrill by certified or registered mail, postage prepaid, return receipt requested, addressed to Tenant and Merrill c/o Merrill Lynch & Co., Inc., Director, Corporate Real Estate, World Financial Center, 225 Liberty Street, 14th Floor, New York, New York 10080, Attention: H. Allen White, with a copy thereof by personal delivery or certified or registered mail as aforesaid to (w) Merrill Lynch & Co., Inc., Corporate Law Department, World Financial Center, 250 Vesey Street, 34th Floor, New York, New York 10281-1334, Attention: Phyllis Safer, Esq., and (x) Merrill Lynch & Co., Inc., World Financial Center, 225 Liberty Street, 12th Floor, New York, New York 10080-6105, Attention: Director, Headquarters Real

-3-

Estate, (y) Sullivan & Cromwell, 125 Broad Street, New York, New York 10004, Attention: James I. Black III, Esq., and/or (z) such other addressee(s) as Tenant and Merrill may from time to time designate by Notice given to Landlord by personal delivery of certified or registered mail as aforesaid, except that at no time shall Landlord be required to give, in the aggregate, more than five (5) Notices or copies thereof."

(1) Tenant hereby waives all rights it may have (including, without limitation, any right it may have to receive a Conveyance Notice or to have Landlord (or the owner of the applicable Interest) negotiate and/or enter into a Sale and Purchase Agreement in connection therewith), if any, in connection with (i) the Conveyance of the lessee's interest in Severance Lease B and/or the landlord's interest in Lease B by O&Y to Landlord, (ii) the Conveyance of any Interests that may be effectuated pursuant to the First Amended Joint Plan of Reorganization of Olympia & York Tower B Company and Olympia & York World Financial Center Finance Corp. dated July 26, 1996, as amended to date, and pursuant to the Second Amended Joint Plan of Reorganization of Olympia & York Realty Corp., et al., dated August 9, 1996, as amended to date, including, without limitation, in connection with the financing occurring on the date of this Agreement, or (iii) any Conveyance of an Interest or Interests to the then holder of that certain Zero Coupon Note, dated the date of this Agreement, made by WFP Tower B Co. L.P. in favor of TBR Finance Inc. in the face principal amount of \$150,000,000 (the "Zero Coupon Note") or some or all of the beneficial holders thereof (including the beneficial holders of the notes issued pursuant to a certain Trust Indenture, dated as of November 21, 1996, between TBR Finance Inc., as issuer, and Marine Midland Bank, as trustee), or any of their successors, assigns or designees, where such Conveyance is in connection with (or effectuates) the repayment of said Zero Coupon Note. Without limiting the provisions of Sections 44.03, 44.04 or 44.07 of Original Lease B, for the avoidance of doubt the parties confirm that upon any Conveyance described in clause (iii) above, the Interests governed thereby shall no longer be subject to the terms of Article 44 of Original Lease B and they may thereafter be Conveyed without any requirement to deliver a Conveyance Notice and free of any obligation to negotiate and/or enter into a Sale and Purchase Agreement or any other right of Tenant under Article 44 of Original Lease B in connection therewith. The reference in Section 44.01(a)(iv) of Original Lease B to "the originally named Landlord (Olympia & York Tower B Company)" shall be deemed a reference to "WFP Tower B Co. L.P." References in Section 44.04(a)(i) of Original Lease B to Exhibit "P-1" and Exhibit "P-2" shall be deemed references to Exhibit "O-1" and Exhibit "O-2" respectively. The provisions of Section 44.10 of Original Lease B are hereby deleted in their entirety.

3. Miscellaneous. (a) Except as specifically provided herein, nothing contained in this Agreement shall be deemed to modify in any respect the terms, provisions or conditions of Lease B, and such terms, provisions and conditions are hereby ratified and shall remain in full force and effect as modified hereby.

(b) If there is any inconsistency between the terms of this Agreement and the terms of Lease B, the terms of this Agreement shall govern and be controlling.

-4-

(c) This Agreement contains the sole and entire understanding and agreement of the parties with respect to its entire subject matter and all prior negotiations, discussions, representations, agreements, and understandings heretofore had among the parties with respect thereto are merged herein.

(d) This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

(e) This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and permitted assigns under Lease B.

4. Reaffirmation of Guaranty. By its execution of this Agreement, Merrill hereby confirms that its obligations under the Guaranty are hereby ratified and shall remain and continue in full force and effect with respect to Lease B, as modified by this Agreement.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Agreement as of the date first above written.

LANDLORD: WFP TOWER B CO. L.P.

By: WFP Tower B Co. G.P. Corp., general partner

By: _____
Name:
Title:

TENANT: MERRILL LYNCH/WFC/L, INC.

By: _____
Name:
Title:

The undersigned agrees to be bound
by the provisions of Section 4 of the
foregoing Agreement:

MERRILL LYNCH & CO., INC.

By: _____
Name:
Title:

-5-

EXHIBIT A

[TO MATCH THE PRINCIPAL AMOUNT AND AMORTIZATION SCHEDULE OF THE REFINANCED LOAN
TO ENCUMBER TOWER B WHICH SHALL BE SELF AMORTIZING OVER ORIGINAL TERM OF LEASE
B]

-6-

<TABLE>
<CAPTION>

Exhibit 11

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
(In Millions, Except Per Share Amounts)

	Year Ended Last Friday in December				
	1996	1995	1994	1993	1992
	(52 Weeks)	(52 Weeks)	(52 Weeks)	(53 Weeks)	(52 Weeks)
<S>	<C>	<C>	<C>	<C>	<C>
Earnings					
Earnings before cumulative effect of changes in accounting principles	\$ 1,619	\$ 1,114	\$ 1,017	\$ 1,394	\$ 952
Cumulative effect of changes in accounting principles	--	--	--	(35)	(58)
Net earnings	1,619	1,114	1,017	1,359	894
Preferred stock dividends	(47)	(48)	(13)	(5)	(7)
Net earnings applicable to common stockholders	\$ 1,572	\$ 1,066	\$ 1,004	\$ 1,354	\$ 887
Primary Weighted Average Shares					
Common stock	168.9	176.6	195.7	209.3	207.7
Assuming issuance of shares relating to employee incentive plans	22.9	19.4	15.5	17.0	18.7
Total shares	191.8	196.0	211.2	226.3	226.4
Primary Earnings Per Share					
Earnings before cumulative effect of changes in accounting principles	\$ 8.20	\$ 5.44	\$ 4.75	\$ 6.14	\$ 4.18
Cumulative effect of changes in accounting principles	--	--	--	(.16)	(.26)
Net earnings	\$ 8.20	\$ 5.44	\$ 4.75	\$ 5.98	\$ 3.92
Fully Diluted Weighted Average Shares					
Common stock	168.9	176.6	195.7	209.3	207.7
Assuming issuance of shares relating to employee incentive plans	26.3	20.1	16.0	18.2	19.2
Total shares	195.2	196.7	211.7	227.5	226.9
Fully Diluted Earnings Per Share					
Earnings before cumulative effect of changes in accounting principles	\$ 8.06	\$ 5.42	\$ 4.74	\$ 6.11	\$ 4.17
Cumulative effect of changes in accounting principles	--	--	--	(.16)	(.26)
Net earnings	\$ 8.06	\$ 5.42	\$ 4.74	\$ 5.95	\$ 3.91

</TABLE>

Notes: All share and per share amounts have been restated for the two-for-one common stock split, effected in the form of a 100% stock dividend, declared by the Board of Directors on October 11, 1993 and paid on November 24, 1993.

Primary and fully diluted earnings per share are based on actual numbers before rounding.

EXHIBIT 12

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
 COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND
 COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
 (Dollars in Millions)

<TABLE>
 <CAPTION>

	Year Ended Last Friday in December				
	1996	1995	1994	1993	1992
	(52 Weeks)	(52 Weeks)	(52 Weeks)	(53 weeks)	(52 weeks)
<S>	<C>	<C>	<C>	<C>	<C>
Pretax earnings from continuing operations	\$ 2,566	\$ 1,811	\$ 1,730	\$ 2,425	\$ 1,621
Deduct equity in undistributed net earnings of unconsolidated subsidiaries	--	--	(19)	(13)	(13)
Total pretax earnings from continuing operations	2,566	1,811	1,711	2,412	1,608
Add:					
Fixed charges					
Interest	11,886	11,238	8,586	6,009	4,823
Other (A)	173	144	138	152	152
Total fixed charges	12,059	11,382	8,724	6,161	4,975
Preferred stock dividend requirements	73	77	22	9	11
Total combined fixed charges and preferred stock dividends	12,132	11,459	8,746	6,170	4,986
Pretax earnings before fixed charges	\$ 14,625	\$ 13,193	\$ 10,435	\$ 8,573	\$ 6,583
Pretax earnings before combined fixed charges and preferred stock dividends	\$ 14,698	\$ 13,270	\$ 10,457	\$ 8,582	\$ 6,594
Ratio of earnings to fixed charges	1.21	1.16	1.20	1.39	1.32
Ratio of earnings to combined fixed charges and preferred stock dividends	1.21	1.16	1.20	1.39	1.32

</TABLE>

(A) Other fixed charges consist of the interest factor in rentals, amortization of debt expense, and preferred stock dividend requirements of majority-owned subsidiaries.

Graph Titled "NET EARNINGS"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s net earnings of \$894, \$1,359, \$1,017, \$1,114, and \$1,619 for the years 1992 through 1996, respectively. Graph is shown in millions.

Graph Titled "STOCKHOLDERS' EQUITY"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s stockholders' equity of \$4,569, \$5,486, \$5,818, \$6,141, and \$6,892 for the years ended 1992 through 1996, respectively. Graph is shown in millions.

Graph Titled "RETURN ON AVERAGE COMMON STOCKHOLDERS' EQUITY"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s return on average common stockholders' equity of 22.0%, 27.3%, 18.6%, 20.1%, and 26.8% for the years 1992 through 1996, respectively.

Graph Titled "PRIMARY EARNINGS PER SHARE"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s primary earnings per share of \$3.92, \$5.98, \$4.75, \$5.44, and \$8.20 for the years 1992 through 1996, respectively.

Graph Titled "DIVIDENDS PAID PER COMMON SHARE"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s dividends paid per common share of \$.575, \$.70, \$.89, \$1.01, and \$1.16 for the years 1992 through 1996, respectively.

Graph Titled "BOOK VALUE PER COMMON SHARE"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s book value per common share of \$21.37, \$26.17, \$28.87, \$32.41, and \$38.38 for the years ended 1992 through 1996, respectively.

<TABLE>
<CAPTION>

	Year Ended Last Friday in December				
	1992	1993	1994	1995	1996
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	(52 Weeks)	(53 Weeks)	(52 Weeks)	(52 Weeks)	(52 Weeks)
OPERATING RESULTS					
Total Revenues	\$ 13,413	\$ 16,588	\$ 18,234	\$ 21,513	\$ 25,011
Net Revenues	\$ 8,577	\$ 10,558	\$ 9,625	\$ 10,265	\$ 13,116
Net Earnings	\$ 894	\$ 1,359	\$ 1,017	\$ 1,114	\$ 1,619
Pretax Margin (a)	18.9%	23.0%	18.0%	17.6%	19.6%
Profit Margin (b)	11.1%	13.2%	10.6%	10.8%	12.3%
Return on Average Common Stockholders' Equity	22.0%	27.3%	18.6%	20.1%	26.8%
FINANCIAL POSITION					
Total Assets	\$107,024	\$152,910	\$163,749	\$176,857	\$213,016
Total Stockholders' Equity	\$ 4,569	\$ 5,486	\$ 5,818	\$ 6,141	\$ 6,892
PER COMMON SHARE					
Primary Earnings	\$ 3.92	\$ 5.98	\$ 4.75	\$ 5.44	\$ 8.20
Fully Diluted Earnings	\$ 3.91	\$ 5.95	\$ 4.74	\$ 5.42	\$ 8.06
Dividends Paid	\$.575	\$.70	\$.89	\$ 1.01	\$ 1.16
Book Value	\$ 21.37	\$ 26.17	\$ 28.87	\$ 32.41	\$ 38.38
CLIENT ASSETS (IN BILLIONS)					
Assets in Worldwide Client Accounts	\$ 487	\$ 557	\$ 568	\$ 703	\$ 839
Assets Under Management	\$ 139	\$ 161	\$ 164	\$ 196	\$ 234
UNDERWRITING (DOLLARS IN BILLIONS) (c)					
Global Debt and Equity: Volume	\$ 149.9	\$ 191.9	\$ 137.1	\$ 147.0	\$ 187.7

Market Share	13.0%	12.9%	12.6%	13.7%	12.9%
U.S. Debt and Equity:					
Volume	\$ 139.6	\$ 172.5	\$ 116.1	\$ 126.6	\$ 155.9
Market Share	16.4%	16.4%	16.4%	17.8%	16.3%

FULL-TIME EMPLOYEES	40,100	41,900	43,800	46,000	49,800

COMMON SHARES					
OUTSTANDING (d) (in Millions)	207.2	204.0	181.5	171.4	164.1

(a) Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles to Net Revenues.

(b) Earnings Before Cumulative Effect of Changes in Accounting Principles to Net Revenues.

(c) Full credit to book manager. All market share data are derived from Securities Data Co.

(d) Does not include unallocated reversion shares held in the Employee Stock Ownership Plan, which are not considered outstanding for accounting purposes.

</TABLE>

<TABLE>
<CAPTION>

SELECTED FINANCIAL DATA

	Year Ended Last Friday in December				
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	1996	1995	1994	1993	1992
	(52 Weeks)	(52 Weeks)	(52 Weeks)	(53 Weeks)	(52 Weeks)
	<C>	<C>	<C>	<C>	<C>
OPERATING RESULTS					
Revenues	\$ 25,011	\$ 21,513	\$ 18,234	\$ 16,588	\$ 13,413
Interest Expense	11,895	11,248	8,609	6,030	4,836
Net Revenues	13,116	10,265	9,625	10,558	8,577
Non-Interest Expenses	10,550	8,454	7,895	8,133	6,956
Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles	2,566	1,811	1,730	2,425	1,621
Income Tax Expense	947	697	713	1,031	669
Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 1,619	\$ 1,114	\$ 1,017	\$ 1,394	\$ 952
Net Earnings	\$ 1,619	\$ 1,114	\$ 1,017	\$ 1,359	\$ 894
Net Earnings Applicable to Common Stockholders	\$ 1,572	\$ 1,066	\$ 1,004	\$ 1,354	\$ 887

FINANCIAL POSITION

Total Assets	\$213,016	\$176,857	\$163,749	\$152,910	\$107,024
Short-Term Borrowings (a)	\$102,002	\$ 86,363	\$ 78,304	\$ 79,632	\$ 51,180
Long-Term Borrowings	\$ 26,102	\$ 17,340	\$ 14,863	\$ 13,469	\$ 10,871
Preferred Securities Issued by Subsidiaries	\$ 327	\$ 51	\$ 51	\$ 51	\$ 51
Total Stockholders' Equity	\$ 6,892	\$ 6,141	\$ 5,818	\$ 5,486	\$ 4,569

TAX INFORMATION

Other Taxes, Principally Payroll and Property	\$ 341	\$ 291	\$ 255	\$ 223	\$ 222
Total Taxes (b)	\$ 1,288	\$ 988	\$ 968	\$ 1,254	\$ 891

COMMON SHARE DATA

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Primary:

Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 8.20	\$ 5.44	\$ 4.75	\$ 6.14	\$ 4.18
Net Earnings	\$ 8.20	\$ 5.44	\$ 4.75	\$ 5.98	\$ 3.92

Fully Diluted:

Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 8.06	\$ 5.42	\$ 4.74	\$ 6.11	\$ 4.17
Net Earnings	\$ 8.06	\$ 5.42	\$ 4.74	\$ 5.95	\$ 3.91
Weighted-Average Shares Outstanding:					
Primary	191,836	195,997	211,241	226,331	226,402
Fully Diluted	195,175	196,660	211,695	227,480	226,854
Shares Outstanding at Year-End (c)	164,086	171,388	181,479	203,990	207,203
Shares Repurchased	18,579	20,012	29,989	16,346	10,654
Average Share Repurchase Price	\$ 62.60	\$ 46.95	\$ 37.96	\$ 42.55	\$ 24.36
Book Value	\$ 38.38	\$ 32.41	\$ 28.87	\$ 26.17	\$ 21.37
Total Taxes (b)	\$ 6.72	\$ 5.04	\$ 4.58	\$ 5.54	\$ 3.94
Dividends Paid	\$ 1.16	\$ 1.01	\$.89	\$.70	\$.575

--					
FINANCIAL RATIOS					
Pretax Margin (d)	19.6%	17.6%	18.0%	23.0%	18.9%
Profit Margin (e)	12.3%	10.8%	10.6%	13.2%	11.1%
Common Dividend Payout Ratio	12.5%	16.9%	17.5%	10.9%	13.5%
Return on Average Assets	0.7%	0.6%	0.6%	1.0%	0.8%
Return on Average Common Stockholders' Equity	26.8%	20.1%	18.6%	27.3%	22.0%
Average Leverage (f)	33.5x	32.4x	31.7x	27.1x	24.8x
Average Adjusted Leverage (g)	19.9x	19.3x	18.7x	16.4x	15.7x

EMPLOYEE STATISTICS					
Full-Time Employees:					
U.S.	42,200	39,250	38,750	37,500	36,100
Non-U.S.	7,600	6,750	5,050	4,400	4,000
Total	49,800	46,000	43,800	41,900	40,100
Financial Consultants and Account Executives Worldwide	14,400	13,900	13,500	13,200	12,700

</TABLE>

- (a) Short-Term Borrowings include repurchase agreements and commercial paper and other short-term borrowings.
- (b) Excludes the effect of \$25 and \$73 of income taxes in 1993 and 1992, respectively, related to the cumulative effect of changes in accounting principles.
- (c) Does not include 1,539, 4,013, 6,427, 8,932, and 11,202 unallocated reversion shares held in the Employee Stock Ownership Plan at year-end 1996, 1995, 1994, 1993, and 1992, respectively, which are not considered outstanding for accounting purposes.
- (d) Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (e) Earnings Before Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (f) Average total assets to average total stockholders' equity and preferred securities issued by subsidiaries.
- (g) Average total assets less average resale agreements and securities borrowed to average total stockholders' equity and preferred securities issued by subsidiaries.

BUSINESS ENVIRONMENT

Merrill Lynch & Co., Inc. and its subsidiaries (collectively referred to as "Merrill Lynch") is a client-focused, financial management and advisory company, concentrating on client relationships and on integrated delivery of services worldwide. Merrill Lynch serves its clients and conducts its businesses in global financial markets that are influenced by many factors, including economic and market conditions, political events, and investor sentiment. The reaction of issuers and investors to a particular condition or event is unpredictable and can increase volatility in the marketplace. While high volatility increases risk, it may also increase order flow, which drives many of Merrill Lynch's businesses. Earnings also can be affected by other global market and economic conditions, including the liquidity of secondary markets; the level and volatility of interest rates, currency exchange rates, and security valuations; competitive conditions; and the size, number, and timing of transactions. As a result, revenues and net earnings can vary significantly from quarter to quarter, and from year to year.

The robust global financial markets of 1995 continued in 1996, led by a stable U.S. economy and heightened individual and institutional investor activity. Low interest rates, a favorable economic environment, and strong cash flows into mutual funds combined to make 1996 a record year in U.S. equity markets and led to significant gains in most non-U.S. markets.

U.S. equity markets continued to post significant gains in 1996, as evidenced by a 26% rise in the Dow Jones Industrial Average. Individuals invested record

amounts into mutual funds, boosting demand for new issuances and driving both average daily trading volumes and stock indices to record levels.

U.S. bond markets, which advanced on steady declines in interest rates throughout 1995, were more volatile in 1996. Expectations that the Federal Reserve Board would raise rates, combined with inflationary fears and a stronger-than-expected economy, led to a modest rise in long-term rates in the first half of the year. This trend reversed late in the third quarter as inflationary fears eased, leading to a decrease in long-term interest rates. The yield on the 30-year bond ended the year at 6.54%, higher than the 1995 year-end rate of 5.95%, but lower than the high of 7.20%, which occurred in June.

The Dow Jones World Index rose approximately 11% during 1996. Relatively low inflation and interest rates, combined with growing investor confidence in emerging markets, contributed to year-over-year gains in many non-U.S. equity and bond markets.

Global underwriting volume rose from the first quarter of 1995 throughout most of 1996. Rising stock prices and relatively low interest rates created attractive market conditions for issuers, while demand for new issues benefited from record inflows of cash into mutual funds. Industrywide disclosed fees from U.S. and global debt and equity underwriting reached records of \$9.2 billion and \$17.6 billion, respectively, according to Securities Data Co. ("SDC").

Strategic services activities in 1996 also reached record levels, reflecting a continuation of the high degree of mergers and acquisitions activity seen in 1995. Driven by globalization and other competitive and economic factors, companies continued to seek strategic alliances to increase earnings growth and expand into new markets and businesses.

Fiscal 1996 was characterized by strong financial markets and favorable economic conditions. Due to the cyclical nature of the financial services industry, however, Merrill Lynch continually evaluates its businesses across market cycles for profitability and alignment with long-term strategic objectives. Merrill Lynch seeks to mitigate the effect of market downturns by expanding its global presence, developing and maintaining long-term client relationships, closely monitoring costs and risks, and continuing to diversify revenue sources.

RESULTS OF OPERATIONS

PER SHARE AMOUNTS)				1996 vs.	
	1996	1995	1994	1995	1994
Total revenues	\$25,011	\$21,513	\$18,234	16.3%	37.2%
Net revenues	13,116	10,265	9,625	27.8	36.3
Net earnings	1,619	1,114	1,017	45.3	59.2
Net earnings applicable to common stockholders	1,572	1,066	1,004	47.5	56.6
Earnings per common share:					
Primary	8.20	5.44	4.75	50.7	72.6
Fully diluted	8.06	5.42	4.74	48.7	70.0
Return on average common stockholders' equity	26.8%	20.1%	18.6%	33.3	44.1

Merrill Lynch's record net earnings for 1996 surpassed its previous record in 1993 of \$1.4 billion by 19%. Record revenues in all major categories, partially offset by increased costs, particularly compensation and technology-related expenses, led to record net earnings.

Merrill Lynch made several strategic acquisitions in 1996 to help expand its global presence and client base for aggregate consideration paid of \$232 million, recognizing \$167 million of goodwill. The impact of these acquisitions was not material to Merrill Lynch's 1996 results of operations.

In 1995, Merrill Lynch acquired Smith New Court PLC ("Smith New Court"), a U.K.-based global securities firm, for \$803 million. Merrill Lynch recorded \$533 million of goodwill related to the acquisition. Merrill Lynch's 1995 results included Smith New Court operations since mid-August 1995 and related goodwill amortization.

The following discussion provides details of major categories of revenues and expenses and other pertinent information regarding Merrill Lynch's business activities, financial condition, liquidity, and risks. Certain limited reclassification and format changes have been made to prior years' amounts to conform to the current year presentation.

 COMMISSIONS

(IN MILLIONS)	1996	1995	1994
Listed and over-the-counter	\$2,039	\$1,678	\$1,437
Mutual funds	1,192	906	879
Other	555	542	555
	-----	-----	-----
TOTAL	\$3,786	\$3,126	\$2,871
	-----	-----	-----

 Commissions revenues advanced 21% in 1996 to a record \$3.8 billion due primarily to higher levels of listed and over-the-counter securities transactions and mutual fund commissions.

Commissions from listed and over-the-counter securities increased 21% from 1995 as a result of higher trading volumes on the New York Stock Exchange, Nasdaq, and most non-U.S. exchanges. Mutual fund commissions revenues rose 32% to a record \$1.2 billion, primarily benefiting from strong sales of U.S. funds and higher distribution fees from deferred-charge funds.

Other commissions revenues rose 2% in 1996 largely due to increased sales of over-the-counter options and third party annuity contracts.

Commissions revenues in 1995 increased 9% over 1994 levels. Higher revenues from listed and over-the-counter securities and mutual fund sales were partially offset by lower revenues from commodities.

 INTEREST AND DIVIDENDS

(IN MILLIONS)	1996	1995	1994
INTEREST AND DIVIDEND REVENUES			
Trading assets	\$ 4,170	\$ 3,832	\$3,431
Securities borrowed	2,821	2,940	2,285
Resale agreements	2,977	2,810	1,807
Margin lending	1,542	1,394	1,018
Other	1,389	1,245	1,037
	-----	-----	-----
Subtotal	12,899	12,221	9,578
	-----	-----	-----
INTEREST EXPENSE			
Borrowings	4,873	4,330	3,381
Repurchase agreements	3,576	3,680	2,414
Trading liabilities	2,451	2,205	1,997
Other	995	1,033	817
	-----	-----	-----
Subtotal	11,895	11,248	8,609
	-----	-----	-----
NET INTEREST AND DIVIDEND PROFIT	\$ 1,004	\$ 973	\$ 969
	-----	-----	-----

 Merrill Lynch hedges its long- and short-term payment obligations with interest rate and currency swaps. The effect of these hedges, which is included in "Borrowings" above, decreased interest expense for 1996, 1995, and 1994 by \$64 million, \$45 million, and \$153 million, respectively (see Note 5 to the Consolidated Financial Statements).

Interest and dividend revenues and expenses are a function of the level and mix of interest-earning assets and interest-bearing liabilities and the prevailing level, term structure, and volatility of interest rates.

Net interest and dividend profit was up 3% from 1995 resulting from increases in interest spreads as the U.S. Treasury yield curve steepened for a portion of the year.

In 1995, interest and dividend profit was virtually unchanged from 1994 with increases in net interest-earning assets offset by declining interest spreads due to the flattening of the U.S. Treasury yield curve.

 PRINCIPAL TRANSACTIONS

The table that follows provides information on aggregate trading profits,

including related net interest. Interest revenue and expense amounts are based on financial reporting categories and management's assessment of the cost to finance trading positions, after consideration of the underlying liquidity of these positions.

(IN MILLIONS)	PRINCIPAL TRANSACTIONS REVENUES	NET INTEREST REVENUES (EXPENSES)	NET TRADING REVENUES

1996			
Equities and equity derivatives	\$1,138	\$ (87)	\$1,051
Taxable fixed-income	966	250	1,216
Interest rate and currency swaps	893	(56)	837
Municipals	323	12	335
Foreign exchange and commodities	134	(16)	118
	-----	-----	-----
TOTAL	\$3,454	\$ 103	\$3,557
	-----	-----	-----

1995			
Equities and equity derivatives	\$ 912	\$ (89)	\$ 823
Taxable fixed-income	516	256	772
Interest rate and currency swaps	732	(65)	667
Municipals	273	1	274
Foreign exchange and commodities	86	(9)	77
	-----	-----	-----
TOTAL	\$2,519	\$ 94	\$2,613
	-----	-----	-----

1994			
Equities and equity derivatives	\$ 625	\$ (106)	\$ 519
Taxable fixed-income	471	359	830
Interest rate and currency swaps	750	(14)	736
Municipals	380	7	387
Foreign exchange and commodities	109	(8)	101
	-----	-----	-----
TOTAL	\$2,335	\$ 238	\$2,573
	-----	-----	-----

Principal transactions revenues rose 37% from 1995 to a record \$3.5 billion due to favorable market conditions highlighted by rising stock prices, low interest rates, and narrowing credit spreads. These conditions led to increased customer demand for higher-yielding securities.

Trading and related hedging and financing activities affect the recognition of both principal transactions revenues and net interest and dividend profit. In assessing the profitability of its trading activities, Merrill Lynch aggregates net interest and principal transactions revenues. For financial reporting purposes, however, realized and unrealized gains and losses on trading positions, including hedges, are recorded in principal transactions revenues. The net interest carry (i.e., the spread representing interest earned less financing costs) for trading positions, including hedges, is recorded either as principal transactions revenues or net interest profit, depending on the nature of the specific instruments. Changes in the composition of trading inventories and hedge positions can cause the recognition of revenues within these categories to fluctuate.

Equities and equity derivative trading revenues were up 25% from 1995 due principally to higher revenues from non-U.S. equities and over-the-counter securities. Non-U.S. equities trading revenues benefited primarily from improved market conditions and increased capacity related to the acquisition of Smith New Court in the second half of 1995. Trading revenues from over-the-counter securities were up as a result of record Nasdaq volume.

Taxable fixed-income trading revenues increased 87% from 1995, primarily due to higher revenues from mortgage-backed products, non-U.S. governments and agencies securities, and money market instruments. The increase in mortgage-backed securities trading revenues was attributable to improved liquidity in this market and increased customer demand compared with a year ago. Improved economies in many emerging market countries and low interest rates contributed to the increase in trading revenues from non-U.S. governments and agencies securities as customers sought higher-yielding securities. Trading revenues from money market instruments benefited from increased floating-rate note activity in European markets.

Interest rate and currency swaps trading revenues rose 22% due to higher revenues from both non-U.S. and U.S. dollar-denominated transactions. In particular, increased customer demand for higher-yielding instruments led to considerable growth in the trading activity of derivatives related to emerging market securities. Municipal securities trading revenues were up 19% from 1995 primarily due to increased investor demand for tax-advantaged products. Foreign exchange and commodities trading revenues, in the aggregate, increased 56% from 1995. Higher volume led to increased foreign exchange trading revenues as the U.S. dollar strengthened versus most currencies, particularly the Japanese yen and German mark.

In 1995, principal transactions revenues were up 8% from 1994. Higher stock prices and the acquisition of Smith New Court led to increases in equities and equity derivatives trading revenues (up 46%). Lower interest rates and tighter credit spreads in 1995 led to increased demand and higher inventory values for taxable fixed-income products (up 10%). Offsetting these increases were declines in trading revenues from municipal securities (down 28%), foreign exchange and commodities (down 22%), and interest rate and currency swaps (down 2%), due in part to reduced demand for these products.

 INVESTMENT BANKING

(IN MILLIONS)	1996	1995	1994
Underwriting revenues	\$1,514	\$ 964	\$ 989
Strategic services revenues	431	344	251
TOTAL	\$1,945	\$1,308	\$1,240

 Investment banking revenues advanced 49% in 1996 to a record \$1.9 billion, benefiting from record levels of equity and debt underwriting and mergers and acquisitions activity industrywide. Merrill Lynch was the first investment bank to underwrite over 1,000 U.S. issues in a single year, retaining its position as top underwriter of total debt and equity securities for the ninth consecutive year in the U.S. and for the eighth consecutive year globally. Merrill Lynch's U.S. and global market shares of debt and equity underwriting volume in 1996 were 16.3% and 12.9%, respectively, compared with 17.8% and 13.7% in 1995, according to SDC. SDC statistics are based on full credit to book manager.

Strategic services revenues increased 25% from 1995 to a record \$431 million, benefiting from strong mergers and acquisitions activity and significant gains in market share. Merrill Lynch's market share information regarding mergers and acquisitions activity for the last three years, according to SDC, is summarized as follows:

	1996		1995		1994	
	MARKET SHARE	RANK	MARKET SHARE	RANK	MARKET SHARE	RANK
COMPLETED TRANSACTIONS						
U.S.	24.7%	2	9.0%	8	17.3%	4
Global	16.3	3	6.4	9	12.1	5
ANNOUNCED TRANSACTIONS						
U.S.	27.9	1	17.7	4	13.3	3
Global	18.6	2	11.3	4	9.8	4

 SDC gives full credit to both target and acquiring companies' advisors based on transaction value.

Investment banking revenues increased 5% in 1995 from 1994, mainly due to a 37% increase in strategic services revenues resulting from stronger mergers and acquisitions activity. This increase was offset by a 3% decline in underwriting revenues due to decreases in equities, private placements, high-yield debt, and mortgage-backed securities underwritings, partially offset by increased revenues from corporate bonds and preferred stock and defined asset funds.

 ASSET MANAGEMENT AND PORTFOLIO SERVICE FEES

(IN MILLIONS)	1996	1995	1994
Asset management fees	\$ 997	\$ 856	\$ 794
Portfolio service fees	609	477	437
Account fees	373	338	323
Other fees	282	219	185

TOTAL	----- \$2,261 ----- -----	----- \$1,890 ----- -----	----- \$1,739 ----- -----
-------	------------------------------------	------------------------------------	------------------------------------

Revenues from asset management and portfolio service fees rose 20% in 1996 to a record \$2.3 billion primarily due to strong client asset growth. Assets under management and total client assets for the last three years are summarized as follows:

(IN BILLIONS)	1996	1995	1994	1996 vs.	
				1995	1994
Assets in U.S. client accounts	\$ 792	\$ 665	\$ 537	19.1%	47.4%
Assets in non-U.S. client accounts	47	38	31	24.8	50.2
Total assets in client accounts	\$ 839	\$ 703	\$ 568	19.4	47.6
Assets under management:					
Money market	\$ 90	\$ 82	\$ 67	9.4	34.3
Equity	59	47	37	25.9	61.4
Fixed-income	43	41	36	6.0	21.2
Private portfolio	38	22	20	70.0	90.1
Insurance	4	4	4	--	--
Total assets under management	\$ 234	\$ 196	\$ 164	19.2	42.9
Merrill Lynch Consults (Registered trademark)	\$ 21	\$ 17	\$ 14	22.4	44.4
Mutual Fund Advisor (Service mark) and Asset Power (Registered trademark)	\$ 9	\$ 6	\$ 3	50.0	191.9

Asset management fees in 1996, which primarily include fees earned on mutual funds sponsored by Merrill Lynch, increased 16% due to strong inflows during the year and net asset appreciation. New money investments accounted for approximately 51% of the 1996 increase in client assets and approximately 61% of the increase in assets under management by Merrill Lynch Asset Management. In addition to new money investments, the fourth quarter acquisition of Hotchkis and Wiley, a Los Angeles-based asset management company, added approximately \$10 billion of assets, principally in private portfolio funds.

Portfolio service fees increased 28% in 1996, benefiting from inflows of client assets. Increases in the number of accounts and asset levels led to higher fee revenues from asset-based fee products, primarily Merrill Lynch Consults, Asset Power, and Mutual Fund Advisor.

Account fees rose 10% principally due to an increase in the number of customer and custodial accounts. Other fee-based revenues were up 29%, due primarily to increased revenues from transfer agency and mortgage servicing activities.

In 1995, asset management and portfolio service fees increased 9% from 1994, due principally to growth in equity and money market funds and higher revenues from Asset Power and Mutual Fund Advisor.

OTHER REVENUES

Other revenues were \$666 million in 1996, up \$217 million (48%) from 1995. Other revenues include investment gains and losses, partnership distributions, and fees from transaction processing and proxy activities. The increase in 1996 was primarily attributable to incremental realized investment gains of \$171 million, of which \$155 million related to the sale of one-third of Merrill Lynch's minority interest in Bloomberg L.P., and a \$40 million increase in gains from real estate transactions, primarily sales of mortgages to Real Estate Mortgage Investment Conduits.

In 1995, other revenues decreased 5% to \$449 million. A decrease in net investment gains related to merchant banking activities was partially offset by distributions from partnership investments and revenues generated from transaction processing and other activities.

NON-INTEREST EXPENSES			
(IN MILLIONS)	1996	1995	1994
Compensation and benefits	\$ 6,704	\$5,270	\$4,952
Non-interest expenses, excluding compensation and benefits:			
Communications and equipment rental	559	487	432
Occupancy	508	449	436
Depreciation and amortization	411	367	325
Professional fees	582	425	367
Advertising and market development	514	398	375
Brokerage, clearing, and exchange fees	413	361	338
Other	859	697	670
Total non-interest expenses, excluding compensation and benefits	3,846	3,184	2,943
Total non-interest expenses	\$10,550	\$8,454	\$7,895
Compensation and benefits as a percentage of net revenues	51.1%	51.3%	51.5%
Compensation and benefits as a percentage of pretax earnings before compensation and benefits	72.3%	74.4%	74.1%

Non-interest expenses were up 25% over the prior year. A significant component of this increase related to ongoing strategic investments to upgrade technology and processing capabilities - particularly the Merrill Lynch Trusted Global Advisor (Service Mark) initiative, a new technology platform designed to enable Financial Consultants to provide enhanced services to clients.

The largest expense category, compensation and benefits, increased 27% from 1995 due to higher incentive and production-related compensation and an 8% increase in the number of full-time employees. Incentive compensation rose as a result of Merrill Lynch's increased profitability and return on average common stockholders' equity, while production-related compensation was up due to higher business activity.

Full-time employees totaled 49,800 at year-end 1996, compared with 46,000 a year ago. Selective hirings, which consisted primarily of revenue producers and sales assistants in Private Client and non-U.S. business areas, were responsible for approximately 70% of the increase. The remainder of the increase resulted from business acquisitions and additional technology support personnel. As a result, the ratio of support employees and sales assistants to producers increased from 1.43 to 1 in 1995 to 1.50 to 1 in 1996.

Communications and equipment rental expense was up 15% from 1995 due to increased computer maintenance costs related to systems initiatives, as well as higher levels of business activity. Depreciation and amortization expense rose 12% from 1995 primarily as a result of purchases of technology-related equipment during the past year. Higher systems development and management consulting costs led to a 37% increase in professional fees.

Occupancy costs rose \$59 million (13%) primarily as a result of a nonrecurring pretax charge of \$40 million. This charge related to the rejection in bankruptcy of the long-term sublease agreement with Olympia & York for space in the World Financial Center South Tower, which led to a difference between expected rents from subleases and Merrill Lynch's lease obligation for the space.

Advertising and market development expense rose 29% due to increased international travel and higher production-related recognition programs. Brokerage, clearing, and exchange fees were up 15% as a result of higher securities volume, particularly in non-U.S. markets. Other expenses were up 23% from 1995, due in part to provisions related to various business activities and goodwill amortization.

In 1995, non-interest expenses increased 7% to \$8.5 billion. Higher production-related and incentive compensation and 5% growth in the number of full-time employees, led to a 6% increase in compensation and benefits expense. Communications and equipment rental expense was up 13% due to heightened levels of business activity and expanded use of market data services. Occupancy costs increased 3% due to international growth and the addition of Smith New Court facilities. Depreciation and amortization expense rose 13% due primarily to purchases of technology-related equipment. Professional fees increased 16% as a result of higher legal fees and systems development costs. Brokerage, clearing,

and exchange fees were up 7% due to increased trading volume, particularly in non-U.S. equity markets. Other expenses rose 4%, resulting from a first quarter charge for the write-off of assets related to a technology contract and goodwill amortization related to the Smith New Court acquisition.

The following graph illustrates fee-based revenues as a percentage of fixed and semi-fixed expenses.

Graph Titled "FEE-BASED REVENUES AS A PERCENTAGE OF FIXED AND SEMI-FIXED EXPENSES"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s fee-based revenues as a percentage of fixed and semi-fixed expenses. The graph is presented in millions with fixed and semi-fixed expenses of \$3,656, \$4,085, \$4,255, \$4,664, and \$5,440 for the years 1992 through 1996, respectively. Fee-based revenues as a percentage of fixed and semi-fixed expenses are expressed as points on the bars and were 55%, 59%, 67%, 65%, and 65% for the years 1992 through 1996, respectively. Fee-based revenues principally include asset management and portfolio service fees and net margin interest.

INCOME TAXES

Merrill Lynch's 1996 income tax provision of \$947 million represented a 36.9% effective tax rate. In 1995 and 1994, income tax provisions were \$697 million and \$713 million, respectively, resulting in effective tax rates of 38.5% in 1995 and 41.2% in 1994. The effective tax rate decreased in 1996 due in part to tax benefits associated with non-U.S. operations.

Deferred tax assets are recorded for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements. Merrill Lynch assessed its ability to realize deferred tax assets primarily on a strong earnings history and the absence of negative evidence as discussed in Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." During the last 10 years, average pretax earnings were \$1.2 billion per year. Accordingly, it is more likely than not that the deferred tax assets will be realized.

GLOBAL OPERATIONS

Merrill Lynch's non-U.S. operations are organized into three geographic regions: Europe, Africa, and the Middle East; Asia and Australia; and the Americas, excluding the U.S. In 1996, Merrill Lynch continued to strategically expand its non-U.S. operations. This expansion coupled with previous acquisitions enabled Merrill Lynch to continue to benefit from the globalization of financial markets, the increase in cross-border transactions, and client demand for global investments.

In 1996, Merrill Lynch's non-U.S. businesses were influenced by many of the same market conditions that positively impacted U.S. operating results, including rising stock prices, relatively low interest rates, and narrowing credit spreads, which led to increased demand for higher-yielding securities. The combination of these favorable market conditions, synergies from acquisitions, and expanded global presence resulted in increases from 1995 levels in total revenues, net revenues, and earnings before income taxes in each geographic region.

EUROPE, AFRICA, AND THE MIDDLE EAST

(IN MILLIONS)	1996	1995	1994
Total revenues	\$ 5,336	\$ 3,981	\$ 3,464
Net revenues	\$ 1,837	\$ 1,319	\$ 1,134
Earnings before income taxes	\$ 387	\$ 155	\$ 176
Total assets	\$75,901	\$56,948	\$44,297
Total full-time employees	4,600	4,100	2,850

Merrill Lynch operates in Europe, Africa, and the Middle East as a dealer in a full range of debt and equity products and also provides investment banking, private banking, and research services.

Merrill Lynch continued its commitment to expand its presence in Europe, Africa, and the Middle East through the 1996 acquisition of the business of FG Inversiones Bursatiles, the largest independent Spanish broker-dealer, and its agreement to purchase the business of Carnegie Italia, a Milan-based equity research and sales team. In addition, the integration of Smith New Court, which was acquired in the second half of 1995, led to significant expansion of global

equity trading and research capabilities during 1996. These factors contributed to record results for the region.

In 1996, total and net revenues for the region increased 34% and 39% from 1995, respectively, while earnings before income taxes more than doubled from 1995. The increases were primarily due to higher trading, underwriting, and commissions revenues. Trading revenues rose due to higher revenues from equities, foreign exchange, and emerging market trading activities. Equities trading revenues were up due to improved market conditions and increased capacity related to the acquisition of Smith New Court. Investment banking revenues increased in the region as Merrill Lynch retained the leading position in underwriting new bond issues. Merrill Lynch was also a leader in underwriting new equity issues and in providing mergers and acquisitions advisory services to clients across the region. In addition, the region benefited from strong commission revenues, particularly sales of mutual funds, and higher fees from private banking products.

The increase in earnings before income taxes from 1995 resulted from both higher revenues and strong cost control measures across the region. Compensation and benefits costs rose due to increased headcount and improved regional profitability. Occupancy costs were up due to the new and expanded facilities in the region.

In 1995, total and net revenues for Europe, Africa, and the Middle East increased 15% and 16% from 1994, respectively. The region's earnings before income taxes decreased 12%. Trading results for the region improved from 1994 due in part to higher equity trading revenues resulting from strong European equity market activity and the Smith New Court acquisition. Earnings before income taxes decreased due to higher trading-related costs, compensation and benefits expenses, and start-up costs resulting from ongoing expansion.

 ASIA AND AUSTRALIA

(IN MILLIONS)	1996	1995	1994
Total revenues	\$ 1,539	\$ 1,232	\$ 963
Net revenues	\$ 984	\$ 701	\$ 554
Earnings before income taxes	\$ 199	\$ 81	\$ 75
Total assets	\$17,905	\$16,914	\$11,389
Total full-time employees	2,075	1,775	1,400

Merrill Lynch serves a broad retail and institutional client base throughout the Asia and Australia region. In Japan and China, the focus is principally on institutional business opportunities, while in other locations, such as Australia, Hong Kong, Korea, Singapore, and Taiwan, both retail and institutional activities are conducted. Merrill Lynch has securities and futures exchange memberships in the major regional financial centers and has increased its trading and product capacity in Australia, Hong Kong, Singapore, and Tokyo. In 1996, "Euromoney" named Merrill Lynch Foreign Securities Firm of the Year in Japan. In December 1996, Merrill Lynch acquired McIntosh Securities Limited, one of the largest securities brokerage firms in Australia with approximately 500 employees (not included in the table above). Additionally, Merrill Lynch continued to make strategic investments in the region by entering into joint ventures.

Total and net revenues in Asia and Australia were up 25% and 40% from 1995, respectively. In Japan, trading revenues for local products were negatively impacted by difficult financial market conditions, mostly offset by increased sales of cross-border products. Results in the rest of the region, particularly Hong Kong, benefited from increased investment banking and trading revenues. Investment banking revenues were up from the prior year due to higher equity underwriting activity, while the integration of Smith New Court added significantly to equity trading activities. Increased commissions on regional equities and mutual funds also contributed to higher revenues.

Earnings before income taxes more than doubled in 1996. Variable costs, such as incentive and production-related compensation, increased with higher revenues; however, fixed costs remained relatively constant with 1995 levels.

Total and net revenues in Asia and Australia in 1995 were up 28% and 27% from 1994, respectively. Earnings before income taxes rose 8% from 1994. An improved bond market led to increased trading revenues from Japanese Government bonds and other fixed-income securities. In addition, equity trading increased as a result of improved corporate earnings and more favorable market conditions.

 AMERICAS

(IN MILLIONS)	1996	1995	1994
---------------	------	------	------

Total revenues	\$ 826	\$ 704	\$ 617
Net revenues	\$ 472	\$ 347	\$ 333
Earnings before income taxes	\$ 139	\$ 127	\$ 137
Total assets	\$5,205	\$4,997	\$4,216
Total full-time employees	925	875	800

In Latin America, Merrill Lynch provides varied brokerage and investment services. Included in the Latin America region are certain U.S. offices that primarily serve Latin American clients. The economic environment in this region improved in 1996 as inflation steadily declined and equity indices increased significantly. Merrill Lynch also continued its commitment to expand its business in Latin America by initiating an equity trading presence in Argentina. In Canada, Merrill Lynch provides investment banking and fixed-income sales and trading services.

Total and net revenues for the Americas increased 17% and 36% from 1995, respectively. Trading and underwriting activities in Latin America were up from 1995 levels due to the stronger economic environment, increased investor demand for higher-yielding securities, and rising bond prices. In addition, Latin American results benefited from increased commissions due to higher mutual fund sales and trading volume for equity and fixed-income products. Canadian results increased due to higher trading revenues resulting from the favorable interest-rate environment, and strong cross-border revenues for debt and equity underwriting.

Earnings before income taxes rose 9%. Higher regional trading, sales, and underwriting activities led to increases in variable expenses, such as compensation costs and brokerage, clearing, and exchange fees. Higher compensation and infrastructure costs also resulted from the additional commitment of resources to the region in 1996.

Total and net revenues in the Americas in 1995 increased 14% and 4% from 1994, respectively, while earnings before income taxes decreased 7% from 1994. Increased revenues from high-yield financing and advisory activity, mergers and acquisitions, global bond issuances, and fixed-income sales to private banking clients were partially offset by reduced investment banking activity due to market and political uncertainty. The reduction in earnings before income taxes resulted from higher compensation and benefits expenses and initial start-up costs, both associated with the growth in the region.

BALANCE SHEET

Securities trading, derivatives dealing, and related activities result in trading asset/liability, repurchase/resale, securities borrowed/loaned, and certain receivable/payable balances. As presented below, these trading-related balances accounted for approximately 88% of assets and 64% of liabilities at December 27, 1996.

Presented are two pie charts showing Merrill Lynch & Co., Inc.'s trading-related balances as percentages of assets and liabilities. At December 27, 1996, 88% of assets (consisting of trading assets, resale agreements, securities borrowed, and receivables which were 36%, 27%, 12%, and 13% of assets, respectively) and 64% of liabilities (consisting of trading liabilities, repurchase agreements, securities loaned, and payables which were 21%, 30%, 2%, and 11% of liabilities, respectively) were considered trading-related. Non-trading-related assets and liabilities at December 27, 1996 were 12% and 36%, respectively.

Although the trading-related balances represent a significant portion of the balance sheet, these amounts do not necessarily convey the risks assumed or mitigated by Merrill Lynch. Hedging strategies and compliance with collateral maintenance policies, as further discussed, are used to mitigate exposures.

TRADING ASSETS AND LIABILITIES

Trading assets and liabilities principally represent securities purchased ("long" positions) and securities sold but not yet purchased ("short" positions), respectively. Trading assets and liabilities also include receivables and payables, respectively, that represent the fair value of derivatives (see Note 1 to the Consolidated Financial Statements).

Merrill Lynch acts as a market maker in many securities, maintaining a significant amount of trading inventory to facilitate customer transaction flow. To a lesser degree, Merrill Lynch also maintains proprietary trading inventory in seeking to profit from existing or projected market opportunities.

Traders use hedging techniques to manage trading inventory market risks (see Note 3 to the Consolidated Financial Statements). A significant portion of trading assets and liabilities, including derivatives, represents hedges of

other trading positions. Many short U.S. Government securities and futures positions, for example, hedge various interest-sensitive trading assets. Hedging techniques at the trading unit level are supplemented by corporate risk management policies and procedures (see "Risk Management" section).

The effectiveness of hedging techniques and corporate risk management policies and procedures is illustrated by analyzing actual net trading-related revenues over time. The nature of Merrill Lynch's trading-related activities, which are principally client order flow-driven, combined with its risk management strategies, help reduce volatility in earnings. A distribution of weekly net trading-related revenues (which include principal transactions revenues, net interest, and selling concessions) by product for the last four years is presented in the graph below.

Graph Titled "DISTRIBUTION OF WEEKLY NET REVENUES BY PRODUCT"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s distribution of weekly net revenues by product for the last four years. The graph illustrates the percentage of weeks that net trading-related revenues (which include principal transactions revenues, net interest, and selling concessions) fell within the specified dollar ranges (in millions) for each product presented below.

<TABLE>
<CAPTION>

	\$ (10)-0	\$0-20	\$20-40	\$40-60	Over \$60
<S>	<C>	<C>	<C>	<C>	<C>
Taxable Fixed-Income	1%	14%	61%	19%	5%
Municipals	2	98	-	-	-
Interest Rate & Currency Swaps	3	87	10	-	-
Foreign Exchange & Commodities	11	89	-	-	-
Equities & Equity Derivatives	-	3	50	41	6

</TABLE>

REPURCHASE/RESALE AGREEMENTS AND SECURITIES LOANED/BORROWED TRANSACTIONS

Repurchase agreements and securities loaned transactions are used to fund a significant portion of trading assets. Likewise, Merrill Lynch uses resale agreements or securities borrowed transactions to obtain the securities needed for delivery on short positions. "Matched-book" repurchase and resale agreements or securities borrowed and loaned transactions use the same underlying securities, with different counterparties, to generate a spread between the interest revenue on the resale agreements or securities borrowed transactions and the interest expense on the repurchase agreements or securities loaned transactions. Exposures on these transactions are limited by their typically short-term nature and collateral maintenance policies (see "Collateral" section). The following graph illustrates the balances related to these activities at December 27, 1996.

Graph Titled "REPURCHASE/RESALE AGREEMENTS AND SECURITIES LOANED/BORROWED TRANSACTIONS"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s repurchase/resale agreements and securities loaned/borrowed balances separated between matched-book and other activity. The graph is presented in millions with resale agreements, repurchase agreements, securities borrowed, and securities loaned balances of \$58,402, \$62,669, \$24,692, and \$2,751, respectively, at December 27, 1996. Matched-book activity represented 74%, 68%, 10% and 91% of resale agreements, repurchase agreements, securities borrowed, and securities loaned balances at year end, respectively.

TRADING-RELATED RECEIVABLES AND PAYABLES

Securities trading transactions may result in various customer or broker-dealer balances. Broker-dealer balances may result from recording trading inventory on a trade date basis. Certain receivable and payable balances also arise when customers or broker-dealers fail to pay for securities purchased or fail to deliver securities sold, respectively. These receivables are generally fully collateralized by the securities that the customer or broker-dealer purchased but did not receive. Customer receivables also include margin loans collateralized by customer-owned securities held by Merrill Lynch. Collateral policies significantly limit Merrill Lynch's credit exposure to customers and broker-dealers. Merrill Lynch, in accordance with regulatory requirements, will sell securities that have not been paid for, or purchase securities sold but not delivered, after a relatively short period of time, or will require additional margin collateral as necessary. These measures reduce market risk exposure related to these balances.

Interest receivable and payable balances related to trading inventory are principally short-term in nature. Interest balances for repurchase and resale agreements, securities borrowed and loaned transactions, and customer margin loans are generally considered when determining the collateral requirements related to these transactions.

 COLLATERAL

The table below presents reported assets at December 27, 1996 and the related collateral maintained to reduce default risk exposure.

(IN MILLIONS)	BALANCE SHEET	COLLATERAL MAINTAINED
Cash and cash equivalents	\$ 3,375	\$ --
Cash and securities segregated for regulatory purposes or deposited		
With clearing organizations	5,628	--
Marketable investment securities	2,180	--
Trading assets, at fair value(a)	75,524	3,213
Resale agreements(b)	58,402	60,213
Securities borrowed(b)	24,692	24,167
Receivables (net)(c)	29,794	22,288
Investments of insurance subsidiaries	5,107	--
Loans, notes, and mortgages (net)(d)	3,334	4,308
Other investments	1,125	--
Property, leasehold improvements, and equipment (net)	1,670	--
Other assets	2,185	--
Total Assets	\$213,016	\$114,189

- (a) Various techniques reduce credit risk on trading assets, including maintaining collateral on derivative contract receivables.
- (b) The risk of default on receivables under resale agreements and securities borrowed arrangements is substantially eliminated by maintaining related securities with fair values in accordance with specific collateral guidelines.
- (c) To the extent possible, collateral is taken to secure receivables. For instance, Merrill Lynch maintains collateral substantially in excess of customer margin loan receivables, and broker-dealer receivables are substantially collateralized by the related securities.
- (d) Merrill Lynch generally maintains collateral on these extensions of credit in the form of liens on real estate, perfected security interests in other assets of the borrower, and guarantees.

Besides requiring collateral, Merrill Lynch's Corporate Credit group uses other techniques to manage credit risk (see "Risk Management" section).

 AVERAGE ASSETS AND LIABILITIES

Merrill Lynch monitors changes in its balance sheet using average daily balances which are determined on a settlement date basis and reported for management information purposes. Financial statement balances are recorded on a trade date basis as required under generally accepted accounting principles. The following discussion compares changes in settlement date average daily balances. These changes were consistent with the growth in the year-end financial statement balances.

In 1996, average daily assets were \$216 billion, up 13% from \$191 billion in 1995. Average daily liabilities in 1996 rose 14% to \$209 billion from \$185 billion in 1995.

The major components in the growth of average assets and liabilities are summarized as follows:

(IN MILLIONS)	INCREASE IN AVERAGE ASSETS	PERCENT INCREASE
Resale agreements and securities borrowed	\$10,402	12%
Trading assets	9,390	15
Customer receivables	2,494	13

 INCREASE

	IN AVERAGE LIABILITIES	PERCENT INCREASE
Repurchase agreements and securities loaned	\$7,737	10%
Long-term borrowings	6,702	42
Commercial paper and other short-term borrowings	5,201	20
Trading liabilities	4,306	29

During 1996, trading assets and liabilities (which include on-balance-sheet hedges used to manage trading risks) and customer receivables rose as trading activity increased to meet higher customer demand. Customer receivables were also up as a result of higher secured lending in the form of margin and other collateralized loans.

Repurchase agreements and securities loaned transactions and resale agreements and securities borrowed transactions rose to meet higher funding requirements for increased trading activity. In addition, these transactions increased as a result of expanded matched-book activity, primarily involving governments and agencies securities.

Assets are funded through diversified sources which include repurchase agreements, commercial paper and other unsecured short-term borrowings, long-term borrowings, and equity. In addition to the increases in repurchase agreements and securities loaned transactions, the growth in average assets was also funded by higher long-term borrowings, particularly medium-term notes, and commercial paper.

STOCKHOLDERS' EQUITY

Stockholders' equity at December 27, 1996 increased 12% to \$6.9 billion from \$6.1 billion at year-end 1995. The 1996 increase resulted from net earnings, partially offset by common share repurchases and dividends. In 1996, Merrill Lynch repurchased 18.6 million common shares at an average price of \$62.60 per share for employee benefit plans and general corporate purposes.

At December 27, 1996, total common shares outstanding, excluding the unallocated Employee Stock Ownership Plan ("ESOP") reversion shares of 1.5 million, were 164.1 million, 4% lower than the 171.4 million shares (excluding unallocated ESOP reversion shares of 4.0 million) outstanding at December 29, 1995. The decrease was principally attributable to common share repurchases, partially offset by employee stock grants and option exercises.

Subsequent to year-end, the parent company implemented a plan to redeem all of the outstanding Remarketed Preferred (Service mark) Stock, Series C ("RP Stock"). Redemptions of RP Stock commenced on January 22, 1997 and are expected to be completed by March 4, 1997. As of February 19, 1997, \$155 million of RP Stock, representing 1,548 shares, had been redeemed.

LIQUIDITY AND LIABILITY MANAGEMENT

The primary objective of Merrill Lynch's funding policies is to assure liquidity at all times. Merrill Lynch's liquidity management strategy has three key components: (i) to maintain alternative funding sources such that all debt obligations maturing within one year can be funded when due without issuing new unsecured debt or liquidating any business assets; (ii) to concentrate unsecured, general purpose borrowings at the parent company level; and (iii) to expand and diversify Merrill Lynch's funding programs.

Merrill Lynch's primary alternative funding sources to unsecured borrowings are repurchase agreements and secured bank loans, which require pledging unhypothecated marketable securities. Other funding sources include liquidating cash equivalents; securitizing loan assets; and drawing on committed, unsecured credit facilities ("Credit Facilities") provided by banks, which at December 27, 1996, totaled \$6.2 billion and were not drawn upon. Merrill Lynch regularly reviews the level and mix of its assets and liabilities to assess its ability to conduct core business activities without issuing new unsecured debt or drawing upon the Credit Facilities. The mix of assets and liabilities provides flexibility in managing liquidity since a significant portion of assets turn over frequently and are typically match-funded with liabilities having similar maturities and cash flow characteristics. At December 27, 1996, substantially all of Merrill Lynch's assets were considered readily marketable by management.

Merrill Lynch concentrates its unsecured, general purpose borrowings at the parent company level, except where tax regulations, time zone differences, or other business considerations make this impractical. The benefits of this strategy are reduced financing costs; simplicity, control, and wider name recognition by creditors of Merrill Lynch; and enhanced flexibility to meet

fluctuating funding requirements across subsidiaries.

Finally, Merrill Lynch strives to expand and diversify its funding programs and investor and creditor base. Merrill Lynch benefits by distributing its debt through its own sales force to a large, diversified customer base. Additionally, Merrill Lynch maintains strict concentration standards for short-term borrowings, including limits for any single investor.

Commercial paper is the major source of short-term general purpose funding. Commercial paper outstanding totaled \$23.6 billion at December 27, 1996 and \$17.0 billion at December 29, 1995, which represented 11% and 10% of total assets at year-end 1996 and 1995, respectively.

Outstanding long-term debt at December 27, 1996 increased to \$26.1 billion from \$17.3 billion at December 29, 1995. Long-term debt issuance of \$15.0 billion in 1996 exceeded 1995 issuance of \$9.6 billion as financing activity expanded in both U.S. and non-U.S. markets. During 1996, maturities and repurchases of long-term debt were \$6.1 billion, while subsidiaries purchased and sold \$1.4 billion of the parent company's long-term debt securities. At December 27, 1996, \$20.1 billion of long-term debt had maturities beyond one year. The average maturity of outstanding long-term debt was 3.5 years at both year-end 1996 and 1995, when measured to maturity, and 3.2 years and 3.1 years, respectively, when measured to the earlier of the call or put date.

Merrill Lynch's senior long-term debt and preferred stock were upgraded by several credit rating agencies during 1996, and were rated by recognized credit rating agencies at December 27, 1996 as follows:

RATING AGENCY	SENIOR DEBT RATING	PREFERRED STOCK RATING
Duff & Phelps Credit Rating Co.	AA	AA-
Fitch Investors Service, L.P.	AA	AA-
IBCA Inc.	AA-	Not Rated
The Japan Bond Research Institute	AA	Not Rated
Moody's Investors Service, Inc.	Aa3	aa3
Standard & Poor's	AA-	A
Thomson BankWatch, Inc.	AA+	Not Rated

Approximately \$53.0 billion of indebtedness at December 27, 1996 is considered senior indebtedness as defined under various indentures.

As part of Merrill Lynch's overall liquidity management strategy, its insurance subsidiaries regularly review the funding requirements of their contractual obligations for in-force, fixed-rate life insurance and annuity contracts and expected future acquisition and maintenance expenses for all contracts. Insurance subsidiaries market primarily variable life insurance and variable annuity products. These products are not subject to the interest rate, asset/liability matching, and credit risks attributable to fixed-rate products, thereby reducing the risk profile and liquidity demands on the insurance subsidiaries. At December 27, 1996, approximately 85% of invested assets of insurance subsidiaries were considered liquid by management.

CAPITAL RESOURCES AND CAPITAL ADEQUACY

Merrill Lynch remains one of the most highly capitalized U.S. institutions in the global financial services business, with \$6.3 billion in common equity and \$619 million in preferred stock at December 27, 1996 (see "Stockholders' Equity" in the "Balance Sheet" section). In December 1996, a subsidiary of Merrill Lynch issued \$275 million of perpetual Trust Originated Preferred Securities (Service mark) ("TOPrS"). These subsidiary-issued preferred securities, in addition to \$52 million of preferred securities outstanding in other subsidiaries, further strengthen Merrill Lynch's equity capital base. Subsequent to year end, a Merrill Lynch subsidiary issued an additional \$300 million of TOPrS.

Merrill Lynch's leverage ratios were as follows:

YEAR END	LEVERAGE RATIO(1)	ADJUSTED LEVERAGE RATIO(2)
December 27, 1996	29.5x	18.0x
December 29, 1995	28.6x	18.1x
AVERAGE FOR YEAR ENDED(3)		
December 27, 1996	33.5x	19.9x
December 29, 1995	32.4x	19.3x

-
- (1) Total assets to total stockholders' equity and preferred securities issued by subsidiaries.
 - (2) Total assets less resale agreements and securities borrowed to total stockholders' equity and preferred securities issued by subsidiaries.
 - (3) Computed using month-end balances.

Overall capital needs are continually reviewed to ensure that Merrill Lynch's capital base can support the estimated risks of its businesses as well as the regulatory and legal capital requirements of its subsidiaries. Statistically based product risk models are used to estimate potential losses arising from market and credit risks. These dynamic models incorporate changes in business risk into Merrill Lynch's equity requirements. Based upon these analyses and other criteria, management believes that Merrill Lynch's equity base is adequate.

Merrill Lynch operates in many regulated businesses that require various minimum levels of capital (see Note 11 to the Consolidated Financial Statements). Merrill Lynch's broker-dealer, banking, insurance, and futures commission merchant activities are subject to regulatory requirements that may restrict the free flow of funds to affiliates. Regulatory approval is generally required for paying dividends in excess of certain established levels, making affiliated investments, and entering into management and service agreements with affiliated companies.

RISK MANAGEMENT

Merrill Lynch's operating activities expose it to many risks that are continually monitored, evaluated, and managed. Proper management of these risks helps reduce the likelihood of earnings volatility. Trading units typically hedge risks arising either from individual transactions or portfolios of similar transactions to manage risk at the legal entity level. Hedging techniques will vary based on many factors, including the nature and extent of the risks involved.

To supplement risk management at the trading unit level, Merrill Lynch has developed corporate governance policies and procedures that require specific areas and units to assist in the identification, assessment, and control of these risks. These policies and procedures are performed by many units, including the Global Risk Management Group ("Risk Management"), the Credit Division ("Corporate Credit"), and other control units, including Finance, Audit, Operations, and Law and Compliance ("Control Units"). In addition to independent risk management responsibilities, senior management from Risk Management, Corporate Credit, and the Control Units take an active role in the oversight of the risk management process through the Risk Control and Reserve Committees.

The Risk Control Committee and Risk Management provide general risk oversight for all institutional trading activities. The Risk Control Committee reports periodically to the Audit and Finance Committee of the Board of Directors and is independent of Merrill Lynch's trading units. The Risk Control Committee's activities are designed to ensure compliance with Merrill Lynch's commitment under the Derivatives Policy Group's Framework for Voluntary Oversight.

The Reserve Committee monitors valuation and certain other risks associated with assets and liabilities. Merrill Lynch establishes reserves in the Consolidated Balance Sheets for existing conditions, events, or circumstances that may reduce the carrying value of an asset or incur a liability. The Reserve Committee, chaired by the Chief Financial Officer, reviews and approves firmwide reserve levels, as well as changes in reserve methodologies. The Reserve Committee meets monthly to review current market conditions and acts on specific issues. Merrill Lynch's reserves take into account management's judgment and are generally based on (i) identification of risks and exposures, (ii) formulas, and (iii) aging, concentration, and liquidity analyses.

The following discussions of "Market Risk", "Credit Risk", and "Other Risks" highlight the corporate policies and procedures for risk identification, assessment, and control. Further discussion of market and credit risk is contained in Note 3 to the Consolidated Financial Statements.

MARKET RISK

Market risk is the potential change in a financial instrument's value caused by fluctuations in interest and currency exchange rates, equity and commodity prices, and credit spreads. Over the last several years, measuring market risk with mathematical models has become the focal point of many risk management efforts worldwide, with the term "risk management" becoming almost synonymous with "risk measurement."

Merrill Lynch believes that the use of mathematical risk models alone may provide a greater sense of security than warranted and therefore reliance on these models should be limited. In fact, because of the inability of mathematical risk models to quantify large-scale potential financial events with any precision, Merrill Lynch only employs these models to supplement other risk management efforts.

In general, Merrill Lynch believes that the primary risk of a product is not in the product itself, but in the way in which the product is managed. Breaches of discipline or lapses in supervision can result in losses irrespective of the products involved or the mathematical models used.

Nearly ten years ago, Merrill Lynch implemented a firmwide risk process based on the belief that there is more to risk management than identifying and measuring risk. The process itself has been strengthened by experience, but the underlying philosophy is essentially unchanged. This philosophy is based on the following six principles:

- o The most important tools in any risk process are experience, judgment, and constant communication with risk-takers.
- o Vigilance, discipline, and an awareness of risk must be continuously emphasized throughout the firm.
- o Management must provide a clear and simple statement as to what can and cannot be done in committing capital.
- o Risk Management must consider the unexpected, to probe for potential problems, to test for weaknesses, and to help identify potential for loss.
- o The process must be flexible, to permit adaptation to changing environments, including the evolving goals of Merrill Lynch itself.
- o The key objective must be to minimize the possibility of incurring unacceptable loss. Such losses usually arise from unexpected events that most statistical and model-based risk methodologies cannot predict.

RISK MANAGEMENT PROCESS

In keeping with these principles, Merrill Lynch's risk management process relies on three key elements: (i) communication, (ii) controls and guidelines, and (iii) risk technology.

Risk Management is organized along geographic and product lines to ensure direct, frequent communication with specific trading areas. In addition, Risk Management performs regular, formal risk reviews with senior trading managers.

Risk Management has established certain controls and guidelines to supplement hedging techniques at the trading unit level (see "Trading Assets and Liabilities" in the "Balance Sheet" section for further information on these techniques). Risk Management sets and monitors trading limits, which may not be exceeded without prior approval. In addition, Risk Management and representatives from other Control Units approve new types of transactions as part of the new product review process. The commitment process subjects certain commitments, including equity, high-yield, and emerging market securities underwritings; real estate financings; and bridge loans, to prior approval from Risk Management and other Control Units. Risk Management also has the authority to require reductions in specific trading desk exposures or to veto proposed transactions.

Risk Management uses several risk technology tools, including a risk inventory database, a trading limit monitoring system, trading systems access, and stress scenarios. The risk inventory database provides a daily consolidation of securities inventory exposure by product, credit rating, country, etc., along with concentrations of exposure. The trading limit monitoring system enables Risk Management to review compliance with established limits. Access to trading systems allows Risk Management to monitor positions and perform computerized analytics.

Stress scenarios estimate gains or losses under both moderate and severe market movements. Each scenario considers a specific change in key risk factors, such as interest and currency exchange rates, equity and commodity prices, credit spreads, and volatilities, holding all other variables constant. Based on these scenarios, market risks can be monitored firmwide and portfolios rebalanced, as necessary.

CREDIT RISK

Credit risk represents the amount of loss that Merrill Lynch would incur if a counterparty or client failed to perform its contractual obligations. Policies and procedures have been established with the objective of protecting against

such losses, which include reviewing and establishing limits for credit exposures, limiting transactions with specific counterparties or clients, obtaining rights to collect collateral or terminate transactions in the event of a credit downgrade, maintaining collateral, and continually assessing the creditworthiness of counterparties and clients. The responsibility for compliance with these policies and procedures rests with business units, and is monitored by Corporate Credit.

Corporate Credit is centralized and organized geographically. Credit officers analyze and determine the creditworthiness of counterparties and clients, which, in many cases, is enhanced by due diligence meetings. Credit officers also set initial and ongoing credit limits by counterparty or client, recommend credit reserves, manage credit exposures, and participate in the new product review process.

Many types of transactions, including most derivatives and syndicated loans, are subject to prior approval from Corporate Credit. Within Corporate Credit, required approval levels have been established based on counterparty or client credit quality and the potential risk of the transaction. Transactions that exceed prescribed levels must be approved by the Credit Committee, which includes several Directors of Credit and the Chief Credit Officer.

The credit system tracks information from automated and manual sources to enable Corporate Credit to monitor counterparty/client, product, and country concentrations. This system aggregates credit exposure by counterparty/client, maintains overall counterparty/client and specific product limits, and identifies limit review dates by counterparty/client. Detailed information on firmwide inventory positions and executed transactions, including current and potential credit exposure, is updated frequently and compared with limits. Collateral, which reduces credit exposure, is obtained as needed and tracked on the credit system.

Corporate Credit works with the trading units to develop and refine credit risk measurement models and to analyze potential credit exposures for complex derivative transactions. Corporate Credit also monitors credit exposures related to Merrill Lynch's retail customer business, including mortgages and home equity lines of credit, customer margin accounts, and working capital facilities to small businesses.

OTHER RISKS

Concentration risk, the risk that Merrill Lynch's businesses will be dependent upon a single source of revenue, product, or market, is periodically reviewed as part of Merrill Lynch's ongoing strategic and business planning process. In recent years, Merrill Lynch has diversified its global revenue sources to help ensure that it is less dependent on any single financial product, customer base, or market to generate revenues.

Operational risk focuses on Merrill Lynch's ability to accumulate, process, and communicate information necessary to conduct business in a global market environment. Merrill Lynch manages operational risk in many ways, including maintaining backup facilities, using technology, and employing experienced personnel. Information systems provide operational risk assessments on transactions in major markets which allow Merrill Lynch to promptly respond to changing market conditions worldwide. Management information reports enable senior management to effectively identify potential risk and control risk exposures, and promote compliance with both internal management policies and regulatory requirements. Experienced operations personnel provide support and control for trading, clearance, and settlement activities, and perform custodial functions for customer and proprietary assets. Operations and trading personnel report independently to senior management.

DERIVATIVE FINANCIAL INSTRUMENTS

Merrill Lynch trades derivative financial instruments and provides clients with customized derivative products. These transactions allow clients to manage their exposure to interest and currency exchange rate, equity and commodity price, and credit spread risks. Merrill Lynch also uses derivative instruments to manage its own risks related to its proprietary trading strategies, client transactions, and financing activities. See Notes 1, 3, and 5 to the Consolidated Financial Statements for a description of derivatives, accounting and valuation policies for derivatives, and further details on the role of derivatives in trading and financing activities.

Derivatives activities are conducted through a number of subsidiaries as part of client-driven and proprietary business transactions. Merrill Lynch Capital Services, Inc. ("MLCS") is Merrill Lynch's principal swaps dealer. Merrill Lynch Derivative Products AG, a "AAA" rated entity, is a swap subsidiary that provides credit intermediation for interest rate and currency swaps, options, and similar transactions between highly-rated or otherwise acceptable counterparties and MLCS. Various subsidiaries deal in currency derivatives, including certain

banking subsidiaries and MLCS. Effective January 1997, Merrill Lynch International became the primary equity derivatives dealer for new business, replacing Merrill Lynch Capital Markets PLC. In connection with these derivative activities, certain of these subsidiaries purchase and sell securities for hedging purposes.

As a dealer, Merrill Lynch enters into derivative transactions to hedge certain inventory positions, including other derivatives. As an end-user, Merrill Lynch enters into interest rate, currency, or other derivative contracts with its derivatives dealer subsidiaries to hedge exposures arising from debt issuances. These subsidiaries then enter into contracts with third parties as part of Merrill Lynch's trading and risk management strategies.

Derivatives facilitate risk transfer and enhance liquidity in the marketplace. For issuers, derivatives may provide cost-effective funding alternatives, while for investors, derivatives may provide alternative investment options and the ability to hedge risk. Market participants include dealers, such as banks and other financial institutions, and end-users such as corporations, governments, pension funds, mutual funds, and other institutions.

Expanded market participation and competition have helped increase liquidity in conventional derivatives, such as interest rate swaps. Greater familiarity with, and increased understanding of the benefits of derivatives have also contributed to the continued development of complex products structured for specific clients. Increasing complexity and highly publicized losses, however, have led to concerns that these products possess greater risk to users and to financial markets. Although different in form, both derivative and cash instruments are subject to market, credit, and operational risks. Credit considerations, for example, exist for a corporate bond as well as an interest rate swap. In addition, both of these instruments are sensitive to market risk due to movements in interest rates that affect their respective pricing. The risks inherent in both types of instruments are managed in a manner consistent with a company's overall risk management policies (see "Risk Management" section).

 NON-INVESTMENT GRADE HOLDINGS AND HIGHLY LEVERAGED TRANSACTIONS

Non-investment grade holdings and highly leveraged transactions involve risks related to the creditworthiness of the issuers or counterparties and the liquidity of the market for such investments. Merrill Lynch recognizes these risks and, whenever possible, employs strategies to mitigate exposures. The specific components and overall level of non-investment grade and highly leveraged positions may vary significantly from period to period as a result of inventory turnover, investment sales, and asset redeployment.

 NON-INVESTMENT GRADE HOLDINGS

In the normal course of business, Merrill Lynch underwrites, trades, and holds non-investment grade cash instruments in connection with its investment banking, market-making, and derivative structuring activities. During the past year, non-investment grade trading inventories increased to satisfy growing client demand for higher-yielding investments, including emerging market and other non-U.S. securities. Non-investment grade securities have been defined as debt and preferred equity securities rated as BB+ or lower, or equivalent ratings by recognized credit rating agencies, certain sovereign debt in emerging markets, amounts due under various derivative contracts from non-investment grade counterparties, and other instruments that, in the opinion of management, are non-investment grade. Non-investment grade trading inventories are carried at fair value.

Merrill Lynch's insurance subsidiaries also hold non-investment grade securities that are classified as available-for-sale and are carried at fair value.

A summary of positions with non-investment grade issuers (for cash instruments) or counterparties (for derivatives in a gain position) follows:

(in millions)	1996	1995

Trading assets:		
Cash instruments	\$7,585	\$4,605
Derivatives(1)	2,470	1,808
Trading liabilities - cash instruments	905	351
Insurance subsidiaries' investments	206	234

(1) Collateral of \$848 and \$672 was obtained at December 27, 1996 and December 29, 1995, respectively, to reduce risk related to these derivative balances.

Included in the preceding table are debt and equity securities and bank loans of

companies in various stages of bankruptcy proceedings or in default. At December 27, 1996, the carrying value of such debt and equity securities totaled \$133 million, of which 58% resulted from Merrill Lynch's market-making activities in such securities. This compared with \$189 million at December 29, 1995, of which 66% related to market-making activities. In addition, Merrill Lynch held distressed bank loans totaling \$351 million and \$274 million at year-end 1996 and 1995, respectively.

Derivatives may also expose Merrill Lynch to credit risk related to the underlying security where a derivative contract can either synthesize ownership of the underlying security (e.g., long total return swap) or potentially force ownership of the underlying security (e.g., short put option). In addition, derivatives may subject Merrill Lynch to credit spread risk in that changes in the credit quality of the underlying securities may impact the derivatives' fair values. A summary of exposures related to derivatives with non-investment grade underlying securities follows:

(in millions)	1996	1995

Derivative fair values:		
Trading assets(1)	\$ 63	\$ 10
Trading liabilities	64	--
Derivative notionals (off-balance-sheet) (2)	2,895	1,259

(1) Included in these amounts are \$9 and \$6 at year-end 1996 and 1995, respectively, that are also exposed to credit risk related to a non-investment grade counterparty, which are included in the preceding table.

(2) Calculated as notional subject to strike or reference price.

Merrill Lynch engages in hedging strategies to reduce its exposure associated with non-investment grade positions by purchasing an option to sell the related security or by entering into other offsetting derivative contracts. Merrill Lynch also uses non-investment grade trading inventories, principally non-U.S. governments and agencies securities, to hedge the exposure arising from structured derivative transactions.

A summary of cash instruments and derivatives used to hedge the credit risk of non-investment grade positions follows:

(in millions)	1996	1995

Trading assets - cash instruments	\$ 905	\$580
Derivative notionals (off-balance-sheet) (1)	1,311	611

(1) Calculated as notional subject to strike or reference price.

At December 27, 1996, the largest non-investment grade concentration consisted of various sovereign and corporate issues of a South American country totaling \$1.0 billion, which primarily represented hedges of other financial instruments.

----- HIGHLY LEVERAGED TRANSACTIONS

Merrill Lynch provides financing and advisory services to, and invests in, companies entering into leveraged transactions, which may include leveraged buyouts, recapitalizations, and mergers and acquisitions. Merrill Lynch provides extensions of credit to leveraged companies in the form of senior and subordinated debt, as well as bridge financing on a select basis. In addition, Merrill Lynch syndicates loans for non-investment grade companies or in connection with highly leveraged transactions and may retain a residual portion of these loans.

Merrill Lynch holds direct equity investments in leveraged companies and interests in partnerships that invest in leveraged transactions. Merrill Lynch has also committed to participate in limited partnerships that invest in leveraged transactions. Future commitments to participate in limited partnerships and other direct equity investments will be determined on a select basis. A summary of loans, investments, and commitments related to highly leveraged transactions follows:

(in millions)	1996	1995

Loans (net of allowance for loan losses) (1)	\$340	\$489
Equity investments(2)	113	211
Partnership interests	104	91
Bridge loan(3)	31	--
Additional commitments to invest in partnerships	82	79
Unutilized revolving lines of credit and other lending commitments(4)	301	127

- (1) Represented outstanding loans to 36 and 30 medium-sized companies at year-end 1996 and 1995, respectively.
- (2) Invested in 48 and 62 enterprises at year-end 1996 and 1995, respectively.
- (3) Repaid subsequent to year end.
- (4) Subsequent to year end, a \$125 million loan was extended which was reduced to \$10 million through syndication.

At December 27, 1996, no one industry sector accounted for more than 24% of total non-investment grade positions and highly leveraged transactions.

CASH FLOWS

Merrill Lynch's cash flows are principally associated with operating and financing activities, which support Merrill Lynch's trading, customer, and investment banking activities. Merrill Lynch's cash and cash equivalents totaled \$3.4 billion at December 27, 1996, up \$284 million and \$1.1 billion, respectively, from 1995 and 1994.

Cash flows of \$8.7 billion in 1996 were used for operating activities, primarily to fund higher net trading assets generated by increased levels of business activity. Merrill Lynch's investing activities used cash of \$593 million in 1996, primarily to acquire technology-related equipment and other assets.

Financing activities provided Merrill Lynch with \$9.6 billion of cash in 1996, reflecting proceeds from net issuances of long-term debt and commercial paper, partially offset by increases in net resale/repurchase agreements.

In 1995, cash and cash equivalents increased \$779 million to \$3.1 billion. Cash used for operating and investing activities totaled \$7.9 billion and \$873 million, respectively, while cash provided by financing activities totaled \$9.5 billion.

Cash and cash equivalents increased \$529 million to \$2.3 billion in 1994. Cash provided by operating and investing activities totaled \$7.4 billion and \$322 million, respectively, while cash used for financing activities totaled \$7.2 billion.

LITIGATION

Certain actions have been filed against Merrill Lynch by Orange County, California and others in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector or from the purchase of debt instruments issued by Orange County that were underwritten by Merrill Lynch's subsidiary, Merrill Lynch, Pierce, Fenner & Smith Incorporated. The information set forth under the caption "Litigation" in Note 7 to the Consolidated Financial Statements is incorporated by reference herein. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these actions will not have a material adverse effect on the financial condition or the results of operations of Merrill Lynch as set forth in the Consolidated Financial Statements contained herein.

RECENT DEVELOPMENTS

NEW ACCOUNTING PRONOUNCEMENTS

In June 1996, the Financial Accounting Standards Board ("FASB") issued SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", which is effective for transactions occurring after December 31, 1996. SFAS No. 125 provides guidance for determining whether a transfer of a financial asset is treated as a sale versus a financing. Additionally, if a transfer qualifies as a financing transaction, the statement contains provisions that may require the recognition of collateral received or provided, in addition to the financing balance.

In December 1996, the FASB issued SFAS No. 127, "Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125", which defers for one year the effective date of the collateral provisions for all transactions and the sale provisions for repurchase agreement, securities lending, and similar transactions. These provisions will be applied prospectively to transactions entered into after December 31, 1997; accordingly, the expected impact of adopting such provisions on Merrill Lynch's results of operations cannot be determined.

The provisions of SFAS No. 125 not deferred by SFAS No. 127 have been adopted as of January 1, 1997. Since these provisions are only applicable to future transactions, the impact of adoption cannot be quantified.

STATEMENTS OF CONSOLIDATED EARNINGS

(Dollars in Millions, Except Per Share Amounts)	Year Ended Last Friday in December		
	1996	1995	1994
REVENUES			
Commissions	\$ 3,786	\$ 3,126	\$ 2,871
Interest and dividends	12,899	12,221	9,578
Principal transactions	3,454	2,519	2,335
Investment banking	1,945	1,308	1,240
Asset management and portfolio service fees	2,261	1,890	1,739
Other	666	449	471
TOTAL REVENUES	25,011	21,513	18,234
Interest Expense	11,895	11,248	8,609
NET REVENUES	13,116	10,265	9,625
NON-INTEREST EXPENSES			
Compensation and benefits	6,704	5,270	4,952
Communications and equipment rental	559	487	432
Occupancy	508	449	436
Depreciation and amortization	411	367	325
Professional fees	582	425	367
Advertising and market development	514	398	375
Brokerage, clearing, and exchange fees	413	361	338
Other	859	697	670
TOTAL NON-INTEREST EXPENSES	10,550	8,454	7,895
EARNINGS BEFORE INCOME TAXES	2,566	1,811	1,730
Income Tax Expense	947	697	713
NET EARNINGS	\$ 1,619	\$ 1,114	\$ 1,017
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	\$ 1,572	\$ 1,066	\$ 1,004
EARNINGS PER COMMON SHARE			
Primary	\$ 8.20	\$ 5.44	\$ 4.75
Fully Diluted	\$ 8.06	\$ 5.42	\$ 4.74

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(Dollars in Millions, Except Per Share Amounts)	December 27, 1996	December 29, 1995
ASSETS		
Cash and cash equivalents	\$ 3,375	\$ 3,091
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	5,628	5,412
Marketable investment securities	2,180	2,365
Trading assets, at fair value		
Corporate debt and preferred stock	24,270	17,581
Contractual agreements	13,465	11,833
Equities and convertible debentures	13,153	10,843
U.S. Government and agencies	9,304	6,672
Non-U.S. governments and agencies	7,758	6,744
Mortgages, mortgage-backed, and asset-backed	5,189	3,749
Money markets	1,209	1,680
Municipals	1,176	1,001
Total	75,524	60,103

Resale agreements	58,402	44,257
Securities borrowed	24,692	20,645
Receivables		
Customers (net of allowance for doubtful accounts of \$39 in 1996 and \$37 in 1995)	18,309	14,783
Brokers and dealers	6,205	9,267
Interest and other	5,280	4,741
Total	29,794	28,791
Investments of insurance subsidiaries	5,107	5,619
Loans, notes, and mortgages (net of allowance for loan losses of \$117 in 1996 and \$131 in 1995)	3,334	2,172
Other investments	1,125	961
Property, leasehold improvements, and equipment (net of accumulated depreciation and amortization of \$2,523 in 1996 and \$2,239 in 1995)	1,670	1,605
Other assets	2,185	1,836
TOTAL ASSETS	\$213,016	\$176,857

	December 27, 1996	December 29, 1995

LIABILITIES, PREFERRED SECURITIES ISSUED BY SUBSIDIARIES, AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Repurchase agreements	\$ 62,669	\$ 56,817
Commercial paper and other short-term borrowings	39,333	29,546
Trading liabilities, at fair value		
U.S. Government and agencies	13,965	9,089
Contractual agreements	11,221	10,907
Equities and convertible debentures	8,332	6,642
Non-U.S. governments and agencies	7,135	4,418
Corporate debt and preferred stock	2,762	2,199
Municipals	130	95
Total	43,545	33,350
Customers	11,758	11,391
Insurance	5,010	5,391
Brokers and dealers	3,407	6,366
Other liabilities and accrued interest	13,973	10,464
Long-term borrowings	26,102	17,340
Total Liabilities	205,797	170,665
PREFERRED SECURITIES ISSUED BY SUBSIDIARIES	327	51
STOCKHOLDERS' EQUITY		
Preferred Stockholders' Equity	619	619
Common Stockholders' Equity		
Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000 shares; issued: 1996 and 1995-236,330,162 shares	315	315
Paid-in capital	1,304	1,237
Foreign currency translation adjustment	10	11
Net unrealized gains on investment securities available-for-sale (net of applicable income tax expense of \$5 in 1996 and \$13 in 1995)	9	25
Retained earnings	7,868	6,492
Subtotal	9,506	8,080
Less:		
Treasury stock, at cost:		
1996-70,705,598 shares		
1995-60,929,278 shares	2,895	2,241
Unallocated ESOP reversion shares, at cost:		

1996-1,538,778 shares		
1995-4,012,519 shares	24	63
Employee stock transactions	314	254
	-----	-----
Total Common Stockholders' Equity	6,273	5,522
	-----	-----
Total Stockholders' Equity	6,892	6,141
	-----	-----
TOTAL LIABILITIES, PREFERRED SECURITIES ISSUED BY SUBSIDIARIES, AND STOCKHOLDERS' EQUITY	\$213,016	\$176,857
	-----	-----

See Notes to Consolidated Financial Statements

STATEMENTS OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

	Year Ended Last Friday in December		
(Dollars in Millions, Except Per Share Amounts)	1996	1995	1994
	-----	-----	-----
PREFERRED STOCKHOLDERS' EQUITY			
9% Cumulative Preferred Stock, Series A			
\$10,000 liquidation preference per share			
Balance, beginning of year	\$ 425	\$ 425	\$ --
Issued (42,500 shares in 1994)	--	--	425
	-----	-----	-----
BALANCE, END OF YEAR (42,500 shares in 1996, 1995, and 1994)	425	425	425
	-----	-----	-----
Remarketed Preferred Stock, Series C			
\$100,000 liquidation preference per share			
Balance, beginning and end of year (3,000 shares in 1996, 1995, and 1994)	300	300	300
Remarketed Preferred Treasury Stock, at cost			
Balance, beginning and end of year (1,062 shares in 1996, 1995, and 1994)	(106)	(106)	(106)
	-----	-----	-----
BALANCE, END OF YEAR	194	194	194
	-----	-----	-----
TOTAL PREFERRED STOCKHOLDERS' EQUITY	\$ 619	\$ 619	\$ 619
	-----	-----	-----
COMMON STOCKHOLDERS' EQUITY			
Common Stock, par value \$1.33 1/3			
Balance, beginning and end of year (236,330,162 shares in 1996, 1995, and 1994)	\$ 315	\$ 315	\$ 315
	-----	-----	-----
Paid-In Capital			
Balance, beginning of year	\$ 1,237	\$ 1,196	\$ 1,156
Issuance of stock:			
To employees	(8)	(2)	(9)
For other activity, including employee stock grants	(8)	(13)	13
To ESOP, including share allocations	83	56	36
	-----	-----	-----
BALANCE, END OF YEAR	\$ 1,304	\$ 1,237	\$ 1,196
	-----	-----	-----
Foreign Currency Translation Adjustment			
Balance, beginning of year	\$ 11	\$ 4	\$ (18)
Translation adjustment (a)	(1)	7	22
	-----	-----	-----
BALANCE, END OF YEAR	\$ 10	\$ 11	\$ 4
	-----	-----	-----

<TABLE>
<CAPTION>

	Year Ended Last Friday in December		
	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Net Unrealized Gains (Losses) on Investment Securities			
Available-for-Sale (net of applicable income taxes)			
Balance, beginning of year	\$ 25	\$ (57)	\$ 21

Net unrealized (losses) gains on investment securities available-for-sale	(97)	335	(410)
Other adjustments (b)	81	(253)	332
	-----	-----	-----
BALANCE, END OF YEAR	\$ 9	\$ 25	\$ (57)
	-----	-----	-----
Retained Earnings			
Balance, beginning of year	\$ 6,492	\$ 5,606	\$ 4,777
Net earnings	1,619	1,114	1,017
Cash dividends declared:			
9% Cumulative Preferred stock	(38)	(38)	(6)
Remarketed Preferred stock	(9)	(10)	(7)
Common stock (\$1.16 per share in 1996; \$1.01 in 1995; \$.89 in 1994)	(196)	(180)	(175)
	-----	-----	-----
BALANCE, END OF YEAR	\$ 7,868	\$ 6,492	\$ 5,606
	-----	-----	-----
Common Treasury Stock, at cost			
Balance, beginning of year (60,929,278 shares in 1996; 48,423,944 in 1995; 23,408,139 in 1994)	\$ (2,241)	\$ (1,627)	\$ (696)
Treasury stock purchased (18,578,817 shares in 1996; 20,011,821 in 1995; 29,988,523 in 1994)	(1,163)	(939)	(1,138)
Issued out of treasury (net of reacquisitions):			
Employees (844,887 shares in 1996; 822,818 in 1995; 1,026,321 in 1994)	51	37	42
Employee stock grants (7,957,610 shares in 1996; 6,683,669 in 1995; 3,946,397 in 1994)	458	288	165
	-----	-----	-----
BALANCE, END OF YEAR (70,705,598 shares in 1996; 60,929,278 in 1995; 48,423,944 in 1994)	\$ (2,895)	\$ (2,241)	\$ (1,627)
	-----	-----	-----
Unallocated ESOP Reversion Shares, at cost			
Balance, beginning of year (4,012,519 shares in 1996; 6,427,091 in 1995; 8,932,332 in 1994)	\$ (63)	\$ (101)	\$ (140)
Allocation of shares to participants (2,473,741 shares in 1996; 2,414,572 in 1995; 2,505,241 in 1994)	39	38	39
	-----	-----	-----
BALANCE, END OF YEAR (1,538,778 shares in 1996; 4,012,519 in 1995; 6,427,091 in 1994)	\$ (24)	\$ (63)	\$ (101)
	-----	-----	-----
Employee Stock Transactions			
Balance, beginning of year	\$ (254)	\$ (137)	\$ (123)
Net issuance of employee stock grants	(251)	(192)	(121)
Amortization of employee stock grants	183	68	100
Repayment of employee loans	8	7	7
	-----	-----	-----
BALANCE, END OF YEAR	\$ (314)	\$ (254)	\$ (137)
	-----	-----	-----
TOTAL COMMON STOCKHOLDERS' EQUITY	\$ 6,273	\$ 5,522	\$ 5,199
	-----	-----	-----
TOTAL STOCKHOLDERS' EQUITY	\$ 6,892	\$ 6,141	\$ 5,818
	-----	-----	-----

</TABLE>

- (a) Net of income tax benefit (expense) of \$16 in 1996, \$19 in 1995, and \$(8) in 1994.
- (b) Other adjustments consist of policyholder liabilities, deferred policy acquisition costs, and deferred income taxes.

See Notes to Consolidated Financial Statements

STATEMENTS OF CONSOLIDATED CASH FLOWS

<TABLE>
<CAPTION>

(Dollars in Millions)	Year Ended Last Friday in December		
	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities:			
Net Earnings	\$ 1,619	\$ 1,114	\$ 1,017

Noncash items included in earnings:			
Depreciation and amortization	411	367	325
Policyholder reserves	269	297	354
Other	919	672	658
(Increase) decrease in operating assets:			
Trading assets	(15,378)	(6,375)	6,610
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	(198)	(459)	(884)
Securities borrowed	(4,047)	348	(1,992)
Customers	(3,543)	(771)	(826)
Maturities and sales of trading investment securities	98	--	197
Purchases of trading investment securities	(67)	--	(213)
Other	1,125	250	(273)
Increase (decrease) in operating liabilities:			
Trading liabilities	10,195	(2,608)	5,642
Customers	366	(1,377)	(1,962)
Insurance	(587)	(732)	(1,855)
Other	75	1,405	607
	----	----	----
Cash (Used for) Provided by Operating Activities	(8,743)	(7,869)	7,405
	----	----	----
Cash Flows from Investing Activities:			
Proceeds from (payments for):			
Maturities of available-for-sale securities	3,057	1,453	2,610
Sales of available-for-sale securities	1,341	1,029	1,377
Purchases of available-for-sale securities	(4,374)	(2,387)	(2,296)
Maturities of held-to-maturity securities	920	1,217	1,965
Purchases of held-to-maturity securities	(555)	(1,094)	(2,537)
Acquisitions, net of cash acquired	(135)	(601)	--
Other investments and other assets	(384)	(138)	(391)
Property, leasehold improvements, and equipment	(463)	(352)	(406)
	----	----	----
Cash (Used for) Provided by Investing Activities	(593)	(873)	322
	----	----	----
Cash Flows from Financing Activities:			
Proceeds from (payments for):			
Resale agreements, net of repurchase agreements	(8,293)	5,155	(10,875)
Commercial paper and other short-term borrowings	9,787	3,106	3,225
Issuance and resale of long-term borrowings	16,454	10,353	10,353
Settlement and repurchases of long-term borrowings	(7,440)	(7,971)	(9,090)
Issuance of subsidiaries' preferred securities	276	--	--
Issuance of 9% Cumulative Preferred Stock	--	--	425
Common stock transactions	(921)	(894)	(1,048)
Dividends	(243)	(228)	(188)
	----	----	----
Cash Provided by (Used for) Financing Activities	9,620	9,521	(7,198)
	----	----	----
INCREASE IN CASH AND CASH EQUIVALENTS	284	779	529
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,091	2,312	1,783
	----	----	----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,375	\$ 3,091	\$ 2,312
	----	----	----
	----	----	----

</TABLE>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for:

Income taxes totaled \$1,108 in 1996, \$557 in 1995, and \$1,190 in 1994.

Interest totaled \$11,612 in 1996, \$11,229 in 1995, and \$8,452 in 1994.

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY

In 1995, as part of the consideration for Smith New Court, Merrill Lynch issued approximately \$115 of unsecured floating-rate notes due December 31, 2000 (the "Notes"). The Notes are redeemable at the option of the holders on any quarterly interest payment date on or after December 31, 1996.

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(Dollars in millions, Except Per Share Amounts)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Merrill Lynch & Co., Inc. (the "Company") and subsidiaries (collectively, "Merrill Lynch"). All material intercompany balances have been eliminated. Certain limited reclassification and format changes have been made to prior years' amounts to

conform to the current year presentation.

Merrill Lynch provides investment, financing, insurance, and related services to individuals and institutions on a global basis through its principal broker-dealer subsidiary, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), and its broker, dealer, banking, insurance, and other financial services subsidiaries. Such services include securities brokerage, trading, underwriting, and clearance; investment banking and other corporate finance advisory activities; investment advisory and other asset management services; trading of foreign exchange instruments, futures, commodities, and other derivatives; banking, trust, and lending services; and insurance sales and underwriting services.

The Consolidated Financial Statements are presented in accordance with generally accepted accounting principles and prevailing industry practices, both of which require management to make estimates regarding certain trading inventory valuations, the outcome of litigation, goodwill, deferred tax asset realization, insurance deferred acquisition costs, and other matters that affect the reported amounts and disclosure of contingencies in the financial statements. Estimates, by their nature, are based on judgment and available information. As such, actual results could differ materially from those estimates.

TRADING INSTRUMENTS

Trading assets and trading liabilities consist of cash instruments, such as securities, and derivative instruments used for trading purposes or to hedge trading inventory. Included in trading liabilities are securities that Merrill Lynch has sold but does not currently own and will therefore be obligated to purchase at a future date ("short sales"). Trading inventory is recorded on a trade date basis at fair value. Fair value is based on quoted market prices, pricing models (utilizing indicators of general market conditions or other economic measurements), or management's estimates of amounts to be realized on settlement, assuming current market conditions and an orderly disposition over a reasonable period of time.

Derivatives

A derivative is typically defined as an instrument whose value is "derived" from an underlying instrument or index, such as a future, forward, swap, or option contract, or other financial instrument with similar characteristics. The derivative definition excludes all cash instruments, including those that derive their values or contractually required cash flows from an underlying instrument or index, such as mortgage-backed securities, interest-only and principal-only obligations, and indexed debt instruments. It also excludes option features embedded in cash instruments such as conversion features and call provisions embedded in bonds.

Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount (e.g., interest rate swaps or currency forwards) or to purchase or sell other financial instruments at specified terms on a specified date (e.g., options to buy or sell securities, currencies, and commodities). Different types of derivatives can also be combined to meet specialized needs (e.g., swap options).

Derivatives are often referred to as off-balance-sheet instruments since their notional amounts or underlying instruments are not reflected on the balance sheet; however, the fair values of trading derivatives are recorded in trading inventory.

Fair values for certain exchange-traded derivatives, principally futures and certain options, are based on quoted market prices. Fair values for over-the-counter ("OTC") derivative financial instruments, principally forwards, options, and swaps, represent amounts that would be received from or paid to a third party in settlement of the instruments. These amounts are determined using pricing models based on the present value of future cash flows using mid-market valuations with appropriate adjustments. These adjustments are integral components of the mark-to-market process and relate to credit quality and concentration, market liquidity, and exposure close-out costs associated with unmatched positions. Adjustments are also made for administrative costs incurred to service periodic cash flows and maintain hedges over the life of the contract. A portion of income related to longer-term contracts is recognized as the administrative costs pertaining to these contracts are incurred.

New, complex products may have immature or limited two-way markets. The precision of the pricing model for a complex product, which involves multiple variables and assumptions, will evolve over time. As these products develop, Merrill Lynch continually refines its pricing models based on experience to correlate more closely to the market risk of these instruments.

Derivatives are reported separately as assets and liabilities unless a legal right of setoff exists under a master netting agreement enforceable at law. Balances related to swap and forward transactions and foreign currency options are included in "Contractual agreements" on the Consolidated Balance Sheets. All other derivative balances are recorded in the related cash instrument caption.

The fair value of equity options purchased, for example, is recorded in the "Equities and convertible debentures" trading asset caption.

Merrill Lynch enters into when-issued and delayed delivery transactions. Unrealized gains and losses from these forward transactions are recorded in the related cash instrument caption.

Revenue Recognition

Principal transactions revenues are recognized on a trade date basis and include net unrealized gains or losses from marking-to-market all trading instruments. Realized gains and losses on trading instruments and any related interest amounts are included in principal transactions revenues and interest revenues and expenses, respectively.

FINANCING AND RELATED ACTIVITIES

Merrill Lynch strives to match-fund the interest rate sensitivity of its assets and liabilities. Funding is principally obtained from repurchase agreements, commercial paper, and long-term borrowings. Merrill Lynch utilizes derivatives to reduce risk by managing interest rate, foreign currency, and other exposures. Derivatives that modify the interest rate characteristics of specified non-trading assets and liabilities are accounted for on an accrual basis, with amounts to be paid or received recognized as adjustments to the related interest income or expense. Unrealized gains and losses on other financing derivatives are recognized currently. Realized gains and losses on early terminations of interest rate contracts are deferred over the remaining lives of the hedged assets or liabilities. At December 27, 1996, there were no deferred amounts related to terminated contracts.

Repurchase and resale agreements are accounted for as collateralized financing transactions and are recorded at their contractual amounts, plus accrued interest. Merrill Lynch's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the market value of the underlying collateral remains sufficient, collateral is valued daily, and Merrill Lynch may require counterparties to deposit additional collateral or return collateral pledged, when appropriate. Substantially all repurchase and resale activities are transacted under master netting agreements that give Merrill Lynch the right, in the event of default, to liquidate collateral held and to set off receivables and payables with the same counterparty. Merrill Lynch offsets certain repurchase and resale agreement balances with the same counterparty on the Consolidated Balance Sheets.

Securities borrowed and loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require Merrill Lynch to provide the counterparty with collateral in the form of cash, letters of credit, or other securities. Merrill Lynch receives collateral in the form of cash or other securities for securities loaned transactions. For these transactions, the fee received or paid by Merrill Lynch is recorded as interest revenue or expense. On a daily basis, Merrill Lynch monitors the market value of securities borrowed or loaned against the collateral value. Although substantially all securities borrowing and lending activities are transacted under master netting agreements, Merrill Lynch does not offset such receivables and payables with the same counterparty on the Consolidated Balance Sheets.

INVESTMENT SECURITIES

Merrill Lynch holds debt and equity investments principally in non-broker-dealer subsidiaries. These investments are classified as held-to-maturity, trading, or available-for-sale.

Held-to-maturity investments are debt securities that Merrill Lynch has the positive intent and ability to hold to maturity. These investments are recorded at amortized cost unless a decline in value is deemed other than temporary, in which case the carrying value is adjusted. The amortization of premium or accretion of discount and any unrealized loss deemed other-than-temporary are included in current period earnings.

Debt and equity securities purchased principally for the purpose of resale in the near-term are classified as trading investments and are reported at fair value. Unrealized gains or losses on these investments are included in current period earnings.

Other debt and equity securities that are not categorized as held-to-maturity or trading are classified as available-for-sale and reported at fair value. Unrealized gains or losses on these securities are reported as a separate component of stockholders' equity, net of applicable income taxes and other related items.

Restricted equity investment securities or equity investment securities without available market quotations are reported at the lower of cost or estimated net realizable value. Adjustments in carrying values are included in current period earnings.

Realized gains and losses on investments are included in current period earnings. The cost basis of each investment sold is specifically identified for purposes of computing realized gains and losses.

COMMISSIONS AND RELATED EXPENSES

Commissions charged for executing customer transactions are accrued on a trade date basis and are included in current period earnings. Production-related compensation and benefits expense is accrued to match revenue recognition.

INVESTMENT BANKING

Underwriting revenues and fees for mergers and acquisitions and advisory assignments are recorded when services for the transaction are substantially completed. Deal-related expenses are deferred and later expensed to match revenue recognition.

RECEIVABLES FROM AND PAYABLES TO CUSTOMERS

Customer securities and commodities transactions are recorded on a settlement date basis. Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers, including those that collateralize margin or other transactions, are not reflected on the Consolidated Balance Sheets.

INCOME TAXES

The Company and certain of its wholly-owned subsidiaries file a consolidated Federal income tax return. Merrill Lynch uses the asset and liability method in providing income taxes on all transactions that have been recognized in the Consolidated Financial Statements. The asset and liability method requires that deferred taxes be adjusted to reflect the tax rates at which future taxable amounts will be settled or realized. The effects of tax rate changes on future deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in the period such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Merrill Lynch does not provide for deferred income taxes on the undistributed earnings of foreign subsidiaries, which are considered to be permanently reinvested.

PROPERTY, LEASEHOLD IMPROVEMENTS, AND EQUIPMENT

Property (excluding land), leasehold improvements, and equipment are reported at historical cost, net of accumulated depreciation and amortization. Land is reported at historical cost.

Depreciation and amortization are computed using the straight-line method. Property and equipment are depreciated over the estimated useful lives of the assets, while leasehold improvements are amortized over the lesser of the estimated economic useful life of the asset or the term of the lease. Most of Merrill Lynch's fixed assets are technology-based and have short lives, generally three to five years. Maintenance and repair costs are expensed as incurred.

Facilities-related depreciation and amortization expense was \$151, \$142, and \$135 in 1996, 1995, and 1994, respectively. Non-facilities-related depreciation and amortization expense for 1996, 1995, and 1994 was \$260, \$225, and \$190, respectively.

GOODWILL

Goodwill, which represents the cost of acquired businesses in excess of fair value of the related net assets at acquisition, is amortized on a straight-line basis over periods not exceeding fifteen years and is evaluated periodically for impairment.

INSURANCE

Insurance liabilities are future benefits payable under annuity and interest-sensitive life contracts and include deposits received plus interest credited during the contract accumulation period, the present value of future payments for contracts which have annuitized, and a mortality provision for certain products. Certain policyholder liabilities are also adjusted for those

investments classified as available-for-sale. Liabilities for unpaid claims consist of the mortality benefit for reported claims and an estimate of unreported claims based upon prior experience.

Substantially all investments of insurance subsidiaries, principally debt securities, are classified as available-for-sale and recorded at fair value. These investments support Merrill Lynch's in-force, universal life-type contracts. Merrill Lynch records adjustments to deferred acquisition costs and policyholder account balances which, when combined, are equal to the adjustment that would have been recorded if those available-for-sale investments had been sold at their estimated fair values and the proceeds reinvested at current yields. The corresponding credits or charges for these adjustments are recorded as unrealized gains or losses in stockholders' equity, net of applicable income taxes.

Certain variable costs related to the sale or acquisition of new and renewal insurance contracts have been deferred, to the extent deemed recoverable, and amortized over the lives of the contracts in proportion to the estimated gross profit for each group of contracts.

Merrill Lynch maintains separate accounts representing segregated funds held for purposes of funding variable life and annuity contracts. Separate account assets are accounted for as customer assets since the contract holders bear the risk of ownership, consistent with Merrill Lynch's other investment products. Accordingly, separate account assets and the related liabilities are not consolidated with the assets and liabilities of Merrill Lynch.

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities of foreign subsidiaries are translated at year-end currency exchange rates, while revenues and expenses are translated at average currency exchange rates during the year. Adjustments that result from translating foreign currency financial statements, net of hedging gains or losses and related tax effects, are reported as a separate component of stockholders' equity. Gains or losses resulting from the effect of exchange rate changes on foreign currency transactions are included in earnings of the current period.

CASH FLOWS

For purposes of the Statements of Consolidated Cash Flows, Merrill Lynch defines cash equivalents as short-term, highly liquid securities and interest-earning deposits with original maturities of 90 days or less, other than those used for trading purposes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 27, 1996 and December 29, 1995, substantially all financial instrument assets are carried at fair value or amounts that approximate fair value. Fair values of financial instruments are disclosed in Notes 3, 4, 5, and 7.

INTEREST EXPENSE

Interest expense includes payments in lieu of dividends of \$9, \$10, and \$23 in 1996, 1995, and 1994, respectively.

NOTE 2. OTHER SIGNIFICANT EVENTS

ACCOUNTING CHANGES

In 1995, Merrill Lynch adopted Statement of Financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan"; SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures"; and SFAS No. 122, "Accounting for Mortgage Servicing Rights". The impact of adopting these pronouncements was not material.

ACQUISITIONS

Merrill Lynch completed several acquisitions in 1996, including two non-U.S. securities firms and a U.S. asset manager, for aggregate consideration paid of \$232. Goodwill of \$167 was recorded in connection with these acquisitions.

In 1995, Merrill Lynch acquired Smith New Court PLC ("Smith New Court"), a U.K.-based global securities firm, for \$803, and recorded \$533 of goodwill related to the acquisition.

The operating results of acquired companies are included in Merrill Lynch's results of operations as of the acquisition date.

NOTE 3. TRADING ACTIVITIES

Merrill Lynch's trading activities include providing securities brokerage, derivatives dealing, and underwriting services to clients. While trading activities are primarily generated by client order flow, Merrill Lynch also takes proprietary positions based on expectations of future market movements and conditions. Merrill Lynch's trading strategies rely on the integrated management of its client-driven and proprietary transactions, along with the hedging and financing of these positions.

Principal transactions revenues by product category follow(1):

	1996	1995	1994
	-----	-----	-----
Equities and equity derivatives	\$1,138	\$ 912	\$ 625
Taxable fixed-income	966	516	471
Interest rate and currency swaps	893	732	750
Municipals	323	273	380
Foreign exchange and commodities	134	86	109
	-----	-----	-----
TOTAL	\$3,454	\$2,519	\$2,335
	-----	-----	-----
	-----	-----	-----

(1) The revenue amounts presented include gains and losses from both cash and related derivative instruments.

Interest revenue and expense are integral components of trading activities. In assessing the profitability of trading activities, Merrill Lynch views net interest and principal transactions revenues in the aggregate. For further information on Merrill Lynch's net trading results, see "Principal Transactions" in Management's Discussion and Analysis (unaudited).

Certain trading activities expose Merrill Lynch to market and credit risks. These risks are managed in accordance with established risk management policies and procedures that are described in the "Risk Management" section of Management's Discussion and Analysis (unaudited).

MARKET RISK

Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity and commodity prices, and credit spreads. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded.

Merrill Lynch seeks to mitigate market risk associated with trading inventories by employing hedging strategies that correlate rate, price, and spread movements of trading inventories and related financing and hedging activities. Merrill Lynch uses a combination of cash instruments and derivatives to hedge its market exposures. The following discussion describes the types of market risk faced by Merrill Lynch.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Interest rate swap agreements and Eurodollar and U.S. Treasury securities and futures are common interest rate risk management tools. The decision to manage interest rate risk using futures or swap contracts, as opposed to buying or selling short U.S. Treasury or other securities, depends on current market conditions and funding considerations.

Interest rate swap agreements used by Merrill Lynch include caps, collars, floors, basis swaps, and leveraged swaps. Interest rate caps and floors provide the purchaser protection against rising and falling interest rates, respectively. Interest rate collars combine a cap and a floor, providing the purchaser with a predetermined interest rate range. Basis swaps are a type of interest rate swap agreement where rates received and paid are variable based on different index rates. Leveraged swaps are another type of interest rate swap where changes in the variable rate are multiplied by a contractual leverage factor, such as four times three-month LIBOR (London Interbank Offered Rate). Merrill Lynch's exposure to interest rate risk resulting from these leverage factors is typically hedged with other financial instruments.

Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. Currency forwards and options are commonly used to manage currency risk. Currency swaps are also used in situations where a long-dated forward market is not available or where the end-user needs a customized instrument to hedge a foreign currency cash flow stream. Typically, parties to a currency swap initially exchange principal amounts

in two currencies, agreeing to exchange interest payments and to re-exchange the currencies at a future date and exchange rate. Merrill Lynch's currency contracts relate primarily to major currencies such as the Japanese yen, German mark, Swiss franc, British pound, and French franc.

Equity Price Risk

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock, a defined basket of stocks, or a stock index. Typical instruments used to manage equity price risk include equity options and warrants. Equity options, for example, can require the writer to purchase or sell a specified stock or to make a cash payment based on changes in the market price of that stock, basket of stocks, or stock index.

Commodity Price Risk

Merrill Lynch views its commodity contracts as financial instruments since they are generally settled in cash and not by delivery of the underlying commodity. Commodity price risk results from the possibility that the price of the underlying commodity may rise or fall. Cash flows from commodity contracts are based on the difference between an agreed-upon fixed price and a price that varies with changes in a specified commodity price or index. Commodity contracts held by Merrill Lynch principally relate to energy, precious metals, and base metals.

Credit Spread Risk

Credit spread risk arises from the possibility that changes in an issuer's credit rating or credit perception affect the value of financial instruments. Certain derivatives may be used to manage this type of credit risk. Total return swaps, for instance, are typically designed to transfer all the risks and rewards of ownership of an underlying debt instrument from one party in the swap agreement to the other party, in exchange for a specified interest rate. Credit risk resulting from default on counterparty obligations is discussed in the following "Credit Risk" section.

CREDIT RISK

Merrill Lynch is exposed to the risk of loss if an issuer or a counterparty failed to perform its obligations under contractual terms and the collateral held, if any, were deemed worthless ("default risk"). Both cash instruments and derivatives expose Merrill Lynch to default risk. Credit risk arising from changes in credit spreads is discussed in the "Market Risk" section.

Merrill Lynch has established policies and procedures for mitigating credit risk on principal transactions, including reviewing and establishing limits for credit exposure, obtaining the right to collect collateral or terminate transactions in the event of a credit rating downgrade, limiting transactions with specific counterparties, maintaining collateral, and continually assessing the creditworthiness of counterparties. For further information, see "Credit Risk" in the "Risk Management" section of Management's Discussion and Analysis (unaudited).

In the normal course of business, Merrill Lynch executes, settles, and finances various customer securities transactions. Execution of these transactions includes the purchase and sale of securities by Merrill Lynch. These activities may expose Merrill Lynch to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations. In these situations, Merrill Lynch may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to other customers or counterparties. In addition, Merrill Lynch seeks to control the risks associated with its customer margin activities by requiring customers to maintain collateral in compliance with regulatory and internal guidelines.

Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities failed-to-receive) are recorded at the amount for which the securities were acquired and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed-to-receive, Merrill

Lynch may purchase the underlying security in the market and seek reimbursement for losses from the counterparty.

Merrill Lynch uses repurchase and resale agreements and securities loaned and borrowed transactions to finance securities, to facilitate settlement processes, and to meet customers' needs. Under these agreements and transactions, Merrill Lynch either receives or provides collateral, including U.S. Government and agencies, asset-backed, corporate debt, equity, and non-U.S. government and agencies securities. When providing collateral for these transactions, Merrill Lynch delivers its own securities, securities borrowed from counterparties, and securities owned by customers collateralizing margin loans and other obligations.

The market value of securities owned by Merrill Lynch that have been loaned or pledged to counterparties as collateral for obligations of Merrill Lynch, primarily related to repurchase agreements, were \$27,810 and \$27,501 at December 27, 1996 and December 29, 1995, respectively.

Concentrations of Credit Risk

Merrill Lynch's exposure to credit risk, both default and credit spread, associated with its trading and other activities is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in political, industry, or economic factors. To reduce the potential for risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions.

At December 27, 1996, Merrill Lynch's most significant concentration of credit risk was with the U.S. Government and its agencies. This concentration, which primarily arises from taking trading asset and investment security positions and maintaining collateral on resale agreements, totaled \$41,482 at December 27, 1996 and \$35,769 at December 29, 1995.

At December 27, 1996, Merrill Lynch had concentrations of credit risk with other counterparties, including a European and a South American sovereign rated AA and B+, respectively, by recognized credit rating agencies and an investment company whose holdings primarily consist of various sovereign debt instruments. The total exposure to these counterparties, excluding collateral held, was \$3,912, or 1.8% of total assets. At December 29, 1995, Merrill Lynch had concentrations of credit risk with an Asian and a European sovereign totaling \$3,642 or 2.1% of total assets, excluding collateral held.

Merrill Lynch's most significant industry credit concentration is with U.S. and non-U.S. financial institutions. Financial institutions include other brokers and dealers, commercial banks, financing companies, insurance companies, and mutual funds. This concentration arises in the normal course of Merrill Lynch's brokerage, trading, financing, and underwriting activities. Merrill Lynch also monitors credit exposures worldwide by region. Within these regions, sovereign governments represent the most significant concentration, followed by financial institutions and non-financial institutions.

In the normal course of business, Merrill Lynch purchases, sells, underwrites, and makes markets in non-investment grade instruments. In conjunction with merchant banking activities, Merrill Lynch also provides extensions of credit and makes equity investments to facilitate leveraged transactions. These activities expose Merrill Lynch to a higher degree of credit risk than is associated with trading, investing in, and underwriting investment grade instruments and extending credit to investment grade counterparties. See "Non-Investment Grade Holdings and Highly Leveraged Transactions" in Management's Discussion and Analysis (unaudited) for further information.

DERIVATIVES USED IN TRADING ACTIVITIES

The fair values of derivatives used in trading activities at year-end 1996 and 1995 follow:

	DECEMBER 27, 1996		DECEMBER 29, 1995	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	-----	-----	-----	-----
Swap agreements	\$11,553	\$9,370	\$10,008	\$8,966
Forward contracts	1,304	1,403	1,159	1,506
Options	2,618	3,203	2,631	1,261

The table below presents the average fair values of Merrill Lynch's trading derivatives for 1996 and 1995, calculated on a monthly basis:

AVERAGE FAIR VALUE

	1996		1995	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Swap agreements	\$9,872	\$8,404	\$10,226	\$9,049
Forward contracts	1,192	1,260	1,543	1,915
Options	2,573	1,964	2,400	1,368

The notional or contractual amounts of derivatives provide only a measure of involvement in these types of transactions and represent neither the amounts subject to the various types of market risk nor the future cash requirements under these instruments. The notional or contractual amounts of derivatives used for trading purposes by type of risk follow:

(in billions)	INTEREST	CURRENCY	EQUITY	COMMODITY
	RATE RISK(1) (2)	RISK(3)	PRICE RISK	PRICE RISK

DECEMBER 27, 1996

Swap agreements	\$1,212	\$140	\$13	\$ 3
Forward contracts	24	147	1	17
Futures contracts	126	2	7	5
Options purchased	85	76	21	3
Options written	118	72	31	3

DECEMBER 29, 1995

Swap agreements	\$ 851	\$106	\$ 7	\$ 3
Forward contracts	33	118	--	25
Futures contracts	215	1	2	2
Options purchased	45	24	38	5
Options written	64	24	41	6

- (1) Certain derivatives subject to interest rate risk are also exposed to the credit spread risk of the underlying financial instrument, such as total return swaps and similar instruments.
- (2) Forward contracts subject to interest rate risk principally represent "To Be Announced" mortgage pools that bear interest rate as well as principal prepayment risk.
- (3) Included in the currency risk category are certain contracts that are also subject to interest rate risk.

Most of Merrill Lynch's trading derivative transactions are short-term in duration with a weighted-average maturity of approximately 2.66 years at December 27, 1996 and 2.24 years at December 29, 1995. For trading derivatives outstanding at December 27, 1996, the following table presents the notional or contractual amounts that would be outstanding at subsequent year ends based on contractual maturities.

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s trading derivatives at December 27, 1996 that would be outstanding at subsequent year ends based on contractual maturities. The graph is presented in billions with trading derivatives comprised of swap agreements, forward contracts, futures contracts, options purchased, and options written. Remaining maturities for these products in the aggregate total \$2,106, \$1,220, \$925, \$711, \$546, \$407, \$327 and \$244 at year-end December 1996 through December 2003, respectively.

The notional or contractual values of derivatives do not represent default risk exposure. Default risk is limited to the current cost of replacing derivative contracts in a gain position.

Default risk exposure varies by type of derivative. Swap agreements and forward contracts are generally OTC-transacted and thus are exposed to default risk to the extent of their replacement cost. Since futures contracts are exchange-traded and usually require daily cash settlement, the related risk of accounting loss is generally limited to a one-day net positive change in market value. Option contracts can be exchange-traded or OTC-transacted contracts. Purchased options have default risk to the extent of their replacement cost. Written options represent a potential obligation to counterparties and, accordingly, do not subject Merrill Lynch to default risk.

Merrill Lynch attempts to enter into International Swaps and Derivatives Association, Inc. master agreements or their equivalent ("master netting agreements") with each of its counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be presented net on the Consolidated Balance Sheets, providing for a more meaningful balance sheet presentation of credit exposure.

To reduce default risk, Merrill Lynch requires collateral, principally U.S. Government and agencies securities, on certain derivative transactions. From an economic standpoint, Merrill Lynch evaluates default risk exposures net of related collateral. Presented below is a summary of counterparty credit ratings for the replacement cost (net of \$3,213 of collateral) of trading derivatives in a gain position by maturity at December 27, 1996.

	YEARS TO MATURITY				CROSS-MATURITY NETTING(1)	TOTAL
	0-3	3-5	5-7	OVER 7		
CREDIT RATING(2)						
AAA	\$ 437	\$ 89	\$ 28	\$ 284	\$ (42)	\$ 796
AA+/AA	993	189	160	359	(99)	1,602
AA-	1,501	514	483	385	(669)	2,214
A+/A	1,591	631	535	279	(390)	2,646
A-	1,906	601	259	341	(809)	2,298
BBB	762	289	123	137	(227)	1,084
BB	475	170	41	193	(164)	715
Other	529	138	21	240	(21)	907
TOTAL	\$8,194	\$2,621	\$1,650	\$2,218	\$ (2,421)	\$12,262

(1) Represents netting of payable balances with receivable balances for the same counterparty across maturity year categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category.

(2) Represents rating agency equivalent.

In addition to obtaining collateral, Merrill Lynch attempts to mitigate default risk on derivatives by entering into transactions with provisions that enable Merrill Lynch to terminate or reset the terms of the derivative contract.

NOTE 4. INVESTMENTS AND OTHER NON-TRADING ASSETS

INVESTMENTS

Merrill Lynch has several broad categories of investments on its Consolidated Balance Sheets, including Investments of insurance subsidiaries, Marketable investment securities, and Other investments.

Investments of insurance subsidiaries, primarily debt securities, are used to fund policyholder liabilities. Marketable investment securities consist of equity and debt securities primarily held for rating agency purposes or to manage cash flows related to certain liabilities of Merrill Lynch's banking subsidiaries. Other investments consist principally of equity and debt securities that were acquired primarily in connection with merchant banking activities. Certain merchant banking investments are subject to restrictions that may limit Merrill Lynch's ability to realize its investment until such restrictions expire.

Marketable investment securities and certain insurance subsidiaries' and other investments are carried as held-to-maturity, trading, or available-for-sale securities as described in Note 1. Investment securities reported on the Consolidated Balance Sheets at December 27, 1996 and December 29, 1995 are presented below:

	1996	1995
INVESTMENTS OF INSURANCE SUBSIDIARIES		
Available-for-sale	\$3,624	\$4,145
Non-qualifying(1)	1,483	1,474
TOTAL	\$5,107	\$5,619

MARKETABLE INVESTMENT SECURITIES

Available-for-sale	\$1,523	\$1,064
Held-to-maturity	653	1,268
Trading	4	33
	-----	-----
TOTAL	\$2,180	\$2,365
	-----	-----
	-----	-----

OTHER INVESTMENTS

Available-for-sale	\$ 142	\$ 165
Held-to-maturity	328	43
Trading	3	--
Non-qualifying (2)	652	753
	-----	-----
TOTAL	\$1,125	\$ 961
	-----	-----
	-----	-----

(1) Primarily consists of insurance policy loans.

(2) Includes merchant banking investments.

Information regarding investment securities subject to SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, follows:

<TABLE>
<CAPTION>

1995	December 27, 1996				December 29,			
	Estimated	Cost/ Amortized	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Corporate debt \$3,137	\$3,016	\$ 72	\$ (12)	\$3,076	\$2,999	\$145	\$ (7)	
U.S. Government and agencies 639	399	3	(1)	401	631	8	--	
Municipals 169	276	3	--	279	168	1	--	
Mortgage-backed securities 1,323	1,029	21	(3)	1,047	1,290	35	(2)	
Other debt securities 58	417	8	(9)	416	57	1	--	
	-----	-----	-----	-----	-----	-----	-----	
Total debt securities 5,326	5,137	107	(25)	5,219	5,145	190	(9)	
Equity securities (7) 48	70	5	(5)	70	50	5		
	-----	-----	-----	-----	-----	-----	-----	
TOTAL \$(16)	\$5,207	\$112	\$ (30)	\$5,289	\$5,195	\$195		
	-----	-----	-----	-----	-----	-----	-----	
	-----	-----	-----	-----	-----	-----	-----	

</TABLE>
<TABLE>
<CAPTION>

1995	December 27, 1996				December 29,			
	Estimated	Cost/ Amortized	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost/ Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
HELD-TO-MATURITY (1)	Cost	Gains	Losses	Value	Cost	Gains	Losses	

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Corporate debt	\$483	\$ 4	--	\$ 487	\$1,051	\$13	-
- \$1,064							
U.S. Government and agencies	37	--	--	37	23	--	--
23							
Municipals	122	15	--	137	1	--	-
- 1							
Mortgage-backed securities	281	2	--	283	169	--	-
- 169							
Other debt securities	58	--	--	58	67	1	-
- 68							
--	----	----	----	-----	-----	---	---
TOTAL	\$981	\$21	--	\$1,002	\$1,311	\$14	--
\$1,325							
--	----	----	----	-----	-----	---	---
--	----	----	----	-----	-----	---	---

(1) In accordance with Financial Accounting Standards Board implementation guidance on SFAS No. 115, Merrill Lynch reassessed the classification of all such securities and transferred held-to-maturity securities with an amortized cost of \$385 to the available-for-sale category on December 29, 1995. Net unrealized gains for these securities on the date of transfer were \$4.

The amortized cost and estimated fair value of debt securities at December 27, 1996, by contractual maturity, for available-for-sale and held-to-maturity investments follow:

	AVAILABLE-FOR-SALE		HELD-TO-MATURITY	
	AMORTIZED COST	ESTIMATED FAIR VALUE	AMORTIZED COST	ESTIMATED FAIR VALUE
Due in one year or less	\$1,118	\$1,119	\$417	\$ 418
Due after one year through five years	1,691	1,729	149	153
Due after five years through ten years	808	826	99	100
Due after ten years	491	498	35	48
Subtotal	4,108	4,172	700	719
Mortgage-backed securities	1,029	1,047	281	283
TOTAL(1)	\$5,137	\$5,219	\$981	\$1,002

(1) Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

Merrill Lynch's insurance subsidiaries are required to adjust deferred acquisition costs and certain policyholder liabilities associated with investments classified as available-for-sale. These adjustments are recorded in stockholders' equity and assume that the unrealized gain or loss on available-for-sale securities was realized. The table below provides the activity for the net unrealized gains (losses) recorded in stockholders' equity for available-for-sale investments.

	1996	1995	1994
Net unrealized (losses) gains on investment securities available-for-sale	\$ (97)	\$ 335	\$ (410)
Adjustments for policyholder liabilities	64	(137)	215
Adjustments for deferred policy acquisition costs	9	(72)	74
Deferred income taxes	8	(44)	43
Net activity	(16)	82	(78)
Net unrealized gains (losses) on investment securities classified as available-for-sale:			

Beginning of year	25	(57)	21
	----	-----	-----
End of year	\$ 9	\$ 25	\$ (57)
	----	-----	-----

The proceeds and gross realized gains (losses) from the sale of available-for-sale investments are as follows:

	1996	1995	1994
	-----	-----	-----
Proceeds	\$ 1,341	\$ 1,029	\$ 1,377
Gross realized gains	41	26	31
Gross realized losses	(12)	(28)	(34)

Net unrealized (losses) gains from trading investment securities included in the 1996 and 1995 Statements of Consolidated Earnings were \$(1) and \$1, respectively.

OTHER NON-TRADING ASSETS

Most other financial instrument assets are carried at amounts that approximate fair value. Such assets include cash and cash equivalents, cash and securities segregated for regulatory purposes or deposited with clearing organizations, most resale agreements, securities borrowed, and receivables.

Other financial instrument assets with carrying values that differ from their fair values are presented below:

	December 27, 1996		December 29, 1995	
	-----		-----	
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	-----	-----	-----	-----
Merchant banking				
equity investment				
and loan portfolio(1)	\$ 202	\$ 362	\$ 394	\$ 595
Loans, notes, and				
mortgages(2)	3,313	3,347	2,082	2,149
Mortgage servicing				
assets and related				
residual interests	374	393	255	303

(1) Equity investments are non-qualifying for SFAS No. 115 purposes.

(2) Excludes loans related to merchant banking activities.

In connection with its merchant banking activities, Merrill Lynch holds certain equity instruments, including partnership interests (included in Other investments on the Consolidated Balance Sheets), and loans consisting primarily of senior and subordinated debt. Fair value for equity instruments is estimated using a number of methods, including earnings multiples, cash flow analyses, and review of underlying financial conditions and other market factors. These instruments may be subject to restrictions (e.g., consent of other investors) that may limit Merrill Lynch's ability to realize currently the estimated fair value. Accordingly, Merrill Lynch's current estimate of fair value and the ultimate realization on these instruments may differ.

Loans made in the course of merchant banking activities are carried at unpaid principal balances. Fair value for loans made in connection with merchant banking activities is estimated using discounted cash flows. Merrill Lynch's estimate of fair value for other loans, notes, and mortgages is determined based on loan characteristics. For certain homogeneous categories of loans, including residential mortgages and home equity loans, fair value is estimated using market price quotations or previously executed transactions for securities backed by similar loans, adjusted for credit risk and other individual loan characteristics. For Merrill Lynch's variable-rate loan receivables, carrying value approximates fair value.

Mortgage servicing assets and residual interests in the mortgage loans underlying various Real Estate Mortgage Investment Conduits ("REMICS") and revolving trusts are primarily included in Other assets on the Consolidated Balance Sheets. Servicing assets and residual interests are (i) recognized upon sales of loans for which servicing is retained, (ii) amortized in proportion to and over the estimated life of the projected servicing revenues, and (iii) periodically evaluated for impairment. Fair value of servicing assets is computed based on the present value of estimated future normal servicing

revenues (net of servicing expenses), using current market assumptions for discount rates, prepayment speeds, default estimates, and interest rates. Fair value of residual interests in REMICS and revolving trusts is calculated based on the present value of estimated future servicing revenues in excess of normal servicing revenues, using current market assumptions for discount rates, prepayment speeds, default estimates, and interest rates.

Merrill Lynch holds a passive minority interest in Bloomberg L.P., a privately held limited partnership that provides information services. In 1996, Merrill Lynch sold one-third of its interest to the majority interest holder, resulting in a gain of \$155. Due to the nature and terms of the sale, the sale price is not necessarily indicative of the fair value of Merrill Lynch's remaining investment. In addition, given the contractual restrictions on the disposition of Merrill Lynch's interest, the fair value of the remaining investment is not readily determinable as of December 27, 1996. Management believes, however, that the fair value of this investment significantly exceeds its carrying value of \$28.

Merrill Lynch enters into derivative hedges of interest rate risk on various non-trading assets, including certain long-term resale agreements. At December 27, 1996 and December 29, 1995, the notional amounts of derivatives hedging these assets were \$7 billion. The combined carrying value of hedged non-trading assets and related hedges approximates their combined fair value at both dates.

NOTE 5. SHORT-TERM AND LONG-TERM BORROWINGS AND OTHER NON-TRADING LIABILITIES

SHORT-TERM AND LONG-TERM BORROWINGS

Merrill Lynch issues U.S. dollar- and foreign currency-denominated debt instruments with both variable and fixed interest rates. These financing activities may create exposure to market risk, most notably interest rate and currency risk. To better match the interest rate characteristics of assets and liabilities, Merrill Lynch generally enters into swap agreements to convert fixed-rate interest payments on its debt obligations into variable-rate payments. Interest obligations on variable-rate long-term borrowings and commercial paper may also be modified through swap agreements that change the underlying interest rate basis or reset frequency. Foreign currency payments on debt obligations may be swapped to U.S. dollar payments.

Merrill Lynch also issues debt containing embedded options that link the repayment of these obligations to the performance of an equity or other index (e.g., S&P 500), an industry basket of stocks, or an individual stock. The contingent components of these indexed debt obligations are hedged with derivatives.

Borrowings at December 27, 1996 and December 29, 1995 are presented below:

	1996	1995
	-----	-----
COMMERCIAL PAPER AND OTHER		
SHORT-TERM BORROWINGS		
Commercial paper	\$23,558	\$16,969
Demand and time deposits	9,311	8,182
Securities loaned	2,751	2,857
Bank loans and other	3,713	1,538
	-----	-----
TOTAL	\$39,333	\$29,546
	-----	-----
LONG-TERM BORROWINGS		
Fixed-rate obligations(1):		
U.S. dollar-denominated	\$ 5,770	\$ 4,670
Foreign currency-denominated	1,737	1,157
Variable-rate obligations(2) (3):		
U.S. dollar-denominated	1,944	630
Foreign currency-denominated	690	222
Medium-term notes(4):		
U.S. dollar-denominated	10,532	7,650
Foreign currency-denominated	5,429	3,011
	-----	-----
TOTAL	\$26,102	\$17,340
	-----	-----

(1) At December 27, 1996, U.S. dollar-denominated fixed-rate obligations are due 1997 to 2019 at interest rates ranging from 5.50% to 10.38%; foreign currency-denominated fixed-rate obligations are due 1997 to 2002 at interest rates ranging from 2.55% to 12.10%.

(2) Variable interest rates are generally based on rates such as LIBOR, the

U.S. Treasury Bill Rate, or the Federal Funds Rate.

- (3) Included in variable-rate obligations are various equity-linked or indexed instruments issued by Merrill Lynch.
- (4) Medium-term notes may bear fixed or variable interest rates and have maturities that may range from nine months to 30 years from the date of issue.

Maturities of long-term borrowings at December 27, 1996 consisted of the following:

1997	\$5,986
1998	4,150
1999	4,353
2000	2,945
2001	3,214
2002 and thereafter	5,454
TOTAL	\$26,102

The notional or contractual amounts of derivatives used to hedge exposures related to borrowings at December 27, 1996 and December 29, 1995 follow:

(IN BILLIONS)	1996	1995
Interest rate derivatives(1)	\$32	\$26
Currency derivatives(1)	4	3
Equity derivatives	2	1

- (1) Includes swap contracts totaling \$1 billion notional that contain embedded options hedging callable debt at both dates.

Most of these derivatives are entered into with Merrill Lynch's derivative dealer subsidiaries, which intermediate interest rate, currency, and equity risks with third parties in the normal course of their trading activities.

Effective weighted-average interest rates for borrowings, which include the impact of hedges, at December 27, 1996 and December 29, 1995 were:

	1996	1995
SHORT-TERM BORROWINGS(1)	5.69%	6.18%
LONG-TERM BORROWINGS		
Fixed-rate obligations	7.41%	6.47%
Variable-rate obligations	5.82%	6.38%
Medium-term notes	5.68%	5.87%

- (1) Consists of repurchase agreements, commercial paper, and other short-term borrowings.

The fair value of borrowings and related hedges is estimated using current market prices and pricing models. The carrying and fair values of these instruments are summarized as follows:

	December 27, 1996		December 29, 1995	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS	\$ 39,333	\$ 39,342	\$ 29,546	\$ 29,567
Related derivative:				
Assets	(15)	(12)	(19)	(21)
Liabilities	5	5	1	2
TOTAL	\$ 39,323	\$ 39,335	\$ 29,528	\$ 29,548
LONG-TERM BORROWINGS	\$ 26,102	\$ 26,850	\$ 17,340	\$ 17,901
Related derivative:				

Assets	(257)	(769)	(260)	(781)
Liabilities	370	448	176	154
	-----	-----	-----	-----
TOTAL	\$ 26,215	\$ 26,529	\$ 17,256	\$ 17,274
	-----	-----	-----	-----

Certain long-term borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the holder at specified dates prior to maturity. Management believes, however, that a significant portion of such borrowings may remain outstanding beyond their earliest redemption date.

Subsequent to year-end 1996, and through February 20, 1997, long-term borrowings, net of repayments and repurchases, increased approximately \$2,810.

Borrowing Facilities

Merrill Lynch has obtained committed, unsecured revolving credit facilities aggregating \$6,225 under agreements with 73 banks. The agreements contain covenants requiring, among other things, that Merrill Lynch maintain specified levels of net worth, as defined in the agreements, on the date of an advance. At December 27, 1996, none of these credit facilities had been drawn upon.

The credit quality, amounts, and terms of the credit facilities are continually monitored and modified as warranted by business conditions. Under the existing agreements, the credit facilities mature as follows: \$1,120 in February 1997; \$1,540 in May 1997; \$1,760 in June 1997; and \$1,805 in October 1997. At maturity, Merrill Lynch may convert amounts borrowed, if any, into term loans which would mature in two years.

OTHER NON-TRADING LIABILITIES

Other financial instrument liabilities are carried at amounts that approximate fair value. Such liabilities include repurchase agreements, payables to customers and brokers and dealers, and insurance and other liabilities.

NOTE 6. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES AND STOCKHOLDERS' EQUITY

PREFERRED SECURITIES ISSUED BY SUBSIDIARIES

In December 1996, Merrill Lynch Preferred Capital Trust I (the "Trust") issued \$275 of its 7.75% Trust Originated Preferred Securities (the "Trust Preferred") to unrelated parties and \$9 in common securities to the Company. Concurrently, Merrill Lynch Preferred Funding I, L.P. (the "Partnership") issued \$284 of its 7.75% Partnership Preferred Securities representing limited partner interests (the "LP Interests") to the Trust, and received capital of \$50 from the Company representing the general partner interest in the Partnership. The Trust and Partnership are consolidated subsidiaries of the Company.

The Trust's sole asset is the Partnership's LP Interests. The Partnership's assets consist of \$330 million in debentures issued by the Company and a subsidiary (the "Debentures") and \$4 million in other debt securities. The Debentures have a term of approximately 20 years and bear interest at 7.75%. The interest payment dates and redemption provisions of the Debentures, which include an option to redeem the debentures on or after December 30, 2006, correspond to the distribution payment dates and redemption provisions of both the LP Interests and the Trust Preferred.

The Company has guaranteed the payment in full of all distributions and other payments on the Trust Preferred to the extent that the Trust has funds legally available. The Company has also guaranteed the payment of distributions by the Partnership on the LP Interests if, as, and when declared out of funds legally available and payments upon liquidation of the Partnership or the redemption of LP Interests to the extent of funds legally available. In addition, payments in respect of the subsidiary Debentures are guaranteed by the Company for the benefit of the LP Interest holders. The guarantees are subordinated to all other liabilities and rank pari passu with the most senior preferred stock of the Company and, when taken together with the Debentures and the Company's obligations to pay all fees and expenses of the Trust and the Partnership, constitute a full and unconditional guarantee of the distribution, redemption, and liquidation payments payable to the holders of the Trust Preferred.

Subsequent to year-end, Merrill Lynch Capital Trust II, a consolidated Merrill Lynch subsidiary, issued \$300 of 8% Trust Originated Preferred Securities. The proceeds of the offering were invested in 8% Partnership Preferred Securities of Merrill Lynch Preferred Funding II, L.P., also a consolidated Merrill Lynch subsidiary, which, in turn, invested in debentures issued by the Company and a subsidiary.

PREFERRED EQUITY

The Company is authorized to issue 25,000,000 shares of undesignated preferred stock, \$1.00 par value per share. All shares of currently outstanding preferred stock constitute one and the same class and have equal rank and priority over common stockholders as to dividends and in the event of liquidation.

9% Cumulative Preferred Stock, Series A

In 1994, the Company issued 17,000,000 Depositary Shares, each representing a one-four-hundredth interest in a share of 9% Cumulative Preferred Stock, Series A, \$10,000 liquidation preference per share ("9% Preferred Stock"). The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425.

Dividends on the 9% Preferred Stock are cumulative from the date of original issue and are payable quarterly when declared by the authority of the Board. The 9% Preferred Stock is redeemable on or after December 30, 2004 at the option of the Company, in whole or in part, at a redemption price equal to \$10,000 per share, plus accrued and unpaid dividends (whether or not declared) to the date fixed for redemption.

Remarketed Preferred(service mark) Stock, Series C

The Company has issued 3,000 shares of Remarketed Preferred Stock, Series C ("RP Stock"), of which 1,938 shares were outstanding as of December 27, 1996. Dividend rates in effect during 1996 on the RP Stock ranged from 3.80% to 4.56% per annum.

Subsequent to year-end, the Company implemented a plan to redeem all of the outstanding RP Stock. The RP Stock will be redeemed on the dividend reset date of each series, and the redemptions are expected to be completed by March 4, 1997. As of February 19, 1997, \$155 of RP Stock, representing 1,548 shares, had been redeemed.

STOCKHOLDER RIGHTS PLAN

The Company's Stockholder Rights Plan provides for the distribution of preferred purchase rights ("Rights") to common stockholders. The Rights separate from the common stock ten days following: (a) an announcement of an acquisition by a person or group ("acquiring party") of 20% or more of the

outstanding common shares of the Company; or (b) the commencement of a tender or exchange offer for 30% or more of the common shares outstanding. One-half of a Right is attached to each outstanding share of common stock and will attach to all subsequently issued shares. The Rights entitle the holder to purchase fractions of a share ("Units") of Series A Junior Preferred Stock, par value \$1.00 per share, at an exercise price of \$100 per Unit. The Units are nonredeemable and have voting privileges and certain preferential dividend rights. The exercise price and the number of Units issuable are subject to adjustment to prevent dilution.

If, after the Rights have been distributed, either the acquiring party holds 25% or more of the Company's outstanding shares or the Company is a party to a business combination or other specifically defined transaction, each Right (other than those held by the acquiring party) will entitle the holder to receive, upon exercise, Units of preferred stock or shares of common stock of the surviving company with a value equal to two times the exercise price of the Right. The Rights expire December 16, 1997 and are redeemable at the option of a majority of the independent directors of the Company at \$.01 per Right at any time until the tenth day following an announcement of the acquisition of 20% or more of the Company's common stock.

PER COMMON SHARE COMPUTATION

Earnings per common share were computed using the modified treasury stock method ("modified method") in accordance with Accounting Principles Board Opinion ("APB") No. 15. The modified method is used when the number of shares obtainable upon exercise of outstanding options, warrants, and their equivalents exceeds 20% of the Company's outstanding common stock.

Under this method, all options, warrants, and their equivalents are assumed exercised (whether dilutive or antidilutive), using the aggregate exercise proceeds to repurchase up to 20% of the Company's outstanding common stock, subject to certain limitations. If the combined effect of the assumed exercise is dilutive, all options, warrants, and their equivalents are included in the computation.

Primary earnings per common share is computed by dividing net earnings, after deducting preferred stock dividend requirements of \$47, \$48, and \$13, for 1996, 1995, and 1994, respectively, by the weighted-average number of common shares and common stock equivalents outstanding during each year. Shares of common stock issuable under various employee incentive plans are considered common stock equivalents ("incremental shares").

The weighted-average number of common shares and incremental shares included in the primary and fully diluted earnings per common share computations follow:

(in thousands)	1996	1995	1994
PRIMARY			
Weighted-average common shares	168,897	176,563	195,661
Incremental shares	22,939	19,434	15,580
TOTAL	191,836	195,997	211,241
FULLY DILUTED			
Weighted-average common shares	168,897	176,563	195,661
Incremental shares	26,278	20,097	16,034
TOTAL	195,175	196,660	211,695

NOTE 7. COMMITMENTS AND CONTINGENCIES

LITIGATION

There are civil actions, arbitration proceedings, and claims pending against Merrill Lynch as of December 27, 1996, some of which involve claims for substantial amounts.

Included among these matters is an action that is pending in the United States District Court for the Central District of California, commenced on January 12, 1995 by Orange County, California (the "County") and the Orange County Investment Pools (the "Pools"), both of which filed bankruptcy petitions in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") on December 6, 1994. The Company and certain of its subsidiaries are named as defendants in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector. The Pools' bankruptcy petition subsequently was dismissed. On May 17, 1996, the Bankruptcy Court confirmed a plan pursuant to which Orange County emerged from bankruptcy.

The County and its current Treasurer-Tax Collector seek relief totaling in excess of \$2 billion in connection with various securities transactions between the Orange County Treasurer-Tax Collector and the Company and its subsidiaries. As subsequently amended, the complaint alleges, among other things, that these transactions violated California law and should be adjudged null and void, that the Company and its subsidiaries violated various provisions of the Bankruptcy Code and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and that the Company and its subsidiaries breached a fiduciary duty owed to the County and conspired to make unauthorized use of public funds.

In addition, other actions are pending against or on behalf of the Company, and/or against certain of its officers, directors, and employees and certain of its subsidiaries in the United States District Court for the Central District of California, the United States District Court for the Southern District of New York, and in state courts in California and New York. These include class actions and stockholder derivative actions brought by persons alleging harm to themselves or to Merrill Lynch arising out of

Merrill Lynch's dealings with the Orange County Treasurer-Tax Collector, or the purchase of debt instruments issued by Orange County or other public entities with funds controlled by the Orange County Treasurer-Tax Collector that were underwritten by the Company's subsidiary, MLPF&S.

Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the Consolidated Financial Statements of Merrill Lynch contained herein.

LENDING

Merrill Lynch enters into commitments to extend credit, predominantly at variable interest rates, in connection with certain merchant banking and loan syndication transactions. Customers may also be extended loans or lines of credit collateralized by first and second mortgages on real estate, certain liquid assets of small businesses, or securities. Merrill Lynch also issues various guarantees to counterparties in connection with certain leasing, agency securities lending, securitization, and other transactions. These commitments and guarantees usually have a fixed expiration date and are contingent on certain contractual conditions that may require payment of a fee by the counterparty. Once commitments are drawn upon or guarantees are issued, Merrill Lynch may require the counterparty to post collateral depending upon the counterparty's creditworthiness and market conditions.

The contractual amounts of these commitments and guarantees represent the amounts at risk should the contract be fully drawn upon, the client default, and the value of the existing collateral become worthless. The total amount of outstanding commitments and guarantees may not represent future cash requirements, as guarantees and commitments may expire without being drawn upon.

At December 27, 1996 and December 29, 1995, Merrill Lynch had the following commitments and guarantees:

	1996	1995
	-----	-----
Commitments to extend credit(1)	\$4,780	\$3,555
Third party guarantees	1,975	887

(1) Subsequent to year end, Merrill Lynch entered into a \$1.9 billion loan commitment to a company in connection with a proposed acquisition. If extended, Merrill Lynch intends to syndicate the loan but may retain a residual portion.

The fair value of the outstanding guarantees was \$24 and \$31 at December 27, 1996 and December 29, 1995, respectively.

LEASES

Merrill Lynch has entered into various noncancelable long-term lease agreements for premises and equipment that expire through 2024, including the World Financial Center Headquarters ("WFC"). During 1996, Merrill Lynch incurred a pretax charge of \$40 million related to the resolution of Olympia & York's bankruptcy that affected Merrill Lynch's long-term sublease agreements in the WFC. Merrill Lynch has also entered into various noncancelable short-term lease agreements which are primarily commitments of less than one year under equipment leases.

At December 27, 1996, future minimum rental commitments under noncancelable leases with initial or remaining terms exceeding one year are presented below:

	WFC	Other	Total
	-----	-----	-----
1997	\$ 119	\$ 264	\$ 383
1998	125	263	388
1999	140	262	402
2000	144	261	405
2001	145	256	401
2002 and thereafter	2,009	2,052	4,061
TOTAL	\$2,682	\$3,358	\$6,040

The minimum rental commitments shown above have not been reduced by \$838 of minimum sublease rentals to be received in the future under noncancelable subleases. Certain leases contain renewal or purchase options, or escalation clauses providing for increased rental payments based upon maintenance, utility, and tax increases.

Rent expense net of sublease revenue for each of the last three years is presented below:

	1996	1995	1994
	-----	-----	-----
Rent expense	\$ 420	\$ 399	\$ 395
Less: sublease revenue	(48)	(87)	(79)

Net rent expense	\$ 372	\$ 312	\$ 316
	-----	-----	-----
	-----	-----	-----

OTHER COMMITMENTS

In the normal course of business, Merrill Lynch enters into commitments for securities underwriting and when-issued transactions. Settlement of these transactions as of December 27, 1996 would not have a material effect on the consolidated financial condition of Merrill Lynch.

In connection with financing activities, Merrill Lynch had commitments at December 27, 1996 and December 29, 1995 to enter into resale and repurchase agreements as follows:

	1996	1995
	-----	-----
Resale agreements	\$3,653	\$1,845
Repurchase agreements	976	--

Merrill Lynch also obtains letters of credit from issuing banks to satisfy various counterparty collateral requirements in lieu of depositing collateral of cash or securities. Letters of credit aggregated \$2,065 and \$2,352 at December 27, 1996 and December 29, 1995, respectively.

In connection with merchant banking activities, Merrill Lynch has committed to purchase \$101 and \$107 of partnership interests at December 27, 1996 and December 29, 1995, respectively.

Merrill Lynch has entered into agreements with providers of market data, communications, and systems consulting services. At December 27, 1996 and December 29, 1995, minimum fee commitments under these contracts aggregated \$481 and \$30, respectively.

NOTE 8. EMPLOYEE BENEFIT PLANS

Merrill Lynch provides retirement and other postemployment benefits to its employees worldwide through defined contribution and defined benefit pension plans and other postretirement and postemployment benefit plans. Merrill Lynch reserves the right to amend or terminate these plans at any time.

DEFINED CONTRIBUTION PENSION PLANS

The domestic defined contribution plans consist of the Retirement Accumulation Plan ("RAP"), the Employee Stock Ownership Plan ("ESOP"), and the 401(k) Savings & Investment Plan ("SIP"). The RAP, ESOP, and SIP cover substantially all U.S. employees who have met age and service requirements.

Merrill Lynch established the RAP and the ESOP, collectively known as the "Retirement Program," for the benefit of employees over the age of 21 with one year of service. A separate retirement account is maintained for each participant.

In 1989, the ESOP trust purchased from Merrill Lynch 24,341,470 shares of the Company's common stock with residual funds from a terminated defined benefit pension plan ("Reversion Shares") and loan proceeds from a subsidiary of Merrill Lynch ("Leveraged Shares").

Merrill Lynch credits a participant's account and records pension expense under the Retirement Program based on years of service and eligible compensation. This expense is funded by quarterly allocations of Leveraged and Reversion Shares and, if necessary, cash, to participants' accounts based on a specified formula. Leveraged and Reversion Shares are released in accordance with the terms of the ESOP. If the fair market value of the shares released is less than the formula allocation to participants' accounts, cash contributions are made to the RAP. Reversion Shares are allocated to participants' accounts over a period of not more than eight years, ending in June 1997. Leveraged Shares are allocated to participants' accounts as principal is repaid on the loan to the ESOP, which matures in 1999. Principal and interest on the loan are payable quarterly upon receipt of dividends on certain shares of common stock or other cash contributions.

ESOP shares are considered to be either allocated (contributed to participants' accounts), committed (scheduled to be contributed at a specified future date but not yet released), or unallocated (not committed or allocated). Share information at December 27, 1996 is as follows:

REVERSION LEVERAGED

	SHARES	SHARES
Allocated	17,923,585	2,689,896
Committed	434,663	92,805
Unallocated	1,538,778	1,661,743

The remaining cost of the unallocated Reversion and Leveraged Shares of \$24 and \$25, respectively, at December 27, 1996 is recorded as a reduction of stockholders' equity. The remaining cost of unallocated Leveraged Shares represents the ESOP loan balance.

Additional information on ESOP activity follows:

	1996	1995	1994
Dividends used for debt service(1)	\$ 8	\$ 9	\$ 11
Compensation costs funded with ESOP shares	190	143	109

(1) Dividends on all Leveraged and unallocated and committed Reversion Shares are used for debt service on the ESOP loan. Dividends on allocated Reversion Shares are credited to participants' accounts.

Employees can participate in the SIP by contributing, on a tax-deferred basis, up to 15% of their eligible compensation but not more than the maximum annual amount allowed by law. Merrill Lynch's contributions are equal to one-half of the first 4% of each participant's eligible compensation contributed to the SIP, up to a maximum of fifteen hundred dollars annually. No corporate contributions are made for participants who are also Employee Stock Purchase Plan participants (see Note 9).

In addition, Merrill Lynch sponsors various non-U.S. defined contribution plans. The costs of benefits under the RAP, SIP, and non-U.S. plans are expensed during the related service period.

DEFINED BENEFIT PENSION PLANS

Merrill Lynch has purchased a group annuity contract that guarantees the payment of benefits vested under a U.S. defined benefit plan that was terminated in accordance with the applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). At December 27, 1996 and December 29, 1995, a substantial portion of the assets supporting the annuity contract was invested in U.S. Government and agencies securities. Merrill Lynch, under a supplemental agreement, may be responsible for, or benefit from, actuarial experience and investment performance of these annuity assets. Merrill Lynch also maintains supplemental defined benefit plans for certain U.S. employees.

Employees of certain non-U.S. subsidiaries participate in various local defined benefit plans. These plans provide benefits that are generally based on years of credited service and a percentage of the employee's eligible compensation during the final years of employment. Merrill Lynch's funding policy has been to contribute annually the amount necessary to satisfy local funding standards.

The funded status of the defined benefit plans (including the terminated plan) follows:

<TABLE>
<CAPTION>

	1996		1995
IN WHICH:	PENSION PLANS IN WHICH:		PENSION PLANS
ACCUMULATED	ASSETS	ACCUMULATED	ASSETS
BENEFITS	EXCEEDED	BENEFITS	EXCEEDED
EXCEEDED	ACCUMULATED	EXCEEDED	ACCUMULATED
ASSETS (1)	BENEFITS	ASSETS (1)	BENEFITS
<S>	<C>	<C>	<C>
<C>			
ACCUMULATED BENEFIT OBLIGATION			
Vested	\$ (1,447)	\$ (118)	\$ (1,429)
\$ (110)			

Non-vested (7)	(3)	(8)	(3)
-----	-----	-----	-----
TOTAL (117)	(1,450)	(126)	(1,432)
Effect of assumed increase in compensation levels (29)	(24)	(25)	(23)
-----	-----	-----	-----
Projected benefit obligation (146)	(1,474)	(151)	(1,455)
Plan assets at fair value 72	1,673	85	1,735
-----	-----	-----	-----
Plan assets in excess of (less than) projected benefit obligation (74)	199	(66)	280
Unrecognized net liability at transition 2	3	2	3
Unrecognized prior service benefit (1)	(3)	(1)	(7)
Unrecognized net (gain) loss 27	(4)	14	(106)
-----	-----	-----	-----
Prepaid (accrued) benefit cost \$ (46)	\$ 195	\$ (51)	\$ 170
-----	-----	-----	-----
-----	-----	-----	-----

</TABLE>

(1) Consists primarily of domestic supplemental plans not subject to ERISA and non-U.S. plans where funding strategies vary due to legal requirements and local practice.

Net periodic pension cost includes the following components:

	1996	1995	1994
	-----	-----	-----
Defined contribution plan cost	\$ 223	\$ 169	\$ 165
-----	-----	-----	-----
Defined benefit plans(1):			
Service cost for benefits earned during the year	24	19	16
Interest cost on projected benefit obligation	103	105	92
Actual return on plan assets	19	(480)	146
Deferral and amortization of unrecognized items	(133)	373	(243)
-----	-----	-----	-----
Total defined benefit plan cost	13	17	11
-----	-----	-----	-----
Total pension cost	\$ 236	\$ 186	\$ 176
-----	-----	-----	-----

(1) The following actuarial assumptions were used in calculating the defined benefit cost and benefit obligations. Weighted-average rates as of the beginning of the year are:

	1997	1996	1995
	-----	-----	-----
Weighted-average discount rate	6.7%	6.5%	8.1%
Rate of compensation increase	5.4%	5.5%	6.0%
Expected long-term rate of return on plan assets	6.9%	6.7%	8.2%
-----	-----	-----	-----

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Merrill Lynch provides health and life insurance benefits to retired employees under a plan that covers substantially all U.S. employees who have met age and service requirements. The health care component is contributory, with retiree contributions adjusted periodically; the life insurance component of the plan is noncontributory. The accounting for costs of health care benefits anticipates future changes in cost-sharing provisions. Merrill Lynch pays claims as incurred. Full-time employees of Merrill Lynch become eligible for these

benefits upon attainment of age 55 and completion of ten years of service. Merrill Lynch also sponsors similar plans that provide health care benefits to retired employees of certain non-U.S. subsidiaries. As of December 27, 1996, none of these plans had been funded.

Net periodic postretirement benefit expense included the following components:

	1996	1995	1994
Service cost	\$ 6	\$ 4	\$ 4
Interest cost on accumulated postretirement benefit obligation	11	10	9
Amortization of unrecognized gain	--	(1)	--
Total postretirement benefit cost	\$ 17	\$ 13	\$ 13

The amounts recognized for Merrill Lynch's postretirement benefit plans follow:

	1996	1995
ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION		
Retirees	\$ (73)	\$ (80)
Fully eligible active plan participants	(37)	(34)
Other active plan participants	(62)	(57)
TOTAL	(172)	(171)
Unrecognized net (gain) loss	(7)	3
Postretirement benefits accrued liability	\$ (179)	\$ (168)

The following actuarial assumptions were used in calculating the postretirement benefit cost and obligations. Weighted-average rates as of the beginning of the year are:

	1997	1996	1995
Weighted-average discount rate	6.8%	6.5%	8.2%
Health care cost trend rates(1) :			
Initial	8.0%	9.0%	11.0%
2011 and thereafter	5.5%	5.5%	6.0%

(1) Assumed to decrease gradually until the year 2011 and remain constant thereafter.

The assumed health care cost trend rate has a significant effect on the amounts reported above. Increasing the assumed trend rate by one percentage point per year would increase the accumulated postretirement benefit obligation at December 27, 1996 and December 29, 1995 by \$28 and \$29, respectively, and increase the aggregate of service and interest costs for 1996 and 1995 by \$3 for both years.

POSTEMPLOYMENT BENEFITS

Merrill Lynch provides certain postemployment benefits for employees on extended leave due to injury or illness and for terminated employees. Employees who are disabled due to non-work-related illness or injury are entitled to disability income, medical coverage, and life insurance. Merrill Lynch also provides severance benefits to terminated employees. In addition, Merrill Lynch is mandated by state and Federal regulations to provide certain other postemployment benefits. Merrill Lynch funds these benefits through a combination of self-insured and insured plans.

Merrill Lynch recognized \$30, \$76, and \$76 in 1996, 1995, and 1994, respectively, of postemployment benefits expense, which included severance costs for terminated employees of \$14, \$54, and \$66 in 1996, 1995, and 1994, respectively. Although all full-time employees are eligible for severance benefits, no additional amounts were accrued as of December 27, 1996 since future severance costs are not estimable.

NOTE 9. EMPLOYEE INCENTIVE PLANS

To align the interests of employees with those of stockholders, Merrill Lynch sponsors several employee compensation plans that provide eligible employees with stock or options to purchase shares. The total compensation cost recognized

in earnings for stock-based compensation plans for 1996, 1995, and 1994 was \$269, \$131, and \$138, respectively. Merrill Lynch also sponsors deferred cash compensation plans for eligible employees.

LONG-TERM INCENTIVE COMPENSATION PLANS ("LTIC PLANS") AND EQUITY CAPITAL
ACCUMULATION PLAN ("ECAP")

LTIC Plans and ECAP provide for grants of equity and equity-related instruments to certain key employees. LTIC Plans provide for the issuance of Restricted Shares, Restricted Units, and Nonqualified Stock Options, as well as Incentive Stock Options, Performance Shares, Performance Units, Stock Appreciation Rights, and other securities of Merrill Lynch. ECAP provides for the issuance of Restricted Shares, as well as Performance Shares. As of December 27, 1996, no instruments other than Restricted Shares, Restricted Units, and Nonqualified Stock Options had been granted.

Restricted Shares and Units

Restricted Shares are shares of Merrill Lynch's common stock carrying voting and dividend rights. A Restricted Unit is deemed equivalent in fair market value to one share of Merrill Lynch's common stock, is payable in cash, and receives cash payments equivalent to dividends. Under both plans, such shares and units are restricted from sale, transfer, or assignment until the end of the restricted period and are subject to forfeiture during a vesting period for grants under LTIC Plans or the restricted period for grants under ECAP.

The activity for Restricted Shares and Units under these plans during 1996 and 1995 follows:

	LTIC PLANS		ECAP
	RESTRICTED SHARES	RESTRICTED UNITS	RESTRICTED SHARES
Authorized for issuance at:			
December 27, 1996	100,000,000	--(1)	26,200,000
December 29, 1995	80,000,000	80,000,000	26,200,000
Available for issuance at(2):			
December 27, 1996	30,945,605	--(1)	1,349,415
December 29, 1995	18,266,797	67,179,006	2,821,181
Outstanding, beginning of 1995	2,950,801	3,213,394	1,940,496
Granted - 1995	2,158,209	2,084,721	541,960
Paid, forfeited, or released from contingencies	(1,837,250)	(1,974,341)	(1,876,465)
Outstanding, end of 1995	3,271,760	3,323,774	605,991
Granted - 1996	1,457,422	1,555,285	1,677,854
Paid, forfeited, or released from contingencies	(247,701)	(241,609)	(217,973)
Outstanding, end of 1996(3)	4,481,481	4,637,450	2,065,872

(1) Due to changes in regulatory requirements, authorization limits for LTIC Plans are no longer required.

(2) Includes shares reserved for issuance upon the exercise of stock options.

(3) Subsequent to year end through February 1, 1997, 1,432,771 and 1,583,974 Restricted Shares and Units under LTIC Plans, respectively, and 925 ECAP Restricted Shares were granted to eligible employees.

The weighted-average fair value per share or unit for 1996, 1995, and 1994 grants follow:

	1996	1995	1994
LTIC Plans:			
Restricted Shares	\$57.94	\$41.71	\$43.99
Restricted Units	57.38	41.44	44.63
ECAP Restricted Shares	57.52	52.46	37.41

Merrill Lynch sponsors other plans similar to LTIC Plans in which restricted shares and units are granted to employees and non-employee directors. At December 27, 1996, 850,000 restricted shares and 200,000 restricted units were authorized under these plans. At that date, 60,745 restricted shares and 8,067 restricted units were outstanding under these plans.

 Nonqualified Stock Options

Nonqualified Stock Options granted under LTIC Plans in 1989 through 1995 generally become exercisable over four years in equal installments commencing one year after the date of grant. Options granted in 1996 and thereafter generally are exercisable over five years. The exercise price of these options is equal to 100% of the fair market value (as defined in LTIC Plans) of a share of common stock on the date of grant. Nonqualified Stock Options expire ten years after their grant date.

The activity for Nonqualified Stock Options under LTIC Plans for 1996, 1995, and 1994 follows:

	OPTIONS OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding, beginning of 1994	27,004,771	\$19.60
Granted - 1994	4,527,100	40.63
Exercised	(2,649,411)	14.20
Forfeited	(474,527)	28.10
Outstanding, end of 1994	28,407,933	23.31
Granted - 1995	6,456,462	39.63
Exercised	(3,959,949)	16.79
Forfeited	(831,129)	36.96
Outstanding, end of 1995	30,073,317	27.29
Granted - 1996	6,816,970	54.56
Exercised	(4,240,515)	20.89
Forfeited	(743,444)	50.85
Outstanding, end of 1996(1)	31,906,328	33.43

(1) In January 1997, eligible participants were granted stock options for 7,102,360 shares.

At December 27, 1996, December 29, 1995, and December 30, 1994, options exercisable under LTIC Plans were 17,766,167, 17,059,375, and 14,301,246, respectively.

The table below summarizes information related to outstanding and exercisable options at December 27, 1996.

EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED- AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING LIFE (YEARS) (1)	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$10.00 - \$20.99	8,367,975	\$11.28	3.6	8,367,975	\$11.28
\$21.00 - \$30.99	3,400,359	29.66	5.1	3,400,357	29.66
\$31.00 - \$40.99	12,723,883	36.32	7.1	5,829,299	36.07
\$41.00 - \$50.99	--	--	--	--	--
\$51.00 - \$63.99	7,414,111	55.22	9.0	168,536	59.92

(1) Based on contractual life of ten years.

The weighted-average fair value of options granted in 1996 and 1995 is \$15.16 and \$11.34 per option, respectively. Fair value is estimated as of the grant date based on a Black-Scholes option pricing model using the following weighted-average assumptions:

	1996	1995
Risk-free interest rate	5.68%	7.61%
Expected life	5 yrs.	5 yrs.
Expected volatility	26.35%	25.00%
Dividend yield	1.91%	2.45%

See "Pro Forma Compensation Expense" in the following "Employee Stock Purchase Plan" section for additional information.

EMPLOYEE STOCK PURCHASE PLAN ("ESPP")

ESPP allows eligible employees to invest from 1% to 10% of their eligible compensation to purchase Merrill Lynch's common stock at a price equal to 85% of its fair market value. These purchases are made on four quarterly investment dates through payroll deductions. Up to 25,000,000 shares of Merrill Lynch's common stock have been authorized for issuance under ESPP. The activity in ESPP during 1996 and 1995 follows:

	ESPP SHARES	
	1996	1995
Available, beginning of year	4,996,263	5,857,449
Purchased through plan	(862,583)	(861,186)
Available, end of year	4,133,680	4,996,263

The weighted-average fair value of ESPP stock purchase rights exercised by employees in 1996, 1995, and 1994 is \$8.76, \$7.20, and \$5.61 per right, respectively.

Pro Forma Compensation Expense

Merrill Lynch accounts for costs of stock-based compensation in accordance with APB No. 25, "Accounting for Stock Issued to Employees", rather than the fair value based method in SFAS No. 123, "Accounting for Stock-Based Compensation". No compensation expense has been recognized for Merrill Lynch's grants of stock options under LTIC Plans or ESPP purchase rights. Based on the fair value of stock options and purchase rights, Merrill Lynch would have recognized compensation expense, net of taxes, of \$26 and \$12 for 1996 and 1995, respectively, resulting in pro forma net earnings and earnings per share as follows:

	1996	1995
NET EARNINGS		
As reported	\$ 1,619	\$ 1,114
Pro forma	1,593	1,102
EARNINGS PER COMMON SHARE		
As reported:		
Primary	\$ 8.20	\$ 5.44
Fully diluted	8.06	5.42
Pro forma:		
Primary	8.06	5.38
Fully diluted	7.93	5.36

Pro forma compensation expense associated with option grants is recognized over the vesting period. The initial impact of applying SFAS No. 123 on pro forma disclosure is not representative of the potential impact on pro forma net earnings for future years, which will include compensation expense related to vesting of 1995, 1996, and subsequent grants.

FINANCIAL CONSULTANT CAPITAL ACCUMULATION AWARD PLANS ("FCCAAP")

Under FCCAAP, eligible employees in Merrill Lynch's private client group are granted awards generally based upon their prior year's performance. Payment for an award is contingent upon continued employment for a period of time and is subject to forfeiture during that period. The award is generally payable ten years from the date of grant in a fixed number of shares of Merrill Lynch's common stock unless the fair market value of such shares is less than a specified minimum value plus interest, in which case the minimum value is paid in cash. Eligible participants may defer awards beyond the scheduled payment date.

A total of 30,207,642 shares of Merrill Lynch's common stock are authorized for issuance under FCCAAP. Only shares of common stock held as treasury stock may be issued under FCCAAP. At December 27, 1996, shares subject to outstanding awards totaled 16,550,574, while 12,316,183 shares were available for issuance through future awards. The fair value of awards granted under FCCAAP during 1996, 1995, and 1994 is \$50.69, \$36.13, and \$42.25 per award, respectively.

INCENTIVE EQUITY PURCHASE PLAN ("IEPP")

IEPP allowed selected employees to purchase shares of Merrill Lynch's common stock ("Book Value Shares") at a price equal to book value per common share. Book Value Shares, which otherwise may not be resold, may be sold back to Merrill Lynch at book value or exchanged at any time for a specified number of freely transferable common shares. Book Value Shares outstanding under IEPP were 1,137,200 at December 27, 1996 and 1,221,500 at December 29, 1995, respectively. In 1995, IEPP was amended to reduce the authorized shares to zero and prohibit the reuse of any surrendered shares. No further offerings will be made under this plan.

MERRILL LYNCH INVESTMENT CERTIFICATE PROGRAM ("MLICP")

Under MLICP, eligible employees in Merrill Lynch's private client group are issued investment certificates based on their performance. The certificates mature ten years from the date issued and are payable in cash if certain performance criteria are achieved and the employee is continuously employed for the ten-year period, with certain exceptions. The certificates bear interest commencing with the date on which the performance requirements are achieved. As of December 27, 1996 and December 29, 1995, \$235 and \$188, respectively, were accrued under this plan.

OTHER DEFERRED COMPENSATION PLANS

Merrill Lynch sponsors other deferred compensation plans in which eligible employees may participate. Generally, contributions to the plans are made on a tax-deferred basis to participants. Contributions are invested by Merrill Lynch, principally in mutual funds sponsored by Merrill Lynch. The plans' investments and the amounts accrued by Merrill Lynch under the plans are both included in the Consolidated Balance Sheets. Plan investments totaled \$211 and \$133, respectively, at December 27, 1996 and December 29, 1995. Accrued liabilities at those dates were \$220 and \$142, respectively.

NOTE 10. INCOME TAXES

Income tax provisions (benefits) on earnings consisted of:

	1996	1995	1994
	-----	-----	-----
FEDERAL			
Current	\$ 515	\$ 788	\$ 680
Deferred	(119)	(164)	(150)
STATE AND LOCAL			
Current	198	81	158
Deferred	(54)	(30)	2
FOREIGN			
Current	460	(39)	5
Deferred	(53)	61	18
	-----	-----	-----
Total	\$ 947	\$ 697	\$ 713
	-----	-----	-----

The corporate statutory tax rate was 35.0% for the three years presented. A reconciliation of statutory Federal income taxes to Merrill Lynch's income tax provisions for earnings follows:

	1996	1995	1994
	-----	-----	-----
Federal income tax			
at statutory rate	\$ 898	\$ 634	\$ 605
State and local income			
taxes, net	94	33	104
Pension plan transaction	12	13	14
Foreign operations	(8)	(4)	23
Tax-exempt interest	(21)	(14)	(18)
Dividends received deduction	(34)	(19)	(17)
Other, net	6	54	2
	-----	-----	-----
Total	\$ 947	\$ 697	\$ 713
	-----	-----	-----

For financial reporting purposes, Merrill Lynch had no unrecognized net operating loss or alternative minimum tax benefit carryforwards at December 27, 1996.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the Consolidated Financial Statements. These temporary differences result in taxable or deductible amounts in future years. Details of Merrill Lynch's deferred tax assets and liabilities follow:

	1996	1995	1994
DEFERRED TAX ASSETS			
Valuation and other reserves(1)	\$ 831	\$ 700	\$ 638
Deferred compensation	349	228	192
Other	429	364	338
Total deferred tax assets	1,609	1,292	1,168
DEFERRED TAX LIABILITIES			
Lease transactions	114	100	113
Accelerated tax depreciation	44	70	92
Unrealized gains on inventory	9	18	29
Other	131	88	73
Total deferred tax liabilities	298	276	307
NET DEFERRED TAX ASSET	\$1,311	\$1,016	\$ 861

(1) Primarily related to Trading assets and Other liabilities.

Income tax benefits of \$30, \$34, and \$5 were allocated to stockholders' equity related to employee compensation transactions for 1996, 1995, and 1994, respectively.

Earnings before income taxes included approximately \$738, \$128, and \$48 of earnings attributable to foreign entities for 1996, 1995, and 1994, respectively. Cumulative undistributed earnings of foreign subsidiaries were approximately \$1,206 at December 27, 1996. No deferred Federal income taxes have been provided for the undistributed earnings as these earnings have been reinvested in Merrill Lynch's foreign operations. Assuming utilization of foreign tax credits, Merrill Lynch estimates that approximately \$118 of Federal income taxes and \$52 of foreign withholding taxes would be incurred on the repatriation of the foreign subsidiaries' earnings.

NOTE 11. REGULATORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

MLPF&S, a registered broker-dealer and a subsidiary of the Company, is subject to the net capital requirements of Rule 15c3-1 of the Securities Exchange Act of 1934. Under the alternative method permitted by this rule, the minimum required net capital, as defined, shall not be less than 2% of aggregate debit items arising from customer transactions. At December 27, 1996, MLPF&S's regulatory net capital of \$1,598 was 10% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$1,276.

Merrill Lynch Government Securities Inc. ("MLGSI"), a primary dealer in U.S. Government securities and a subsidiary of the Company, is subject to the capital adequacy requirements of the Government Securities Act of 1986. This rule requires dealers to maintain liquid capital in excess of market and credit risk, as defined, by 20% (a 1.2-to-1 capital-to-risk standard). At December 27, 1996, MLGSI's liquid capital of \$886 was 240% of its total market and credit risk, and liquid capital in excess of the minimum required was \$442.

Merrill Lynch International ("MLI"), a registered U.K. broker-dealer and a subsidiary of Merrill Lynch, is subject to capital requirements of the Securities and Futures Authority ("SFA"). Financial resources, as defined, must exceed the total financial resources requirement of the SFA. At December 27, 1996, MLI's financial resources were \$1,374, and exceeded the minimum requirement by \$335.

Merrill Lynch Capital Markets PLC ("MLCM"), a U.K. subsidiary of Merrill Lynch and a dealer in over-the-counter equity derivatives, became subject to the capital requirements of the SFA on January 1, 1997. In anticipation, MLCM had \$855 of regulatory capital at December 27, 1996 and received another \$600 on December 31, 1996 from Merrill Lynch. Subsequent to year end, MLI became the primary equity derivatives dealer for new business.

Merrill Lynch's insurance subsidiaries are subject to various regulatory restrictions that limit the amount available for distribution as dividends. As of December 27, 1996, \$436, representing 88% of the insurance subsidiaries' net assets, was unavailable for distribution to Merrill Lynch.

Over 55 other subsidiaries are subject to regulatory requirements promulgated by the regulatory and exchange authorities of the countries in which they operate.

These regulatory restrictions may limit the amounts that these subsidiaries can pay in dividends or advance to Merrill Lynch. At December 27, 1996, restricted net assets of all subsidiaries were \$5,985.

In addition, to satisfy rating agency standards, a credit intermediary subsidiary of Merrill Lynch must also meet certain minimum capital requirements. At December 27, 1996, this minimum capital requirement was \$350.

With the exception of regulatory restrictions on subsidiaries' abilities to pay dividends, there are no restrictions on Merrill Lynch's present ability to pay dividends on common stock, other than (a) Merrill Lynch's obligation first to make dividend payments on its preferred stock and (b) the governing provisions of the Delaware General Corporation Law.

 NOTE 12. INDUSTRY AND GLOBAL OPERATIONS

Merrill Lynch operates principally in the financial services industry and provides services to individual and institutional clients. These services, due to certain legal requirements, are conducted through various subsidiaries, including those operating as brokers, dealers, banks, insurance, and other financial services companies.

Merrill Lynch operates in both U.S. and non-U.S. markets. Merrill Lynch's non-U.S. business activities are conducted through offices in three regions: Europe, Africa, and the Middle East; Asia and Australia; and the Americas, excluding the U.S.

European, African, and Middle Eastern operations offer international investment and private banking services, research, and dealer services in equity and fixed-income securities, swaps, futures, commodity contracts, and options.

Merrill Lynch's Asian and Australian operations conduct business throughout various countries including Australia, China, Hong Kong, Japan, and Singapore. Merrill Lynch has exchange memberships in the region's major financial centers. Traditional retail and institutional services are provided in virtually all locations.

In Canada, Merrill Lynch is a broker for securities and commodities and a market maker for bonds and money market instruments. Merrill Lynch also provides investment banking and research for Canadian customers. In Latin America, Merrill Lynch provides international banking, brokerage, and trust services and has been instrumental in the privatization of many Latin American companies. For further information, see "Global Operations" in Management's Discussion and Analysis (unaudited).

The principal methodology used in preparing the geographic data in the table below includes: (i) commission revenues are recorded based on the location of the sales force; (ii) trading revenues are principally recorded based on the location of the trader; (iii) investment banking revenues are recorded based on the location of the client; and (iv) asset management and portfolio service fees are recorded based on the location of the fund manager. Earnings before income taxes include the allocation of certain shared expenses among regions. In addition, intercompany transfers are based primarily on service agreements.

The information presented below, in management's judgment, provides a reasonable representation of each region's contribution to the consolidated amounts.

<TABLE>
 <CAPTION>

	1996	1995	1994	1996	1995	1994
	TOTAL REVENUES			NET REVENUES		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Europe, Africa, and Middle East	\$ 5,336	\$ 3,981	\$ 3,464	\$ 1,837	\$ 1,319	\$ 1,134
Asia and Australia	1,539	1,232	963	984	701	554
Americas	826	704	617	472	347	333
Subtotal	7,701	5,917	5,044	3,293	2,367	2,021
United States	19,221	16,107	13,754	10,603	8,092	7,703
Eliminations	(1,911)	(511)	(564)	(780)	(194)	(99)
TOTAL	\$ 25,011	\$ 21,513	\$ 18,234	\$ 13,116	\$ 10,265	\$ 9,625

</TABLE>

<TABLE>
 <CAPTION>

EARNINGS BEFORE INCOME TAXES

TOTAL ASSETS

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Europe, Africa, and Middle East	\$ 387	\$ 155	\$ 176	\$ 75,901	\$ 56,948	\$ 44,297
Asia and Australia	199	81	75	17,905	16,914	11,389
Americas	139	127	137	5,205	4,997	4,216
Subtotal	725	363	388	99,011	78,859	59,902
United States	1,841	1,448	1,342	126,784	105,702	108,147
Eliminations	--	--	--	(12,779)	(7,704)	(4,300)
TOTAL	\$2,566	\$1,811	\$1,730	\$ 213,016	\$ 176,857	\$ 163,749

</TABLE>

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF MERRILL LYNCH & CO., INC.:

We have audited the accompanying consolidated balance sheets of Merrill Lynch & Co., Inc. and subsidiaries ("Merrill Lynch") as of December 27, 1996 and December 29, 1995 and the related statements of consolidated earnings, changes in consolidated stockholders' equity and consolidated cash flows for each of the three years in the period ended December 27, 1996. These financial statements are the responsibility of Merrill Lynch's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Merrill Lynch at December 27, 1996 and December 29, 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 27, 1996 in conformity with generally accepted accounting principles.

/S/ Deloitte & Touche LLP
New York, New York
February 24, 1997

QUARTERLY INFORMATION

The unaudited quarterly results of operations of Merrill Lynch for 1996 and 1995 are prepared in conformity with generally accepted accounting principles and reflect all adjustments (which consist of only normal recurring accruals and the nonrecurring \$40 million pretax lease charge related to the resolution of Olympia & York's bankruptcy in the fourth quarter of 1996) that are, in the opinion of management, necessary for a fair presentation of the results of operations for the periods presented. Results of any interim period are not necessarily indicative of results for a full year.

<S>	For the Quarter							
(Dollars in Millions, Except Per Share Amounts)	Dec. 27, 1996	Sept. 27, 1996	June 28, 1996	Mar. 29, 1996	Dec. 29, 1995	Sept. 29, 1995	June 30, 1995	Mar. 1995
Total Revenues	\$6,601	\$6,201	\$6,190	\$6,019	\$5,293	\$5,431	\$5,585	\$5,204
Interest Expense	3,219	3,108	2,810	2,758	2,680	2,749	3,036	2,783
Net Revenues	3,382	3,093	3,380	3,261	2,613	2,682	2,549	2,421
Non-Interest Expenses	2,707	2,571	2,682	2,590	2,131	2,197	2,085	2,041
Earnings Before Income Taxes	675	522	698	671	482	485	464	380

Income Tax Expense	230	191	265	261	179	185	181	152
--	-----	-----	-----	-----	-----	-----	-----	-----
Net Earnings	\$ 445	\$ 331	\$ 433	\$ 410	\$ 303	\$ 300	\$ 283	\$ 228
--	-----	-----	-----	-----	-----	-----	-----	-----
--	-----	-----	-----	-----	-----	-----	-----	-----
Earnings Per Common Share:								
Primary	\$ 2.29	\$ 1.69	\$ 2.19	\$ 2.03	\$ 1.49	\$ 1.47	\$ 1.40	\$ 1.08
--	-----	-----	-----	-----	-----	-----	-----	-----
--	-----	-----	-----	-----	-----	-----	-----	-----
Fully Diluted	\$ 2.27	\$ 1.68	\$ 2.19	\$ 2.03	\$ 1.49	\$ 1.46	\$ 1.39	\$ 1.08
--	-----	-----	-----	-----	-----	-----	-----	-----
--	-----	-----	-----	-----	-----	-----	-----	-----

</TABLE>

DIVIDENDS PER COMMON SHARE

(Declared and paid)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	-----	-----	-----	-----
1996	\$.26	\$.30	\$.30	\$.30
1995	.23	.26	.26	.26

With the exception of regulatory restrictions on subsidiaries' abilities to pay dividends, there are no restrictions on Merrill Lynch's present ability to pay dividends on common stock, other than (a) Merrill Lynch's obligation first to make dividend payments on its preferred stock and (b) the governing provisions of the Delaware General Corporation Law. Certain subsidiaries' ability to declare dividends may also be limited (see Note 11 to the Consolidated Financial Statements).

STOCKHOLDER INFORMATION

Consolidated Transaction Reporting System prices for the specified calendar quarters are noted below.

<TABLE>
<CAPTION>

	1st Qtr.		2nd Qtr.		3rd Qtr.		4th Qtr.	
	High	Low	High	Low	High	Low	High	Low
	-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1996	\$62 1/2	\$49 3/8	\$68 1/8	\$56 1/4	\$66 3/4	\$54 1/4	\$85 1/8	\$65 1/8
1995	45	34 5/8	53 1/4	42 5/8	63 3/4	51 7/8	64 3/4	50 1/8

</TABLE>

The approximate number of record holders of common stock as of February 7, 1997 was 13,300.

SUBSIDIARIES OF THE REGISTRANT

The following are subsidiaries of ML & Co. as of March 21, 1997 and the states or jurisdictions in which they are organized. Indentation indicates the principal parent of each subsidiary. Except as otherwise specified, in each case ML & Co. owns, directly or indirectly, at least 99% of the voting securities of each subsidiary. The names of particular subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of the end of the year covered by this report, a "significant subsidiary" as that term is defined in Rule 1.02(v) of Regulation S-X, under the Securities Exchange Act of 1934.

Name	State or Jurisdiction of Entity
-----	-----
Merrill Lynch & Co., Inc.	Delaware
Merrill Lynch, Pierce, Fenner & Smith Incorporated(1).....	Delaware
Broadcort Capital Corp.	Delaware
Merrill Lynch & Co., Canada Ltd.	Ontario
Merrill Lynch Canada Inc.	Nova Scotia
Merrill Lynch Life Agency Inc.(2).....	Washington
Merrill Lynch Professional Clearing Corp.(3).....	Delaware
Merrill Lynch Bank & Trust Co.	New Jersey
Merrill Lynch Capital Services, Inc.	Delaware
Merrill Lynch Government Securities Inc.	Delaware
Merrill Lynch Money Markets Inc.	Delaware
Merrill Lynch Group, Inc.	Delaware
Merrill Lynch Capital Partners, Inc.	Delaware
Merrill Lynch Futures Inc.	Delaware
Merrill Lynch Group Holdings Limited.....	Ireland
Merrill Lynch Capital Markets Bank Limited.....	Ireland
Merrill Lynch Insurance Group, Inc.	Delaware
Merrill Lynch Life Insurance Company.....	Arkansas
ML Life Insurance Company of New York.....	New York
Merrill Lynch International Finance Corporation.....	New York
Merrill Lynch International Bank Limited.....	England
Merrill Lynch Bank (Suisse) S.A.	Switzerland
Merrill Lynch Mortgage Capital Inc.	Delaware
Merrill Lynch National Financial.....	Utah
Merrill Lynch Trust Company(4).....	New Jersey
Merrill Lynch Business Financial Services Inc.	Delaware
Merrill Lynch Credit Corporation.....	Delaware
Merrill Lynch Investment Partners Inc.	Delaware
MLDP Holdings, Inc.(5).....	Delaware
Merrill Lynch Derivative Products AG.....	Switzerland

- - - - -

- (1) MLPF&S also conducts business as "Merrill Lynch & Co."
- (2) Similarly named affiliates and subsidiaries that engage in the sale of life insurance and annuity products are incorporated in various other jurisdictions.
- (3) The preferred stock of the corporation is owned by an unaffiliated group of investors.
- (4) Similarly named affiliates and subsidiaries that provide trust and custodial services are incorporated in various other jurisdictions.
- (5) Merrill Lynch Group, Inc. owns 100% of this corporation's outstanding common voting stock. 100% of the outstanding preferred voting stock is held by outside parties. The board of directors consists of 12 members, 10 of whom are Merrill Lynch employees and 2 of whom represent outside parties.

Name	State or Jurisdiction of Entity
-----	-----
Merrill Lynch & Co., Inc.	
Merrill Lynch Group, Inc. (cont'd)	
ML IBK Positions Inc.(6).....	Delaware
Merrill Lynch Capital Corporation.....	Delaware
ML Leasing Equipment Corp.(7).....	Delaware
Princeton Services, Inc.(8).....	Delaware
Merrill Lynch International Incorporated.....	Delaware
Merrill Lynch International (Australia) Limited.....	New South Wales
Merrill Lynch International Bank.....	United States
Merrill Lynch International Holdings Inc.	Delaware
Merrill Lynch Bank (Austria) Aktiengesellschaft A.G. ..	Austria
Merrill Lynch Bank and Trust Company (Cayman) Limited..	Cayman Islands, British West Indies
Merrill Lynch International & Co.(9).....	Netherlands Antilles
Merrill Lynch Capital Markets A.G.	Switzerland

Merrill Lynch Europe PLC.....	England
Merrill Lynch International.....	England
Merrill Lynch Capital Markets PLC.....	England
Merrill Lynch, Pierce, Fenner & Smith (Brokers & Dealers) Limited.....	England
Merrill Lynch Trust Company (Jersey) Limited.....	Jersey, Channel Islands
Merrill Lynch Europe Ltd.	Cayman Islands, British West Indies
Merrill Lynch Holding GmbH.....	Germany
Merrill Lynch GmbH.....	Germany
Merrill Lynch France.....	France
Merrill Lynch Capital Markets (France) S.A.	France
Merrill Lynch Far East Limited.....	Hong Kong
Merrill Lynch Japan Incorporated.....	Delaware

- - - - -

- (6) This company has 7 subsidiaries holding or having a direct or indirect interest in specific investments on its behalf.
- (7) This corporation has more than 45 direct or indirect subsidiaries operating in the United States and serving as either general partners or associate general partners of limited partnerships.
- (8) This corporation is the general partner of Merrill Lynch Asset Management, LP and Fund Asset Management, LP (whose limited partner in both cases is ML & Co.).
- (9) A partnership among subsidiaries of ML & Co.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the following Registration Statements of Merrill Lynch & Co., Inc. of our reports dated February 24, 1997 included in and incorporated by reference in this Annual Report on Form 10-K of Merrill Lynch & Co., Inc. for the year ended December 27, 1996.

Filed on Form S-8:

- Registration Statement No. 33-41942 (1986 Employee Stock Purchase Plan)
- Registration Statement No. 33-17908 (Incentive Equity Purchase Plan)
- Registration Statement No. 33-33336 (Long Term Incentive Compensation Plan)
- Registration Statement No. 33-51831 (Long Term Incentive Compensation Plan)
- Registration Statement No. 33-51829 (401(k) Savings and Investment Plan)
- Registration Statement No. 33-54154 (Non-Employee Directors' Equity Plan)
- Registration Statement No. 33-54572 (401(k) Savings and Investment Plan (Puerto Rico))
- Registration Statement No. 33-56427 (Amended and Restated 1994 Deferred Compensation Plan for a Select Group of Eligible Employees)
- Registration Statement No. 33-55155 (1995 Deferred Compensation Plan for a Select Group of Eligible Employees)
- Registration Statement No. 33-60989 (1996 Deferred Compensation Plan for a Select Group of Eligible Employees)

- Registration Statement No. 333-09779 (1997 Deferred Compensation Plan for a Select Group of Eligible Employees)
- Registration Statement No. 333-00863 (401(k) Savings & Incentive Plan)
- Registration Statement No. 333-13367 (Restricted Stock Plan For Former Employees of Hotchkis and Wiley)
- Registration Statement No. 333-15009 (1997 KECALP Deferred Compensation Plan for a Select Group of Eligible Employees)
- Registration Statement No. 333-17099 (Deferred Unit and Stock Unit Plan for Non-Employee Directors)
- Registration Statement No. 333-18915 (Long Term Incentive Compensation Plan for Managers & Producers)

Filed on Form S-3:

- Debt Securities
- Registration Statement No. 33-54218
 - Registration Statement No. 2-78338
 - Registration Statement No. 2-89519
 - Registration Statement No. 2-83477
 - Registration Statement No. 33-03602
 - Registration Statement No. 33-17965
 - Registration Statement No. 33-27512
 - Registration Statement No. 33-35456

Registration Statement No. 33-42041

Registration Statement No. 33-45327

Registration Statement No. 33-49947

Registration Statement No. 33-51489

Registration Statement No. 33-52647

Registration Statement No. 33-60413

Registration Statement No. 33-61559

Registration Statement No. 33-65135

Registration Statement No. 333-13649

Medium Term Notes

Registration Statement No. 2-96315

Registration Statement No. 33-03079

Registration Statement No. 33-05125

Registration Statement No. 33-09910

Registration Statement No. 33-16165

Registration Statement No. 33-19820

Registration Statement No. 33-23605

Registration Statement No. 33-27549

Registration Statement No. 33-38879

Other Securities

Registration Statement No. 33-19975 (Remarketed Preferred Stock, Series C)

Registration Statement No. 33-33335 (Common Stock)

Registration Statement No. 33-45777 (Common Stock)

Registration Statement No. 33-55363 (Preferred Stock)

Registration Statement No. 333-02275 (Long Term Incentive Compensation
Plan)

Registration Statement No. 333-16603 (TOPrS)

Registration Statement No. 333-20137 (TOPrS)

/s/ Deloitte & Touche LLP

New York, New York
March 21, 1997

<TABLE> <S> <C>

<ARTICLE> BD
<MULTIPLIER> 1,000,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-27-1996
<PERIOD-START>	DEC-30-1995
<PERIOD-END>	DEC-27-1996
<CASH>	3,375
<RECEIVABLES>	29,794
<SECURITIES-RESALE>	58,402
<SECURITIES-BORROWED>	24,692
<INSTRUMENTS-OWNED>	87,130
<PP&E>	1,670
<TOTAL-ASSETS>	213,016
<SHORT-TERM>	36,582
<PAYABLES>	15,165
<REPOS-SOLD>	62,669
<SECURITIES-LOANED>	2,751
<INSTRUMENTS-SOLD>	43,545
<LONG-TERM>	26,102
<PREFERRED-MANDATORY>	0
<PREFERRED>	619
<COMMON>	315
<OTHER-SE>	5,958
<TOTAL-LIABILITY-AND-EQUITY>	213,016<F1>
<TRADING-REVENUE>	3,454
<INTEREST-DIVIDENDS>	12,899
<COMMISSIONS>	3,786
<INVESTMENT-BANKING-REVENUES>	1,945
<FEE-REVENUE>	2,261
<INTEREST-EXPENSE>	11,895
<COMPENSATION>	6,704
<INCOME-PRETAX>	2,566
<INCOME-PRE-EXTRAORDINARY>	1,619
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	1,619
<EPS-PRIMARY>	8.20
<EPS-DILUTED>	8.06

<FN>
<F1>Includes \$327 in Preferred Securities Issued by Subsidiaries, which is classified between Total Liabilities and Stockholders' Equity.
</FN>

</TABLE>